



**LARSEN & TOUBRO LIMITED**  
**ANNEXURE TO DIRECTORS' REPORT 2010-2011**  
**REPORTS AND ACCOUNTS – SUBSIDIARY COMPANIES**

Sr. No.	Name of the Subsidiary	VOLUME - 1		
		Pages		
		From	-	To
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2	L&T-Valdel Engineering Limited.....	S	30	S 54
3	L&T-Sargent & Lundy Limited.....	S	55	S 78
4	L&T-Gulf Private Limited.....	S	79	S 98
5	L&T Plastics Machinery Limited.....	S	99	S 121
6	Hi-Tech Rock Products & Aggregates Limited.....	S	122	S 135
7	L&T Aviation Services Private Limited.....	S	136	S 150
8	L&T Sapura Offshore Private Limited.....	S	151	S 164
9	L&T Sapura Shipping Private Limited.....	S	165	S 180
10	Spectrum Infotech Private Limited.....	S	181	S 208
11	L&T Special Steels and Heavy Forgings Private Limited.....	S	209	S 226
12	Raykal Aluminium Company Private Limited.....	S	227	S 235
13	Bhilai Power Supply Company Limited.....	S	236	S 245
14	L&T Shipbuilding Limited.....	S	246	S 262
15	Kesun Iron & Steel Company Private Limited.....	S	263	S 272
16	L&T Kobelco Machinery Private Limited.....	S	273	S 290
17	L&T Seawoods Private Limited.....	S	291	S 306
18	L&T Power Limited.....	S	307	S 320
19	L&T-MHI Turbine Generators Private Limited.....	S	321	S 344
20	L&T-MHI Boilers Private Limited.....	S	345	S 368
21	L&T Power Development Limited.....	S	369	S 388
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24	L&T Himachal Hydropower Limited.....	S	423	S 436
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26	L&T Capital Company Limited.....	S	450	S 473
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31	L&T Real Estate India Fund.....	S	512	S 521
32	L&T Asset Management Company Limited.....	S	522	S 531
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69	Larsen & Toubro Atco Saudia Company LLC.....	S 1141	-	S 1155
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## DIRECTORS' REPORT

The Directors present their Report and Audited Accounts for the year ended March 31, 2011.

### 1. FINANCIAL RESULTS

Description	2010-11 Rs. in Lakhs	2009-2010 Rs. in Lakhs
Profit Before Depreciation & Tax	1,313	388
Less / (Add): Depreciation and Amortization	275	321
<b>Profit Before Tax</b>	<b>1,038</b>	<b>67</b>
Provision for Current tax	162	NIL
Provision for Deferred tax	NIL	NIL
<b>Profit After Tax</b>	<b>876</b>	<b>67</b>
Add: Balance brought forward from previous year	178	111
<b>Balance carried to Balance Sheet</b>	<b>1,054</b>	<b>178</b>
<b>Dividend</b>		
The directors do not recommend dividend for the current year	NIL	NIL

### 2. YEAR IN RETROSPECT / PERFORMANCE OF THE COMPANY

Sales and other income for the financial year under review were Rs. 17,169 Lakhs as against Rs. 14,041 Lakhs for the previous financial year.

### 3. CAPITAL EXPENDITURE

As at March 31, 2011, the gross fixed and intangible assets stood at Rs. 552,608,759 and the net fixed assets at Rs. 343,097,410 including Capital Work in Progress of Rs. 2,925,794.

### 4. DEPOSITS

6 deposits totalling Rs. 12,000 due for payment on or before March 31, 2011 remained unclaimed. As on the date of this report, none of the above has been claimed and paid.

### 5. TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

During the year, the Company has transferred a sum of Rs. 34,473 being the amount due & payable and remaining unpaid for a period of 7 years, as provided in Section 205C of the Companies Act, 1956.

### 6. AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

### 7. DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.

### 8. PERSONNEL

The Board of Directors wish to express its appreciation to all the employees of the Company for their contribution to the operations of the Company during the year. There are no employees coming within the purview of Section 217(2A) of the Companies Act, 1956 as amended by Companies (Particulars of Employees) Rules, 1975.

### 9. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgements 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, 2011 and of the profit of the Company for the year ended on that date;
- iii. that 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;

## TRACTOR ENGINEERS LIMITED

- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### 10. DIRECTORS

Mr. V. J. Shukla retires by rotation and being eligible offers himself for re-appointment. Also, Mr. J. P. Nayak retires by rotation and being eligible offers himself for re-appointment.

### 11. AUDIT COMMITTEE

The Audit Committee consists of three Non-Executive and Independent Directors. The present members of the Committee are Mr. J. P. Nayak, Mr. S. Raghavan and Mr. V. J. Shukla. Mr. J. P. Nayak is the Chairman of Audit Committee.

The role, terms of reference, the authority and power of Chairman are in conformity with the requirements of the Companies Act, 1956.

The financial statements have been audited by M/s Sharp & Tannan, Chartered Accountants, and have been discussed with the Audit Committee.

### 12. AUDITORS

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### 13. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, vendors, suppliers and customers. The Directors place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

*Place: Mumbai*  
*Date : April 15, 2011*

**J. P. NAYAK**  
*Director*

**S. RAGHAVAN**  
*Director*

**S. K. MITTRA**  
*Director*

## ANNEXURE A TO THE DIRECTORS' REPORT

(Additional information given in terms of notification issued by the Ministry of Corporate Affairs)

### A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken:
1. Replacement of 60 Nos street light lamps from 150W to 75W with same Lux illumination level.
  2. Power Factor maintain through out the year to 0.99.
  3. Restricted use of paint oven, resulted saving of around 200 ltrs diesel/day.
- b) Total energy consumption and energy consumption per unit of production as per Form - A in respect of Industries specified in the Schedule.
- Not applicable.

### B. TECHNOLOGY ABSORPTION

#### FORM B

(Disclosure of particulars with respect to Technology Absorption)

#### RESEARCH AND DEVELOPMENT (R&D)

#### 1. Specific areas in which R&D carried out by the Company

Development of new products / designs:

- a. A recently developed improved variant of an undercarriage model has been successfully validated by a multinational excavator manufacturer and technically approved for global supplies to their plants.
- b. Two other multinational excavator manufacturers have approved, for their plants in India, Tengl's undercarriage parts for use on their recently introduced models.
- c. Designed and manufactured for domestic as well as overseas OEMs track modules with drives for a wide variety of applications.
- d. As a part of value engineering efforts, following designs revised and implemented:
  - Designs of four models of track links optimised for mass and stress distribution and enhanced their properties leading to improved fatigue life as well as weight reduction.
  - Design optimisation of shoe assembly of Arjun MBT tank completed and successfully tested as a part of indigenisation efforts of DRDO.
- e. Developed prototypes of innovative oil-free track roller, upper roller and idler as a part of sustainability efforts. Currently, these parts are being field tested.

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

- Wider range of products to cater to new segments of markets.
- Moving up the value chain to offer complete solutions in bulk material conveying systems.
- Cost reduction / Improved utilisation of material.
- Improved service performance.

#### 3. Future plans of action

- Continuation of the present work in R&D for introduction of new products and processes, improvement in existing products and processes in various areas in which the Company is operating.
- Faster introduction of new products and processes.
- Actively associating with the Defence Ministry on indigenisation plans for products used by various defence forces.

#### 4. Expenditure on R&D (Rs.)

Description	2010-11	2009-10
i) Capital	-	-
ii) Recurring	4,784,618	4,432,813
<b>iii) Total</b>	<b>4,784,618</b>	<b>4,432,813</b>
iv) Total R&D Expenditure as a percentage of total turnover	<b>0.3%</b>	0.3%

## TRACTOR ENGINEERS LIMITED

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Product and process technology developed through in-house R&D i.e. for design and manufacture of undercarriage for excavators and dozers has been absorbed and several models upgraded to new designs.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.:

- Improvement in existing processes and product quality, performance, safety and serviceability.
- Import substitution and reduced dependence on technology.
- Introduction of new products with indigenous know-how.

3. **Information regarding technology imported during the last five years.**

The Company has not imported any technology in the last five years.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
Foreign exchange earned	<b>110,799,536</b>	<i>83,178,058</i>
Foreign exchange used	<b>89,610,767</b>	<i>104,395,338</i>

## AUDITORS' REPORT

### TO THE MEMBERS OF TRACTOR ENGINEERS LIMITED

We have audited the attached Balance Sheet of Tractor Engineers Limited, as at March 31, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. These 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books of account and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable; and
  - (e) On the basis of the written representations received from the directors of the Company as on March 31, 2011, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies in Schedule 'P' and notes on the financial statements in Schedule 'Q', 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:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(CAI registration No. 109982W)  
By the hand of

**TIRTHARAJ KHOT**  
Partner  
Membership No: 37457

Place : Pune  
Date: April 15, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Refer paragraph 1 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, we report as under:

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
 (b) We have been informed that, the fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. Discrepancies noticed on such verification have been properly dealt with in the books of account.  
 (c) The Company has not disposed off any substantial part of its fixed assets during the year so as to affect its going concern status.
2. (a) As explained to us, inventory has been physically verified by the management at reasonable intervals during the year.  
 (b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.  
 (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records have been properly dealt with in the books of account.
3. According to the information and explanations given to us, the Company has not granted / taken any loans, secured or unsecured, to / from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, reporting on paragraph 4(iii)(b), (c), (d), (f) and (g) of the Order is not applicable.
4. 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 inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
5. According to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of paragraph 4(v) of the Order is not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A , 58AA and other relevant provision of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from public. According to the information and explanation given to us, 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 on the Company.
7. The Company has an internal audit system, which, in our opinion, is commensurate with the size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the product of the Company.
9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, service tax, custom duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no arrears of outstanding statutory dues as at March 31, 2011 for the period of more than six months from the date they became payable.  
 (b) According to the information and explanations given to us and the records of the company examined by us, the particulars in respect of income tax, excise duty and cess which have not been deposited with the appropriate authorities on account of dispute, are as under:

Name of the Statute	Nature of the disputed dues	AmountRupees	Period to which the mount relates	Forum where disputes are pending
Bombay Provincial Municipal Corporation (Cess on entry of Goods) Rules, 1996	Cess and interest thereon	1,208,627	2003-04	Bombay High Court
Central Excise Act, 1962	Penalty	296,017	2007-08	CESTAT
Income Tax Act, 1961	Tax and interest	144,995	2006-07	CIT(A)
	Fringe benefit tax	2,387	2006-07	Deputy Commissioner of Income Tax
	Fringe benefit tax	134,510	2008-09	Deputy Commissioner of Income Tax

10. The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has not issued any debentures.
12. According to the information and explanations given 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. Accordingly reporting on paragraph 4(xii) of the Order is not applicable.



13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, reporting on paragraph 4(xiv) of the Order is not applicable.
15. In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting on paragraph 4(xv) of the Order is not applicable.
16. In our opinion and according to the information and explanations given to us, the Company has not taken any term loan during the year. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us, the Company has not raised any funds on short-term basis. Accordingly, reporting on paragraph 4(xvii) of the Order is not applicable.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year.
19. According to the information and explanations given to us, the Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
20. The Company has not raised any money by way of public issues during the year. Accordingly, reporting on paragraph 4(xx) of the Order is not applicable.
21. 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(CAI registration No.109982W)*  
*By the hand of*

**TIRTHARAJ KHOT**  
*Partner*  
*Membership No: 37457*

*Place : Pune*  
*Date: April 15, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	68,000,000		68,000,000	
Reserve and surplus	B	285,941,224		198,324,474	
			353,941,224		266,324,474
<b>Loan Funds</b>					
Secured loans	C	32,281,801		564,560,133	
Unsecured loans	D	490,012,000		290,037,000	
			522,293,801		854,597,133
<b>Deferred Tax Liabilities (net)</b> (See Note No. 16 in Schedule Q)			-		-
<b>TOTAL</b>			<b>876,235,025</b>		<b>1,120,921,607</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
(See Note No. 6 & 15 in Schedule Q)	E1				
Gross block		486,954,673		520,363,862	
Less : Depreciation and impairment		200,134,108		202,789,985	
Net Block		286,820,565		317,573,877	
Add:Capital work-in-progress		2,925,794		2,925,794	
			289,746,359		320,499,671
<b>Fixed Assets held for sale</b>			-		775,624
<b>Intangible Assets</b>					
Gross block	E2	62,728,292		62,728,292	
Less : Amortisation and Impairment		9,377,241		8,556,178	
Net Block		53,351,051		54,172,114	
Add:Capital Work-in Progress		-		-	
			53,351,051		54,172,114
<b>Investments</b>	F		136,953		136,953
<b>Current assets, loans and advances</b>					
Inventories	G	454,690,690		501,261,302	
Sundry debtors		367,684,957		496,733,745	
Cash and bank balances		1,293,322		10,213,058	
Loans and advances		85,455,067		177,754,109	
		909,124,036		1,185,962,214	
<b>Less : Current Liabilities and Provisions</b>	H				
Liabilities		366,326,607		429,356,207	
Provisions		9,796,767		11,268,762	
		376,123,374		440,624,969	
<b>Net Current Assets</b>			<b>533,000,662</b>		<b>745,337,245</b>
<b>TOTAL</b>			<b>876,235,025</b>		<b>1,120,921,607</b>
<b>Contingent Liabilities</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES FORMING PART OF THE FINANCIAL STATEMENTS</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration No.109982W

By the hand of

**TIRTHARAJ KHOT**

Partner

Membership No. 37457

Place : Mumbai

Date : April 15, 2011

**MANOJ KUMAR HARLALKA**

Company Secretary

Place : Mumbai

Date : April 15, 2011

**N. KANNAN**

Manager

**J. P. NAYAK****S. RAGHAVAN****S. K. MITTRA**

Directors

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and Service	J	1,868,984,871		1,441,479,982	
Less:Excise duty		159,909,082		112,254,949	
			1,709,075,789		1,329,225,033
Other Income	K		7,144,636		74,850,645
			1,716,220,425		1,404,075,678
<b>EXPENDITURE</b>					
Materials, manufacturing and operating expenses	L	1,359,732,944		1,130,275,976	
Staff expenses	M	91,891,661		66,735,711	
Sales, administration and other expenses	N	97,596,028		115,602,129	
Interest & Brokerage	O	35,699,880		52,621,604	
Depreciation and obsolescence (See Note No. 9 in Schedule Q)		26,662,099		31,227,485	
Amortisation of Intangible Assets		821,063		863,664	
			1,612,403,675		1,397,326,569
<b>Profit/(Loss) Before Tax</b>			103,816,750		6,749,109
Provision for					
Current tax - including Wealth Tax NIL (previous year Rs. Nil)		16,200,000		-	
Deferred Tax		-		-	
			16,200,000		-
<b>Profit/(Loss) After Tax</b>			87,616,750		6,749,109
Add:Balance brought forward from previous year			17,865,306		11,116,197
<b>Profit available for appropriation</b>			105,482,056		17,865,306
Less : Transferred to General Reserve			-		-
Profit available for Distribution			105,482,056		17,865,306
<b>Balance carried to Balance Sheet</b>			105,482,056		17,865,306
Basic and Diluted Earnings Per Equity Share (Rs.) (See Note No.14 in Schedule Q)			1,288		99
Nominal Value Per Equity Share (Rs.)			1,000		1,000
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	P				
<b>NOTES FORMING PART OF THE FINANCIAL STATEMENTS</b>	Q				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI registration No.109982W  
By the hand of**TIRTHARAJ KHOT**Partner  
Membership No. 37457Place : Mumbai  
Date : April 15, 2011**MANOJ KUMAR HARLALKA**

Company Secretary

Place : Mumbai  
Date : April 15, 2011**N. KANNAN**

Manager

J. P. NAYAK  
S. RAGHAVAN  
S. K. MITTRA

} Directors

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before tax &amp; extraordinary activities</b>	<b>103,816,750</b>	6,749,109
Adjustments for:		
Depreciation (including obsolescence) and amortisation	27,483,162	32,091,149
Interest (Net)	35,699,880	52,621,604
Foreign exchange (gain) / loss (net)	-	10,638,186
Loss on asset written off	-	
(Profit) / Loss on Sale of Fixed Assets	63,496	(3,254,007)
Provision for doubtful debts	(1,030,338)	6,951,756
<b>Operating profit / (loss) before working capital changes</b>	<b>166,032,950</b>	105,797,797
Adjustments for:		
(Increase) / Decrease in Trade & other receivables	198,154,271	(97,622,921)
(Increase) / Decrease in Inventories	46,570,612	276,174,063
(Increase) / Decrease in Miscellaneous Expenditure	-	151,917
Increase / (Decrease) in Trade Payables	(64,501,595)	43,640,236
Cash Generated from Operations	346,256,237	328,141,092
Direct taxes paid (Net)	8,023,900	(400,000)
<b>Net Cash from Operating Activities</b>	<b>354,280,137</b>	327,741,092
<b>B Cash Flow from Investing Activities</b>		
Purchase of fixed assets including CWIP	(70,000)	(1,798,527)
Sale of fixed assets	4,873,340	3,940,456
Interest Received	561,018	573,139
<b>Net Cash (used in) / from Investing Activities</b>	<b>5,364,358</b>	2,715,068
<b>C Cash Flow from Financing Activities</b>		
(Repayment) / Proceeds from Short Term & other borrowings	(366,178,999)	(174,749,623)
(Repayment) / Proceeds from long term borrowings	(166,099,334)	(75,657,487)
Loan From Holding Company	200,000,000	(20,000,000)
Repayment of Fixed Deposits	(25,000)	(20,000)
Interest paid	(36,260,898)	(53,194,743)
<b>Net Cash (used in) / from Financing Activities</b>	<b>(368,564,231)</b>	(323,621,853)
<b>D Net (decrease) / increase in cash &amp; cash equivalents (A+B+C)</b>	<b>(8,919,736)</b>	6,834,307
<b>Cash &amp; Cash equivalents at the beginning of the year</b>	<b>10,213,058</b>	3,378,751
<b>Cash &amp; Cash equivalents at the end of the year</b>	<b>1,293,322</b>	10,213,058

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 "Cash Flow Statements" as specified in the Companies (Accounting Standard) Rules, 2006.
- Purchase of fixed assets includes movements of Capital Work-in-Progress between the beginning and end of the year.
- Cash and cash equivalents represent cash on hand and bank balances on current accounts.
- Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI registration No.109982W  
By the hand of

**TIRTHARAJ KHOT**  
Partner  
Membership No. 37457

Place : Mumbai  
Date : April 15, 2011

**MANOJ KUMAR HARLALKA**  
Company Secretary

Place : Mumbai  
Date : April 15, 2011

**N. KANNAN**  
Manager

**J. P. NAYAK**  
**S. RAGHAVAN**  
**S. K. MITTRA**

} Directors

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
70,000 Equity shares of Rs. 1,000 each.		<b>70,000,000</b>		<b>70,000,000</b>
<b>Issued &amp; subscribed</b>				
68,000 Equity shares of Rs. 1,000 each fully paid		<b>68,000,000</b>		<b>68,000,000</b>
<b>TOTAL</b>		<b>68000000.00</b>		<b>68000000.00</b>

<b>SCHEDULE B</b>				
<b>RESERVES &amp; SURPLUS</b>				
General Reserve				
As per last Balance Sheet		<b>180,459,168</b>		<b>180,459,167</b>
Profit & Loss Account		<b>105,482,056</b>		<b>17,865,307</b>
<b>TOTAL</b>		<b>285,941,224</b>		<b>198,324,474</b>

<b>SCHEDULE C</b>				
<b>SECURED LOANS</b>				
<b>From Banks</b>				
External Commercial Borrowings (Payable within one year Rs. Nil, PY Rs. 166,099,334)		<b>-</b>		<b>166,099,334</b>
Cash Credits (Secured against Debtors & Inventory)		<b>32,281,801</b>		<b>398,460,799</b>
<b>TOTAL</b>		<b>32,281,801</b>		<b>564,560,133</b>

<b>SCHEDULE D</b>				
<b>UNSECURED LOANS</b>				
<b>Fixed Deposits</b>				
Due for not more than one year		<b>12,000</b>		<b>37,000</b>
Inter Corporate Deposits		<b>490,000,000</b>		<b>290,000,000</b>
<b>TOTAL</b>		<b>490,012,000</b>		<b>290,037,000</b>

**SCHEDULE E1 - TANGIBLE ASSETS**

FIXED ASSETS	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	On Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	133,506,175	-	-	<b>133,506,175</b>	30,560,255	3,333,452	-	<b>33,893,707</b>	<b>99,612,468</b>	102,945,920
Plant & Machinery	371,669,028	70,000	31,608,577	<b>340,130,451</b>	163,910,143	22,809,539	28,945,885	<b>157,773,797</b>	<b>182,356,654</b>	207,758,885
Furniture & Fixtures	13,982,113	-	1,870,612	<b>12,111,501</b>	8,016,548	348,502	372,092	<b>7,992,959</b>	<b>4,118,542</b>	5,965,565
Vehicles	1,206,546	-	-	<b>1,206,546</b>	303,039	170,606	-	<b>473,645</b>	<b>732,901</b>	903,507
<b>TOTAL</b>	<b>520,363,862</b>	<b>70,000</b>	<b>33,479,188</b>	<b>486,954,673</b>	<b>202,789,985</b>	<b>26,662,099</b>	<b>29,317,977</b>	<b>200,134,108</b>	<b>286,820,565</b>	
Previous Year	518,714,389	20,927,319	19,277,846	520,363,862	190,153,897	31,227,485	18,591,397	202,789,985	-	317,573,877
Add: Capital work-in-progress [including advance of Rs. Nil (previous year Rs. Nil)]									<b>2,925,794</b>	2,925,794
									<b>289,746,359</b>	<b>320,499,671</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)****SCHEDULE E2 - INTANGIBLE ASSETS**

FIXED ASSETS	COST				DEPRECIATION			BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	On Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land- Leasehold	56,307,176	-	-	56,307,176	2,364,900	591,225	-	2,956,125	53,351,051	53,942,276
Specialised Software	6,421,116	-	-	6,421,116	6,191,278	229,838	-	6,421,116	-	229,838
<b>TOTAL</b>	<b>62,728,292</b>	-	-	<b>62,728,292</b>	<b>8,556,178</b>	<b>821,063</b>	-	<b>9,377,241</b>	<b>53,351,051</b>	
<i>Previous Year</i>	<i>62,728,292</i>	-	-	<i>62,728,292</i>	<i>7,692,514</i>	<i>863,664</i>	-	<i>8,556,178</i>	-	<i>54,172,114</i>
Add:Capital work-in-progress [including advance of Rs. Nil ( <i>previous year Rs. Nil</i> )]									<b>53,351,051</b>	<i>54,172,114</i>

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE F</b>				
<b>INVESTMENTS</b>				
<b>Long Term</b>				
Traded, Unquoted at cost				
Larsen and Toubro Saudi Arabia LLC (200 shares of SAR 1000 each)	17,478		17,478	
Larsen & Toubro LLC (2,500 shares of USD 1 each)	119,475		119,475	
		<b>136,953</b>		<b>136,953</b>
<b>TOTAL</b>		<b>136,953</b>		<b>136,953</b>

**SCHEDULE G****CURRENT ASSETS, LOANS AND ADVANCES**

Inventories (At lower of cost and net realisable value)

Loose tools	2,589,568		2,914,316	
Consumables stores & spare parts	506,009		4,457,492	
Raw materials	204,898,499		230,226,097	
Finished goods	146,405,326		180,093,950	
Work-in-progress	100,291,288		83,569,447	
		<b>454,690,690</b>		<b>501,261,302</b>
Sundry Debtors				
Unsecured				
Debts Outstanding for more than six months				
Considered good	52,704,079		53,779,606	
Considered doubtful	462,388		7,239,762	
	53,166,467		61,019,368	
Other debts				
Considered good	314,980,878		442,954,139	
	368,147,345		503,973,507	
Less: Provision for doubtful debts	462,388	367,684,957	7,239,762	496,733,745
Cash and bank balances				
Cash on hand	44,896		68,509	
Balances with scheduled banks on				
Current accounts	1,248,426		10,144,549	
		<b>1,293,322</b>		<b>10,213,058</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Loans and Advances				
Secured, Considered good				
Loans against mortgage of house property	195,484		966,570	
Unsecured				
Considered good	72,119,350		152,377,523	
Considered doubtful	5,673,812		5,673,812	
	77,793,162		158,051,335	
Less: Provision for doubtful Advances	5,673,812		5,673,812	
	72,119,350		152,377,523	
Provision for Income Tax (Net)	13,140,233		24,410,016	
		85,455,067		177,754,109
<b>TOTAL</b>		<b>909,124,036</b>		<b>1,185,962,214</b>

**SCHEDULE H****CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

Sundry Creditors				
Due to Micro and Small Enterprises	129,806		101,186	
Others	366,196,801		429,153,285	
	366,326,607		429,254,471	
Interest accrued, but not due on loans	–		101,736	
		366,326,607		429,356,207
<b>Provisions for</b>				
Leave encashment	6,653,286		7,638,524	
Gratuity	(1,994,971)		(2,120,485)	
Employee benefits	5,138,452		5,750,723	
		9,796,767		11,268,762
<b>TOTAL</b>		<b>376,123,374</b>		<b>440,624,969</b>

**SCHEDULE I****CONTINGENT LIABILITIES**

for Income tax matter in appeal	337,738		337,738	
for Central Excise matter in Appeal	296,017		296,017	
for Cess payable to Navi Mumbai Municipal Corporation, in appeal	1,208,627		1,208,627	
for entry tax payable to Madhya Pradesh State	663,061		–	

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>SALES &amp; SERVICE</b>				
Manufacturing & Trading activity	1,868,224,871		1,428,802,409	
Servicing	760,000		12,677,573	
<b>TOTAL</b>	<b>1,868,984,871</b>		<b>1,441,479,982</b>	

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE K</b>				
<b>OTHER INCOME</b>				
Profit on sale of fixed assets		-		3,254,007
Miscellaneous income		2,744,860		71,596,638
Exchange Difference (Net)		4,399,776		-
<b>TOTAL</b>		<b>7,144,636</b>		<b>74,850,645</b>
<b>SCHEDULE L</b>				
<b>MATERIALS, MANUFACTURING AND OPERATING EXPENSES</b>				
Raw material consumed				
Opening stock	230,226,097		341,425,012	
Add : Purchases	1,226,067,032		787,487,378	
	1,456,293,129		1,128,912,390	
Less : Closing stock	204,898,499		230,226,097	
		1,251,394,630		898,686,293
Add : Purchase of trading goods		8,648,646		2,944,823
Increase in manufacturing and trading stocks				
Closing stocks :				
Finished goods	146,405,326		180,093,950	
Work-in-progress	100,291,288		83,569,447	
	246,696,614		263,663,397	
Less : Opening stocks :				
Finished goods	180,093,950		322,142,978	
Work-in-progress	83,569,447		103,696,566	
	263,663,397		425,839,544	
		16,966,783		162,176,147
		1,277,010,059		1,063,807,263
Less : Scrap sales		14,058,527		12,199,811
		1,262,951,532		1,051,607,452
Stores, spares and tools		45,374,850		39,135,524
Excise duty		(37,379)		(2,671,747)
Power and fuel		32,570,998		23,127,634
Hire Charges - Plant & Machinery and others		1,996,367		905,956
Repairs to plant and machinery		13,243,406		14,715,341
Repairs to buildings		3,633,170		3,455,816
<b>TOTAL</b>		<b>1,359,732,944</b>		<b>1,130,275,976</b>



**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE M</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		79,453,318		64,077,828
Contribution to :				
Provident funds and pension fund	2,755,437		2,517,910	
Superannuation fund	1,900,000		1,964,662	
Gratuity funds	1,317,014		(1,850,234)	
		5,972,451		2,632,338
Provision for Leave encashment		(985,238)		(3,761,578)
Welfare and other expenses		7,451,130		3,787,123
<b>TOTAL</b>		<b>91,891,661</b>		<b>66,735,711</b>

**SCHEDULE N****SALES, ADMINISTRATION & OTHER EXPENSES**

Rent (including lease rentals Rs. 7,53,083, previous year Rs. 1,596,167)		1,248,850		2,261,370
Rates and taxes		271,212		1,149,556
Travelling and conveyance		12,025,779		15,411,687
Directors' fees		-		-
Telephone Postage & Telegram		2,066,169		1,761,859
Advertising and sales promotion		245,669		219,611
Stationery & Printing		1,586,159		1,563,760
Loss on sale of fixed assets (Net of assets written off current yr WDV 15,15,573.00)		63,496		-
Insurance		465,748		933,540
Commission		9,370,516		9,889,673
Bank Charges		3,871,963		7,555,544
Bad Debts and advances written off		1,102,507		5,350,439
Provision for doubtful debts & advances (net)		(1,030,338)		6,951,756
Exchange Difference (net)		-		8,964,281
Packing and forwarding		31,090,004		21,141,303
Miscellaneous expenses		35,218,294		32,447,750
<b>TOTAL</b>		<b>97,596,028</b>		<b>115,602,129</b>

**SCHEDULE O****INTEREST & BROKERAGE**

Fixed Deposits & Debentures		-		-
Others	36,260,898		53,194,743	
		36,260,898		53,194,743
Less:				
Interest from others (Tax deducted at source Rs. NIL, previous year Rs. 17,464)	561,018		573,139	
Interest on Long term investments	-		-	
		561,018		573,139
<b>TOTAL</b>		<b>35,699,880</b>		<b>52,621,604</b>

## **SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

### **SCHEDULE P**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF ACCOUNTING**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] and in compliance with the Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful life of fixed assets & intangible assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Differences, if any, between the actual results and estimates is recognised in the period in which the results are shown.

##### **2. REVENUE RECOGNITION**

- a) Sales & service include excise duty and adjustments made towards liquidated damages, price variation and charges paid for discounting of receivables arising from construction / project contracts on a non-recourse basis, wherever applicable.
- b) Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.
  - (i) Revenue from sale of goods is recognised when the substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.
  - (ii) Other income is accounted on accrual basis as and when the right to receive arises.

##### **3. FIXED ASSETS**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation / impairment.

Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of fixed assets or bringing the fixed assets to working condition are allocated and capitalized as a part of the cost of the fixed assets.

##### **4. DEPRECIATION**

Depreciation on fixed assets is provided at the rates prescribed from time to time under Schedule XIV of the Companies Act, 1956, on the written down value method on all existing assets upto September 30, 1987 and on straight line method on assets acquired from October 1, 1987 except in the case of vehicles which are depreciated at 14.14%.

Depreciation on additions / deductions is calculated pro rata from / to the month of additions / deductions.

##### **5. INTANGIBLE ASSETS AND AMORTISATION**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. Intangible assets are amortised as follows:

- a) Leasehold land: over the period of the lease.
- b) Specialised software: over a period of six years.

##### **6. IMPAIRMENT OF ASSETS**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) the provision for impairment loss, if any, required or
- b) the reversal, if any, required of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined

- a) in the case of an individual asset, at the higher of the net selling price and the value in use.
- b) In the case of a cash generating unit (a group of assets that generates identified independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

##### **7. BORROWING COSTS**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of such assets till such time as the assets is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as expense in the period in which they are incurred.

## **SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

### **8. INVESTMENTS**

- i) Long Term investments are carried at cost, after providing for any diminution in value, if such diminution is of a permanent nature.
- ii) Current investments are carried at lower of cost or market value.

### **9. INVENTORIES**

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence and damages as under:

- a) In the case of materials, cost represents purchase price and other costs incurred for bringing inventories to their present location and condition and is determined on weighted average basis.
- b) In the case of work-in-progress the cost represents cost of materials, conversion costs and attributable production overheads.
- c) In the case of finished goods, cost of materials plus related production overheads and excise duty paid/ payable on such goods.

### **10. FOREIGN CURRENCY**

- a) The reporting currency of the Company is the Indian Rupee.
- b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences that arise on settlement of monetary items or on reporting at each Balance Sheet date of the Company's monetary items at the closing rate are:
  - i) adjusted in the cost of fixed assets acquired upto March 31, 2004 and specifically financed by the borrowings to which the exchange differences relate.
  - ii) adjusted in the cost of fixed assets specifically financed by borrowings contracted after April 1, 2004 and to which the exchange differences relate, provided the assets are acquired from outside India
  - iii) recognised as income or expense in the period in which they arise, in cases other than (i) and (ii) above
- c) Premium or discount on forward exchange contracts that are intended for hedging purposes are amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit & loss in the reporting period in which the exchange rates change.

### **11. EMPLOYEE BENEFITS**

- a) Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering service are classified as short-term employee benefits. Benefits, such as, salaries, wages, short-term compensated absences, etc. and the expected cost of bonus are recognised during the period in which the employee renders the service.

- b) Post-employment benefits

- i) Defined contribution plan

The Company's contributions paid / payable to provident fund, superannuation fund and labour welfare fund are recognized during the period in which the employee renders the related service.

- ii) Defined benefit plan

The employee's gratuity fund scheme, post retirement medical care scheme, Leave encashment and long service awards are defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans is, based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Actuarial gain and losses are recognised immediately in the Profit and Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from gross obligation under the defined benefit plans to recognise the obligation on the net basis. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when curtailment and settlement occurs.

### **12. RESEARCH & DEVELOPMENT**

Revenue expenditure on research and development is charged under respective heads of account. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)****13. TAXES ON INCOME**

Tax on Income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of the assessments / appeals.

Deferred tax is recognised on timing difference between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

- a) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - i) the Company has a present obligation as a result of a past event;
  - ii) a probable outflow of resource is expected to settle the obligation; and
  - iii) the amount of the obligation can be reliably estimated.
- b) Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.
- c) Contingent liability is disclosed in the case of:
  - i) a present obligation arising from a past event, when it is not probable that an outflow of resource will be required to settle the obligation; and
  - ii) a possible obligation, unless the probability of outflow of resource is remote contingent assets are neither recognised nor disclosed.
- d) Provisions and contingent liabilities are reviewed at each Balance Sheet date.

**SCHEDULE Q****NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

1. Of the total shares issued, 67,994 Equity shares (*Previous year 67,994 Equity shares*) are held by the Holding Company – Larsen & Toubro Limited.
2. Of the total shares issued, 62,000 Equity shares were issued as bonus shares by way of capitalisation of General Reserve of Rs. 62,000,000.
3. Pursuant to the Employees Stock Options Scheme established by the Holding Company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company, in respect of the same is Rs. 21,100,581. The same is being recovered over the period of vesting by the holding company. Accordingly, cost of Rs. 14,632,508 (*PY Rs. 8,922,917*) has been recovered by the holding company up to current year, out of which, Rs. 4,663,681 (*PY Rs. 1,703,327*) was recovered during the year. Balance Rs. 6,468,073 will be recovered in future periods
4. The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) as at March 31, 2011. The disclosure pursuant to the said Act is as under:

	<b>2010-2011 Rupees</b>	2009-2010 Rupees
Principal amount due to suppliers under the Act, 2006	<b>129,806</b>	101,186
Interest accrued and due to suppliers under the Act, on the above matters	–	2,174
Payment made to the suppliers (other than interest) beyond the appointed day, during the year	–	2,214,591
Interest paid to suppliers under the Act, (other than Section 16)	–	–
Interest paid to suppliers under the Act, (Section 16)	–	2,174
Interest due and payable to suppliers under the Act, for payment already made	–	–
Interest accrued and remaining unpaid at the end of the year to suppliers under the Act.	–	–

Note: The information has been given in respect of such vendors to the extent they could be identified as 'Micro and Small enterprises' on the basis of the information available with the Company. This has been relied upon by the auditors.

5. Estimated amount of contracts remaining to be executed on capital account (net of advances) is : Rs. Nil (*previous year Rs. Nil*)
6. Cash credit facilities from banks are secured by hypothecation of stocks, stores and book-debts.

External Commercial Borrowings (ECB) from ABN Amro Bank was secured by mortgage of land at Talegaon, pari-passu first charge on specific movable & immovable fixed assets present & future at Talegaon. The Company has fully repaid the ECB, hence charge is satisfied.

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

7. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2011.
8. Expenditure on research and development activities, as certified by the management is Rs. 4,784,618 (*previous year Rs. 4,432,813*).
9. Change in useful life of fixed assets

The Company has done technological evaluation of useful life of depreciable assets. In view of the above the useful life of certain classes of plant & machinery has been revised. Due to this current year profit is lower by Rs. 2,234,599. The details are as follows:

Asset	Depreciation as per revised useful life Rupees	Depreciation as per original useful life Rupees	Impact on Profit Rupees
Plant & Machinery	4,550,044	2,315,445	2,234,599

10. Disclosures as required by Accounting Standard (AS) 19 Leases:

The Company has taken on operating lease certain assets comprising cars and personal computers costing Rs. 5,497,498 (*previous year Rs. 5,672,498*). Total minimum future lease payments in this respect are as follows:

	2010-11 Rupees	2009-10 Rupees
Due :		
Not later than one year	654,208	933,181
Later than one year but not later than five years	6,845	661,053
Later than five years	Nil	Nil
<b>TOTAL</b>	<b>661,053</b>	<b>1,594,234</b>

11. The exchange gain (net) arising on foreign currency transactions amounting to Rs. 4,399,776 have been provided for in the respective revenue accounts. (*previous year loss (net) Rs. 8,964,281*)
12. Disclosures as required by Accounting Standard (AS) 17 Segment Reporting

The Company's activities fall within a single segment, viz. undercarriage and related products. Segmental Reporting is on the basis of geographical location of the customers and is as under:

Revenue by location of the Customer	2010-11 Rupees	2009-10 Rupees
India	1,590,942,353	1,244,415,237
Europe	115,459,596	59,864,384
Rest of the World	2,673,840	24,945,412
Total	1,709,075,789	1,329,225,033
<b>Carrying amount of Segment Assets by location of assets</b>		
India	1,219,358,773	1,504,307,101
Europe	32,501,171	53,154,058
Rest of the World	361,502	3,172,840
Total	1,252,221,446	1,560,633,999
<b>Cost incurred on acquisition of tangible and intangible fixed assets</b>		
India	70,000	1,798,527
Europe	—	—
Rest of the World	—	—
Total	70,000	1,798,527

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## 13. Disclosures as required by Accounting Standard (AS) 18 Related Party Disclosures

## a) Names of the Related Parties:

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Holding Company
2.	L&T Finance Limited	Fellow Subsidiary
3.	Larsen & Toubro Infotech Limited	Fellow Subsidiary
4.	Larsen and Toubro Saudi Arabia LLC	Fellow Subsidiary
5.	Larsen and Toubro LLC	Fellow Subsidiary
6.	L&T Modular & Fabrication Yard LLC	Fellow Subsidiary
7.	Ewac Alloys Limited	Fellow Subsidiary (w.e.f. 14.12.2010)
8.	Key Management Personnel and his relatives	
	Mr. Vishesh P. Jethmalani	Chief Executive and Manager
	Mrs. Shalini V. Jethmalani	Wife
	Ms. Khushboo V. Jethmalani	Daughter
	Mrs. Asha Jethmalani	Mother
	Mr. Parasram Jethmalani	Father
	Mr. Anil P. Jethmalani	Brother
	Mr. Sailesh P. Jethmalani	Brother

## b) Names of the Related Parties with whom transactions were carried out during the year and description of relationship:

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Holding Company
2.	L&T Finance Limited	Fellow Subsidiary
3.	Larsen & Toubro Infotech Limited	Fellow Subsidiary
4.	Ewac Alloys Limited	Fellow Subsidiary (w.e.f. 14.12.2010)
5.	Mr. Vishesh P. Jethmalani	Chief Executive and Manager

## c) Disclosure of related party transactions:

Sr. No.	Nature of transaction	Holding Company Rupees	Fellow Subsidiaries Rupees	Key Management Personnel Rupees	Total Rupees
1.	Sale of goods	301,119,741 (188,120,295)	NIL (NIL)	NIL (NIL)	301,119,741 (188,120,295)
2.	Rendering of services / Other income	80,079 (70,552,000)	NIL (NIL)	NIL (NIL)	80,079 (70,552,000)
3.	Receiving of services/ goods :	6,200,329 (11,548,119)		NIL (NIL)	9,661,849 (22,003,027)
	L&T Finance Limited		NIL (11,754)		
	Ewac Alloys Limited		761,520 (NIL)		
	L&T Modular & Fabrication Yard LLC		NIL (7,984,154)		
	Larsen & Toubro Infotech Limited		2,700,000 (2,459,000)		

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Sr. No.	Nature of transaction	Holding Company Rupees	Fellow Subsidiaries Rupees	Key Management Personnel Rupees	Total Rupees
4.	Receiving of Capital goods :	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)
5.	Leasing or hire purchase arrangements - L&T Finance Limited	<b>NIL</b> (NIL)	<b>839,272</b> (1,100,010)	<b>NIL</b> (NIL)	<b>839,272</b> (1,100,010)
6.	Interest cost on Inter Corporate Deposits / Bill discounting	<b>26,454,248</b> (10,293,835)	<b>1,307,172</b> (NIL)	<b>NIL</b> (NIL)	<b>27,761,420</b> (10,293,835)
7.	Inter Corporate Deposits taken from	<b>550,000,000</b> (NIL)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>550,000,000</b> (NIL)
8.	Repayment of Inter Corporate Deposit	<b>350,000,000</b> (20,000,000)			<b>350,000,000</b> (20,000,000)
9.	Cost of Management contracts (including for deputation of employees)	<b>9,351,168</b> (13,544,314)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>9,351,168</b> (13,544,314)
10.	Payment of Salary & Perquisites	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>3,767,839</b> (3,265,823)	<b>3,767,839</b> (3,265,823)
11.	Amounts due from / (due to) related parties:				
a)	Accounts receivable	<b>9,351,168</b> (79,729,002)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>9,351,168</b> (79,729,002)
b)	Accounts payable :	<b>4,871,556</b> (24,823,222)		<b>NIL</b> (NIL)	<b>55,439,501</b> (25,815,922)
	L&T Finance Limited		<b>NIL</b> (NIL)		
	Larsen & Toubro Infotech Limited		<b>446,715</b> (992,700)		
	EWAC Alloys Limited		<b>894,334</b> (NIL)		
c)	Inter Corporate Deposits taken	<b>490,000,000</b> (290,000,000)	<b>NIL</b> (NIL)	<b>NIL</b> (NIL)	<b>490,000,000</b> (290,000,000)

Note : Figures in brackets relate to previous year

## 14. Disclosures as required by Accounting Standard (AS) 20 Earnings Per Share

			2010-11	2009-10
a)	Basic Earnings Per Share	Rupees	<b>1,288</b>	99
b)	Diluted Earnings Per Share	Rupees	<b>1,288</b>	99
c)	Profit / (Loss) After Tax as per Profit & Loss Account	Rupees	<b>87,616,750</b>	6,749,109
d)	Weighted average number of equity shares outstanding	No.	<b>68,000</b>	68,000
e)	Nominal Value per Equity Share	Rupees	<b>1,000</b>	1,000

## 15. Disclosures as required by Accounting Standard (AS) 28 Impairment of Assets

As required by the Accounting Standard (AS) 28 Impairment of Assets, the Company has reviewed potential generation of economic benefits from fixed assets and concluded that the fixed assets employed in the business will generate adequate economic returns over their useful lives. During the year, the Company has provided Rs. NIL (previous year Rs. 4,763,670) as impairment loss.

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

16. The Company has during the year, in accordance with Accounting Standard (AS-22), "Accounting for Taxes on Income" as notified in the Companies (Accounting Standards) Rules, 2006, recognised in the Profit & Loss Account net deferred tax liabilities of Rs. NIL as at March 31, 2011 and net deferred tax liabilities of Rs. NIL as at March 31, 2010.

Deferred Tax Assets and Liabilities are on account of the following timing differences:	2010-2011 Rupees	2009-2010 Rupees
Deferred Tax Liabilities		
Depreciation	34,046,156	33,448,627
Expenditure claimed on Payment basis for tax purposes	—	—
Voluntary Retirement Pension Scheme	—	—
<b>TOTAL</b>	<b>34,046,156</b>	<b>33,448,627</b>
Deferred Tax Assets		
Provision for doubtful debts	1,533,122	4,493,212
Expenditure on Software	3,213,929	3,209,354
Unabsorbed Depreciation / Losses *	29,299,105	25,746,061
Unpaid bonus u/s 43 B	—	—
<b>TOTAL</b>	<b>34,046,156</b>	<b>33,448,627</b>
Deferred Tax Liabilities (Net)	<b>NIL</b>	<b>NIL</b>

\* Unabsorbed Depreciation/Losses restricted to the extent of Deferred Tax Liabilities.

17. Disclosures as required by Accounting Standard (AS) 29 Provisions, Contingent Liabilities and Contingent Assets

Contractual Product Warranties: The Company gives warranties on its products, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. A provision of Rs. 13,063,235 (*previous year Rs. 15,022,000*) (included in Sundry Creditors – Others of Schedule H) has been recognised for expected warranty claims on products sold during the year / represents the estimated amount of costs for meeting such obligations of rectification / replacement. As the historical information reveals an uncertain pattern, the provision is recognised when the claims are lodged by the customers. Most of them are expected to be settled in the next financial year. The movement during the year is as below:

	2010-2011 Rupees	2009-2010 Rupees
Carrying amount at the beginning of the year	15,022,000	11,129,667
Additional provision for the current year	10,528,810	13,962,329
Less : Provision used during the year	(12,487,576)	(10,069,996)
Provision reversed during the year	—	—
Carrying amount at the end of the year	13,063,235	15,022,000

18. Schedule I – Contingent Liabilities:

- Income tax matter in appeal : Rs. 11,323 for AY 2005-06 (*previous year Rs. 11,323*)
- Income tax matter in appeal : Rs. 181,420 for AY 2006-07 (*previous year Rs. 181,420*)
- Income tax matter in appeal : Rs. 144,995 for AY 2007-08 (*previous year Rs. 144,995*)
- FBT matter in appeal : Rs. 2,387 for AY 2007-08 (*previous year Rs. NIL*)
- Income tax matter in appeal : Rs. 1,34,510 for AY 2009-10 (*previous year Rs. NIL*)
- Entry tax payable for MP : Rs. 663,061 (*previous year Rs. NIL*)
- Cess payable to Navi Mumbai Municipal Corporation for 1998-99, in appeal - Rs. 1208,627 (*previous year Rs. 1208,627*)
- Central Excise matter in appeal Rs. 296,017 (*previous year Rs. 296,017*)



**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## 19. The Manager's salary &amp; perquisites

	2010-2011 Rupees	2009-2010 Rupees
Salary	3,180,250	2,971,983
Perquisites	314,479	59,750
Retirement Benefits*	268,110	234,090
<b>TOTAL</b>	<b>3,767,839</b>	<b>3,265,823</b>

\* Excluding contribution to gratuity and provision for leave encashment

## 20. Auditors' Remuneration

(excluding service tax and education cess)

	2010-2011 Rupees	2009-2010 Rupees
Audit fees	250,000	250,000
Tax audit / VAT audit fees	125,000	125,000
Certification work	14,000	32,250
Expenses reimbursed	Nil	Nil
<b>TOTAL</b>	<b>389,000</b>	<b>407,250</b>

## 21. In line with the Company's risk management policy, the various financial risks mainly relating to changes in the exchange rates are hedged by using a forward contract

a) Particulars of derivative contracts entered into for hedging purposes outstanding are as under:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Forward Contracts for payables	NIL	166,099,334

b) Unhedged foreign Currency exposures are as under:

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
i) Receivables, including firm commitments and highly probable forecasted transactions	33,070,004	56,326,898
ii) Payables, including firm commitments and highly probable forecasted transactions	6,288,691	7,035,736

## 22. a) Details of licensed capacity, installed capacity and actual production:

Class of Goods	Unit	Licensed capacity	Installed capacity
Under Carriage Parts	Sets	-	20,000*

\*As certified by a Director, on which certificate the auditors have placed reliance.

b) Actual production and opening/closing stocks:

	Production	Opening stock		Closing stock	
	Qty.	Qty.	Value	Qty.	Value
	Nos.	Nos.	Rupees	Nos.	Rupees
Form of sets	64,392 (58,580)	11,998 (5,532)	22,525,036 (103,206,054)	15,030 (11,998)	39,362,298 (22,525,036)
Loose parts	297,188 (239,661)	347,028 (316,658)	157,564,206 (218,932,216)	395,019 (347,028)	107,038,320 (157,564,206)
Trading goods	NA (NA)	- (-)	4,708 (4708)	- (-)	4,708 (4,708)

Figures in brackets are in respect of previous year.

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## c) Turnover:

	2010-11		2009-10	
	Qty. Nos.	Value Rupees	Qty. Nos.	Value Rupees
		(net of excise)		(net of excise)
Form of sets	61,360	1,533,849,606	52,114	1,184,124,433
Loose parts	249,197	162,674,365	209,291	129,087,907
Trading goods	NA	11,791,818	NA	3,335,120
		1,708,315,789		1,316,547,460

## 23. Raw materials consumed:

	2010-11		2009-10	
	Qty. M. Tons	Value Rupees	Qty. M. Tons	Value Rupees
Special steels	8,558	352,380,769	4,327	198,689,438
Iron & Steel castings	120	19,648,322	183	17,799,544
Bronze castings	39	16,677,609	32	13,007,586
Others		862,687,930		669,189,725
		1,251,394,630		898,686,293

## 24. Purchases:

	2010-11		2009-10	
	Qty.	Value Rupees	Qty.	Value Rupees
Trading goods	-	8,648,646	-	2,944,823

## 25. Value of imported and indigenous materials consumed and percentage thereof:

	Raw Materials		Stores & Spare parts	
	%	Value Rupees	%	Value Rupees
Imported	15 (12)	187,854,435 (107,842,355)	0 (0)	0 (0)
Indigenous	85 (88)	1,063,540,195 (790,843,938)	100 (100)	45,374,850 (39,135,524)
<b>TOTAL</b>	<b>100</b> (100)	<b>1,251,394,630</b> (898,686,293)	<b>100</b> (100)	<b>45,374,850</b> (39,135,524)

Figures in brackets are in respect of previous year.

## 26. Value of imports (on C.I.F. basis):

	2010-2011 Rupees	2009-2010 Rupees
Raw materials	88,033,138	99,769,693

## 27. Expenditure in foreign currency:

	2010-2011 Rupees	2009-2010 Rupees
Exhibition	Nil	583,911
Interest on ECB	1,030,248	2,819,257
Professional fees	Nil	Nil
Other matters	547,381	1,191,946
Total	1,577,629	4,595,114

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## 28. Earnings in foreign exchange:

Export of goods on F.O.B. basis  
Service Fees

2010-2011 Rupees	2009-2010 Rupees
110,799,536	73,653,869
Nil	9,524,189
110,799,536	83,178,058

## 29. Disclosures as required by Accounting Standard (AS) 15 Employee Benefits:

## a) Defined Contribution Plan:

Total Contribution made in current year for Superannuation is Rs. 1,900,000 (*previous year Rs. 1,964,662*) and for Provident Fund is Rs. 1,786,601 (*previous year Rs. 1,440,770*) is recognised as an expense and is included in Staff Expenses (Schedule M) in the Profit and Loss Account

## b) Defined Benefit Plans:

The amounts recognised in Balance Sheet are as follows:

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan	
		31.03.2011 Rupees	31.03.2010 Rupees	31.03.2011 Rupees	31.03.2010 Rupees
1.	Amount to be recognised in Balance Sheet				
	Present Value of Defined Benefit Obligation				
	– Wholly Funded	5,520,777	8,062,664	–	–
	– Wholly Unfunded	–	–	4,485,028	5,108,353
	Less: Fair value of Plan Assets	(7,740,927)	(10,370,421)	–	–
	Unrecognised Past Service Costs	NIL	NIL	–	–
	Amount not recognized as an Asset (limit in para 59(b))	225,179	187,272	–	–
	Amount to be recognised as liability or (asset)	(1,994,971)	(2,120,485)	4,485,028	5,108,353
2.	Amounts reflected in the Balance Sheet				
	Liability	(1,994,971)	(2,120,485)	4,485,028	5,108,353
	Assets				
	Net Liability (asset)	(1,994,971)	(2,120,485)	4,485,028	5,108,353

## c) The amount recognised in Profit and Loss Account as follows:

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan	
		31.03.2011 Rupees	31.03.2010 Rupees	31.03.2011 Rupees	31.03.2010 Rupees
1	Current Service Cost	786,457	1,611,305	302,422	546,529
2	Interest on Defined Benefit Obligation	655,246	2,080,686	409,081	474,624
3	Expected Return on Plan Assets	(713,408)	2,005,936	–	–
4	Actuarial Losses/(Gains)	550,812	(5,203,153)	(99,087)	(1,943,392)
5	Past Service Cost	–	–	–	–
6	Losses / (Gains) on “Curtailements & Settlements”	–	–	–	–
7	Losses / (Gains) on “Acquisition / Divestiture	–	1,479,619	–	–
8	Effect of the limit in Para 59(b)	37,907	187,272	–	–
	Total included in Employee Benefit Expenses	1,317,014	1,850,234	612,416	(922,239)
	Actual Return on Plan Assets	212,718	294,499	–	–

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

- d) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan	
	31.03.2011 Rupees	31.03.2010 Rupees	31.03.2011 Rupees	31.03.2010 Rupees
Defined Benefit Obligation as at 1.4.2010	8,062,664	32,219,254	5,108,353	6,797,826
Add: Current Service Cost	786,457	1,611,305	302,422	546,529
Add: Interest Cost	655,246	2,080,686	409,081	474,624
Add/(less): Actuarial Losses / (Gain)	50,122	(6,914,617)	(99,087)	(1,943,392)
Add: Past service cost	-	-	-	-
Add/(less): Actuarial Losses / (Gain) due to curtailment	-	-	-	-
Add: Liabilities Extinguished on Settlements	-	-	-	-
Add: Liabilities Assumed on Acquisition / (Settled on Divestiture)	(3,032,245)	(20,320,381)	(10,31,491)	-
Exchange Difference on Foreign Plans	-	-	-	-
Less: Benefits paid	(1,001,467)	(613,583)	(204,250)	(767,234)
Defined Benefit Obligation as at 31.03.2011	5,520,777	8,062,664	4,485,028	5,108,353

- e) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan	
	31.03.2011 Rupees	31.03.2010 Rupees	31.03.2011 Rupees	31.03.2010 Rupees
Opening balance of the fair value of the plan assets as at 01.04.2010	10,370,421	27,066,180	-	-
Add: Expected Return on plan assets	713,408	2,005,963	-	-
Add/(less): Actuarial gains / (losses)	(500,690)	(1,711,464)	-	-
Add: Assets Distributed on Settlements	-	-	-	-
Add: Contributions by Employer	1,191,500	5,423,325	204,450	767,234
Add: Assets Acquired on Acquisition / (Distributed on Divestiture)	(3,032,245)	(21,800,000)	-	-
Add: Exchange Difference on Foreign Plans	-	-	-	-
Less: Benefits Paid	(1,001,467)	(613,583)	(204,450)	(767,234)
Closing balance of the plan assets as at 31.03.2011	7,740,927	10,370,421	-	-

- f) The broad categories of plan assets as a percentage of total plan assets as at 31.03.2011 are as follows:

	Particulars	Gratuity Plan		Post-retirement Medical Benefit Plan	
		31.03.2011 Rupees	31.03.2010 Rupees	31.03.2011 Rupees	31.03.2010 Rupees
1	Government of India Securities	24%	25%	0%	0%
2	Corporate Bonds	20%	22%	0%	0%
3	Special Deposit Scheme	43%	45%	0%	0%
4	Equity Shares of Listed Companies	3%	3%	0%	0%
5	Property	0%	0%	0%	0%
6	Insurer Managed Funds	0%	0%	0%	0%
7	Others	10%	4%	0%	0%

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Basis used to determine the overall expected return:

The Investments of Provident Fund and Gratuity Fund are managed by separate Trusts . Expected rate of return on investment is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on suitable mark-up over the benchmark Government securities of similar maturities.

g) The amounts pertaining to defined benefit plans are as follows:

Particulars	As at 31.03.11 Rupees	As at 31.03.10 Rupees
1. Post-Retirement Medical Benefit Plan (Unfunded)		
Defined Benefit Obligation	4,485,028	5,108,353
Experience adjustment on plan liabilities	(191,225)	(1,289,548)
2. Gratuity Plan		
Defined Benefit Obligation	5,520,777	8,062,664
Plan Assets	7,740,927	10,370,421
Surplus / (Deficit)	2,220,150	2,307,757
Experience adjustment on plan liabilities	(17,007)	(5,812,639)
Experience adjustment on plan assets	(500,690)	(1,711,464)
3. Leave Encashment		
Defined Benefit Obligation	6,653,286	7,638,524
4. Long Service Award Scheme		
Defined Benefit Obligation	653,424	642,370

h) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

i) Discount rates for Valuation

Post-Retirement Medical Benefit Plan	8.05%
Gratuity Plan	8.05%
Leave Encashment	8.05%
Long Service Award Scheme	8.05%

ii) Expected return on plan assets as at 31.03.2011 7.50%

iii) Salary growth rate:

- a) Gratuity scheme 6.00%
- b) Company pension Scheme

i) Attrition rate:

i) For post-retirement medical benefits and Company's pension scheme, the attrition rate varies from 2% to 8% for various age groups.

ii) For gratuity scheme the attrition rate varies from 1% to 7% for various age groups.

j) The estimates for future salary increased, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

k) The obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a

l) A one percentage point change in assumed healthcare cost trend rates from the central rate assumed in this valuation would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation:

Particulars	Effect of	
	1% increase	1% decrease
	Rupees	Rupees
Effect on the aggregate of the service cost and interest cost	38,911	-71,946
Effect on defined benefit obligation	132,354	-196,943

## **SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

- m) General description of defined benefit plans:
  - i) Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favourable compared to the obligation under The Payment of Gratuity Act, 1972.
  - ii) Post-retirement Medical Benefit Plan:

The Post-retirement Medical Benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling sanctioned at the time of retirement. The ceiling is based on cadre of the employee at the time of retirement.
- 30. Balances in Sundry Debtors, Loan & Advances, Sundry Creditors and quantities of Inventory lying with processors are subject to confirmations, reconciliations and consequent adjustments, if any.
- 31. Figures for the previous year have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. 

U298020MH1952PLC008893
------------------------

State Code 

										1	1
--	--	--	--	--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1			0	3			2	0	1	1
Date				Month				Year			

**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue  

							N	I	L
--	--	--	--	--	--	--	---	---	---

Rights Issue  

							N	I	L
--	--	--	--	--	--	--	---	---	---

Bonus Issue  

							N	I	L
--	--	--	--	--	--	--	---	---	---

Private Placement  

							N	I	L
--	--	--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities  

		8	7	6	2	3	5
--	--	---	---	---	---	---	---

Total Assets  

		8	7	6	2	3	5
--	--	---	---	---	---	---	---

**Sources of Fund**Paid-Up Capital  

		6	8	0	0	0
--	--	---	---	---	---	---

Reserves & Surplus  

		2	8	5	9	4	1
--	--	---	---	---	---	---	---

Secured Loans  

		3	2	2	8	2
--	--	---	---	---	---	---

Unsecured Loans  

		4	9	0	0	1	2
--	--	---	---	---	---	---	---

**Application of Funds**Net Fixed Assets (Including Capital Work in Progress)  

		3	4	3	0	9	7
--	--	---	---	---	---	---	---

Investments  

						1	3	7
--	--	--	--	--	--	---	---	---

Net Current Assets/(Liabilities)  

		5	3	3	0	0	1
--	--	---	---	---	---	---	---

Misc. Expenditure  

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses  

						N	I	L
--	--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income)  

		1	7	1	6	2	2	1
--	--	---	---	---	---	---	---	---

Total Expenditure  

		1	6	1	2	4	0	4
--	--	---	---	---	---	---	---	---

+ -  

+	
---	--

Profit / Loss Before Tax  

		1	0	3	8	1	7
--	--	---	---	---	---	---	---

+ -  

+	
---	--

Profit / Loss After Tax  

		8	7	6	1	7
--	--	---	---	---	---	---

+ -  

+	
---	--

Earning per Share in Rs. (Basic)  

				1	2	8	8
--	--	--	--	---	---	---	---

Dividend Rate %  

						N	I	L
--	--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) 

		8	4	.	3	1
--	--	---	---	---	---	---

Product Descriptions 

Earth Moving Machinery, Material Handling Equipments, Oil Field Equipments
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As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI registration No. 109982W  
By the hand of**TIRTHARAJ KHOT**Partner  
Membership No. 37457Place : Mumbai  
Date : April 15, 2011**MANOJ KUMAR HARLALKA**

Company Secretary

Place : Mumbai  
Date : April 15, 2011**N. KANNAN**

Manager

**J. P. NAYAK****S. RAGHAVAN****S. K. MITTRA**

} Directors

**DIRECTORS' REPORT**

Dear Members,

We are delighted to present the report on the business and operations of the Company together with the Audited Statements of Accounts and the Auditor's Report for the year ended March 31, 2011.

**FINANCIAL RESULTS & YEAR IN RETROSPECT**

Particulars	(Rupees in lakhs)	
	2010-11	2009-10
Gross Revenue	7,132.63	6,142.94
Profit before depreciation & taxes	1,180.68	1,501.08
Less: Depreciation	462.29	236.93
Profit Before Tax	718.39	1,264.16
Less: Provision for Tax	132.83	178.72
Profit After Tax	585.56	1,085.44

The gross revenue for the financial year under review is Rs. 7,132.63 lakhs as against Rs. 6,142.94 lakhs for the year ended March 31, 2010, thus returning a YoY growth of 16%. The Company has registered a PBDIT of Rs. 1,180.68 lakhs thus returning 17% for the year. Though there is an increase in the top line, the profitability during the year is lower due to salary increases effected during the year and the depreciation charge on account of review and revision in the useful life of various components of the asset block.

There has been an increase in the global oil demand in the year 2010-11 and is expected to be approaching the levels, similar to those last seen in early 2008 (pre-recession). The good news is that the crude oil demand is from the emerging markets, which accounts for the lion's share of the expected growth. With the global oil prices at encouraging levels for new investments, higher growth is expected in the coming years.

**DIVIDEND**

Considering the future expansion requirements, the Board of Directors has not recommended any dividend for the year 2010-11.

**CAPITAL EXPENDITURE**

As on March 31, 2011, the gross tangible and intangible assets stood at Rs. 1,982.09 lakhs and the net tangible and intangible assets at Rs. 556.22 lakhs. Additions during the year amounted to Rs. 226.18 lakhs.

**CREDIT RATING**

The Company has been rated AA+ by CRISIL with the rating outlook stable.

**AUDITOR'S REPORT**

The Auditors' Report to the Shareholders does not contain any qualification.

**DISCLOSURE OF PARTICULARS**

Information as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Currency Exchange Earnings and Outgo is provided in the Annexure 1 forming part of this Report.

**DISCLOSURE UNDER CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given in the Annexure 2 appended to this Report.

**PARTICULARS OF EMPLOYEES U/S 217(2A)**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended:

There were no employees -

- employed throughout the year, drawing aggregate remuneration of Rs. 60 lakhs per annum.
- employed for part of the financial year, drawing remuneration at the rate of Rs. 5 lakhs per month.
- who holds 2% or more of the Equity shares of the Company and have been employed throughout or part of the financial year for remuneration.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;



- ii. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profits of the Company for the year ended on that date;
- iii. that 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
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that the details of all related party transactions form part of the accounts as required under AS 18 and the same are furnished at page nos 22 and 23 of this report.
- vi. that proper systems are in place to ensure compliance of all laws applicable to the Company.

#### **DIRECTORS**

During the year Mr. N. Sivaraman has resigned from Directorship of the Company. The Board wishes to place on record its appreciation for services rendered by Mr. N. Sivaraman. Mr. P. S. Kapoor was appointed as Director by the Board to fill in the casual vacancy. As per Article 25(e) of the Articles of Association, Mr. P. S. Kapoor holds office upto the date of ensuing AGM and being eligible has offered himself for re-appointment. Board considers his re-appointment to be beneficial to the Company and recommends such re-appointment

As per Article 25 of the Articles of Associations of the Company, Mr. U. Dasgupta and Mr. M. J. Shantharaam retire by rotation in the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. They are senior and experienced business executives in the Industry and the Board considers their appointment to be beneficial to the Company and recommends such appointment.

#### **AUDIT COMMITTEE**

The present members of the Committee are Mr. P. S. Kapoor & Mr. M. J. Shantharaam. The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292(A) of the Companies Act, 1956. The Committee met during the year and reviewed the internal control systems and internal audit report, which were found to be in Order.

#### **AUDITORS**

M/s. B. N. Subramanya & Co, Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The auditors have confirmed the eligibility and willingness to continue, if re-appointed.

#### **ACKNOWLEDGEMENTS**

The Directors wish to thank the Clients, bankers, Vendors and business associates for their continued support and valuable co-operation during the year. The Directors also wish to place on record their appreciation of the contribution made by employees at all levels. Our consistent growth was made possible by their hard work, commitment, solidarity, cooperation and support. The Directors thank STPI-Bangalore, the Reserve Bank of India, Income Tax Department, the Customs and Excise Department, Registrar of Companies and others Governmental agencies for their continued co-operation and support to the Company.

For and on behalf of the Board of Directors

**K. VENKATARAMANAN**  
*Chairman*

*Place : Bangalore*

*Date : April 25, 2011*

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## **ANNEXURE 1**

Directors Report - Additional information given in terms of notification issued by the Ministry of Corporate Affairs

#### **A. Conservation of Energy**

The operations of the Company are not energy intensive. Company takes various measures to reduce energy consumption by using energy efficient computer systems and procuring energy efficient equipments. As an on-going process, Company continuously adopts new technologies and techniques to make infrastructure more energy efficient.

#### **B. Technology**

Improvement-oriented Development initiatives

Continuing the efforts to meet Upstream engineering requirements, the Company had through SGA (small group activity) route executed several improvement-orientated development initiatives.

Apart from the SGA route, LTV is focusing on building capability in the identified areas of Engineering for Deep water Pipelines and Systems, carrying out Pre-service Engineering for Modules and developing 3D based engineering capability for Living Quarters. Further several macros / master templates have been developed to standardize and optimize 3D modeling software. A web based application has also been developed to integrate instrumentation dimensional data into 3D application. 3D modeling / review checklist was also developed which meets international standards.

## L&T-VALDEL ENGINEERING LIMITED

With the implementation of these initiatives the Company would be positioned to seamlessly deliver faster and more accurate engineering output with a consistent quality across its centers for future projects.

The Naval Arch discipline played an important role in recent projects by performing pre-service engineering related to fixed jackets such as Barge analysis during Load out, motion analysis during transportation, jacket launch and upending. These activities, which hitherto were being outsourced, have been performed in-house for various mega projects executed during the year.

### Certification to Standards

LTV has been certified for ISO 9001:2008 (Quality Management System), ISO 27001:2005 (Information Security Management System) and also for ISO 14001:2004 (Environment Management Systems) LTV is also in the process of getting certified under BS OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

In addition to the above, preparation is underway to achieve CMMI (Capability Maturity Model Integration) Appraisal in the forthcoming years. This will upgrade the engineering systems to ensure high quality project delivery.

### C. Foreign Exchange Earnings and Outgo

Particulars	2010-11 (Rs. in lakhs)	2009-10 (Rs. in lakhs)
<b>Foreign Exchange Earnings</b>		
FOB Value of Exports	1,181.87	1,732.14
Other Earnings	16.35	29.57
<b>Foreign Exchange Outgo</b>		
Software Expenses	221.59	239.59
Professional Charges	13.60	35.07
Others	11.26	7.20

## ANNEXURE 2

### Disclosure under Corporate Governance Voluntary Guidelines, 2009

#### Separation of Offices of Chairman and Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. K. Venkataramanan is the Chairman of the Board while Mr. Satish N. Palekar is designated as Chief Executive.

#### Company's Corporate Governance Philosophy

Best management practices have been applied in conducting the activities of the Company and to ensure compliances with law and adherence to ethical standards, to achieve the Company's objective of exceeding stakeholder expectations and discharging its social responsibility. The Company continuously focuses its resources, strengths and strategies to achieve its vision of Global Upstream Engineering Company. As a part of L&T Group, the Company has a strong legacy of fair, transparent professional and ethical governance practices. The Corporate Governance Structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz., the Board of Directors, the senior management, employees, etc. The Company has adopted Corporate Governance and disclosure practices voluntarily as a part of adoption of best practices. At the highest level, the Company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

#### The Governance Structure

The Company has a three tier Corporate Governance structure, viz.:

- (i) Strategic Supervision & Direction - by the Board of Directors, in a fiduciary position, empowered to oversee the management functions with a view to ensure its effectiveness and enhancement of shareholder value.
- (ii) Executive Management - by the Corporate Management
- (iii) Operational Management - by Chief Executive aided by Senior Management Team

The governance structure, besides ensuring greater management accountability and credibility, facilitates increased performance discipline and development of business leaders, leading to increased public confidence.

#### Board of Directors

##### a. Composition of the Board:

The Company's Board comprises Chairman & 3 Directors. Chairman and 2 Directors are nominee Directors of Larsen & Toubro, while the other Director is an Independent Director. However, all the directors are not involved in the day-to-day management of the Company.

##### b. Meetings of the Board:

The Meetings of the Board are generally held at the Registered Office of the Company at L&T-Valdel Engineering Limited, No.19, Primrose Road, Bengaluru-560025, or at Larsen & Toubro Limited, Powai, Mumbai. During the year under review, 4 Meetings were held on April 30, 2010, September 16, 2010, October 29, 2010 and February 21, 2011. The agenda and the explanatory notes, are circulated in advance to

the members of the Board. Every Director is free to suggest inclusion of items on the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. Presentations are made on business operations to the Board. The Minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft minutes are circulated amongst the Members of the Board for their perusal. Comments, if any, received from the Directors are also incorporated in the Minutes, in consultation with the Chairman & Managing Director. The minutes are approved by the Members of the Board at the next Meeting. Senior management personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary.

**c. Information to the Board:**

The Board of Directors has complete access to the information within the Company, which inter alia includes -

- Annual revenue budgets and capital expenditure plans
- Quarterly results and results of operations
- Financing plans of the Company
- Minutes of meeting of Board of Directors, Audit Committee
- Materially fatal or serious accidents or dangerous occurrences
- Any materially relevant default, if any, in financial obligations to and by the Company or substantial non-payment for services rendered, if any
- Any issue, which involves possible public or product liability claims of substantial nature, including any Judgment or Order, if any, which may have strictures on the conduct of the Company
- Developments in respect of human resources
- Compliance or Non-compliance of any regulatory, statutory nature, if any

**d. Post-meeting internal communication system:**

The important decisions taken at the Board / Committee meetings are communicated to the concerned departments / divisions promptly.

**Audit Committee**

**i) Terms of reference**

The role of the Audit Committee includes the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information
- Recommending the appointment of the Statutory Auditors and fixation of their remuneration
- Reviewing and discussing with the Statutory Auditors and the Internal Auditor about internal control systems
- Reviewing the adequacy of the Internal Audit function, and observations of the Internal Auditor
- Reviewing major accounting policies and practices and adoption of applicable Accounting Standards
- Reviewing major accounting entries involving exercise of judgment by the management
- Disclosure of contingent liabilities
- Reviewing, if necessary, the findings of any internal investigations by the Internal Auditors and reporting the matter to the Board
- Reviewing of compliance with various legal requirements concerning financial statements and related party transactions
- Reviewing the Quarterly and Half yearly financial results and the Annual financial statements before they are submitted to the Board of Directors

**ii) Composition**

The Audit Committee of the Board of Directors was formed in 2005 and as on March 31, 2010 comprised two Non-Executive Directors, all of whom are independent.

The members of the Audit Committee are financially literate and have accounting or related financial management expertise. The Chief Executive and Head-Finance are permanent invitees to the Meetings of the Audit Committee.

**Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

**Internal Audit**

The Company's Internal Audit is being carried out by Corporate Audit Wing of Larsen & Toubro Limited and the audit team consists of Chartered Accountants, Engineers & system experts. The said Internal Audit function is ISO 9001:2000 certified. The Chief Internal Auditor reports to the Chairman & Managing Director of Larsen & Toubro Limited. The Company's Audit Committee, inter alia, reviews the adequacy of internal audit function, reviews the internal audit reports including those related to internal control weaknesses. The Audit Committee is provided necessary assistance and information to carry out their function effectively.

**Secretarial Audit**

The Secretarial Audit is being carried out by L&T's Secretarial Department, which is manned by competent and experience professionals. The Company also has a system of independent review its secretarial and other compliances by a Practicing Company Secretary. Appropriate actions are taken to continuously improve the quality of compliance.

## COMPLIANCE CERTIFICATE

**S. Ravishankar**  
B.Com, B.G.L, ACS, DCSA, AIMA,  
Company Secretary

204, "Yogasree" 8TH A Main  
2ND C Cross, HRBR Layout I ST  
Block, Kalyananagar  
Bangalore - 560 043

**FORM**  
**[SEE RULE 3]**

**COMPLIANCE CERTIFICATE**

Registration No : U74210KA2004PTC035094

Nominal Capital : Rs. 2,00,00,000

To,

The Members  
L&T-Valdel Engineering Limited  
19, Primrose Road  
Bangalore – 560 025

I have examined the registers, records, books and papers of L&T-Valdel Engineering Limited, as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2011 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
3. The Company, being a public limited company, has the minimum prescribed paid-up capital and the comments regarding its maximum number of members during the said financial year and invitation to the public to subscribe for its shares or debentures; and or acceptance of any deposits from public are not required.
4. The Board of Directors duly met 4 times respectively on April 30, 2010, September 16, 2010, October 29, 2010, & February 21, 2011, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on March 31, 2010 was held on June 3, 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. There were no Instance falling within the purview of Section 297 of the Act
10. The Company has made necessary entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued duplicate share certificates during the financial year.
13. The Company has :
  - (i) Not made any allotment or transmission of securities during the financial year.
  - (ii) Not declared any dividend during the financial year.
  - (iii) Duly complied with the requirements of Section 217 of the Act.
14. The Board of directors of the Company is duly constituted and there was an appointment of additional director during the year & the Company has duly complied with the provisions of the Act.
15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.

19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any Shares during the financial year .
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year in excess of limits specified under Section 293 of the Companies Act.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has altered its Articles of Association during the financial year and duly complied with the Act.
31. As informed by the management, there was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employer's and employee's contribution to provident Fund with the prescribed authorities pursuant to Section 418 of the Act.

Place : Bangalore  
Date : April 14, 2011

Signature:  
**S. RAVISHANKAR**  
C. P. No. 6584

### **Annexure A**

(Forming part of Compliance Certificate dated April 14, 2011)

#### **Registers as maintained by the Company**

Sl. No.	Section Number	Name of the Register
1.	150	Register of Members
2.	193	Minutes of all meetings of Board of Directors
3.	193(1)	Minutes of General Meetings
4.	209	Books of Accounts
5.	301(1)	Register of Companies / Firms in which Directors are interested
6.	303(1)	Register of Directors, managers and Secretary
7.	307	Register of Directors' Shareholding
8.	297, 299, 301	Register of Contracts
9.	143(1)	Register of Charges
10	77A(9)	Register on Buy Back of Securities

**Annexure B**  
(Forming part of Compliance Certificate dated April 14, 2011)

Returns / Documents / Forms as filed with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2011.

Sl. No.	Form No.	Relevant Sections of the Companies Act, 1956	Date of Filing	Whether filed within Prescribed time Yes / No	If delay in filing weather requisite Additional fee paid Yes / No
1.	Form 23AC	220	02-07-2010	Yes	NA
2.	Form 23ACA	220	02-07-2010	Yes	NA
3.	Form 20B	159	01-09-2010	No	Yes
4.	Form 66	383A(1) Proviso	19-06-2010	Yes	NA
5.	Form 32		27-11-2010	Yes	NA
6.	Form 8		25-03-2011	Yes	NA

**REGIONAL DIRECTOR**

NIL

**CENTRAL GOVERNMENT & OTHER AUTHORITIES**

NIL

**S. RAVISHANKAR**  
Company Secretary  
ACS 9992  
C. P. No. 6584

Place : Bangalore  
Date : April 14, 2011

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T-VALDEL ENGINEERING LIMITED

We have audited the attached Balance Sheet of M/s. L&T-VALDEL ENGINEERING LIMITED, as at March 31, 2011, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order 2003, as amended by Companies (Auditor's Report) Order, 2004 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
  - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) 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;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors of the Company as at March 31, 2011 and taken on record by the Board of directors, we report that none of the directors are disqualified as on March 31, 2011 from being appointed as director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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:
    - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011 and
    - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants  
(Registration No. 004142S)

**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138

Place : Bangalore  
Date : April 25, 2011

## ANNEXURE TO AUDITOR'S REPORT

Referred to in paragraph 1 of our report of even date on the accounts for the year ended March 31, 2011, of M/s. L&T-VALDEL ENGINEERING LIMITED, being engaged in rendering engineering services, to the extent applicable. We report that:

- (i) Fixed Assets
  - a) The Company has maintained proper records of fixed assets showing full particulars, including quantitative details and situation of the assets.
  - b) The Management has conducted a physical verification of the fixed assets during the year and no material discrepancies were noticed on such verification.
  - c) On the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, in our opinion, the disposal of the fixed assets were not substantial and therefore do not affect the going concern assumption.
- (ii) Inventory  
The activity of the Company during the year did not require holding of any inventory other than consumable stores, value of which is not significant. Accordingly the provisions of clause (ii)(a), (b) & (c) of the above said Order are not applicable to the Company.
- (iii) Loans and Advances
  - a) 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 Companies Act, 1956 during the year. Accordingly provisions of clause (iii)(b), (c) & (d) of the above said Order are not applicable to the Company



L&T-VALDEL ENGINEERING LIMITED

- b) 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 Companies Act, 1956 during the year. Accordingly provisions clause (iii)(f) & (g) of the above said Order are not applicable to the Company.
- (iv) Internal Control  
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 and consumable stores. The activities of the Company do not involve purchase of inventory and sale of goods. We have not noted any continuing failure to correct major weakness in the internal controls during the course of audit.
- (v) Particulars of contracts and arrangements required to be entered in the register maintained under Section 301
- a) In our opinion, and according to the information and explanations given to us, the particulars of contracts and arrangements that need to be entered into the register maintained u/s 301 of the Companies Act, 1956 have been entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contacts or arrangements entered in registers maintained under Section 301 during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) Deposits  
According to the information and explanation given to us, the Company has not accepted any deposits from the public and consequently the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the Rules framed thereunder are not applicable.
- (vii) Internal Audit  
In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- (ix) Statutory Dues
- a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it.
- b) According to the information and explanation given to us and based on the records available, the Company had no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and any other statutory dues with the appropriate authorities as at the last day of the financial year concerned, for a period more than six months from the date they were payable.
- c) According to the records of the Company, there are no dues of sale tax, customs duty, wealth tax, excise duty, service tax, cess which have not been deposited on account of any dispute except in the case of Income Tax, details of which are furnished below:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to Which Amount relates	Forum where dispute is pending
Income Tax Act	Income Tax	42,515,625	A.Y.-2008-09	CIT (Appeals)

- (x) Erosion of net worth  
According to the information and explanation given to us and based on the records available, the Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has no dues to any other financial institution or debenture holders.
- (xii) According to the records of the Company, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for the loans taken by others from the bank or financial institutions.
- (xvi) According to the information and explanation given to us, the Company has not availed any term loans from Bank during the year, hence no comment is required.
- (xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- (xxi) In our opinion and to the best of our information and according to the explanations given to us no fraud on or by the Company have been noticed or reported during the year.

Clauses (ii), (viii), (xiii), (xiv), (xviii), (xix) and (xx) of Part A are not applicable to the Company.

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants  
(Registration No. 004142S)

**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138

Place : Bangalore  
Date : April 25, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	I	11,790,000		11,790,000	
Reserves & Surplus	II	357,974,477		299,418,709	
			369,764,477		311,208,709
<b>Secured Loans</b>	III		-		50,312
<b>Deferred Tax Liability</b>			-		1,940,967
<b>TOTAL</b>			<b>369,764,477</b>		<b>313,199,988</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	IV	198,208,627		177,885,810	
Less: Depreciation and Amortization		142,586,358		98,447,545	
Net Block			55,622,269		79,438,265
<b>Investments</b>	V		81,113,595		116,947,552
<b>Current Assets, Loans &amp; Advances</b>					
Interest Accrued - Investments & Deposits		158,960		32,873	
Sundry Debtors	VI	104,942,609		142,778,005	
Cash and Bank Balances	VII	127,546,221		10,042,327	
Loans, Advances & Deposits	VIII	186,381,674		145,496,767	
			419,029,464		298,349,972
<b>Less: Current Liabilities &amp; Provisions</b>	IX	186,000,851		181,535,801	
<b>Net Current Assets</b>			<b>233,028,613</b>		<b>116,814,171</b>
<b>TOTAL</b>			<b>369,764,477</b>		<b>313,199,988</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	XIII				

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants

**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138

**U. DASGUPTA**  
Director

**P. S. KAPOOR**  
Director

Place : Bangalore  
Date : April 25, 2011

Place : Mumbai  
Date : April 25, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule No.	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Contract Revenue		703,170,656	599,785,133
Other Income	X	10,092,075	14,509,298
<b>TOTAL</b>	(a)	<b>713,262,731</b>	<b>614,294,431</b>
<b>EXPENDITURE</b>			
Cost of Contracts	XI	637,773,232	478,050,455
Other Unallocable Expenses	XII	2,983,524	9,532,058
Interest and Other Finance Cost		667,072	295,495
<b>TOTAL</b>	(b)	<b>641,423,828</b>	<b>487,878,008</b>
<b>Operating Profit</b>	(a) - (b)	<b>71,838,903</b>	<b>126,416,423</b>
Less: Provision for Taxation			
Current Tax		16,000,000	20,000,000
Additional Income Tax (FBT)		(775,898)	-
Deferred Tax Liability / (Write back)		(1,940,967)	(2,127,566)
<b>Profit after Taxation</b>		<b>58,555,768</b>	<b>108,543,989</b>
Balance brought forward from Previous Year		283,109,755	216,565,766
<b>Balance available for appropriation</b>		<b>341,665,523</b>	<b>325,109,755</b>
<b>Appropriation</b>			
Transfer to Capital Redemption Reserve		-	1,310,000
Surplus Utilized for Buy Back of Shares		-	40,690,000
<b>Balance carried to Balance Sheet</b>		<b>341,665,523</b>	<b>283,109,755</b>
Earnings per Share - EPS			
Basic & Diluted (in Rs.)		50	86
Number of shares for calculating EPS			
Basic & Diluted (weighted average number of shares)		1,179,000	1,264,778
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>XIII</b>		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

For and on behalf of the Board

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants

**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138

**U. DASGUPTA**  
Director

**P. S. KAPOOR**  
Director

Place : Bangalore  
Date : April 25, 2011

Place : Mumbai  
Date : April 25, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from Operating Activities</b>		
<b>Net Profit before tax (after extraordinary item)</b>	<b>71,838,903</b>	126,416,423
Adjustments for		
Income from Mutual Funds	<b>(8,756,556)</b>	(7,447,759)
Provision / (reversal) for diminution in value of investments	<b>(5,277)</b>	(6,119,200)
Provision for Bad & Doubtful Debts	-	4,292,633
Depreciation (including obsolescence), amortization and impairment	<b>46,229,436</b>	23,692,650
Unrealized foreign exchange difference - net (gain) / loss	<b>591,449</b>	(243,484)
Interest (net)	<b>(99,055)</b>	(44,934)
(Profit) / Loss on sale of fixed assets (net)	<b>123,038</b>	271,175
(Profit) / Loss on sale of investments (net)	<b>(304,999)</b>	2,193,709
<b>Operating profit before working capital changes</b>	<b>109,616,939</b>	143,011,213
Adjustments for :		
(Increase) / Decrease in trade and other receivables	<b>51,771,232</b>	(81,594,651)
Increase / (Decrease) in trade payables	<b>4,465,050</b>	(44,699,161)
<b>Cash generated from operations</b>	<b>165,853,221</b>	16,717,401
Direct taxes refund / (paid)- net	<b>(70,762,381)</b>	(48,645,589)
<b>Net Cash from Operating Activities</b>	<b>95,090,840</b>	(31,928,188)
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	<b>(22,618,734)</b>	(26,985,747)
Sale of fixed assets	<b>82,256</b>	1,308,761
Purchase of investments	<b>(392,811,195)</b>	(230,179,308)
Sale of investments	<b>428,650,429</b>	316,849,728
Interest received	<b>99,055</b>	44,934
Profit on Sale of Investments	<b>305,000</b>	(2,193,709)
Income from Mutual Funds	<b>8,756,556</b>	7,447,759
<b>Net Cash (used in) / from Investing Activities</b>	<b>22,463,367</b>	66,292,418
<b>C. Cash flow from Financing Activities</b>		
Proceeds from Cash Credit Facility	<b>(50,313)</b>	50,313
Repayment of long term borrowings	-	-
Payment towards Buy Back of Shares	-	(42,000,000)
Dividends paid	-	-
Tax on dividend	-	-
Interest paid	-	-
<b>Net Cash (used in) / from Financing Activities</b>	<b>(50,313)</b>	(41,949,687)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	<b>117,503,894</b>	(7,585,457)
Cash and cash equivalents at beginning of the period	<b>10,042,327</b>	17,627,784
<b>Cash and cash equivalents at end of the period</b>	<b>127,546,221</b>	10,042,327

**NOTES**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3, "Cash Flow Statement" as specified by the Company (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances and include unrealized loss of Rs. 464,599/- (Previous year Rs. 260,323 - unrealized loss) on account of translation of foreign currency bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report of even date

For and on behalf of the Board

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138**U. DASGUPTA**  
Director**P. S. KAPOOR**  
DirectorPlace : Bangalore  
Date : April 25, 2011Place : Mumbai  
Date : April 25, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - I</b>				
<b>SHARE CAPITAL</b>				
<b>Authorized Capital</b>				
20,00,000 Equity Shares of Rs. 10/- each		<b>20,000,000</b>		<b>20,000,000</b>
<b>Issued, Subscribed and Paid-up Capital</b>				
11,79,000 Equity Shares of Rs. 10/- each fully paid up (All equity shares are held by Larsen & Toubro Limited, the holding Company)		<b>11,790,000</b>		<b>11,790,000</b>
<b>TOTAL</b>		<b>11,790,000</b>		<b>11,790,000</b>

<b>SCHEDULE - II</b>				
<b>RESERVES &amp; SURPLUS</b>				
Capital Reserve		<b>2,938,664</b>		<b>2,938,664</b>
Capital Redemption Reserve		<b>1,310,000</b>		<b>1,310,000</b>
General Reserve		<b>12,060,290</b>		<b>12,060,290</b>
Profit and Loss Account		<b>341,665,523</b>		<b>283,109,755</b>
<b>TOTAL</b>		<b>357,974,477</b>		<b>299,418,709</b>

<b>SCHEDULE - III</b>				
<b>SECURED LOANS</b>				
Working Capital Loan (Refer Note B 3 of Schedule XIII)		-		<b>50,312</b>
<b>TOTAL</b>		-		<b>50,312</b>

**SCHEDULE - IV****FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION / AMORTIZATION BLOCK				NET BLOCK		
	As at 01.04.2010	Additions during the year	Deductions during the year	As at 31.03.2011	As at 01.04.2010	Additions during the year	Deductions during the year	As at 31.03.2011	As at 31.03.2011	As at 01.04.2010	
<b>Tangible</b>											
Computer	40,019,236	7,365,010	2,007,796	<b>45,376,450</b>	18,172,194	15,005,733	1,802,503	<b>31,375,424</b>	<b>14,001,026</b>	21,847,042	
Fixtures	7,735,829	175,460		<b>7,911,289</b>	3,724,254	(412,348)	-	<b>3,311,906</b>	<b>4,599,383</b>	4,011,575	
Furniture	20,293,056	2,589,584	180,820	<b>22,701,820</b>	8,467,820	2,134,726	180,820	<b>10,421,726</b>	<b>12,280,094</b>	11,825,236	
Motor Vehicles	1,389,824	492,522		<b>1,882,346</b>	146,536	287,948	-	<b>434,484</b>	<b>1,447,862</b>	1,243,288	
Office Equipment	18,482,200	1,363,448	107,301	<b>19,738,347</b>	11,298,365	5,622,743	107,300	<b>16,813,808</b>	<b>2,924,539</b>	7,183,835	
<b>Total (A)</b>	<b>87,920,145</b>	<b>11,986,024</b>	<b>2,295,917</b>	<b>97,610,252</b>	41,809,169	<b>22,638,802</b>	<b>2,090,623</b>	<b>62,357,348</b>	<b>35,252,904</b>	46,110,976	
<b>Intangible</b>											
Software	89,965,665	10,632,710	-	<b>100,598,375</b>	56,638,376	23,590,634	-	<b>80,229,010</b>	<b>20,369,365</b>	33,327,289	
<b>Total (B)</b>	<b>89,965,665</b>	<b>10,632,710</b>	-	<b>100,598,375</b>	56,638,376	<b>23,590,634</b>	-	<b>80,229,010</b>	<b>20,369,365</b>	33,327,289	
<b>Total (A+B)</b>	<b>177,885,810</b>	<b>22,618,734</b>	<b>2,295,917</b>	<b>198,208,627</b>	98,447,545	<b>46,229,436</b>	<b>2,090,623</b>	<b>142,586,358</b>	<b>55,622,269</b>	79,438,265	
Previous Year	156,490,792	26,985,747	5,590,729	177,885,810	78,765,688	23,692,650	4,010,793	98,447,545	79,438,265	77,725,104	

(Refer Note B.1 of Schedule XIII)

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - V</b>				
<b>INVESTMENTS</b>				
<b>Short Term</b>				
Units of Mutual Funds (Refer Note B. 2 of Schedule XIII)		<b>81,113,595</b>		<b>116,947,552</b>
<b>TOTAL</b>		<b>81,113,595</b>		<b>116,947,552</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - VI</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured, Considered Good)				
Outstanding for more than six months		11,373,077		6,633,086
Others		97,862,165		140,437,552
Less: Provision for Bad & Doubtful Debts		4,292,633		4,292,633
<b>TOTAL</b>		<b>104,942,609</b>		<b>142,778,005</b>
<b>SCHEDULE - VII</b>				
<b>CASH AND BANK BALANCES</b>				
Cash in Hand		62,867		108,684
With Scheduled Banks in India				
In Deposit Accounts		113,604,648		4,592,985
In Current Account		13,878,706		5,340,658
With Others		-		-
<b>TOTAL</b>		<b>127,546,221</b>		<b>10,042,327</b>
<b>SCHEDULE - VIII</b>				
<b>LOANS, ADVANCES &amp; DEPOSITS</b>				
(Unsecured, Considered Good)				
Dues From Customers For Contract Work		12,574,360		34,675,145
Advances recoverable in cash or in kind or for value to be received		22,779,294		16,522,693
Advance Income / Fringe Benefit Tax (Net of Provisions)		125,171,557		69,743,466
Deposits		25,856,463		24,555,463
		<b>186,381,674</b>		<b>145,496,767</b>
<b>SCHEDULE - IX</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Dues to				
Micro and Small Enterprises	1,259,873		1,366,288	
Others	93,960,876		52,451,512	
Due To Customers for Contract Work	2,513,667		12,528,846	
Advance against jobs	9,342,570		33,123,104	
Other Liabilities	59,210,432		66,652,096	
		<b>166,287,418</b>		<b>166,121,846</b>
<b>Provisions</b>				
Leave Encashment	19,713,433		15,413,955	
		<b>19,713,433</b>		<b>15,413,955</b>
<b>TOTAL</b>		<b>186,000,851</b>		<b>181,535,801</b>
<b>SCHEDULE - X</b>				
<b>OTHER INCOME</b>				
Interest - Bank deposits (TDS Rs. 61,014 (P. Y. TDS Rs. 48,763))		568,017		340,429
Income received from Mutual Fund Units		8,756,556		7,447,759
Profit on sale of investments		455,735		384,533
Profit on sale of assets		-		137,350
Reversal of provision for diminution in value of investments		5,277		6,124,477
Miscellaneous Income		306,490		74,750
<b>TOTAL</b>		<b>10,092,075</b>		<b>14,509,298</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11 Rupees	2009-10 Rupees
<b>SCHEDULE - XI</b>		
<b>COST OF CONTRACTS</b>		
Costs directly debited to Contracts	43,944,273	18,119,565
Salary / Consultants Costs absorbed to Contracts	175,782,083	120,207,800
Other Salary and Overhead Costs allocated to Contracts	418,046,876	339,723,090
	<b>637,773,232</b>	<b>478,050,455</b>
<b>SCHEDULE - XI A</b>		
<b>DETAILS OF OPERATING EXPENSES</b>		
Salaries and Allowances	359,227,782	285,980,694
Contribution to Provident Fund and other funds	13,159,605	9,893,365
Staff Welfare Expenses	4,594,528	6,037,859
Consultants' Cost	36,957,206	28,695,581
Recruitment & Training Expenses	4,550,043	2,723,495
Engineering Consultancy	16,989,036	-
Electricity & Water Charges	6,569,137	5,439,012
Rent & Office Maintenance	70,778,369	65,961,854
Rates, Taxes & Fees	361,636	779,066
Insurance	686,251	729,719
Repair and Maintenance		
Leased Building	13,400	1,847,643
Others	4,292,150	4,413,531
Depreciation and Amortization		
Computers	15,005,733	5,677,548
Software	23,590,634	12,785,237
Office Equipments	5,622,743	1,987,234
Motor Vehicle	287,948	247,677
Furniture & Fixtures	1,722,378	2,994,954
Hire Charges / Lease Rentals	1,222,998	1,429,692
Communication Expenses	3,571,005	3,277,788
Travel & Conveyance	14,489,107	5,553,838
Printing & Stationery	5,877,208	4,317,730
Software License Fees	43,484,123	20,259,256
Marketing Consultancy & Business Promotion	2,553,869	1,012,128
Books, Newspapers & Periodicals	645,685	364,292
Other General Expenses	2,976	22,043
Exchange Loss	1,141,545	5,578,640
Bank / Guarantee Charges	376,137	40,579
<b>Transferred to Cost of Contracts</b>	<b>637,773,232</b>	<b>478,050,455</b>
<b>SCHEDULE - XII</b>		
<b>OTHER UNALLOCABLE EXPENSES</b>		
Payment to Auditors (Refer Note B.9 of Schedule XIII)	401,860	456,834
Legal and Professional Charges	2,297,725	1,790,547
Loss on Sale of Asset	123,038	408,525
Loss on Sale of Investments	150,736	2,578,242
MSMED Interest	10,165	-
Provision for Diminution in the Value of Investments (Refer Note B 2 (c) of Schedule XIII)	-	5,277
Bad & Doubtful Debts	-	4,292,633
<b>Expenses charged to Profit &amp; Loss A/c</b>	<b>2,983,524</b>	<b>9,532,058</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE – XIII**

#### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

##### **Company Overview**

L&T-Valdel Engineering Limited (LTV) is a wholly owned subsidiary of M/s. Larsen & Toubro Limited. LTV provides complete engineering solutions for Upstream Oil & Gas sector and offers design engineering services covering concept / feasibility studies, de-bottlenecking studies, FEED, pre-bid Engineering, pre-engineering survey, detailed engineering, as-built documentation services and project management services for Oil & Gas projects globally.

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Preparation of Financial Statements**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention and on the accrual basis. GAAP comprises the applicable provisions of the Companies Act, 1956 and mandatory Accounting Standards as per the Companies (Accounting Standards) Rule, 2006. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

##### **2. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for operating expenses, future obligations under Income Tax and useful lives of fixed assets.

##### **3. Revenue Recognition**

- The Company's revenue recognition policy is as follows
  - a) In respect of lump sum / fixed price contracts : Percentage of completion method
  - b) In respect of contracts having both fixed price component and reimbursable price component
    - i) In respect of fixed price component : Percentage of completion method
    - ii) In respect of reimbursable component : On accrual basis
  - c) Income from deputation of personnel : On accrual basis
  - d) Any other income : On accrual basis
- In respect of (a) and (b)(i) above, the stage of completion of contract in progress is determined on an appropriate basis having regard to the nature and terms of each contract.

##### **4. Allocation of Cost**

- Direct costs relating to specific contract are directly charged to the respective contracts.
- Allocable overhead costs relating to the contract activity of the Company are allocated to the relevant contracts on contract man-hours expended or other suitable basis.
- Other expenses are directly charged to the Profit and Loss Account.

##### **5. Fixed Assets**

Expenditure which are of a capital nature are capitalized at cost, which comprises purchase price (net of rebates and discounts), duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

##### **6. Depreciation and Amortization**

- Depreciation is provided, from the date the assets have been installed and put to use, on Straight Line Method at rates that are higher than the rates specified in Schedule XIV of the Companies Act, 1956.
- Fixed Assets individually costing Rs. 5,000 or below are fully depreciated in the year of commissioning / put to use.
- Software capitalized is amortized over a period of three years.

##### **7. Benefits to Employees**

- Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- Post-Employment Benefits
  - a) Defined Contribution Plans: The Company's superannuation scheme, state governed provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.
  - b) Defined Benefit Plans: The employees' gratuity fund scheme managed by the Trust is Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the Profit and Loss Account. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis. Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.
  - Long Term Employee Benefits  
The obligation for long term employee benefits such as long term compensated absences / leave encashment, etc. is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) above.
- 8. Foreign Currency Transactions**  
Transactions in foreign currencies are generally recorded at the exchange rate existing at the transaction date. Current Assets and Liabilities in foreign currencies are translated at the exchange rate ruling at the Balance Sheet date. Any resulting loss / gain is charged / taken to the Profit and Loss Account.
- 9. Income Tax**
- Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.
  - Deferred tax liability is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing, enacted or substantially enacted regulations.
  - Deferred Tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of the respective carrying values at each Balance Sheet date.
- 10. Investments**  
Investments are either classified as current or long-term investments based on the Management's intention at the time of purchase. Current investments are carried at lower of cost and fair value. Long-term investments are carried at cost, and provisions recorded to recognize any decline, other than temporary, in carrying value of the each investment.
- 11. Segment reporting**
- Segment revenue includes sales and other income directly identifiable with / allocable to the segment. Income which relates to the Company as a whole and not allocable to segments is included in "Unallocable Income"
  - Expenses that are directly identifiable with / allocable to segments are considered for determining the Segment Result. Expenses which relate to the Company as a whole and not allocable to segments are included under "Unallocable Expenses."
  - Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.
- 12. Provisions, Contingent Liabilities and Contingent Assets**
- Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if
    - a) the Company has a present obligation as a result of a past event,
    - b) a probable outflow of resources is expected to settle the obligation; and
    - c) the amount of the obligation can be reliably estimated.
  - Contingent liability is disclosed in case of
    - a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
    - b) a present obligation when no reliable estimate is possible; and
    - c) a possible obligation arising from past events where the probability of outflow of resources is not remote.
  - Contingent Assets are neither recognized, nor disclosed.
  - Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 13. Impairment of Assets

- At the Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine
  - a) the provision for impairment loss required, if any, or
  - b) the reversal required of impairment loss recognized in previous periods, if any.
- Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.
- Recoverable amount is determined:
  - a) in the case of an individual asset, at higher of the net selling price and the value in use;
  - b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at higher of the cash generating unit's net selling price and the value in use.
- Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

### B. Notes on Accounts

#### 1. Fixed Assets, Depreciation & Amortization

The depreciation is charged on straight line basis. During the year the estimated life of the assets have been reviewed and revised and consequently the depreciation rates have been revised and detailed here below:

(The values in the brackets indicate the rates at which depreciation was charged upto previous year)

Assets	Rate
Computers	– 25.00% (16.67%)
Office Equipment	– 25.00% (15.00%)
Furniture	– 10.00% (No change)
Fixtures	– 10.00% (15.00%)
Motor Vehicles	– 20.00% (No change)

Software amortized over a period of three years (four years).

Consequent to the change in the rates, depreciation charge to Profit and Loss Account includes an amount of Rs. 156,68,993 for the period upto March 31, 2010.

#### 2. Investments

##### a) Current Investments- Liquid Mutual Funds

Particulars	Number of Units As at March 31		Amount (Rs.) As at March 31	
	2011	2010	2011	2010
DSP Black Rock FMP-3M Series 31 Dividend Payout Maturity	2,000,000	–	20,000,000	–
HDFC High Interest Rate Fund – Short Term Plan Growth	776,253	–	15,000,000	–
L&T FMP – III (March 90D A) Dividend Payout	4,611,359	–	46,113,595	–
HSBC MIP Savings Plan	–	486,248	–	5,686,575
J P Morgan India Equity Fund	–	146,699	–	1,500,000
HDFC Cash Management Fund	–	1,883,034	–	18,875,603
HDFC CMF Savings Plan	–	1,914,136	–	20,349,726
ICICI Prudential Flexible Income Plan Premium *	–	334,975	–	35,325,094
ICICI Prudential Ultra Short Term Plan	–	3,510,837	–	35,210,554
<b>Total</b>			<b>81,113,595</b>	<b>116,947,552</b>

\* At market value

Aggregate Market Value of Investments as at March 31, 2011 is Rs. 81,323,379.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) Details of Investments Purchased & Sold during the year as required to be disclosed under Schedule VI to the Companies Act, 1956.

Name of the Fund	Units	Amount *
		(Rs.)
IDFC - Money Manager Fund - Investment Plan - Inst Plan B - Weekly Dividend	1,496,065	15,187,606
Reliance Money Manager Fund - Institutional option - Weekly Dividend Plan	11,968	13,838,956
L&T Freedom Income Stp Inst - Daily Dividend Re Investment Plan	4,431,227	46,113,595
L&T FMP - I ( August 91 DA) Dividend Payout	2,000,000	20,000,000
L&T FMP - II ( November 91 DA) Dividend Payout	2,000,000	20,000,000
ICICI Prudential Interval IV Quarterly B Inst Dividend	2,000,000	20,000,000
<b>TOTAL</b>		<b>135,140,157</b>

\* Includes Dividend Reinvested

c) Details of diminution in the value of current Investments:

There is no diminution in value of current investments during the year.

3. Secured Loans

The Company had sanctioned limits from Uco Bank, Bangalore towards cash credit facility of Rs.100 lakhs and Bank Guarantee limits of Rs.150 lakhs. These Facilities were secured by way of first charge over Fixed Assets and Book Debts of the Company. During the year, the Company has closed its credit facilities with Uco Bank and setup fungible credit limits of Rs.450 lakhs (with internal CC cap of Rs. 100 lakhs) from Citibank, M G Road, Bangalore secured by book debts of the Company.

4. Capital Commitments

Estimated amount of capital purchases remaining to be executed and not provided for in the books of accounts is Rs. 8,108,377 (net of advances) (PY Rs. 2,866,914)

5. Contingent liabilities not provided for

Upstream business (including STPI undertaking) of M/s. Valdel Engineers & Constructors Private Limited (herein after called as de-merged Company) was de-merged into L&T-Valdel Engineering Private Limited during the year 2004-05 and which Company was later converted into public limited Company on 22.02.2007 (hereinafter called the Company). The claim u/s 10A of the Income Tax Act, 1961 for exemption of profits of the STPI undertaking for the initial assessment year 2002-03 and subsequent assessment years were disallowed in the hands of the de-merged Company in regular assessment under Section 143 (3) of the said act. The Company is informed that the claim of the de-merged Company for the initial assessment year 2002-03, assessment years 2003-04 and 2004-05 in respect of deduction under Section 10A has been upheld in favour of the de-merged Company at the CIT (Appeals) level as well as at the Tribunal level.

Following the assessment of the de-merged Company, for the initial assessment year 2002-03, the claim of the Company under Section 10A of the income tax act, in respect of the STPI undertaking for the assessment years 2005-06, 2006-07, 2007-08 and 2008-09 has been disallowed in regular assessment u/s.143(3) of the said Act, against which the Company has preferred appeals. The Company is of the opinion that relief will be obtained in the appeals. The provision for Income tax has been worked out on the basis that the STPI unit is entitled to deduction under Section 10A. In the event of disallowance of the deduction u/s 10A in further appeals, there could be an additional liability of approximately Rs. 1,100.00 lakhs for the assessment years 2005-06 to 2011-12.

6. Obligations under Long Term Non-Cancelable Operating Leases

The Company has taken various premises under cancelable operating leases. These lease agreements are normally renewed on expiry.

The Company has taken certain assets like cars and technology assets on non-cancelable operating leases, the future minimum lease payments in respect of which, as at March 31, 2011 are as follows:

Particulars	As at 31.03.2011	As at 31.03.2010
	(Rs.)	(Rs.)
a. Not later than one year	222,921	437,616
b. Later than one year but not later than five years	Nil	222,921
c. Later than five years	Nil	Nil

The gross lease rentals charged to Profit and Loss Account for the year 2010-11 is Rs. 66,388,040 (Previous Year: Rs. 62,676,684)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 7. Contract Disclosures

The stage of completion in respect of contracts in progress has been recognized on the basis of least of the following:

- The percentage of physical completion of the contract as on the Balance Sheet date, and
- The man-hours utilized as percentage of the total man hours anticipated for completion of the contract.

Revenue recognized in respect of contracts during the year is Rs. 703,170,656 (*Previous year Rs. 599,785,133*).

The following are the details of contracts in progress:

<b>Particulars</b>	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>(Rs.)</b>	<i>(Rs.)</i>
Aggregate Costs incurred & recognized profits less recognized Losses	<b>621,587,274</b>	<i>269,554,714</i>
Amount of Advances Received	<b>9,254,905</b>	<i>33,123,104</i>
Amount of Retentions	<b>Nil</b>	<i>4,961,151</i>

## 8. Foreign Exchange Earnings, Expenditure and Exposure

<b>Particulars</b>	<b>2010-11</b>	<i>2009-10</i>
	<b>(Rs.)</b>	<i>(Rs.)</i>
<b>Foreign Exchange Earnings</b>		
FOB Value of Exports	<b>118,187,613</b>	<i>173,214,210</i>
Other Earnings	<b>1,634,781</b>	<i>2,957,143</i>
<b>Foreign Exchange Outgo</b>		
Software Expenses	<b>22,158,860</b>	<i>23,959,076</i>
Professional Charges	<b>1,360,109</b>	<i>3,507,289</i>
Others	<b>1,126,522</b>	<i>7,20,960</i>
* Disclosure is made on cash basis		

**Foreign currency exposure**

Un-hedged foreign currency exposures as on March 31

<b>Particulars</b>	<b>2010-11</b>	<i>2009-10</i>
	<b>(Rs.)</b>	<i>(Rs.)</i>
a) Towards receivables	<b>41,055,708</b>	<i>13,038,093</i>
b) Towards payables	<b>398,412</b>	<i>5,739,785</i>

As on March 31, 2011, the Company has firm orders on accounts of contracts to be executed to the extent of USD 4,649,146 (*Previous Year: USD 599,963*)

## 9. Payments to Auditors during the year

<b>Particulars</b>	<b>2010-11</b>	<i>2009-10</i>
	<b>(Rs.)</b>	<i>(Rs.)</i>
As Statutory Auditor	<b>175,000</b>	<i>175,000</i>
Tax Audit Services	<b>80,000</b>	<i>80,000</i>
Certification Services	<b>178,000</b>	<i>160,000</i>
As Advisor – Tax Matters	<b>50,000</b>	<i>95,000</i>
Other Services	<b>20,000</b>	<i>75,000</i>
Expenses reimbursed	<b>16,860</b>	<i>16,834</i>
<b>Total*</b>	<b>519,860</b>	<i>601,834</i>

\* Rs. 118,000 (PY 145,000) accounted under Professional charges.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 10. Disclosures in respect of Micro and Small Enterprises:

The amount due as at March 31 to suppliers under The Micro, Small and Medium Enterprises Development Act, requiring disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) is Rs. 1,259,873 (*Previous Year Rs. 13,66,288*). The disclosures pursuant to the said Act is as under –

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Principal amount due to suppliers under MSMED Act, 2006	<b>1,259,873</b>	<i>1,366,288</i>
Interest accrued, due to suppliers under MSMED Act, on the above amount and unpaid	<b>10,162</b>	–
Payment made to suppliers (other than interest) beyond the appointed day during the year	<b>895,821</b>	–
Interest paid to suppliers under MSMED Act (other than Section 16)	–	–
Interest paid to suppliers under MSMED Act (Section 16)	–	–
Interest due and payable towards suppliers under MSMED Act, for payments already made	–	–
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	–	–

**Note:** The information has been given in respect of such vendors to the extent they could be identified as “Micro and Small” enterprises on the basis of information available with the Company.

## 11. Employees Stock Option Scheme:

Pursuant to Employees Stock Option scheme established by the holding company (Larsen and Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company in respect of the same is Rs. 84,893,586. The same is being recovered over the period of vesting by the holding company. Accordingly cost of Rs. 21,460,378 (*previous year Rs. 4,810,936*) has been recovered by the holding company upto the current year out of which Rs. 16,649,442 (*Previous Year Rs. 1,803,840*) was recovered during the year. Balance Rs. 63,433,207 will be recovered in future periods.

## 12. Major components of Deferred Tax Assets / (Liabilities) as at:

<b>Particulars</b>	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Timing difference between Book depreciation and Tax depreciation	–	<i>(3,640,304)</i>
Other items giving rise to timing differences	–	<i>1,699,337</i>
Net Deferred Tax liability	–	<i>(1,940,967)</i>

The Company has identified Deferred tax asset of Rs. 7,447,837 but has not been reckoned in books based on prudence.

## 13. Employee Benefits:

## a) Defined Contribution Plans:

An amount of Rs. 3,738,961 being SAF contribution paid to Larsen & Toubro Limited (Holding Company) in respect of employees deputed to the Company, towards Super Annuation Fund managed by Life Insurance Corporation of India, is recognized as an expense and included in the “Operating Expenses” (Schedule XIA) in the Profit and Loss Account.

## b) Defined Benefit Plans:

The amounts recognized in the Balance Sheet in respect of Gratuity Fund are as follows

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Present value of obligations as at the end of year	<b>6,195,790</b>	<i>4,036,023</i>
Fair value of plan assets as at the end of the year	<b>6,842,527</b>	<i>5,543,366</i>
Funded status	<b>646,737</b>	<i>1,507,343</i>
Net liability / (asset) recognized in Balance Sheet	<b>(646,737)</b>	<i>(1,507,343)</i>

The amounts recognized in respect of Gratuity Fund in the Profit and Loss Account are as follows

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Current Service cost	<b>1,861,830</b>	<i>1,950,820</i>
Interest Cost	<b>322,882</b>	<i>375,754</i>
Expected return on plan assets	<b>574,220</b>	<i>507,167</i>
Net Actuarial gain recognised in the year	<b>(111,768)</b>	<i>971,491</i>
Expenses recognized in statement of Profit & Loss Account	<b>1,722,260</b>	<i>847,916</i>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

The changes in the present value of Gratuity plan obligation representing reconciliation of opening and closing balances thereof are as follows

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Present value of obligations at beginning of the year	<b>4,036,023</b>	4,696,922
Add: Interest cost	<b>322,882</b>	375,754
Add: Current Service Cost	<b>1,861,830</b>	1,950,820
Less: Actuarial gain on obligations	<b>(111,768)</b>	971,491
Less: Benefits Paid	<b>136,713</b>	2,015,982
Present value of obligations as at closing of the year	<b>6,195,790</b>	4,036,023

Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Fair value of plan assets as at beginning of the year	<b>5,543,366</b>	4,839,666
Add: Expected return on plan assets	<b>574,220</b>	507,167
Add: Contributions	<b>861,654</b>	2,212,515
Less: Benefits paid	<b>136,713</b>	2,015,982
Less: Actuarial gain on Plan assets	<b>-</b>	-
Fair value of plan assets as at closing of the year	<b>6,842,527</b>	5,543,366

The funds are managed by Life Insurance Corporation of India. Hence broad categories of plan assets as a percentage of total plan assets are not furnished.

Principal actuarial assumptions at the Balance Sheet date

Discount rate	8.00%
Salary escalation	7.00%

The amounts pertaining to Gratuity Plan are as under –

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Defined benefit obligation	<b>6,195,790</b>	4,036,023
Plan assets	<b>6,842,527</b>	5,543,366
Surplus	<b>646,737</b>	1,507,343

The Company operates a gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service.

14. Related Party Disclosure:

i) List of related parties where control exists:

Larsen & Toubro Limited Holding Company

ii) Names of the related parties with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited Holding Company

L&T-Sargent & Lundy Limited Fellow Subsidiary

L&T Finance Limited Fellow Subsidiary

Larsen & Toubro Infotech Limited Fellow Subsidiary

L&T-MHI Turbine Generators Private Limited Fellow Subsidiary

L&T Modular Fabrication Yard LLC Fellow Subsidiary

L&T Chiyoda Limited Fellow Subsidiary

L&T-Gulf Private Limited Fellow Subsidiary

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

L&T General Insurance Company Limited	Fellow Subsidiary
Offshore International FZC	Fellow Subsidiary
L&T Electrical & Automation FZE	Fellow Subsidiary

## iii) Disclosure of related party transactions:

Sl. No.	Particulars	Total Amount (Rs.)	Amount for major parties (Rs.)
1	Services availed / Overheads Charged	<b>357,630,563</b>	
	Larsen & Toubro Limited		342,946,049
	L&T Infotech Limited		7,142,102
	L&T Chiyoda Limited		7,097,287
	L&T General Insurance Company Limited		445,125
2	Contract revenue & services	<b>577,681,529</b>	
	Larsen & Toubro Limited		576,399,651
	L&T-Sargent & Lundy Limited		688
	Offshore International FZC		55,190
	L&T-MHI Turbine Generators Private Limited		648,000
	L&T-Gulf Private Limited		578,000
3	Rent Received, Overheads recovered & Miscellaneous Income	<b>1,124,543</b>	
	Larsen & Toubro Limited		39,462
	L&T-Sargent & Lundy Limited		640
	L&T-MHI Turbine Generators Private Limited		228,513
	L&T Chiyoda Limited		4,820
	L&T Modular Fabrication Yard LLC		851,108
4	Rent paid, including lease rentals under leasing / hire purchase	<b>30,889,539</b>	
	Larsen & Toubro Limited		13,232,974
	Larsen & Toubro Infotech Limited		17,304,570
	L&T Finance Limited		351,995
5	Purchase / Lease of Fixed Assets	<b>1,576,149</b>	
	Larsen & Toubro Limited		1,576,149
6	Charges for deputation of employees	<b>3,820,105</b>	
	Larsen & Toubro Limited		3,820,105

## iv) Amount due to / from related parties:

Sl. No.	Particulars	Total Amount (Rs.)	Amount for major parties (Rs.)
1	Accounts Receivable	<b>40,668,726</b>	
	Larsen & Toubro Limited		40,465,877
	Offshore International FZC		54,788
	L&T-Sargent & Lundy Limited		683
	L&T Modular Fabrication Yard LLC		8,087
	L&T-MHI Turbine Generators Private Limited		139,291
2	Accounts Payable	<b>75,649,184</b>	
	Larsen & Toubro Limited		60,309,386
	Larsen & Toubro Infotech Limited		8,299,141
	L&T Chiyoda Limited		7,040,657
3	Advances received in the capacity of supplier of services classified as "Advance from Customers" in the Balance Sheet	<b>9,254,906</b>	
	Larsen & Toubro Limited		9,254,906

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Segment Report:

The Company is rendering design engineering and allied services only. Hence geographical segments have been identified and considered as primary basis for segmental information.

Particulars	Overseas (Rs.)	Domestic (Rs.)	Total (Rs.)
<b>Revenues (Including Exchange Gain)</b>	<b>137,427,387</b> (195,203,190)	<b>565,743,271</b> (404,581,943)	<b>703,170,658</b> (599,785,133)
<b>Identifiable Operating Expenses</b>	<b>28,741,039</b> (37,258,819)	<b>123,051,168</b> (101,068,545)	<b>151,792,207</b> (138,327,365)
Allocated Expenses	<b>70,607,298</b> (90,945,676)	<b>415,373,727</b> (248,777,414)	<b>485,981,025</b> (339,723,090)
<b>Segment Expenses</b>	<b>99,348,337</b> (128,204,495)	<b>538,424,895</b> (349,845,960)	<b>637,773,232</b> (478,050,455)
<b>Segmental Operating Income</b>	<b>38,079,050</b> (66,998,695)	<b>27,318,376</b> (54,735,982)	<b>65,397,426</b> (121,734,677)
Unallocable Income (Expense) - Net			<b>6,441,477</b> (4,681,746)
<b>Net Profit before Taxes</b>			<b>71,838,903</b> (126,416,423)
Provisions for Taxation			<b>13,283,135</b> (17,872,434)
<b>Net Profit after Tax</b>			<b>58,555,768</b> (108,543,989)
<b>Other Information</b>			
Segment Assets	<b>49,811,801</b> (37,876,308)	<b>120,813,770</b> (219,015,107)	<b>170,625,571</b> (256,891,415)
Unallocable Corporate Assets Investments			<b>81,113,595</b> (116,947,552)
Other Assets			<b>304,026,162</b> (120,896,822)
<b>Total Assets</b>			<b>555,765,328</b> (494,735,789)
Segment Liabilities	– (1,173,640)	<b>11,768,573</b> (44,478,310)	<b>11,768,573</b> (45,651,950)
Unallocable Corporate Liabilities			<b>174,232,278</b> (135,883,851)
<b>Total Liabilities</b>			<b>186,000,851</b> (181,535,801)

Figures in brackets pertains to the previous year.

16. The corresponding previous year's figures have been regrouped wherever necessary to conform to the presentation of the current year's accounts.

17. Figures have been rounded off to the nearest rupee.

As per our report of even date

For and on behalf of the Board

**FOR B. N. SUBRAMANYA & CO.**  
Chartered Accountants

**B. N. SUBRAMANYA**  
Partner  
Membership No. 22138

**U. DASGUPTA**  
Director

**P. S. KAPOOR**  
Director

Place : Bangalore  
Date : April 25, 2011

Place : Mumbai  
Date : April 25, 2011

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
 Date Month Year

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Fund  
 Total Liabilities

Total Assets

Paid-Up Capital

Reserves & Surplus

Application of Funds  
 Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

Accumulated Losses

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

Other Income

+ -  
 Profit / Loss Before Tax

+ -  
 Profit / Loss After Tax

Earnings Per Share in Rs. (Basic & Diluted)

Dividend Rate %

#### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Descriptions

As per our report of even date

For and on behalf of the Board

**FOR B. N. SUBRAMANYA & CO.**  
 Chartered Accountants

**B. N. SUBRAMANYA**  
 Partner  
 Membership No. 22138

**U. DASGUPTA**  
 Director

**P. S. KAPOOR**  
 Director

Place : Bangalore  
 Date : April 25, 2011

Place : Mumbai  
 Date : April 25, 2011



## DIRECTORS' REPORT

The Directors have pleasure in presenting their 16th Report and Audited Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

	2010-2011 (Rs. Lakhs)	2009-2010 (Rs. Lakhs)
Sales & other income	9020.96	6747.52
Profit before depreciation and tax	2250.71	2042.63
Less : Depreciation and Amortisation	145.42	132.59
Add : Provision for depreciation written back	0.00	37.68
Profit before tax	2105.29	1947.72
Provision for Current Year Tax	677.00	646.00
Profit after tax	1428.29	1301.72

### DIVIDEND

The Directors do not propose any dividend for the financial year 2010-2011.

### PERFORMANCE OF THE COMPANY

Overall, 2010-2011 has been a satisfying year. The ability to react to growth opportunities and efficient execution has helped the Company to deliver a superior performance despite economic meltdown.

During the year, the Company reported it's highest ever Profit after Tax (PAT) of Rs.1428.29 Lakhs, as against Rs. 1301.72 Lakhs for the previous year, a growth of 10%.

The sales and other income for the year under review were 34% higher at Rs.9020.96 Lakhs (including exports of Rs.2657.28 Lakhs), as against Rs.6747.52 Lakhs (including exports of Rs.2984.94 Lakhs) for the previous year. The profit before tax (after depreciation) was 8% higher at Rs.2105.29 Lakhs against profit before tax (after depreciation) of Rs.1947.72 Lakhs for the previous year.

### BONUS ISSUE

During the year under review, the Company issued Bonus Shares in the ratio of one share for every two shares held, and allotted on 24th March 2011, 27,52,125 equity shares of Rs.10/- each to the Members, being the Record date fixed for the purpose, by way of capitalization of Capital Redemption Reserve : Rs.208.96 Lakhs (P.Y. Rs.Nil) and Profit and Loss Account : Rs.66.25 Lakhs (P.Y. Rs.Nil).

	Capital Redemption Reserve (Rupee in Lakhs)	Profit & Loss Account (Rupee in Lakhs)
Opening Balance as on 01.04.2010	208.96	2627.01
Addition during the year 2010-11	0.00	1428.29
Less: Issue of Bonus shares	208.96	66.25
Closing Balance as on 31.03.2011	0.00	3989.05

### CAPTIAL EXPENDITURE

As at 31st March 2011 the gross fixed and intangible assets stood at Rs.1669.43 Lakhs and the net fixed & intangible assets at Rs.528.69 Lakhs. Additions during the year amounted to Rs.207.97 Lakhs.

### DEPOSITS

During the year under review the Company has not accepted any deposits from the public.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

The notes to accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any comments of the Board of Directors.

### MATERIAL CHANGES, IF ANY, BETWEEN Balance Sheet DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between the Balance Sheet date and the date of Director's report.

## **DISCLOSURE OF PARTICULARS**

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure "A" forming part of this Report.

## **PERSONNEL**

There are no employees in respect of whom particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

## **SUBSIDIARY COMPANIES**

The Company does not have any subsidiary company.

## **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.
- vi. that the details of all the related party transactions form part of the accounts as required under AS 18 (refer to schedule M, note no. 10 of Annual Report)

## **DIRECTORS**

Mr. P. R. Predick submitted his resignation from the Board with effect from April 28, 2010. Mr. Kurt Dietzen has been appointed as a Director to fill up the said casual vacancy, with effect from the said date. The Board of Directors places on record their appreciation for the contributions made by Mr. P. R. Predick during his tenure as Director and welcome Mr. Kurt Dietzen to the Board.

Mr. R. K. Sharma also submitted his resignation from the Board with effect from April 30, 2010. Mr. Y. P. Singh has been appointed as a Director to fill up the said casual vacancy, with effect from the said date. The Board of Directors places on record their appreciation for the contributions made by Mr. R. K. Sharma during his tenure as Director and welcome Mr. Y. P. Singh to the Board.

Mr. A. K. Chhatwani also submitted his resignation from the Board with effect from October 9, 2010. Mr. Sunil Pande has been appointed as a Director to fill up the said casual vacancy, with effect from the said date. The Board of Directors places on record their appreciation for the contributions made by Mr. A. K. Chhatwani during his tenure as Director and welcome Mr. Sunil Pande to the Board.

The present Board members comprise, Mr. Ravi Uppal, Mr. Y. P. Singh, Mr. Sunil Pande, Mr. R. E. Herbster, Mr. T. S. Laughlin and Mr. Kurt Dietzen.

## **INDEPENDENT DIRECTORS**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

## **NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR**

The Company has apprised its board members about the restriction on number of other directorships and expects in due course to comply with the same.

## **RESPONSIBILITIES OF THE BOARD**

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The system of risk assessment and compliance with statutory requirements are in place.

## **AUDIT COMMITTEE**

Consequent upon the resignations of Mr. W. B. Paschal, Mr. R. K. Sharma and Mr. A. K. Chhatwani the audit committee has been reconstituted. The present members of the audit committee comprise, Mr. Ravi Uppal, Mr. Y. P. Singh, Mr. Sunil Pande, Mr. R. E. Herbster, Mr. T. S. Laughlin and Mr. Kurt Dietzen.

The role, terms of reference, the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

The committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

**AUDITORS**

The Auditors, Sharp & Tannan, hold office until conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

**INTERNAL AUDITORS**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**SECRETARIAL AUDIT**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the bankers, suppliers and customers.

The Directors are pleased to place on record their appreciation for the valuable contribution made by employees of the Company.

For and on behalf of the Board

**RAVI UPPAL**

*Director*

**SUNIL PANDE**

*Director*

*Place : Faridabad*

*Date : May 10, 2011*

## Annexure 'A' to the Directors' Report

(Additional information given in terms of notification issued by the Department of Company Affairs)

### A. CONSERVATION OF ENERGY:

(a)	Energy Conservation measures taken:	} The Company provides Engineering from an engineering office It is, therefore, not a significant user of Energy. All computers used in the office has built-in energy Saving features.
(b)	Additional investments & proposals, if any, being implemented for reduction of consumption of energy :	
(c)	Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :	

### B. TECHNOLOGY ABSORPTION (FORM B):

(Disclosure of particulars with respect to Technology Absorption)

Research and Development (R&D)		} The Company's primary activity is the provision of Engineering services in field of power generating plants. The services provided fall in the category of Design and Engineering and as such the Company's total operations can be deemed to be R&D.
1.	Specific areas in which R&D carried out by the Company	
2.	Benefits derived as a result of the above R&D	
3.	Future plan of action	
4.	Expenditure on R&D	
	(a) Capital	
	(b) Recurring	
	(c) Total R&D expenditure as a percentage of total turnover	

Technology Absorption, Adaptation and Innovation		} We have a focussed approach towards assimilation of power engineering technology from S&L & MHI which enables us to carry out optimised & efficient design of power plants.
1.	Efforts in brief, made towards technology absorption, adaptation and innovation	
2.	Benefits derived as a result of the above efforts, e.g. product improvement cost-reduction, product improvement etc.	

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Technology Absorption, Adaptation and Innovation		} We are executing several foreign engineering assignments with S&L (USA) as also with third party international EPC companies in Far East and Middle East. We are putting continuous efforts to secure more export order by enhancing customer relationships abroad.
1.	Activities relating to exports; initiatives taken to increase exports; development of new export markets for product and services; and export plans	
2.	Total Foreign Exchange used and earned: – Foreign Exchange earned – Foreign Exchange used	Rs. 2662.87 Lakhs Rs. 147.63 Lakhs

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T-SARGENT & LUNDY LIMITED

We have audited the attached Balance Sheet of L&T-Sargent & Lundy Limited as at March 31, 2011 and the profit and loss account and the cash flow statement 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.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement with the books of account;
  - (d) in our opinion the said Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable; and
  - (e) on the basis of the written representations received from the directors of the Company as at March 31, 2011 and taken on record by the board of directors, none of the directors is disqualified from being appointed as a director of the Company under Section 274(1)(g) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule L and the notes appearing thereon in schedule M 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:

- (i) in case of the Balance Sheet, of the state of the Company's affairs as at 31 March 2011;
- (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 10, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

- i.
  - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
  - (b) The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
  - (c) Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern status of the Company.
- ii. The Company has no inventories and hence reporting under clause 4(ii)(a), (b) and (c) is not applicable.
- iii. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/

## L&T-SARGENT & LUNDY LIMITED

from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.

- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of plant and machinery, equipment, other assets and sale of services. There were no sales of goods during the year. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- 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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there were no amounts not deposited on account of disputes as at March 31, 2011 in respect of income tax, service tax and cess.
- x. The Company has no accumulated losses as at March 31, 2011 and has not incurred any cash losses in the current financial year or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- xii. According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.
- 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. According to the information and explanations given to us the Company has not obtained any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made preferential allotment of shares during the year.
- xix. The Company has not issued any debentures.
- xx. The Company has not raised any money by public issue during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 10, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.3.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders Funds</b>					
Share Capital	A	82,563,730		55,042,480	
Reserves and Surplus	B	398,904,898		283,596,839	
			481,468,628		338,639,319
<b>Loan Funds</b>					
Unsecured Loans	C		-		-
<b>TOTAL</b>			<b>481,468,628</b>		<b>338,639,319</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed and Intangible Assets</b>					
Gross Block	D	166,942,798		143,509,313	
Less : Depreciation		114,073,970		99,743,216	
Net Block		52,868,828		43,766,097	
Add : Capital work-in-progress		-		3,394,898	
			52,868,828		47,160,995
<b>Investments</b>	E		438,368,665		254,584,572
<b>Current Assets Loans And Advances</b>					
Inventories	F	32,353,482		9,765,993	
Sundry Debtors		179,518,718		154,871,724	
Cash and Bank balances		20,301,439		40,714,593	
Loans and Advances		31,314,015		21,899,267	
		263,487,654		227,251,577	
<b>Less : Current Liabilities and Provisions</b>					
Liabilities	G	241,251,944		147,242,929	
Provisions		32,004,575		43,114,896	
		273,256,519		190,357,825	
<b>Net Current (Liabilities) / Assets</b>			<b>(9,768,865)</b>		<b>36,893,752</b>
<b>TOTAL</b>			<b>481,468,628</b>		<b>338,639,319</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	L				
<b>NOTES FORMING PART OF ACCOUNTS</b>	M				

As per our report attached

**SHARP & TANNAN**Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332**RAVI UPPAL**  
Director**B. K. BASU**  
Manager**SUNIL PANDE**  
Director**VIPUL G. RAVAL**  
Company SecretaryPlace : Mumbai  
Date : May 10, 2011Place : Faridabad  
Date : May 10, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales (Income from Engineering Services)			846,296,915		693,463,956
Increase/(Decrease) in Work-In-Progress (Engineering Services)					
Add / (Less) : Closing Work-in-Progress		(32,577,985)		(49,365,012)	
Add / (Less) : Opening Work-in-Progress		49,365,012		2,958,576	
			16,787,027		(46,406,436)
Other Income	H		39,012,603		27,694,896
<b>TOTAL</b>			<b>902,096,545</b>		<b>674,752,416</b>
<b>EXPENDITURE</b>					
Operation & Establishment Expenses	I		228,786,460		166,901,343
Staff Expenses	J		446,657,502		302,268,727
Interest Expenses	K		1,581,649		1,319,418
Depreciation & Amortisation			14,541,625		13,259,262
<b>TOTAL</b>			<b>691,567,236</b>		<b>483,748,750</b>
<b>Operating Profit for the year</b>			<b>210,529,309</b>		<b>191,003,666</b>
Provision for depreciation made in earlier years written back			-		3,768,325
<b>Profit before tax</b>			<b>210,529,309</b>		<b>194,771,991</b>
Provision for current tax			67,700,000		64,600,000
<b>Profit after tax</b>			<b>142,829,309</b>		<b>130,171,991</b>
<b>Balance carried to Balance Sheet</b>			<b>142,829,309</b>		<b>130,171,991</b>
Basic and Diluted Earnings Per Share (EPS)			17.30		15.77
Face Value of Share			10		10
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	L				
<b>NOTES FORMING PART OF ACCOUNTS</b>	M				

As per our report attached

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration no. 109982W

by the hand of

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 10, 2011

**RAVI UPPAL**

Director

**B. K. BASU**

Manager

Place : Faridabad

Date : May 10, 2011

**SUNIL PANDE**

Director

**VIPUL G. RAVAL**

Company Secretary



**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net Profit before Tax</b>	<b>210,529,309</b>	194,771,991
Depreciation including obsolescence	14,541,625	13,259,262
Provision for depreciation return back	-	(3,768,325)
Interest (Net)	1,508,912	1,222,033
(Profit) / Loss on sale of Investment (Net)	(95,467)	649,860
(Profit) / Loss on sale of Fixed Assets (Net)	4,826	(2,402,446)
Dividend Received from Investment	(16,155,252)	(8,367,070)
<b>Operating Profit Before Working Capital Changes</b>	<b>210,333,953</b>	195,365,305
Adjustments for:		
(Increase) / Decrease in Trade Receivables	(24,646,994)	(93,157,586)
(Increase) / Decrease in Other Current Assets	19,738,296	6,586,634
(Increase) / Decrease in Inventories	(22,587,489)	14,392,498
Increase / (Decrease) in Current Liabilities	94,009,015	38,565,977
Increase / (Decrease) in Provisions	(11,110,321)	4,552,890
<b>Cash Generated from Operations</b>	<b>265,736,460</b>	166,305,718
Direct Taxes Refund / (Paid) - Net	(96,853,044)	(55,879,882)
<b>Net Cash from Operating Activities</b>	<b>168,883,416</b>	110,425,836
<b>B. Cash flow from investing activities</b>		
Purchase of Fixed Assets	(20,796,938)	(20,167,089)
Sale of Fixed Assets	542,654	3,784,374
Sale of Investment	659,270,507	19,350,140
Purchase of Investment	(842,959,133)	(92,344,757)
Dividend received from Investment	16,155,252	8,367,070
Interest Received	72,737	97,385
<b>Net Cash (used in) / from investing activities</b>	<b>(187,714,921)</b>	(80,912,877)
<b>C. Cash flow from financing activities</b>		
Proceeds / (Repayment) of Short Term borrowings	-	(10,166)
Interest Paid	(1,581,649)	(1,319,418)
<b>Net Cash (used in) / from financing activities</b>	<b>(1,581,649)</b>	(1,329,584)
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(20,413,154)</b>	28,183,375
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>40,714,593</b>	12,531,218
<b>Cash and Cash Equivalents at the end of the period</b>	<b>20,301,439</b>	40,714,593

**Note :** Cash and Cash Equivalents at the end of the year includes exchange loss of Rs.1,974,573 (P.Y. gain of Rs.1,010,328)

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 10, 2011

**RAVI UPPAL**  
Director

**B. K. BASU**  
Manager

Place : Faridabad  
Date : May 10, 2011

**SUNIL PANDE**  
Director

**VIPUL G. RAVAL**  
Company Secretary

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
150,00,000 Equity Shares of Rs. 10 each		<u>150,000,000</u>		<u>150,000,000</u>
<b>Issued and Subscribed</b>				
8,256,373 (P.Y. 5,504,248) Equity Shares of Rs. 10 each fully paid		<u>82,563,730</u>		<u>55,042,480</u>
(Out of the above 4,128,194 equity shares are held by Larsen & Toubro Limited, the Holding Company)				
<b>TOTAL</b>		<u><u>82,563,730</u></u>		<u><u>55,042,480</u></u>
<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Capital Redemption Reserve</b>				
Opening	20,896,020		20,896,020	
Less : issue of Bonus Share	<u>20,896,020</u>		<u>-</u>	
Closing		-		20,896,020
<b>Profit &amp; Loss Account</b>				
Opening	262,700,819		132,528,828	
Addition during the year	<u>142,829,309</u>		<u>130,171,991</u>	
	405,530,128		262,700,819	
Less : Issue of bonus share	<u>6,625,230</u>		<u>-</u>	
Closing		<u>398,904,898</u>		<u>262,700,819</u>
<b>TOTAL</b>		<u><u>398,904,898</u></u>		<u><u>283,596,839</u></u>
<b>SCHEDULE - C</b>				
<b>UNSECURED LOANS</b>				
<b>Lease Finance</b>				
Short term		-		-
Long term		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u><u>-</u></u>		<u><u>-</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - D****FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				Net Block As at 31.3.2011	Net Block As at 31.3.2010
	Cost As at 01.04.2010	Additions / Transfer in During The year	Deletions / Transfer out During The year	Cost As at 31.03.2011	Upto 01.04.2010	For the year	Deductions	Total upto 31.03.2011		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>A. TANGIBLE ASSETS</b>										
- Plant and Machinery	69,308,118	11,805,590	758,351	<b>80,355,357</b>	40,534,248	7,259,526	210,871	<b>47,582,903</b>	<b>32,772,454</b>	28,773,870
- Office Equipments	5,709,387	823,383	-	<b>6,532,770</b>	2,706,651	412,767	-	<b>3,119,418</b>	<b>3,413,352</b>	3,002,736
- Furniture & Fixtures	4,407,452	2,286,029	-	<b>6,693,481</b>	3,464,550	353,210	-	<b>3,817,760</b>	<b>2,875,721</b>	942,902
- Vehicles	3,740,909	1,614,668	-	<b>5,355,577</b>	670,343	415,669	-	<b>1,086,012</b>	<b>4,269,565</b>	3,070,566
Capital Work in Progress	3,394,898	-	3,394,898	-	-	-	-	-	-	3,394,898
<b>TOTAL (A)</b>	<b>86,560,764</b>	<b>16,529,670</b>	<b>4,153,249</b>	<b>98,937,185</b>	<b>47,375,792</b>	<b>8,441,172</b>	<b>210,871</b>	<b>55,606,093</b>	<b>43,331,092</b>	
<i>Previous Year</i>	<i>73,147,902</i>	<i>11,594,591</i>	<i>1,576,627</i>	<i>83,165,866</i>	<i>49,553,460</i>	<i>(1,982,969)</i>	<i>194,699</i>	<i>47,375,792</i>		<i>39,184,972</i>
<b>B. INTANGIBLE ASSETS</b>										
- Computer Software	60,343,447	7,662,166	-	<b>68,005,613</b>	52,367,424	6,100,453	-	<b>58,467,877</b>	<b>9,537,736</b>	7,976,023
<b>TOTAL (B)</b>	<b>60,343,447</b>	<b>7,662,166</b>	<b>-</b>	<b>68,005,613</b>	<b>52,367,424</b>	<b>6,100,453</b>	<b>-</b>	<b>58,467,877</b>	<b>9,537,736</b>	
<i>Previous Year</i>	<i>55,165,847</i>	<i>5,177,600</i>	<i>-</i>	<i>60,343,447</i>	<i>40,893,518</i>	<i>11,473,906</i>	<i>-</i>	<i>52,367,424</i>		<i>7,976,023</i>
<b>GRAND TOTAL (A+B)</b>	<b>146,904,211</b>	<b>24,191,836</b>	<b>4,153,249</b>	<b>166,942,798</b>	<b>99,743,217</b>	<b>14,541,625</b>	<b>210,871</b>	<b>114,073,970</b>	<b>52,868,828</b>	
<i>Previous Year</i>	<i>128,313,749</i>	<i>16,772,191</i>	<i>1,576,627</i>	<i>143,509,313</i>	<i>90,446,978</i>	<i>9,490,937</i>	<i>194,699</i>	<i>99,743,216</i>		<i>47,160,995</i>

**As at 31.03.2011**    *As at 31.03.2010*  
**Rupees**                      *Rupees*

**SCHEDULE - E****INVESTMENTS (At cost)****Mutual funds**

A. Current Investments	<b>338,358,021</b>	<i>254,584,572</i>
B. Long term Investments	<b>100,010,644</b>	<i>-</i>
<b>TOTAL</b>	<b>438,368,665</b>	<i>254,584,572</i>

**Note :**

Unquoted Investments		
Book Value	<b>438,368,665</b>	<i>254,584,572</i>

**Particulars of investments****Mutual funds**

A. Current Investments		
1 Reliance Money Manager Fund	<i>-</i>	<i>67,857,818</i>
67,638 units of Rs. 1000 each		
2 HDFC CMF Treasury Advantage	<i>-</i>	<i>79,505,676</i>
7,905,888 units of Rs. 10 each		
3 Birla Sun Life Floating Rate Fund	<i>-</i>	<i>64,721,078</i>
6,456,025 units of Rs. 10 each		
4 Religare Credit Opportunity Fund	<i>-</i>	<i>22,500,000</i>
2,239,173 units of Rs. 10 each		
5 UTI Short term Income Fund	<b>20,000,000</b>	<i>20,000,000</i>
1,983,104 units of Rs. 10 each		
6 Birla Sun Life Qtly Interval Fund	<b>35,386,921</b>	<i>-</i>
3,538,692 units of Rs. 10 each		
7 Reliance Monthly Interval Fund	<b>35,000,000</b>	<i>-</i>
3,499,405 units of Rs. 10 each		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
8 Reliance Qtly Interval Fund 999,570 units of Rs. 10 each	10,000,000	-
9 HDFC Short Term Opportunity Fund 4,991,367 units of Rs. 10 each	49,913,670	-
10 HDFC Qtly Interval Fund 4,997,351 units of Rs. 10 each	50,000,000	-
11 IDFC FMP 6M 5,777,480 units of Rs. 10 each	57,774,800	-
12 IDFC Money Manger - Investment Plan 2,012,201 units of Rs. 10 each	20,253,773	-
13 L&T FMP - II (January 90 Day) 2,002,886 units of Rs. 10 each	20,028,857	-
14 L&T FMP - III (February 90 Day) 3,000,000 units of Rs. 10 each	30,000,000	-
15 DWS Money Plus Fund 937,146 units of Rs. 10 each	10,000,000	-
	<b>338,358,021</b>	<b>254,584,572</b>

**B. Long term investments**

1 Birla Sun Life Fixed Term Plan CW 3,000,000 units of Rs. 10 each	30,000,000	-
2 HDFC FMP 370 Days 2,000,000 units of Rs. 10 each	20,000,000	-
3 IDFC FMP Yearly Series 42 3,001,064 units of Rs. 10 each	30,010,644	-
4 Kotak FMP 370 Days - Series 8 2,000,000 units of Rs. 10 each	20,000,000	-
	<b>100,010,644</b>	<b>-</b>

**Details Of Investment Purchased And Sold During The Year**

	Face Value Rs. Per Unit	No. of Unit	Cost Rupees
<b>Mutual Funds</b>			
1 HDFC MF Liquid Fund Collection A/C	10	2,000,000	20,000,000
2 DWS Treasury Fund Cash	10	4,032,873	40,529,164
3 IDFC FMP Quarterly Series 61	10	3,000,000	30,000,000
4 L&T FMP II (Dec 91 D B)	10	2,000,000	20,000,000
5 L&T Freedom Income	10	1,972,276	20,028,857
6 JPMorgan India Liquid Fund	10	1,000,944	10,029,992
7 Reliance Liquid Fund	10	2,294,575	35,078,095
8 IDFC Cash Fund Inst Plan B-Daily Div	10	2,834,589	30,010,644
9 IDFC Money Manager-Treasury Plan	10	5,737,148	57,774,800
10 Birla Sunlife Saving Fund	10	6,016,311	60,187,097

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
Inventories				
Work-in-Progress - Engineering Services			9,765,993	
at estimated realisable value on sale	18,716,112			
at cost	13,637,370			
		32,353,482		9,765,993
Sundry Debtors, unsecured				
Debts outstanding for more than six months				
Considered good	9,661,719		5,014,871	
Considered doubtful				
	9,661,719		5,014,871	
Others Debts				
Considered good	169,856,999		149,856,853	
	179,518,718		154,871,724	
Less: Provision for doubtful debts				
		179,518,718		154,871,724
Cash and Bank balances				
Cash in hand	210,350		92,438	
Balances with scheduled banks				
On current accounts	15,153,356		13,282,151	
Temporary favourable balance in Cash Credit Account	4,937,733		27,340,004	
		20,301,439		40,714,593
<b>Loans and Advances</b>				
Secured, considered good				
Loans to employees against mortgage of house property	549,550		895,084	
Unsecured, considered good				
Advances recoverable in cash or kind	23,236,849		21,004,183	
Current year income-tax (net of provision Rs. 67,700,000)	7,527,616			
(P.Y. Rs. Nil)				
		31,314,015		21,899,267
<b>TOTAL</b>		<b>263,487,654</b>		<b>227,251,577</b>
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Others	120,887,446		80,343,246	
	120,887,446		80,343,246	
Advance from customers	55,433,031		7,768,678	
Advance billing to customers	64,931,467		59,131,005	
		241,251,944		147,242,929
<b>Provisions for</b>				
Tax Provision			19,922,191	
(Net of Advance Tax Rs. Nil; P.Y. Rs. 44,677,809)				
Leave encashment	32,004,575		23,192,705	
		32,004,575		43,114,896
<b>TOTAL</b>		<b>273,256,519</b>		<b>190,357,825</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>				
<b>OTHER INCOME</b>				
Income from investment - Dividend		16,155,252		8,367,070
Profit on Sale / Redemption of Investments (Net)		95,467		–
Profit on sale of fixed assets (Net)		–		2,402,445
Interest received from employees		72,737		97,385
Export benefit received		19,897,312		14,871,806
Miscellaneous Income		2,791,835		1,956,190
<b>TOTAL</b>		<b>39,012,603</b>		<b>27,694,896</b>
<b>SCHEDULE - I</b>				
<b>OPERATION &amp; ESTABLISHMENT EXPENSES</b>				
Rent (Including Lease Rentals Rs. 1,562,251 ; P.Y. Rs. 1,723,524)		64,338,806		35,170,363
Insurance		495,754		474,332
Travelling & conveyance		36,741,250		29,834,018
Establishment Expenses		75,256,523		58,387,738
Telecommunication Expenses		5,496,181		6,250,863
Rates & Taxes		180,725		684,435
Power & Fuel		3,951,242		5,517,898
Printing & Stationery		4,521,344		3,929,552
Technical Services & Project Expenses		10,961,898		4,496,944
Repairs & Maintenance - Plant & Machinery		10,900,698		11,154,933
Repairs & Maintenance - Others		6,587,814		3,310,540
Directors' Fees		44,000		32,000
Loss on Sale / Redemption of Investments (Net)		–		649,860
Loss on sale of fixed assets		4,826		–
Other Miscellaneous expenses		9,305,399		7,007,867
<b>TOTAL</b>		<b>228,786,460</b>		<b>166,901,343</b>
<b>SCHEDULE - J</b>				
<b>STAFF EXPENSES</b>				
Salaries & Allowances		391,957,564		269,325,315
Contribution to and provision for				
Provident fund and pension fund		14,239,878		9,802,212
Superannuation fund		8,450,356		5,715,953
Gratuity fund (Provision Rs. 5,932,472; P.Y. Rs. 1,502,351)		5,932,472		1,502,351
Leave Encashment (Provision Rs. 8,811,870 ; P.Y. Rs. 4,552,890)		10,815,317		5,374,921
Staff Welfare Expenses		15,261,915		10,547,975
<b>TOTAL</b>		<b>446,657,502</b>		<b>302,268,727</b>
<b>SCHEDULE - K</b>				
<b>INTEREST EXPENSES</b>				
Interest on lease finance		–		7,870
Interest - Employee benefit Plan (Refer Schedule M note no. 6b)		1,212,703		870,107
Interest - Others		368,946		441,441
<b>TOTAL</b>		<b>1,581,649</b>		<b>1,319,418</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - L**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **Method of Accounting**

The Company maintains its accounts on accrual basis under historical cost convention. The financial statements are in compliance with provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rule, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

##### **Revenue Recognition**

Revenue from services provided is recognized using Proportionate Completion Method when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service.

Revenue recognized under Proportionate Completion Method is determined on the basis of time spent, costs incurred and / or milestones achieved depending on the terms of specific contracts.

##### **Employee Benefits**

###### **(i) Short Term Employee Benefits**

- (a) All employee benefits payable within one year like salaries, wages, accumulating short term compensated absences ("leave entitlements"), etc are recognized in the period in which the employee renders the related service which entitles him to avail such benefits.
- (b) The expected cost of bonus payments are recognized when (i) there is a present obligation to make such payments as a result of past events and (ii) a reliable estimate of the liability can be made.

###### **(ii) Post-Employment Benefits**

- (a) Defined Contribution Plans: The Company's Employees Superannuation Scheme and state administered pension scheme are classified as defined contribution plan. The contribution paid / payable under defined contribution plan is recognized during the period in which the employee renders the related service.
- (b) Defined Benefit Plans: The Company's Gratuity Fund and Self Managed Provident Fund Schemes are classified as defined benefit plans. The present value of the obligation under such defined benefit plans, current service cost and where applicable, the past service cost is determined based on actuarial valuation using the projected unit credit method. The discount rates used for determining the present value of the obligation under defined benefit plans are based on the market yields at the Balance Sheet date on Government bonds having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plan to recognize the obligation on net basis.

Gains or losses on curtailment or settlements of any defined benefit plans are recognized when the curtailment or settlement occurs.

###### **(iii) Termination Benefits**

Where termination benefits such as compensation payable under voluntary retirement scheme are payable, the actual amount is recognised as an expense immediately.

##### **Fixed Assets and Depreciation**

Fixed assets are stated at cost less depreciation.

Depreciation is provided on the Straight Line Method at the rates as per Schedule XIV of the Companies Act, 1956. Depreciation on additions / deductions is calculated pro-rata from / to the month of addition / deductions. Assets acquired on finance lease are capitalized and are amortized over the period of lease.

##### **Intangible assets and amortization**

Intangible assets are recognized as per the requirement of Accounting Standard 26 – Intangible Assets, as specified in the Companies (Accounting Standards) Rule, 2006 prescribed by the Central Government.

Specialized software is amortized over a period of three years.

##### **Investments**

Investments intended to be held for one year or more are classified as long-term investments and are carried at cost less permanent diminution in value. Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Inventories**

Work-in-Progress (Engineering Services) is the difference in realizable value of the completed part and the billed part of the job, if major portion of the job is complete, and at cost in other cases.

**Foreign currency transactions**

The reporting currency of the Company is the Indian Rupee.

Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rates at the date of transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.

The exchange difference that arise on settlement of monetary items, or on translation at each Balance Sheet date at the closing rate, are recognized as income or expense in the period in which they arise.

**Impairment of assets**

At each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any, required; or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

**Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if (a) the Company has a present obligation as a result of past event; (b) a probable outflow of resources is expected to settle the obligation; and (c) the amount of the obligation can be reliably estimated. Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of (a) a present obligation arising from a past event, when it is probable that an outflow of resources will be required to settle the obligation or (b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**SCHEDULE - M****NOTES FORMING PART OF ACCOUNTS**

1. Sales (Income from Engineering Services) is net of estimated future job revision cost as at March 31, 2011 Rs. 53,46,000 (P.Y. Rs. 37,90,000), with corresponding liability included in Sundry Creditors.

2. Managerial Remuneration:

Remuneration (including perquisites) to the Manager:

(Figures in Rupees)

Particulars	2010-11	2009-10
1. Salaries and allowances	24,99,313	22,04,102
2. Perquisites	40,40,846	27,08,524
3. Retirement benefits	2,20,644	1,92,375



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3. Auditors remuneration and expenses charged to the accounts

(Figures in Rupees)

Particulars	2010-11	2009-10
Audit Fees	65,000	65,000
Tax Audit Fees	30,000	30,000
Audit of Trusts	24,000	24,000
Transfer Pricing	20,000	20,000
Certification Work	47,650	29,251
Reimbursement of expenses	8,206	5,856

## 4. Earnings in foreign exchange

(Figures in Rupees)

Particulars	2010-11	2009-10
Engineering services	26,57,28,091	29,84,94,322
Reimbursement of Expenses	5,58,882	7,59,957

## 5. Expenditure in foreign currency

(Figures in Rupees)

Particulars	2010-11	2009-10
Travelling	29,40,847	1,04,61,254
Software license fees	52,67,596	54,49,259
JV Administration Expenditure	53,00,264	24,30,590
Technical Service Fees	6,90,633	3,64,565
Other Expenses	5,63,473	88,204

## 6. Employee benefits

a) The amounts recognised in Balance Sheet are as follows:

(Figures in Rupees)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2010-11	2009-10	2010-11	2009-10
A a) Present value of defined benefit obligation as on March 31,				
– Wholly funded	2,01,74,336	1,28,78,255	10,19,96,026	7,34,14,800
b) Fair value of plan assets as on March 31,	1,15,26,795	91,95,258	10,20,14,950	7,42,92,500
Amount to be recognised as liability or (asset) (a-b)	86,47,541	36,82,997	(18,924) <sup>(1)</sup>	(8,77,700) <sup>(1)</sup>
B Amounts reflected in the Balance Sheet				
Liabilities	(86,47,541)	(36,82,997)	(24,01,120) <sup>(2)</sup>	(15,38,600) <sup>(2)</sup>
Assets	–	–	–	–
Net (liability) / asset	(86,47,541)	(36,82,997)	(24,01,120)	(15,38,600)

<sup>(1)</sup> Asset is not recognized in Balance Sheet.<sup>(2)</sup> Employer's and employee's contribution for the month of March paid in April.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) The amounts recognised in Profit and Loss Account are as follows:

(Figures in Rupees)

Particulars		Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
		2010-11	2009-10	2010-11	2009-10
1	Current service cost	28,34,001	24,11,233	99,28,547 <sup>(1)</sup>	63,98,600 <sup>(1)</sup>
2	Interest cost	12,12,703	8,70,107	69,74,406	50,83,700
3	Expected return on plan assets	(7,23,134)	(5,88,124)	(72,72,476) <sup>(2)</sup>	(53,73,900) <sup>(2)</sup>
4	Actuarial losses/(gains)	38,14,673	(3,20,758)	(12,44,274) <sup>(2)</sup>	(3,06,900) <sup>(2)</sup>
5	Past service Cost	6,932	-	-	-
6	Actual return on plan assets over interest payable	-	-	15,42,344	5,97,100
	Included in "staff expenses" (a)	59,32,472	15,02,351	99,28,574	63,98,600
	Included in "Interest-Employee benefit Plan" (b)	12,12,703	8,70,107	-	-
	Total (a) + (b)	71,45,175	23,72,458	99,28,574	63,98,600
7	Actual return on plan assets	6,64,203	7,75,484	85,16,750	56,80,700

<sup>(1)</sup> Employer's contribution to provident fund.

<sup>(2)</sup> The actual return on plan assets is higher than interest cost but no credit is taken to the Profit and Loss Account on account of the difference.

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

(Figures in Rupees)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2010-11	2009-10	2010-11	2009-10
Opening balance of the present value of defined benefit obligation	1,28,78,255	1,00,40,559	7,34,14,800	5,98,07,200
Add: current service cost	28,34,001	24,11,233	-	-
Add: interest cost	12,12,703	8,70,107	69,74,406	50,83,700
Add: Contribution by plan participants	-	-	-	-
i) Employer	-	-	99,28,547	63,98,600
ii) Employee (including transferred employees)	-	-	1,51,46,423	1,02,83,000
Add / (less): actuarial (gains) and losses	37,55,742	(1,33,398)	-	-
Past Service Cost	6,932	-	-	-
Less: benefits paid	(5,13,297)	(3,10,246)	(34,68,150)	(81,57,700)
Closing balance of the present value of defined benefit obligation	2,01,74,336	1,28,78,255	10,19,96,026	7,34,14,800

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

(Figures in Rupees)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2010-11	2009-10	2010-11	2009-10
Opening balance of the fair value of the plan assets	91,95,258	77,91,981	7,42,92,500	6,16,26,300
Add: expected return on plan assets	7,23,134	5,88,124	72,72,476	53,73,900
Add / (less): actuarial gains / (losses)	(58,931)	1,87,360	12,44,274	3,06,900
Add: Contribution by the employer	21,80,631	9,38,039	89,62,080	58,00,600
Add: Contribution by plan participants	–	–	1,37,11,770	93,42,500
Less: benefits paid	(5,13,297)	(3,10,246)	(34,68,150)	(81,57,700)
Closing balance of the plan assets	1,15,26,795	91,95,258	10,20,14,950	7,42,92,500

**Note:** The fair value of the plan assets under the Trust-Managed Provident Fund Plan has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

The Company expects to contribute Rs. 20,00,000 (P.Y. Rs. 20,00,000) towards its gratuity plan and Rs. 74,62,614 (P.Y. Rs. 54,39,452) towards its self-managed provident fund plan in the financial year 2011-12.

e) The major categories of plan assets as a percentage of total plan assets are as follows:

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2010-11	2009-10	2010-11	2009-10
Government of India securities	61%	60%	42%	33%
Corporate bonds	39%	40%	58%	67%
Special Deposit Scheme	–	–	–	–

f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

Particulars	2010-11	2009-10
1 Discount rate as at March 31 for gratuity	8.00% p.a.	8.00% p.a.
2 Expected return on plan assets as at March 31	7.50% p.a.	7.50% p.a.
3 Attrition rate	10% withdrawal rate for all ages	10% withdrawal rate for all ages
4 Salary growth rate	7.00% p.a.	7.00% p.a.

**Discount Rate:** The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

**Expected Rate of Return on Plan Assets:** This is based on the Actuary's expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

**Salary Escalation Rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Retirement Age:** The employees are assumed to retire at the age of 58 years.

**Mortality:** Published rates under the LIC (1994 – 96) mortality tables.

**Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service.

**Self-managed provident fund plan:** The interest payment obligation of self-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognized immediately in the Profit and Loss Account as actuarial losses. The Actuarial Society of India has not issued any guidance note for actuarially valuing the possible shortfall of the interest.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

g) The amounts pertaining to defined benefit plans are as follows:

Summary of plan assets and liabilities of Gratuity Fund:

(Figures in Rupees)

Particulars		2010-11	2009-10	2008-09	2007-08	2006-07
1	Defined benefit obligation	<b>2,01,74,336</b>	1,28,78,255	1,00,40,559	78,05,156	65,64,989
2	Plan assets	<b>1,15,26,795</b>	91,95,258	77,91,981	61,65,184	37,50,774
3	Surplus / (deficit)	<b>(86,47,541)</b>	(36,82,997)	(22,48,578)	(16,39,972)	(28,14,215)

Experience adjustments on plan asset and liabilities of Gratuity Fund:

(Figures in Rupees)

Particulars		2010-11	2009-10	2008-09	2007-08	2006-07
1	Experience adjustments on Plan Liabilities	<b>37,55,742</b>	6,67,723	(9,551)	(1,24,749)	9,79,455
2	Experience adjustments on Plan Assets	<b>(58,931)</b>	1,87,360	10,97,347	9,34,069	(2,39,642)

Self-managed provident fund plan:

(Figures in Rupees)

Particulars		2010-11	2009-10	2008-09	2007-08	2006-07
1	Defined benefit obligation	<b>10,19,96,026</b>	7,34,14,800	5,98,07,200	4,85,77,000	3,92,21,000
2	Plan assets	<b>10,20,14,950</b>	7,42,92,500	6,16,26,300	5,08,12,000	4,14,03,000
3	Surplus / (deficit)	<b>18,924</b>	8,77,700	18,19,100	22,35,000	21,82,000

h) The Company has contributed Rs. 37,02,764 (P.Y. Rs. 31,20,447) towards employees pension scheme and Rs. 84,50,356 (P.Y. Rs. 57,15,953) towards superannuation scheme (both defined contribution schemes) during the year which are included in Schedule J – staff expenses.

General descriptions of defined benefit plans

a) Gratuity plan

The Company makes contributions to the group gratuity fund, a funded defined benefit plan for qualifying employees managed by a Trust. The scheme provides for lumpsum payment to employees at the time of retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

b) Self-managed provident fund plan

The Company's provident fund plan is managed by a Trust permitted under the Provident Fund Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the provident fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

7. Quantitative details

The Company is primarily engaged in the business of providing engineering and associated services for thermal, hydro and combined cycle power projects. The production and sale of such services can not be expressed in generic unit. Hence, no disclosure is required as per the requirements of paragraph 3, 4C, and 4D of part II of Schedule VI of the Companies Act, 1956.

8. There are no Contingent Liabilities as at March 31, 2011 (P.Y. Rs. Nil).

9. Estimated amounts of contracts remaining to be executed on capital account Rs. 27,21,369 (P.Y. Rs. Nil).

10. Accounting Standard – 18 Disclosure of related party transactions

I. List of related parties where control exists:

Larsen &amp; Toubro Limited : Holding Company

II. Names of the Related Parties with whom transactions were carried out during the year and description of relationship:

Larsen &amp; Toubro Limited : Holding Company

Sargent &amp; Lundy LLC : Associate

L&amp;T-MHI Boilers Private Limited : Fellow Subsidiary

Larsen &amp; Toubro (Oman) LLC : Fellow Subsidiary

Larsen &amp; Toubro Electromech LLC : Fellow Subsidiary

Larsen &amp; Toubro Infotech Limited : Fellow Subsidiary

L&amp;T Howden Private Limited : Fellow Subsidiary

L&amp;T-Valdel Engineering Limited : Fellow Subsidiary

Key Management Personnel &amp; their relatives : Mr. B. K. Basu (Manager)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## III. Disclosure of related party transactions:

(Figures in Rupees)

No.	Nature of transaction / relationship	2010-11	2009-10
1	Purchase of goods & services (including Software License Fees, JV Administration Fees, Technical Service Fees, Fixed Assets)		
	Larsen & Toubro Limited	30,83,787	–
	Larsen & Toubro Infotech Limited	15,00,000	–
	Sargent & Lundy LLC	86,63,082	79,60,622
2	Sale of goods / power / contract revenue & services		
	Larsen & Toubro Limited	48,34,27,499	32,35,28,476
	L&T – MHI Boilers Private Limited	2,05,36,960	81,64,616
	Larsen & Toubro (Oman) LLC	20,78,081	–
	Larsen & Toubro Electromech LLC	44,47,184	–
	Sargent & Lundy LLC	20,76,10,056	10,35,90,460
3	Export Benefit – SFIS		
	Larsen & Toubro Limited	1,98,97,312	1,48,71,806
4	Employee compensation benefits (for deputed employees) – (also refer to note no. 15 below)		
	Larsen & Toubro Limited	1,35,34,849	1,18,63,781
5	Rent paid, including lease rentals under leasing / hire purchase arrangements		
	Larsen & Toubro Limited	8,50,09,328	5,45,48,774
	L&T Finance Limited	14,17,464	13,72,406
6	Payment of Salaries / Perquisites to Key Managerial Personnel		
	Mr. B. K. Basu	67,60,803	51,05,001
7	Infrastructure charges & overhead recoveries		
	Larsen & Toubro Limited	6,03,51,425	5,18,50,334
8	Interest paid		
	L&T Finance Limited	–	7,870

## IV. Amount due to / from related parties:

(Figures in Rupees)

No.	Particulars / relationship	2010-11	2009-10
1	Accounts receivable from related parties		
	Larsen & Toubro Limited	11,62,68,658	7,05,52,131
	L&T-MHI Boilers Private Limited	47,01,669	29,45,628
	Larsen & Toubro (Oman) LLC	20,65,292	–
	Larsen & Toubro Electromech LLC	8,59,309	–
	L&T Howden Private Limited	9,707	–
	Sargent & Lundy LLC	2,80,22,385	2,07,88,301
2	Accounts payable to related parties		
	Larsen & Toubro Limited <sup>(1)</sup>	9,41,61,143	6,57,20,360
	Larsen & Toubro Infotech Limited	7,44,525	–
	L&T-Valdel Engineering Limited	683	–
	Sargent & Lundy LLC	–	5,89,458
3	Advance Received from Customer		
	Larsen & Toubro Limited	5,06,85,079	73,17,166

<sup>(1)</sup> Includes Rs. 1,47,65,688 (P.Y. Rs. 2,22,91,823) towards employee compensation charged by holding company.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 11. Operating leases

The Company has taken certain assets on non - cancellable operating leases, the future liabilities in respect of which are as follows:

Operating lease liabilities – Future minimum lease payments:

(Figures in Rupees)

Particulars		2010-11	2009-10
Sr.	Minimum Lease payments		
1.	Payable not later than 1 year	9,25,504	10,98,713
2.	Payable later than 1 year and not later than 5 years	1,38,778	14,70,838
3.	Payable later than 5 years	-	-

## 12. Foreign currency exposures

(A) (i) The Company has receivables denominated in foreign currency at the Balance Sheet date aggregating to Rs. 3,71,81,931 (P.Y. Rs. 6,10,28,335) that are not hedged by a derivative instrument or otherwise.

The Company has payables denominated in foreign currency at the Balance Sheet date aggregating to Rs. Nil (P.Y. Rs. 5,89,458) that are not hedged by a derivative instrument or otherwise.

(ii) The Company has no firm commitments payable denominated in foreign currency at the Balance Sheet date (P. Y. Rs. Nil)

(iii) The Company has no highly probable forecast transactions at the Balance Sheet date.

(B) The Company has no derivatives outstanding at the Balance Sheet date.

## 13. Deferred Tax

Major components of Deferred Tax Assets and Deferred Tax Liabilities:

(Figures in Rupees)

Particulars	Deferred tax (asset) / liability as at March 31, 2010	Charge (Credit) to Profit and Loss Account	Deferred tax (asset) / liability as at March 31, 2011
Provision for leave encashment	(77,04,037)	(26,79,847)	(1,03,83,884)
Deferred tax asset	(77,04,037)	(26,79,847)	(1,03,83,884)
Difference between book and tax depreciation	59,34,773	20,28,949	79,63,722
Deferred tax liability	59,34,773	20,28,949	79,63,722
Net deferred tax (asset) / liability	(17,69,264)	(6,50,898)	(24,20,162)

Deferred tax asset has not been recognized on grounds of prudence.

14. Loans and Advances include amount due from officers of the Company Rs. Nil (P.Y. Rs. Nil). Maximum amount outstanding at any time during the year Rs. Nil (P.Y. Rs. Nil)

15. Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company, in respect of the same is Rs. 19,38,80,269. The same is being recovered over the period of vesting by the holding company. Accordingly, cost of Rs. 11,45,74,756 (P.Y. Rs. 7,50,35,595) has been recovered by the holding company upto current year, out of which, Rs. 3,99,47,593 (P.Y. Rs. 1,74,57,309) was recovered during the year. Balance Rs. 7,93,05,513 will be recovered in future periods.

16. The Company operates in a single segment, namely, providing Engineering Services. Segment Reporting on the basis of geographical segments is as under:

(Figures in Rupees)

Revenue by location of customers	2010-11	2009-10
India	58,05,68,824	39,49,69,634
USA	21,93,71,623	10,12,85,886
Rest of the world	4,63,56,468	19,72,08,436
<b>TOTAL</b>	<b>84,62,96,915</b>	<b>69,34,63,956</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(Figures in Rupees)

Carrying amount of Segment Assets by location of assets	2010-11	2009-10
India	72,02,59,169	46,26,01,790
USA	2,60,64,910	2,32,54,011
Rest of the world	84,01,068	4,31,41,343
<b>TOTAL</b>	<b>75,47,25,147</b>	<b>52,89,97,144</b>

(Figures in Rupees)

Cost incurred on acquisition of tangible and intangible fixed assets	2010-11	2009-10
India	2,07,96,938	2,01,67,089
USA	-	-
Rest of the world	-	-
<b>TOTAL</b>	<b>2,07,96,938</b>	<b>2,01,67,089</b>

17. The exchange difference arising on foreign currency transactions amounting to Rs. 2,20,092 (*P.Y. Rs. 55,45,184*), net loss, has been accounted under the respective revenue heads.
18. The Cash Credit facilities from Bank are secured by hypothecation of book debts. The charge on these assets also extends to outstanding bank guarantees upto Rs. 4,35,94,832 (*P.Y. Rs. 6,27,86,521*).
19. Sundry Creditors include Rs. Nil (*P.Y. Rs. Nil*) payable to micro and small enterprises (as defined in Micro, Small & Medium Enterprises Development Act, 2006).
20. Of the Equity Shares of Rs. 10 each comprised in the Issued and Subscribed Share capital of the Company: 27,52,125 (*P.Y. Nil*) Equity shares were issued as bonus shares by way of capitalization of Capital Redemption Reserve : Rs. 2,08,96,020 (*P.Y. Rs. Nil*) and Profit and Loss Account : Rs. 66,25,230 (*P.Y. Rs. Nil*).

## SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

21. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

**I. Registration Details**

Registration No.	<input type="text" value="U74210MH1995PLC088099"/>	State Code	<input type="text" value="11"/>
Balance Sheet Date	<input type="text" value="31032011"/>		
	Date                      Month                      Year		

**II. Capital raised during the year**

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="27521250"/>	Preferential Issue	<input type="text" value="NIL"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

<b>Sources of Fund</b>	Total Liabilities	<input type="text" value="481469"/>	Total Assets	<input type="text" value="481469"/>
	Paid-up Capital	<input type="text" value="82564"/>	Reserves & Surplus	<input type="text" value="398905"/>
	Secured Loans	<input type="text" value="NIL"/>	Unsecured Loans	<input type="text" value="NIL"/>
	Deferred Tax Liability	<input type="text" value="NIL"/>		
<b>Application of Funds</b>	Net Fixed Assets	<input type="text" value="52869"/>	Investments	<input type="text" value="438369"/>
	Net Current (Liabilities)/Assets	<input type="text" value="9769"/>	Deferred Revenue Items	<input type="text" value="NIL"/>
+ -				
-				

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (including other income)	<input type="text" value="902096"/>	Total Expenditure	<input type="text" value="691567"/>
Profit / Loss Before Tax	<input type="text" value="210529"/>	Profit / Loss After Tax	<input type="text" value="142829"/>
Earning per Share (in Rs.)	<input type="text" value="17.03"/>	Dividend Rate %	<input type="text" value="NIL"/>

**V. Generic Names of Three Principal Products/Services of the Company (as per monetary items)**

Item Code No.	<input type="text" value="N A"/>
Product Descriptions	<input type="text" value="ENGINEERING SERVICES"/>

22. Figures for the previous year have been regrouped / reclassified wherever necessary.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of  
**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**RAVI UPPAL**  
Director  
**B. K. BASU**  
Manager

**SUNIL PANDE**  
Director  
**VIPUL G. RAVAL**  
Company Secretary

Place : Mumbai  
Date : May 10, 2011

Place : Faridabad  
Date : May 10, 2011



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourth Annual Report and Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

<b>Particulars</b>	<b>2010-2011 Rs. in Lakhs</b>	<i>2009-2010 Rs. in Lakhs</i>
Sales & other income	<b>1096.37</b>	453.74
Profit / (Loss) before depreciation & tax	<b>66.19</b>	(366.12)
Less : Depreciation on Fixed Assets	<b>36.39</b>	33.40
<b>Profit / (Loss) before tax</b>	<b>29.80</b>	(399.52)
Provision for current & earlier years Tax	-	(0.02)
Provision for Deferred Tax / (write back)	<b>(4.65)</b>	1.42
<b>Profit / (Loss) after tax</b>	<b>34.45</b>	(400.92)
Add: balance brought forward from the previous year	<b>(405.19)</b>	(4.27)
<b>Balance to be carried forward</b>	<b>(370.74)</b>	(405.19)

### DIVIDEND

The Directors do not recommend any dividend for the financial year 2010-11.

### PERFORMANCE OF THE COMPANY

The ability to capture the direct jobs from the third party customers and efficient execution has helped the company tide over the adverse scenario created in the previous year which arouse out of internal job expectations.

The sales & other income of the company for the year under review stand at Rs. 1,096.37 Lakhs as against Rs. 453.74 Lakhs for the previous year. The profit before tax (after depreciation) is Rs. 29.80 Lakhs (*Previous Year Loss Rs. 399.52 Lakhs*). The profit after tax is Rs. 34.45 Lakhs (*Previous Year Loss Rs. 400.92 Lakhs*). The accumulated Loss carried forward to the Balance Sheet stands reduced to Rs. 370.74 Lakhs.

### TRANSFER TO RESERVES

The Company does not propose to transfer any amount to reserves.

### CAPITAL EXPENDITURE

As at March 31, 2011, the gross fixed & intangible assets stood at Rs. 186.95 Lakhs. The net fixed & intangible assets stood at Rs. 99.13 Lakhs. Additions during the year amounted to Rs. 31.58 Lakhs.

### DEPOSITS

The Company has not accepted any deposits from the public during the financial year ended March 31, 2011.

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualifications.

The notes to accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between the Balance Sheet date & date of Directors' report.

### DISCLOSURE OF PARTICULARS

Information as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report.

### PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### SUBSIDIARY COMPANIES

The Company does not have any subsidiary company.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors 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, 2011 and of the profit or loss of the Company for financial year ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis;
- V. that proper systems are in place to ensure compliance of all Laws applicable to the company; and
- VI. that the details of all the related party transactions form part of the accounts as required under AS 18 (refer to Schedule No 11, Part B- Note no 9 of annual report)

### **DIRECTORS**

The Directors of the Company are Mr. M. R. Shanker, Mr. Harold Douglas Evans, Mr. M. Ramkumar, Mr. William Crissman Shipman, Mr. S. Krishnan and Mr. Rick Alan Barnard. Mr. David Ammerman was appointed as an Alternate Director on December 1, 2010 in place of Mr. Harold Douglas Evans. However, his office was vacated in the Board Meeting held on March 16, 2011.

Mr. M. R. Shanker and Mr. Harold Douglas Evans are liable to retire by rotation and are eligible for re-appointment.

### **INDEPENDENT DIRECTORS**

All the six directors are non-executive and do not receive any remuneration from the Company. All of them are employees of Parent Companies by whom they have been nominated and are related to that extent.

### **NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR**

None of the directors exceed the limit on the number of directorships as laid down in Section 275 of the Companies Act, 1956.

### **AUDITORS**

The Auditors, M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### **INTERNAL AUDITORS**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

### **ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the bankers, suppliers and customers. The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

Place : Chennai  
Date : April 20, 2011

**M. R. SHANKER**

Directors

**M. RAMKUMAR**

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

(Additional information given in terms of notification issued by the Department of Company Affairs)

**A. CONSERVATION OF ENERGY**

- (a) Energy Conservation measures taken
- (b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy
- (c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The Company provides Engineering services from an Engineering office. All computers and electrical appliances used in the office have built-in energy Saving features. Overall power conservation through 'EMS' measures are taken by common administration of the campus.

**B. TECHNOLOGY ABSORPTION****FORM B**

(Disclosure of particulars with respect to Technology Absorption)

**Research & Development (R&D)**

1. Specific areas in which R&D carried out by the Company
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Expenditure on R&D
  - (a) Capital
  - (b) Recurring
  - (c) Total R&D expenditure as a percentage of total turnover

The Company's primary activity is the provision of Engineering services in the field of pipelines. The services provided fall under the category of design and Engineering. This year, we upgraded our track record of detailed engineering to higher sizes of the pipelines. We also added field development, flowlines and trunklines to the area of our expertise.

**Technology Absorption, Adaptation & Innovation**

1. Efforts in brief, made towards technology absorption, adaptation & innovation
2. Benefits derived as a result of the above efforts, e.g. product improvement cost-reduction, product improvement etc.

Any technology absorption in the way of our business requirement is carried out through knowledge received from the parent companies and also the same can be derived through association with academic institutions like IIT's where the specific specialization is at its best.

**C. FOREIGN EXCHANGE EARNINGS & OUTGO**

1. Activities relating to exports; initiatives taken to increase exports; development of new export markets for product and services; and export plans
2. Total Foreign Exchange used and earned:
 

Foreign Exchange earned	Rs. 50.12 Lakhs
Foreign Exchange used	Rs. 12.12 Lakhs

We are executing foreign engineering assignments with EPC companies in Far East and Middle East. The Company is making continuous efforts to secure more export orders by enhancing customer relationships abroad.

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T-GULF PRIVATE LIMITED

We have audited the attached Balance Sheet of L&T-GULF Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement 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.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that :
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956; and
  - (e) on the basis of written representations received from directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the notes appearing 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:
    - 1) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - 2) in the case of the Profit and Loss account, of the profit of the company for the year ended on that date; and
    - 3) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 000452N)  
*By the hand of*

**RAJKUMAR KHULLAR**  
*Partner*  
*Membership No. 92507*

*Place : New Delhi*  
*Date : April 20, 2011*

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

- (i)
  - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - (b) As explained to us, these fixed assets have been physically verified by the management. In our opinion, the physical verification is reasonable and no material discrepancies were noticed on such verification.
  - (c) The company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) The company did not have any inventory during the year except the engineering manhours spent on various jobs which could not be invoiced to the clients and treated as Work in Progress.
- (iii)
  - (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.

- (b) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured from companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 have been so entered. However during the year the company has not entered into any transaction as defined.
- (b) In our opinion and according to the information and explanations given to us, during the year, the company has not made any transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 and therefore report / comment on transactions exceeding the value of rupees five lakhs in respect of any party during the year does not arise.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
- (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 undisputed statutory dues including Provident Fund, Income Tax, Service Tax, Cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Income Tax, Service Tax, Cess and other material statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and records of the Company examined by us, there were no cases of disputed Income Tax, Service Tax, Cess as at March 31, 2011 which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in the repayment of dues to any financial institutions or bank as at the balance sheet date. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by associates and others, from bank or financial institutions during the period.
- (xvi) According to the information and explanations given to us, the company has not availed any term loan during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made preferential allotment of shares.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 000452N)  
*By the hand of*

*Place : New Delhi*  
*Date : April 20, 2011*

**RAJKUMAR KHULLAR**  
*Partner*  
*Membership No. 92507*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	1		80,000,000		50,000,000
Advance against equity commitment			-		5,000,020
<b>Deferred Tax Liability</b>			-		465,223
<b>TOTAL</b>			<b>80,000,000</b>		<b>55,465,243</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets-Tangible &amp; Intangible</b>					
Gross block	2	18,482,099		15,536,026	
Less: Depreciation		8,781,309		5,142,102	
		9,700,790		10,393,924	
Capital Work in Progress		212,520		-	
			9,913,310		10,393,924
<b>Investments</b>			-		-
<b>Current Assets, Loans and Advances</b>					
<b>Current Assets</b>					
Work in Progress		20,387,194		4,808,850	
Sundry Debtors		13,053,647		8,295,330	
Cash and bank balances		14,225,732		21,457,581	
Other current assets		20,527,585		14,412,853	
Loans & advances		470,078		130,000	
		68,664,236		49,104,614	
<b>Less : Current Liabilities and Provisions</b>	4				
Current liabilities		32,686,449		41,589,087	
Provisions		2,965,658		2,963,960	
		35,652,107		44,553,047	
<b>Net Current Assets</b>			33,012,129		4,551,567
<b>Profit &amp; Loss Account</b>	5		37,074,561		40,519,752
<b>TOTAL</b>			<b>80,000,000</b>		<b>55,465,243</b>

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of

For and on behalf of the Board

**RAJKUMAR KHULLAR**  
Partner  
Membership No. 92507

**P. N. SUBRAMANIAN**  
Manager

**M. R. SHANKER**  
Director

**M. RAMKUMAR**  
Director

Place : New Delhi  
Date : April 20, 2011

Place : Chennai  
Date : April 20, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales (Income from Engineering Services)	6		108,925,591		45,107,995
Other Income	7		711,333		265,692
			<u>109,636,924</u>		<u>45,373,687</u>
<b>EXPENDITURE</b>					
Operation & Establishment Expenses	8	33,678,197		20,128,094	
Staff Expenses	9	69,339,551		61,858,841	
Depreciation & Amortisation		3,639,208		3,339,007	
			<u>106,656,956</u>		<u>85,325,942</u>
Profit before Tax			2,979,968		(39,952,254)
Provision for current Tax			-		-
Provision for deferred tax/(write back)	10		(465,223)		142,169
Tax provision of earlier years			-		(1,972)
<b>Profit after tax</b>			<u>3,445,191</u>		<u>(40,092,451)</u>
Balance brought forward from previous Year			(40,519,752)		(427,301)
Profit available for appropriation			<u>(37,074,561)</u>		<u>(40,519,752)</u>
Balance Carried to Balance Sheet			<u>(37,074,561)</u>		<u>(40,519,752)</u>
Basic & Diluted Earning Per Share (EPS)			0.58		(10.13)
No of shares for calculating EPS			5,898,630		3,958,333
Face value of share			10		10
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES FORMING PART OF ACCOUNTS</b>	11				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our Report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 000452N)  
 By the hand of

For and on behalf of the Board

**RAJKUMAR KHULLAR**  
 Partner  
 Membership No. 92507

**P. N. SUBRAMANIAN**  
 Manager

**M. R. SHANKER**  
 Director

**M. RAMKUMAR**  
 Director

Place : New Delhi  
 Date : April 20, 2011

Place : Chennai  
 Date : April 20, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before tax</b>	<b>2,979,968</b>	<i>(39,952,254)</i>
Depreciation	<b>3,639,208</b>	3,339,007
Asset written off	-	35,361
Unrealized forex (gain) / loss	<b>130,560</b>	100,359
Interest (Net)	<b>(364,948)</b>	<i>(265,692)</i>
<b>Operating profit / (Loss) before working capital changes</b>	<b>6,384,786</b>	<i>(36,743,219)</i>
Adjustment for:		
(Increase) / decrease in trade receivables	<b>(4,888,877)</b>	11,147,260
(Increase) / decrease in loans and advances	<b>(340,078)</b>	<i>(47,664)</i>
(Increase) / decrease in other current assets	<b>(8,137,234)</b>	<i>(4,368,306)</i>
(Increase) / decrease in inventories	<b>(15,578,344)</b>	<i>(1,551,850)</i>
Increase / (decrease) in Provision	<b>1,698</b>	1,368,155
Increase / (decrease) in trade payables	<b>(8,902,638)</b>	9,574,777
<b>Cash flow from operating activities (A)</b>	<b>(31,460,687)</b>	<i>(20,620,847)</i>
Direct Taxes Refund / (Paid) - Net	<b>2,022,502</b>	<i>(177,850)</i>
<b>Net cash from operating activities</b>	<b>(29,438,185)</b>	<i>(20,798,697)</i>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets	<b>(3,158,593)</b>	<i>(2,000,524)</i>
Interest received	<b>364,948</b>	265,692
<b>Net cash flow (used in) / from investing activities (B)</b>	<b>(2,793,645)</b>	<i>(1,734,832)</i>
<b>C. Cash Flow from Financing Activities</b>		
Share capital	<b>30,000,000</b>	25,000,000
Share Application Money	<b>(5,000,020)</b>	5,000,020
<b>Net cash flow (used in) / from financing activities (C)</b>	<b>24,999,980</b>	30,000,020
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(7,231,850)</b>	7,466,491
<b>Cash and cash equivalents at beginning of the period</b>	<b>21,457,582</b>	13,991,091
<b>Cash and cash equivalents at end of the period</b>	<b>14,225,732</b>	21,457,582

**Note:** Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 - Cash Flow Statements.

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of

For and on behalf of the Board

**RAJKUMAR KHULLAR**  
Partner  
Membership No. 92507

**P. N. SUBRAMANIAN**  
Manager

**M. R. SHANKER**  
Director

**M. RAMKUMAR**  
Director

Place : New Delhi  
Date : April 20, 2011

Place : Chennai  
Date : April 20, 2011



**SCHEDULES FORMING PART OF BALANCE SHEET**

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,00,00,000 equity shares of Rs. 10 each (Previous Year 60,00,000 equity shares of Rs. 10 each)	<b>100,000,000</b>	<i>60,000,000</i>
<b>Issued Subscribed &amp; Paid-up</b>		
80,00,000 equity shares (Previous Year 50,00,000 equity shares) of Rs.10 each fully paid up (Of 80,00,000 equity shares, 40,00,016 (Previous Year 25,00,010) shares are held by Larsen & Toubro Limited and balance 39,99,984 (Previous Year 24,99,990) by Gulf Interstate Engineering Company, USA)	<b>80,000,000</b>	<i>50,000,000</i>
<b>TOTAL</b>	<b>80,000,000</b>	<i>50,000,000</i>

**SCHEDULE - 2****FIXED ASSETS**

<b>SCHEDULE OF FIXED ASSETS</b>										
	<b>COST / VALUATION</b>				<b>DEPRECIATION</b>				<b>BOOK BLOCK</b>	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the period April to March 2011	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Fixed Assets</b>										
Computers	5,995,934	714,108	-	<b>6,710,042</b>	1,638,592	1,119,963	-	<b>2,758,555</b>	<b>3,951,487</b>	4,357,342
Office Equipment	1,027,796	-	-	<b>1,027,796</b>	122,618	204,249	-	<b>326,867</b>	<b>700,929</b>	905,178
Vehicles	1,708,870	-	-	<b>1,708,870</b>	60,994	178,687	-	<b>239,681</b>	<b>1,469,189</b>	1,647,876
<b>TOTAL (A)</b>	<b>8,732,600</b>	<b>714,108</b>	-	<b>9,446,708</b>	<b>1,822,204</b>	<b>1,502,899</b>	-	<b>3,325,103</b>	<b>6,121,605</b>	-
<i>Previous Year</i>	<i>6,902,221</i>	<i>1,883,750</i>	<i>53,371</i>	<i>8,732,600</i>	<i>739,977</i>	<i>1,100,237</i>	<i>18,010</i>	<i>1,822,204</i>	<i>-</i>	<i>6,910,396</i>
<b>Intangible Fixed Assets</b>										
Specialised Software	6,803,426	2,231,965	-	<b>9,035,391</b>	3,319,897	2,136,309	-	<b>5,456,206</b>	<b>3,579,185</b>	<b>3,483,529</b>
<b>TOTAL (B)</b>	<b>6,803,426</b>	<b>2,231,965</b>	-	<b>9,035,391</b>	<b>3,319,897</b>	<b>2,136,309</b>	-	<b>5,456,206</b>	<b>3,579,185</b>	-
<i>Previous Year</i>	<i>5,762,924</i>	<i>1,040,502</i>	<i>-</i>	<i>6,803,426</i>	<i>1,081,128</i>	<i>2,238,769</i>	<i>-</i>	<i>3,319,897</i>	<i>-</i>	<i>3,483,529</i>
Capital work in progress (C)	-	<b>212,520</b>	-	<b>212,520</b>	-	-	-	-	<b>212,520</b>	-
<i>Previous Year</i>	<i>923,728</i>	<i>-</i>	<i>923,728</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Current Year Total (A+B+C)</b>	<b>15,536,026</b>	<b>3,158,593</b>	-	<b>18,694,619</b>	<b>5,142,101</b>	<b>3,639,208</b>	-	<b>8,781,309</b>	<b>9,913,310</b>	-
<i>Previous Year Total</i>	<i>13,588,873</i>	<i>2,924,252</i>	<i>977,099</i>	<i>15,536,026</i>	<i>1,821,105</i>	<i>3,339,007</i>	<i>18,010</i>	<i>5,142,102</i>	<i>-</i>	<i>10,393,924</i>

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - 3</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Work in Progress (Engineering services)		
At estimated realisable value on sale	<b>18,514,616</b>	<i>4,808,850</i>
At Cost	<b>1,872,578</b>	<i>-</i>
	<b>20,387,194</b>	<i>4,808,850</i>
Sundry Debtors		
Debt outstanding for Less than 6 months	<b>12,958,691</b>	<i>5,659,362</i>
Debts outstanding for more than 6 months	<b>94,956</b>	<i>2,635,968</i>
	<b>13,053,647</b>	<i>8,295,330</i>
Cash and bank balances		
Cash on hand	<b>17,463</b>	<i>13,394</i>
Balances with scheduled bank on current account	<b>4,795,028</b>	<i>15,040,916</i>
Balances with scheduled bank on fixed deposit (including interest accrued)	<b>9,413,241</b>	<i>6,403,271</i>
	<b>14,225,732</b>	<i>21,457,581</i>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Loans and advances				
Secured considered good	-		-	
Unsecured considered good				
Advances recoverable in cash or in kind	470,078		130,000	
		470,078		130,000
Other current assets		20,527,585		14,412,854
<b>TOTAL</b>		<b>68,664,236</b>		<b>49,104,614</b>

**SCHEDULE - 4****CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

## Sundry Creditors

Due to micro and small enterprises	-		-	
Due to Larsen & Toubro Limited	25,649,016		36,421,920	
Others	2,516,712		1,005,378	
		28,165,728		37,427,297

## Other current liabilities

Advance from customers		1,497,890		1,696,000
Others		3,022,831		2,465,790

**Provisions**

Provision for Gratuity	678,522		383,755	
Provision for Leave Encashment	2,287,136		2,580,205	
Provision for taxes (net of advance tax)	-		-	
		2,965,658		2,963,960

**TOTAL**

		<b>35,652,107</b>		<b>44,553,047</b>
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**SCHEDULE - 5****RESERVE & SURPLUS**

## Profit and Loss Account

		(37,074,561)		(40,519,752)
<b>TOTAL</b>		<b>(37,074,561)</b>		<b>(40,519,752)</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 6</b>				
<b>SALES &amp; SERVICES</b>				
Sales from Engineering Consultancy Services (Includes expenses reimbursed Rs. 7,03,072/-, Previous Year Rs. 4,61,847/-)		93,347,247		43,556,145
Increase / (Decrease) in Contracts-in-Progress				
Closing Contracts-in-Progress	20,387,194		4,808,850	
Less: Opening Contracts-in-Progress	4,808,850		3,257,000	
		15,578,344		1,551,850
<b>TOTAL</b>		<b>108,925,591</b>		<b>45,107,995</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 7</b>				
<b>OTHER INCOME</b>				
Interest on Fixed Deposit (Tax deducted at source Rs. 35,966/-, previous year Rs. 26,798/-)		364,948		265,692
Interest on Income Tax Refund		192,138		–
Misc. Income		154,247		–
<b>TOTAL</b>		<b>711,333</b>		<b>265,692</b>

**SCHEDULE - 8****OPERATION AND ESTABLISHMENT EXPENSES**

Engineering & Supervision Charges		8,663,068		397,165
Professional Charges		1,096,948		725,463
Rental of software		2,592,282		370,000
Electricity & fuel charges		1,715,656		1,717,500
Utilities & services		9,111,240		11,041,510
Internet and bandwidth charges		23,939		3,505
Loss on asset written off		–		35,361
Travelling and Conveyance		3,466,612		1,654,261
Insurance Premium		57,589		19,539
Repair & Maint.- Computers		946,231		673,474
Recruitment expenses		602,245		3,850
Printing and stationery		500,503		471,432
Rates and taxes		92,573		41,428
Books and periodicals		158,244		7,972
Corporate infrastructure cost		2,716,432		1,292,829
Entertainment expenses		159,047		150,991
Other Misc expenses		1,775,590		1,521,812
<b>TOTAL</b>		<b>33,678,197</b>		<b>20,128,094</b>

**SCHEDULE - 9****Staff Expenses**

Salaries and allowances		62,585,583		53,734,134
Employer's contribution to PF and EPS		1,947,598		1,725,470
Employer's contribution to ESI		3,174		–
Provision for contribution to Gratuity		294,767		383,755
Provision for Leave encashment		(293,069)		1,348,008
Staff welfare expenses		195,531		28,996
Other Staff expenses		4,605,968		4,638,478
<b>TOTAL</b>		<b>69,339,551</b>		<b>61,858,841</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 10</b>				
<b>Provision for taxes</b>				
Current Tax		-		-
Provision for tax 2008-09		-		(95,288)
Deferred tax		(465,223)		142,169
FBT-2008-09		-		93,316
<b>TOTAL</b>		<b>(465,223)</b>		<b>140,197</b>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - 11****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****Company Overview**

L&T-Gulf Private Limited (LTG) is a subsidiary of M/s. Larsen & Toubro Limited. LTG provides creative, practical solutions with specific focus in the field of onshore cross country Pipeline Engineering, from hydraulic modeling and conceptual design through detailed design, commissioning and start-up activities for the hydrocarbon pipeline industry.

**A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Preparation of Financial Statements**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention and on the accrual basis. GAAP comprises the applicable provisions of the Companies Act, 1956 and mandatory Accounting Standards as per The Companies (Accounting Standards) Rule, 2006. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

**2. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for operating expenses, future obligations under Income Tax and useful lives of fixed assets. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

**3. Revenue Recognition**

Revenue from services provided is recognized using proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.

Revenue recognized under proportionate completion method is determined on the basis of time spent, cost incurred and / or milestone achieved depending on the terms of the specific contracts.

- The Company's revenue recognition policy is as follows:
  - a) In respect of Lump sum/Fixed Price Contracts : Proportionate completion method
  - b) In respect of contracts having both fixed price Component and reimbursable price component
    - i) In respect of Fixed price component : Proportionate completion method
    - ii) In respect of reimbursable component : On accrual basis
  - c) Income from deputation of personnel : On accrual basis
  - d) Any other income : On accrual basis
- In respect of (a) and (b) (i) above, the stage of completion of contract in progress is determined on an appropriate basis having regard to the nature and terms of each contract.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 4 Fixed Assets

Expenditure which are of a capital nature are capitalized at cost, which comprises purchase price (net of rebates and discounts), duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Fixed assets are stated at cost less depreciation.

### 5. Depreciation and Amortization

- Depreciation is provided, from the date the assets have been installed and put to use, on Straight Line Method at the following rates.
 

Computers	: 16.21%
Office Equipment	: 6.67%
Vehicles (Motor car)	: 9.50%
- Fixed Assets individually costing Rs. 5,000 or below are fully depreciated in the year of commissioning / put to use.
- Software capitalized is amortised over a period of three years.  
(Refer to Schedule 11 Part B .Note no 21 for change in estimated useful life)

### 6. Inventories

Work-in-progress (Engineering services) is the difference in the realizable value of completed part and billed part of the job, (where the job is for a lump sum consideration) if major portion of the job is complete, and at cost in other cases.

### 7. Foreign Currency Transactions

The reporting currency of company is Indian Rupee. Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rates at the date of transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Any resulting loss / gain is charged / taken to the Profit & Loss Account.

Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange differences arising on such contracts are recognized in the period in which they arise and the premium paid, received is accounted as expense / income over the period of the contract. Cash flows on account of roll over / cancellation of forward contracts are recognized as income / expense of the period in line with the movement in the underlying exposures.

All the other derivative contracts, including forward contracts entered into for hedging foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognized in the financial statements at the fair value as on the balance sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India dated March 29, 2008 on accounting of derivatives. The resultant gain or loss on fair valuation of such contracts are recognized in the profit and loss account or the balance sheet as the case may be.

### 8. Investments

Investments are either classified as current or long-term investments based on the Management's intention at the time of purchase. Current investments are carried at lower of cost or fair value. Long-term investments are carried at cost, and provisions recorded to recognize any decline, other than temporary, in carrying value of each investment. The company did not hold any investments during the year.

### 9. Benefits to Employees

- Short Term Employee Benefits
 

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.
- Post-Employment Benefits
  - a) **Defined Contribution Plans:** The State Governed provident fund scheme is the defined contribution plan. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.
  - b) **Defined Benefit Plans:** The employees' gratuity fund scheme managed by the Trust is Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the Profit & Loss Account. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis. Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences / leave encashment, etc. is recognized in the same manner as in the case of defined benefit plans as mentioned in (b) above.

### **10. Taxes on Income**

- Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.
- Deferred tax liability is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing, enacted or substantially enacted regulations.
- Deferred tax assets relating to unabsorbed depreciation and business losses are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. (*Refer to Schedule 11- Part B, Note no 7*)
- Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **11. Provisions, Contingent Liabilities and Contingent Assets**

- Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if
  - a) the Company has a present obligation as a result of a past event,
  - b) a probable outflow of resources is expected to settle the obligation; and
  - c) the amount of the obligation can be reliably estimated.
- Contingent liability is disclosed in case of
  - a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
  - b) a present obligation when no reliable estimate is possible; and
  - c) a possible obligation arising from past events where the probability of outflow of resources is not remote.Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.
- d) Contingent Assets are neither recognized, nor disclosed.
- e) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### **12. Impairment of Assets**

- At the Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine
  - a) the provision for impairment loss required, if any, or
  - b) the reversal required of impairment loss recognized in previous periods, if any.
- Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.  
Recoverable amount is determined:
  - a) in the case of an individual asset, at higher of the net selling price and the value in use;
  - b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at higher of the cash generating unit's net selling price and the value in use.
- Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

## **B. NOTES ON ACCOUNTS**

### **1. Capital Commitments**

Estimated amount of capital purchases remaining to be executed and not provided for in the books of accounts is Rs. Nil (net of advances) (*Previous Year - Rs. NIL*)

### **2. Contract Disclosures**

The stage of completion for revenue recognition in respect of contracts in progress has been recognised on the basis of :

- The percentage of physical completion of the contract as on the balance sheet date; or
- The man-hours utilized as percentage of the total man hours anticipated for completion of the contract; depending on the terms of specific contracts.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

3. Revenue recognized in respect of contracts during the year is Rs. 10,89,25,591/- (Previous year Rs. 4,51,07,995/-)

4. Foreign exchange Earnings, Expenditure and Exposure

Foreign Currency Earnings

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Engineering Services	<b>46,82,755</b>	22,10,838
Expenses reimbursed	<b>3,29,519</b>	1,28,294

Foreign Currency Expenditure

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Engineering and supervision charges	<b>29,707</b>	-
Travelling	<b>11,82,229</b>	1,77,132

Foreign currency – Exposure

As on March 31, 2011, the Company has a gross foreign currency exposure of USD 68,131/- (Previous Year USD Nil, Rs. Nil) towards receivables which is not hedged either by a derivative instrument or otherwise.

As on March 31, 2011, the Company has firm orders for USD 10,88,052/- (Previous Year USD Nil) (Firm commitment AS-30)

The company has Rs. NIL (Previous Year Rs. NIL) highly probable forecast transactions at the balance sheet date.

The company has no derivatives outstanding at the balance sheet date.

5. There is no outstanding in respect of Micro, small and medium enterprises requiring disclosure under the Micro, Small and Medium Enterprises Development Act, 2006.

6. Auditor's remuneration and expenses charged to the accounts:

<b>Particulars</b>	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Audit Fees	<b>30,000</b>	30,000
Tax Audit Fees	<b>33,000</b>	15,000
Certification services	<b>96,000</b>	37,500
Audit of Trust	<b>12,000</b>	-
Expenses Reimbursed	<b>2,520</b>	10,050
<b>TOTAL</b>	<b>1,73,520</b>	92,550

7. Major components of Deferred tax (Assets) / Liabilities

<b>Particulars</b>	<b>Deferred tax (asset) / liability as at 31.03.2011 (Rs.)</b>	<i>Deferred tax (asset) / liability as at 31.03.2010 (Rs.)</i>
Provision for leave encashment	<b>(6,87,147)</b>	(8,58,966)
Brought fwd preoperative expenses	<b>(75,303)</b>	(1,26,889)
Unabsorbed brought forward losses	<b>(1,29,17,211)</b>	-
Deferred Tax Assets	<b>(1,36,79,662)</b>	(9,85,855)
Difference between book and tax depreciation	<b>13,06,001</b>	14,51,078
Deferred Tax Liabilities	<b>13,06,001</b>	14,51,078
Net Deferred Tax Liability / (Asset)	<b>(1,23,73,661)</b>	4,65,223

The company has not accounted for Deferred tax asset of Rs. 1,23,73,661/- on the basis of prudence.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

8. Employee benefits recognized in the balance sheet are as follows:

a) Defined Benefit Plans

The amounts recognized in the Balance Sheet in respect of Gratuity Fund are as follows -

	<b>2010-11</b> <b>Rupees</b>	<i>2009-10</i> <i>Rupees</i>
Present value of funded obligation	<b>10,37,709</b>	7,16,336
Fair value of plan assets	<b>(3,59,187)</b>	(3,32,581)
Present value of unfunded obligations	<b>Nil</b>	<i>Nil</i>
Unrecognized past service cost	<b>Nil</b>	<i>Nil</i>
Amount not recognized as an asset	<b>Nil</b>	<i>Nil</i>
<b>Net Liability</b>	<b>6,78,522</b>	3,83,755
Amounts in Balance Sheet		
Liability	<b>6,78,522</b>	3,83,755
Assets	<b>Nil</b>	<i>Nil</i>
<b>Net Liability</b>	<b>6,78,522</b>	3,83,755

b) Expense to be recognized in statement of Profit and Loss Account:

	<b>2010-11</b> <b>Rupees</b>	<i>2009-10</i> <i>Rupees</i>
Current service cost	<b>3,61,378</b>	3,26,804
Interest on defined benefit obligation	<b>89,543</b>	51,071
Expected return on plan assets	<b>(54,179)</b>	-
Net Actuarial (gain) / loss recognized in year	<b>(1,01,975)</b>	5,880
Past service cost	-	-
Losses / (gains) on "curtailment and settlements"	-	-
Losses / (gains) on "Acquisition or divestiture"	-	-
Total included in staff expenses	<b>2,94,767</b>	3,83,755
Actual return on plan assets	<b>26,606</b>	-

c) Reconciliation of defined benefit obligation and plan assets for the period

	<b>2010-11</b> <b>Rupees</b>	<i>2009-10</i> <i>Rupees</i>
<b>Change in defined benefit obligation</b>		
Opening defined benefit obligation	<b>7,16,336</b>	3,32,581
Current service cost	<b>3,61,378</b>	3,26,804
Interest Cost	<b>89,543</b>	51,071
Actuarial Losses / (Gain)	<b>(1,29,548)</b>	5,880
Past service cost	-	-
Actuarial Losses / (Gain) due to curtailment	-	-
Liabilities extinguished on settlement	-	-
Liabilities assumed on acquisition / settled on divestiture	-	-
Benefits paid	-	-
Closing defined benefit obligation	<b>10,37,709</b>	7,16,336



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Change in fair value of assets**

Opening fair value of plan assets	<b>3,32,581</b>	–
Expected return on plan assets	<b>54,179</b>	–
Actuarial (Losses) / Gain	<b>(27,573)</b>	–
Assets distributed on settlement	–	–
Contribution by employer	–	3,32,581
Assets acquired on acquisition / distributed on divestiture	–	–
Exchange difference on foreign plan	–	–
Benefits paid	–	–
Closing Fair value of plan assets	<b>3,59,187</b>	3,32,581

The company is expected to contribute Rs. 7,00,000/- towards Gratuity fund in FY 2011-12 (*Previous Year Rs. 7,00,000/-*).

The funds are managed by LIC of India. Hence broad category of plan assets as a percentage of total plan assets are not furnished.

Principal valuation assumptions at the balance sheet date:

	<u>2010-11</u>	<u>2009-10</u>
Discount Rate p.a	<b>8.35%</b>	8.35%
Salary Escalation p.a.	<b>6.00%</b>	6.00%
Expected rate of return on assets p.a.	<b>8.00%</b>	8.00%

**Discount Rate:** The discount rate is based on the prevailing market yields of Indian Government Securities as at the Balance Sheet date for the estimated term of the obligations.

**Salary Escalation Rate:** The estimates of the future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Expected rate of return on plan assets:** This is based on the actuary's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Retirement Age:** The employees are assumed to retire at the age of 58 years.

**Mortality:** Published rates under LIC (1994-96) mortality tables.

**Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service.

**Attrition rate:** Rates of leaving service at specimen ages are as shown below:

Age	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
21-25	<b>7%</b>	7%
26-35	<b>6%</b>	6%
36-45	<b>2%</b>	2%
46-57	<b>1%</b>	1%

The amounts pertaining to the gratuity plans are as under:

	<u>2010-11 Rupees</u>	<u>2009-10 Rupees</u>
Defined benefit obligation	<b>10,37,709</b>	7,16,336
Plan Assets	<b>3,59,187</b>	3,32,581
Surplus / (Deficit)	<b>(6,78,522)</b>	(3,83,755)
Experience adjustments on plan liabilities	<b>1,29,548</b>	64,218
Experience adjustment on plan assets	<b>(27,573)</b>	–

The company operates a gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement whichever is earlier. The benefit vests after five years of continuous service.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 9. Related party disclosures

- i) List of related parties which can exercise control  
 Larsen and Toubro Limited Holding Company  
 Gulf Interstate Engineering JV Partner
- ii) Names of the related parties with whom transactions were carried out during the year and description of relationship  
 Larsen and Toubro Limited Holding Company  
 Gulf Interstate Engineering JV Partner  
 L&T-Chiyoda Limited Associate Company  
 L&T-Valdel Engineering Limited Fellow Subsidiary  
 L&T-Sargent and Lundy Limited Fellow Subsidiary
- iii) Disclosure of related party transactions

S NO	Particulars	2010-11 Rupees	2009-10 Rupees
1)	<b>Purchase of goods and services (Including JV admin charges, Technical services fees)</b> Larsen & Toubro Limited	54,29,571	19,12,829
2)	<b>ESOP costs</b> Larsen & Toubro Limited	95,68,020	80,92,622
3)	<b>Infrastructure charges and overhead recoveries</b> Larsen & Toubro Limited L&T-Sargent and Lundy Limited L&T-Valdel Engineering Limited	1,42,52,312 4,200 6,06,900	1,48,73,517 – –
4)	<b>Equity Infusion (including advance against equity commitment)</b> Larsen & Toubro Limited Gulf Interstate Engineering	1,00,00,040 1,49,99,940	1,75,00,070 1,24,99,950
5)	<b>Contract revenue and sales</b> Larsen and Toubro Limited Gulf Interstate Engineering Larsen & Toubro Electromech LLC Larsen & Toubro Qatar LLC L&T-Chiyoda Limited	3,79,36,438 32,46,068 – – 34,11,035	2,95,85,305 1,40,363 18,02,885 3,95,885 –

## iv) Amounts due / from related parties

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Accounts Payable Larsen & Toubro Limited	2,24,06,761 (Net of receivable)	3,13,77,806 (Net of receivable)
Accounts Receivable L&T-Chiyoda Ltd Gulf Interstate Engineering	11,39,774 13,13,368	Nil Nil

## 10. Segment Report

The company is rendering engineering consultancy and allied services only, hence geographical segments have been identified and considered as primary basis for segmental information:

Revenue by location of customers	2010-11 Rupees	2009-10 Rupees
Domestic	9,60,63,189	4,12,17,013
Overseas	1,28,62,402	23,39,132
<b>TOTAL</b>	<b>10,89,25,591</b>	<b>4,33,56,145</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Revenue by location of customers	2010-11 Rupees	2009-10 Rupees
Carrying amount of segment assets by location of assets		
Domestic	7,55,39,244	6,00,75,446
Overseas	30,38,302	-
<b>TOTAL</b>	<b>7,85,77,546</b>	<b>6,00,75,446</b>
Cost incurred on acquisition of tangible and intangible fixed assets		
Domestic (Cost not WDV)	31,58,593	20,00,524
Overseas	-	-
<b>TOTAL</b>	<b>31,58,593</b>	<b>20,00,524</b>

11. Pursuant to Employees Stock Option scheme established by the holding company (Larsen and Toubro Limited), stock options were granted to the employees of the company. Total cost incurred by the holding company in respect of the same is Rs. 3,62,17,147/-. The same is being recovered over the period of vesting by the holding company. Accordingly cost of Rs 1,99,91,025/- (previous year Rs. 97,69,738) has been recovered by the holding company upto the current year out of which Rs. 88,50,513/- (Previous Year Rs. 67,14,009) was recovered during the year. Balance Rs. 1,62,26,122/- will be recovered in future periods.
12. During the year the company has not entered into any Finance or Operating lease as specified in Accounting Standard - 19.
13. During the year the company has not paid any remuneration to its Directors.
14. No provision for Wealth Tax has been made for the current year, as there is no taxable wealth under the Wealth Tax Act, 1957 (Previous Year Rs. Nil).
15. The company has not capitalized any borrowing cost during the year, as there were no Qualifying assets (Previous Year Rs. Nil).
16. The Company is primarily engaged in the business of providing engineering and associated services for onshore cross country pipelines for hydrocarbon industry. The production and sale of such services can not be expressed in generic unit. Hence, no disclosure is required as per the requirements of paragraph 3, 4C, and 4D of part II of Schedule VI of the Companies Act, 1956.
17. The exchange difference arising on foreign currency transactions amounting to Rs. 1,30,560/- (net loss) has been accounted under the respective revenue heads.
18. Basic and diluted earning per share calculated in accordance with Accounting Standard 20 "Earning per share"

Particulars	2010-2011	2009-2010
Basic & Diluted	0.58	(10.13)
Profit / (Loss) after Tax as per P&L account	34,45,191	(4,00,92,451)
Weighted average no of shares outstanding	58,98,630	39,58,333

19. The Company Management has reviewed the operations and are of the view that there is no necessity to make the adjustment for provisions, contingent liabilities and contingent assets (AS 29) (Previous Year Rs. Nil).
20. The bank guarantee facilities from bank have been secured against the hypothecation of fixed deposits amounting to Rs. 53,72,558/- (Previous Year Rs. 63,69,196/-) .
21. The Company has reviewed the useful life of certain categories of fixed assets during the year.

As such, the useful life of certain general classes of assets has been revised with effect from January 1, 2011, in order to be in line with the parent company. The revised estimated useful life of the assets is :

	Existing estimate of useful life	Revised estimate of useful life
Fax / Printer / scanner (MFD)	15 Years	4 Years
Desktop Inkjet / Laserjet Printers	15 Years	4 Years
Laptop Office	6 Years	4 Years
Desktop / Laptop-Employee scheme	6 Years	3 Years
Specialized Software	3 Years	6 Years

As a result of the change, the depreciation charge for the year is lower by Rs. 2,50,851/-. Consequently, the profit for the year and the reserves are higher by the said amount.

22. The corresponding previous year figures have been regrouped where necessary to conform to the presentation of the current year's accounts.
23. Figures have been rounded off to the nearest rupee.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 24. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	U74140MH2008PTC177765						State Code				1 1	
	Incorporated in Qatar											
Balance Sheet Date	3	1		0	3		2	0	1	1		
	Date			Month			Year					

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue						N	I	L	Rights Issue				3	0	0	0	0		
Bonus Issue						N	I	L	Private Placement								N	I	L

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities				8	0	0	0	0	Total Assets				8	0	0	0	0									
Sources of Fund												Reserves & Surplus								Deferred tax liability				N	I	L
Paid-up Capital				8	0	0	0	0	Unsecured Loans									N	I	L						
Secured Loans								N	I	L	Investments							N	I	L						
Application of Funds												Misc. Expenditure							N	I	L					
Net Fixed Assets					9	9	1	3																		
Net Current Assets / (Liabilities)				3	3	0	1	2																		
Accumulated Losses				3	7	0	7	5																		

#### IV. Performance of Company (Amount in Rs. Thousands)

		Turnover (Including other income)			1	0	9	6	3	7	Total Expenditure			1	0	6	6	5	7	
+ -		Profit / Loss Before Tax				2	9	8	0		+ -					3	4	4	5	
+ -		Basic Earning per Share (in Rs.)			0	.	5	8			+ -									
+ -																		N	I	L

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)				N	.	A	.
Product Descriptions	ENGINEERING CONSULTANTS						

As per our Report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 000452N)  
 By the hand of

For and on behalf of the Board

**RAJKUMAR KHULLAR**  
 Partner  
 Membership No. 92507

**P. N. SUBRAMANIAN**  
 Manager

**M. R. SHANKER**  
 Director

**M. RAMKUMAR**  
 Director

Place : New Delhi  
 Date : April 20, 2011

Place : Chennai  
 Date : April 20, 2011

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report and Audited Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

<b>Particulars</b>	<b>2010-2011 Rs. Lakhs</b>	<i>2009-2010 Rs. Lakhs</i>
Gross Income	<b>19,271.41</b>	13,345.32
Profit before depreciation, interest and tax	<b>2,375.91</b>	1,008.36
Less : Depreciation	<b>229.36</b>	193.46
: Interest	<b>50.64</b>	220.10
<b>Profit before taxes</b>	<b>2,095.91</b>	594.80
Provision for taxes		
Income tax	<b>119.16</b>	–
Deferred tax	<b>136.79</b>	19.42
<b>Profit after taxes</b>	<b>1,839.96</b>	575.38
Add : Balance brought forward from previous year	<b>(431.57)</b>	(1,006.95)
Amount available for disposal which the Directors appropriate as follows:	<b>1,408.39</b>	(431.57)
Interim Dividend	<b>1,040.00</b>	–
Proposed Final Dividend	–	–
Dividend Tax	<b>172.73</b>	–
General Reserve	<b>184.00</b>	–
<b>Balance to be carried forward</b>	<b>11.66</b>	(431.57)

### YEAR IN RETROSPECT – 2010-11

#### SALES AND REVENUE

Income from sales and other sources amounted to Rs. 19,271.41 lakhs during the year against Rs. 13,345.32 lakhs during the year ended March 31, 2010.

#### EXPORTS

Export sales during the year amounted to Rs. 692.61 lakhs against Rs. 710.71 lakhs in the previous year.

#### ORDER BOOKING

The Order Booking during the year was Rs. 22,540.00 lakhs against Rs. 15,356.00 lakhs in the year ended March 31, 2010.

#### TURN AROUND

As at March 31, 2011, the Company had prepaid the entire term loan due to improved cash flow during the year. The interest costs were brought down from Rs. 117.21 lakhs in 2009-10 to Rs. 42.51 lakhs during the current year.

#### DIVIDEND & TRANSFER TO GENERAL RESERVE

The Directors have declared an interim dividend of Rs. 6.50 per equity share of Rs. 10 each on March 31, 2011 after transferring an amount of Rs. 184.00 lakhs to general reserve. The Directors do not propose any final dividend.

#### CAPITAL EXPENDITURE

As at March 31, 2011, the gross fixed assets stood at Rs. 3,783.34 lakhs and the net fixed assets at Rs. 2,332.53 lakhs. Additions during the year amounted to Rs. 188.64 lakhs.

#### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualification.

#### DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure 'A' forming part of the report.

## L&T PLASTICS MACHINERY LIMITED

### PERSONNEL

There is no employee covered by the provisions of the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii) that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit or loss of the Company for the year ended on that date;
- iii) that 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;
- iv) that the annual accounts have been prepared on a going concern basis; and
- v) that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.
- vi) that the details of all the related party transactions form part of the accounts as required under AS-18 and the same are given in the annual report.

### DIRECTORS

Mr. S. Raghavan and Mr. S. Venkataraman retire by rotation and are eligible for re-appointment.

### AUDITORS

The Auditors, M/S Deloitte Haskins & Sells, hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### INTERNAL AUDITORS

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

### INTERNAL CONTROL

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### SECRETARIAL AUDIT

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

### AUDIT COMMITTEE OF BOARD

The Company has an Audit Committee comprising of directors. The composition of Audit committee is as under:

Mr. S. Raghavan	Member
Mr. S. R. Subramanian	Member
Mr. S. Venkataraman	Member

### ACKNOWLEDGEMENTS

The Directors thank the customers of the Company for the continued trust reposed by them in the Company. The Directors acknowledge the invaluable support rendered by the Company's bankers, vendors and other service providers. The Directors are pleased to place on record their appreciation of the valuable contribution made by the employees of the Company.

For and on behalf of the Board

Place: Chennai  
Date : April 13, 2011

**S. RAGHAVAN**  
Director

**S. R. SUBRAMANIAN**  
Director

**S. VENKATARAMAN**  
Director

**ANNEXURE - A**

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2011

**A Conservation of energy**

- |   |   |
|---|---|
| (a) Energy conservation measures  | <ul style="list-style-type: none"> <li>• A pilot lot of 5 nos of LED lighting for factory roof installed</li> <li>• Energy audit conducted and audit findings are under implementation.</li> </ul>  |
| (b) Additional investments and proposals, if any being implemented for reduction of consumption of energy   | <ul style="list-style-type: none"> <li>• Another 25 nos of LED lighting.</li> <li>• Centralised Energy monitoring system across the factory</li> <li>• Energy saver for air compressor and painting booth blower motors</li> <li>• Solar energy for preheating the canteen boiler feed water</li> </ul> |
| (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods                        | The measures taken have resulted in savings in the cost of production.  |
| (d) Total energy consumption and energy consumption per unit of production as per Form A of the annexure in respect of industries specified in the schedule thereto | NOT APPLICABLE  |

**B Technology absorption**

- |   |                             |
|---|-----------------------------|
| (a) Efforts made in technology absorption as per Form B of the annexure | Details furnished in Form B |
|---|-----------------------------|

**C Foreign exchange earnings and outgo**

- |  |     |
|--|-----|
| (a) Activities related to exports; initiatives taken to increase exports; development of new exports for products and services; and export plans | NIL |
|--|-----|

(b) Total foreign exchange used and earned	<b>2010-11</b>	<i>2009-10</i>
	<b>(Rs. Lakhs)</b>	<i>(Rs. Lakhs)</i>
Used	<b>3,670.35</b>	<i>1,849.74</i>
Earned	<b>692.61</b>	<i>724.03</i>

**FORM B**

(Disclosure of particulars with respect to Technology Absorption)

**Research and Development (R&D)**

- |   |   |
|---|---|
| 1) Specific areas in which R&D carried out by the Company | <ul style="list-style-type: none"> <li>• Development of the two Platen injection Moulding Machine (2Tech series) of 450t clamping force.</li> <li>• Development of the Servo-pump concept of hydraulic power and control.</li> </ul>  |
| 2) Benefits derived as a result of the above              | <ul style="list-style-type: none"> <li>• 2Tech series: This is a first attempt at developing a different type of Clamp force application so as to reduce the number of components, the footprint of the machine and therefore the cost of the machine. Machine foot print reduction by 22% saves the costly floor space at customer's end. After successful trials at a customer's place, this will be streamlined into production, to give a competitive edge to our offerings in the market place.</li> </ul> |

- 3) Future plan of action
    - Servo-pump concept: This is an attempt at reducing the power consumed by our machines so as to compete with all-electric injection moulding machines which have very low power consumption. i.e. combine the benefits of the standard hydraulic injection moulding machine and the all-electric injection moulding machine. This concept is developed so as to substitute the standard pump systems in our machine at little additional cost. Fallout for the customer is in terms of 20 to 40% reduction in power consumption, lesser noise of the machine, lesser heating of oil etc potentially greening the machine. Also, this solution has been easily retro fitted on a few field machines. Hence it has the potential to generate more service revenue.
    - 2Tech series:
      - i. Streamlining of 450t into regular production.
      - ii. Designing larger sizes starting from 650t to 1000t based on this concept.
    - Servo-pump: The concept is already in production up to 55kW as a standard product. We are in the process of putting higher kW (74kW, 90kW and 110kW) into regular production.
    - Development of machine for Household segment.
- |                |                |
|----------------|----------------|
| <b>2010-11</b> | <i>2009-10</i> |
| <b>32.18</b>   | <i>6.73</i>    |
| <b>151.55</b>  | <i>127.13</i>  |
| <b>183.73</b>  | <i>133.86</i>  |
| <b>0.95%</b>   | <i>1.01%</i>   |
- 4) Expenditure on R&D (Rs. Lakhs)
    - a) Capital
    - b) Recurring
    - c) Total
    - d) Total R&D expenditure as a percentage of total turnover

**Technology absorption, adaptation and innovation**

- 1. Efforts in brief made towards technology absorption, adaptation and innovation
  - Development of parallel operations using double pump systems.
  - Development of special machines to suit specific customer requirements.
  - Development of special machines to suit special application segments like PET.
  - Machine layout standardisation.
- 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction and import substitution
  - Improved product features to suit requirements of parallel operations there by increasing the business potential.
  - Developed special machines, which substituted machine imports from other countries.
  - Strong presence in packaging applications.
  - Layout standardisation and redesign led to flexibility in machine building and contributed for material cost reduction.
- 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished
  - Not applicable



## AUDITORS' REPORT

### TO THE MEMBERS OF L&T PLASTICS MACHINERY LIMITED

1. We have audited the attached Balance Sheet of L&T PLASTICS MACHINERY LIMITED as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) 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 in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
*Chartered Accountants*  
(Registration No. 008072S)

**B. RAMARATNAM**  
*Partner*  
(Membership No. 21209)

Place : Chennai  
Date : April 13, 2011

**ANNEXURE REFERRED TO IN THE PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF L&T PLASTICS MACHINERY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011**

- (i) Having regard to the nature of the Company's business / activities / result, clauses (iii), (v), (vi), (xiii), (x), (xii) to (xvi), (xviii) to (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (vi) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
  - (c) As on March 31, 2011, there were no disputed dues on account of Income tax, Sales tax, Service tax, Custom duty, Excise duty and cess which have not been deposited.
- (vii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (viii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on short term basis which have been used for long term investments.
- (ix) Based on the audit procedures performed and as per the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed during the year.

For **DELOITTE HASKINS & SELLS**  
*Chartered Accountants*  
(Registration No. 008072S)

**B. RAMARATNAM**  
*Partner*  
(Membership No. 21209)

Place : Chennai  
Date : April 13, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	160,000,000		160,000,000	
Reserves and surplus	B	58,215,934		38,650,000	
			218,215,934		198,650,000
<b>Loan funds</b>					
Secured loans	C		95,017,591		98,665,179
Deferred tax liability (net)			13,679,016		—
<b>TOTAL</b>			<b>326,912,541</b>		<b>297,315,179</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	D	378,333,721		361,273,060	
Less: Depreciation		153,652,715		132,435,997	
Net Block		224,681,006		228,837,063	
Capital work-in-progress		8,572,632		3,871,419	
			233,253,638		232,708,482
<b>Current assets, loans and advances</b>					
Inventories	E	272,350,043		257,866,107	
Sundry debtors		40,806,708		79,004,271	
Cash and bank balances		80,124,330		343,246	
Loans and advances		70,534,725		48,373,701	
		463,815,805		385,587,325	
<b>Less: Current liabilities and provisions</b>					
Liabilities	F	333,999,773		344,199,677	
Provisions		36,157,129		19,937,376	
		370,156,902		364,137,053	
<b>Net Current Assets</b>			<b>93,658,903</b>		<b>21,450,272</b>
<b>Profit and Loss Account</b>					<b>43,156,425</b>
<b>TOTAL</b>			<b>326,912,541</b>		<b>297,315,179</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	K				
<b>NOTES ON ACCOUNTS</b>	L				

In terms of our report attached

For and on behalf of the Board

**FOR DELOITTE HASKINS & SELLS**Chartered Accountants  
Registration No. 008072S**B. RAMARATNAM**  
Partner**P. KAILAS**  
Manager**S. RAGHAVAN**  
Director**S. R. SUBRAMANIAN**  
Director**S. VENKATARAMAN**  
DirectorPlace : Chennai  
Date : April 13, 2011Place : Chennai  
Date : April 13, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales		2,097,007,315		1,427,061,487	
Less: Excise duty		181,721,296		104,155,992	
			1,915,286,019		1,322,905,495
Servicing			8,308,707		3,453,697
Add: Other income	G		3,545,026		8,172,853
<b>TOTAL</b>			<b>1,927,139,752</b>		<b>1,334,532,045</b>
<b>EXPENDITURE</b>					
Manufacturing and operating expenses	H	1,477,247,910		1,040,811,838	
Staff expenses	I	50,636,442		44,157,315	
Sales and administration expenses	J	161,666,147		148,726,375	
Depreciation	D	22,935,333		19,346,029	
Interest and financial charges					
On Term loans		4,251,029		11,721,514	
On others		812,541		10,288,894	
<b>TOTAL</b>			<b>1,717,549,401</b>		<b>1,275,051,965</b>
<b>Profit / (loss) before tax</b>			<b>209,590,351</b>		<b>59,480,080</b>
Provision for Taxes					
Current tax		43,267,000		3,310,000	
Less: MAT credit		31,351,124		3,310,000	
			11,915,876		-
Prior years			-		1,941,958
Deferred tax			13,679,016		-
<b>Profit / (loss) after taxes</b>			<b>183,995,459</b>		<b>57,538,122</b>
Add: Balance brought forward			(43,156,425)		(100,694,547)
<b>Profit available for appropriation</b>			<b>140,839,034</b>		<b>(43,156,425)</b>
<b>Appropriations</b>					
Less : Transfer to General Resere		18,400,000		-	
Interim dividend		104,000,000		-	
Tax on Dividend		17,273,100		-	
			139,673,100		-
<b>Balance carried forward</b>			<b>1,165,934</b>		<b>(43,156,425)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	K				
<b>NOTES ON ACCOUNTS</b>	L				
Basic and diluted earnings per equity share (Rupees)			11.50		3.60

In terms of our report attached

For and on behalf of the Board

**FOR DELOITTE HASKINS & SELLS**Chartered Accountants  
Registration No. 008072S**B. RAMARATNAM**  
Partner**P. KAILAS**  
Manager**S. RAGHAVAN**  
Director**S. R. SUBRAMANIAN**  
Director**S. VENKATARAMAN**  
DirectorPlace : Chennai  
Date : April 13, 2011Place : Chennai  
Date : April 13, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net Profit before tax</b>	<b>209,590,351</b>	<b>59,480,080</b>
Adjustments for :		
Depreciation	<b>22,935,333</b>	<b>19,346,029</b>
Interest and financial charges	<b>5,063,569</b>	<b>22,010,408</b>
Interest income	<b>(2,394,070)</b>	<b>(1,772,418)</b>
Gain on redemption of investment in mutual funds	<b>(136,764)</b>	<b>-</b>
Dividend from mutual funds (reinvested)	<b>(14,383)</b>	<b>-</b>
Provision for doubtful debts	<b>7,541,627</b>	<b>7,634,533</b>
Unclaimed credit balances written back	<b>(408,458)</b>	<b>-</b>
Unrealised (gain) / loss (net)	<b>(3,020)</b>	<b>1,440,430</b>
Loss / (profit) on sale of fixed assets	<b>(72,703)</b>	<b>(893,095)</b>
<b>Operating profit before working capital changes</b>	<b>242,101,482</b>	<b>107,245,967</b>
Adjustments for :		
(Increase) / Decrease in trade and other receivables	<b>44,813,225</b>	<b>50,858,274</b>
(Increase) / Decrease in inventories	<b>(14,483,936)</b>	<b>121,130,254</b>
Increase / (Decrease) in trade payables	<b>(10,844,793)</b>	<b>(99,087,227)</b>
<b>Cash generated from operations</b>	<b>261,585,978</b>	<b>180,147,268</b>
Direct taxes (paid) / refunded	<b>(48,188,237)</b>	<b>2,964,439</b>
<b>Net cash from operating activities</b>	<b>213,397,741</b>	<b>183,111,707</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets including Capital Work in Progress / advances	<b>(23,564,786)</b>	<b>(5,663,849)</b>
Proceeds from sale of fixed assets	<b>157,000</b>	<b>1,706,516</b>
Interest income	<b>2,351,139</b>	<b>1,772,418</b>
Purchase of Investments	<b>(73,000,000)</b>	<b>-</b>
Proceeds from sale of investments	<b>73,151,147</b>	<b>-</b>
<b>Net cash (used in) investing activities</b>	<b>(20,905,500)</b>	<b>(2,184,915)</b>
<b>C. Cash flow from financing activities</b>		
Borrowings from banks	<b>79,685,745</b>	<b>-</b>
Dividend paid	<b>(104,000,000)</b>	<b>-</b>
Repayment of term loan / other borrowings	<b>(83,333,333)</b>	<b>(158,769,521)</b>
Interest and financial charges paid	<b>(5,063,569)</b>	<b>(22,010,408)</b>
<b>Net cash (used in) financing activities</b>	<b>(112,711,157)</b>	<b>(180,779,929)</b>
<b>Net cash flows during the year (A + B + C)</b>	<b>79,781,084</b>	<b>146,863</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		
Opening balance of Cash and cash equivalents	<b>343,246</b>	<b>196,383</b>
Closing balance of Cash and cash equivalents	<b>80,124,330</b>	<b>343,246</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>79,781,084</b>	<b>146,863</b>

In terms of our report attached

For and on behalf of the Board

**FOR DELOITTE HASKINS & SELLS**Chartered Accountants  
Registration No. 008072S**B. RAMARATNAM**  
Partner**P. KAILAS**  
Manager**S. RAGHAVAN**  
Director**S. R. SUBRAMANIAN**  
Director**S. VENKATARAMAN**  
DirectorPlace : Chennai  
Date : April 13, 2011Place : Chennai  
Date : April 13, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,60,00,000 equity shares of Rs. 10 each	<u>160,000,000</u>	<u>160,000,000</u>
<b>Issued and subscribed</b>		
1,60,00,000 equity shares of Rs. 10 each fully paid up	<u>160,000,000</u>	<u>160,000,000</u>
The entire shares are held by Larsen & Toubro Limited and its nominees		
Of the above,		
1. 29,99,996 equity shares of Rs. 10 each allotted as fully paid pursuant to a contract without payment being received in cash.		
2. 1,00,00,000 equity shares of Rs. 10 each issued at par to Larsen & Toubro Limited as fully paid during 2008-09, against extinguishment of debt.		
<b>TOTAL</b>	<u><u>160,000,000</u></u>	<u><u>160,000,000</u></u>

**SCHEDULE B****RESERVES AND SURPLUS**

General Reserve

As per last Balance sheet

2,650,000

-

Add : Transferred from Profit and Loss A/c

18,400,000

-

21,050,000

2,650,000

Securities Premium Account

36,000,000

36,000,000

Profit and Loss Account

1,165,934

-

**TOTAL**58,215,93438,650,000**SCHEDULE C****SECURED LOANS**

Cash credit from banks (secured by hypothecation of stocks, book debts and plant and machinery, both present and future)

95,017,591

15,331,846

Term loan from bank (secured by equitable mortgage of immovable property and hypothecation of plant and machinery)

-

83,333,333

**TOTAL**95,017,59198,665,179**SCHEDULE D**

FIXED ASSETS	COST				DEPRECIATION				NET BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Up to 31.03.2010	For the year	Deductions	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSETS:</b>										
Land	20,926,280	-	-	20,926,280	-	-	-	-	20,926,280	20,926,280
Building	137,749,744	5,374,883	-	143,124,627	20,774,777	4,746,220	-	25,520,997	117,603,630	116,974,967
Plant and machinery	147,017,811	7,752,981	1,802,912	152,967,880	69,536,530	16,068,143	1,718,615	83,886,058	69,081,822	77,481,281
Furniture and fixtures	20,120,053	1,555,173	-	21,675,226	7,677,020	1,344,566	-	9,021,586	12,653,640	12,443,033
Vehicles	1,318,568	636,501	-	1,955,069	307,066	185,732	-	492,798	1,462,271	1,011,502
<b>SUB-TOTAL</b>	<b>327,132,456</b>	<b>15,319,538</b>	<b>1,802,912</b>	<b>340,649,082</b>	<b>98,295,393</b>	<b>22,344,661</b>	<b>1,718,615</b>	<b>118,921,439</b>	<b>221,727,643</b>	<b>228,837,063</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

FIXED ASSETS	COST				DEPRECIATION				NET BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Up to 31.03.2010	For the year	Deductions	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>INTANGIBLE ASSETS:</b>										
Trade marks	30,000,000	–	–	30,000,000	30,000,000	–	–	30,000,000	–	–
Software	4,140,604	3,544,035	–	7,684,639	4,140,604	590,672	–	4,731,276	2,953,363	–
<b>SUB-TOTAL</b>	<b>34,140,604</b>	<b>3,544,035</b>	<b>–</b>	<b>37,684,639</b>	<b>34,140,604</b>	<b>590,672</b>	<b>–</b>	<b>34,731,276</b>	<b>2,953,363</b>	<b>–</b>
<b>TOTAL</b>	<b>361,273,060</b>	<b>18,863,573</b>	<b>1,802,912</b>	<b>378,333,721</b>	<b>132,435,997</b>	<b>22,935,333</b>	<b>1,718,615</b>	<b>153,652,715</b>	<b>224,681,006</b>	
Previous year	361,179,064	1,792,430	1,698,434	361,273,060	113,975,981	19,346,029	885,013	132,436,997		228,837,063
Capital Work-in-progress / advances									8,572,632	3,871,419
									233,253,638	232,708,482

As at 31.03.2011

Rupees

Rupees

As at 31.03.2010

Rupees

Rupees

**SCHEDULE E****CURRENT ASSETS, LOANS AND ADVANCES****Inventories: (at cost or net realisable value whichever is lower)**

Stores	130,536	37,850
Loose tools	511,601	484,472
Raw materials and components	132,409,348	163,834,244
Work-in-progress	133,781,512	89,230,095
Finished goods	5,517,046	4,279,446
	<b>272,350,043</b>	<b>257,866,107</b>

**Sundry debtors, unsecured:**

## Outstanding for more than six months

considered good	334,399	18,468,349
considered doubtful	24,521,466	16,979,839

## Less: Provision for doubtful debts

	24,521,466	16,979,839
	334,399	18,468,349
Other debts	40,472,309	60,535,922
	<b>40,806,708</b>	<b>79,004,271</b>

**Cash and bank balances:**

Cash on hand	44,357	113,784
Balances with scheduled banks:		
On Current accounts	79,973	229,462
On Deposit accounts	80,000,000	–
	<b>80,124,330</b>	<b>343,246</b>

**Loans and advances:**

## Unsecured and considered good:

Advances recoverable in cash or in kind or for value to be received	23,445,449	14,176,679
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**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Gratuity	-		1,111,460	
Interest Accrued but not due	42,931		-	
Income tax payments (net of provision)	4,231,626		760,603	
Balance with Central Excise	6,703,381		29,014,959	
MAT credit entitlement	36,111,338		3,310,000	
		<b>70,534,725</b>		<b>48,373,701</b>
<b>TOTAL</b>		<b>463,815,805</b>		<b>385,587,325</b>

**SCHEDULE F****CURRENT LIABILITIES AND PROVISIONS****Sundry Creditors:**

Dues to Micro and Small enterprises	8,500,157		3,356,065	
Others	242,385,011		257,537,639	
Gratuity	239,885			
Advances from customers	82,874,720		83,305,973	
		<b>333,999,773</b>		<b>344,199,677</b>

**Provisions:**

Compensated Absences	6,384,029		5,937,376	
Contractual product warranties	12,500,000		14,000,000	
Dividend distribution tax	17,273,100		-	
		<b>36,157,129</b>		<b>19,937,376</b>

**TOTAL**

		<b>370,156,902</b>		<b>364,137,053</b>
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Note: There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31.03.2011

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE G</b>				
<b>OTHER INCOME</b>				
Interest - from banks (Tax deducted at source - Rs. 2.35 lakhs)		2,391,675		-
Interest - Others		2,395		1,772,418
Gain on redemption of investment in mutual funds		136,764		-
Dividend from mutual funds		14,383		-
Profit on sale of fixed assets (net)		72,703		893,095
Unclaimed credit balances		408,458		5,274,000
Miscellaneous		518,648		233,340
<b>TOTAL</b>		<b>3,545,026</b>		<b>8,172,853</b>



**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE H</b>				
<b>MANUFACTURING AND OPERATING EXPENSES</b>				
<b>Raw materials and components consumed</b>				
Opening stock	163,834,244		294,804,152	
Add: Purchases	1,408,363,200		860,194,601	
	1,572,197,444		1,154,998,753	
Less: Closing stock	132,409,348		163,834,244	
	1,439,788,097		991,164,509	
Less: Scrap sales	1,586,008		540,308	
		1,438,202,089		990,624,201
<b>(Increase) / Decrease in manufacturing stocks</b>				
Closing stock:				
Finished goods	5,517,046		4,279,446	
Work-in-progress	133,781,512		89,230,095	
	139,298,558		93,509,541	
Less: Opening stock:				
Finished goods	4,279,446		–	
Work-in-progress	89,230,095		82,795,278	
	93,509,541		82,795,278	
		(45,789,017)		(10,714,263)
Royalty		4,506,536		2,037,214
Stores consumed		20,997,040		12,250,003
Loose tools		7,383,315		5,561,686
Freight inwards		4,560,248		2,888,826
Manpower hire charges		10,610,114		11,665,348
Power and fuel		14,877,614		11,414,339
Repairs and maintenance of buildings and premises		13,268,660		8,137,144
Repairs to plant and machinery [including spare parts purchased amounting to Rs. 184,880 (previous year Rs. 647,753)]		8,631,310		6,947,340
<b>TOTAL</b>		<b>1,477,247,910</b>		<b>1,040,811,838</b>
<b>SCHEDULE I</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		24,635,047		25,124,435
Contributions to Provident & other funds		4,419,859		4,163,643
Compensated absences		446,653		316,900
Staff and workmen welfare expenses		21,134,883		14,552,337
<b>TOTAL</b>		<b>50,636,442</b>		<b>44,157,315</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>SALES AND ADMINISTRATION EXPENSES</b>				
Selling commission		5,072,826		28,139,659
Rent		2,396,982		2,221,247
Rates and taxes		468,867		1,143,139
Increase / (Decrease) in excise duty included in opening and closing stock of finished goods		(190,550)		190,550
Travelling and conveyance		11,247,246		7,996,974
Insurance		686,186		638,235
Exchange (gain) / loss (net)		(4,151,944)		1,616,000
Packing and forwarding		16,846,735		11,952,584
Service charges		2,923,587		2,630,916
Provision for doubtful debts (Net of provision no longer required of Rs. 14.26 lakhs, previous year - Rs. Nil)		7,541,627		7,634,533
Deputation charges		95,894,338		59,174,228
Miscellaneous		22,930,246		25,388,310
<b>TOTAL</b>		<b>161,666,147</b>		<b>148,726,375</b>

**SCHEDULE K****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The financial statements have been prepared under the historical cost convention in accordance with the accounting principles generally accepted in India and complied with the mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes, provisions for warranties and the useful lives of fixed assets, etc. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

**2. Revenue Recognition**

Revenue from sale of goods is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract. Service income is recognized as and when services are rendered.

**3. Fixed Assets**

Fixed Assets are stated at their original cost of acquisition which includes costs directly attributable to acquisition and installation.

**4. Depreciation**

Depreciation has been provided on straight line basis at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. From the current year, the following assets are depreciated based on useful life estimated by the management. (Refer note 22)

Depreciation on additions / deductions is calculated pro-rata from / to the month of additions / deductions.

Computers	25%
Printers & Projectors	25%
Computers with Employees	33%

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **5. Intangible Assets**

Intangible assets comprise of trade mark and software acquired for internal use which are amortized as follows:

- i. Trade mark over a period of five years
- ii. Software over a period of six years

### **6. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- i. the provision for impairment loss required, if any, or
- ii. the reversal required of impairment loss recognized in previous periods, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

### **7. Inventories**

Inventories of stores, raw materials, components, work-in-progress and finished goods are valued at the lower of cost and estimated net realizable value. Cost of various categories of inventories is determined as follows:

- i. Stores - First in First Out method
- ii. Raw materials and components - Weighted Average method
- iii. Work-in-progress and Finished goods - Full Absorption Costing method

### **8. Foreign Currency Transactions**

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.

Foreign currency receivables / payables are translated at exchange rates prevailing on the date of settlement or at the year end as applicable and gain / loss arising out of such transactions is adjusted to the Profit and Loss Account.

In case of forward contracts, the premium is recognized over the period of the contract and the exchange differences on such contracts are recognized in the period in which they arise.

### **9. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### **10. Taxes on Income**

Current tax is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is accounted for under the liability method, subject to the consideration of prudence for deferred tax assets, at the current rate of tax, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that future taxable income will be available against which such deferred tax assets can be realized.

### **11. Research & Development Expenses**

Expenses of revenue nature are charged to the Profit and Loss Account of the year in which they are incurred. Fixed assets used for Research and Development are capitalized and depreciated at applicable rates under Schedule XIV to the Companies Act, 1956.

### **12. Employee Benefits**

- i. Short Term Employee Benefit Plans

All short term employee benefit plans such as salaries, wages, bonus, special awards, medical benefits and leave salary which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on undiscounted basis and charged to the Profit and Loss Account.

- ii. Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the Profit and Loss Account on accrual basis. Contribution to the Superannuation fund is made annually at a pre-determined rate to the Life Insurance Corporation of India (LIC's) Superannuation Scheme and debited to the Profit and Loss Account on accrual basis.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## iii. Defined Benefit Plan

Contribution to the Gratuity fund is made annually on the basis of an actuarial valuation as on the Balance Sheet date to LIC and debited to the Profit and Loss Account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account.

**13. Provisions and Contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**14. Investments**

Current investments are valued at lower of cost and fair value.

**SCHEDULE L****NOTES ON ACCOUNTS**

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 85,14,826 (*previous year: Rs 15,32,160*).
- Contingent Liabilities:

Particulars	2010-2011 Rs.	2009-2010 Rs.
In respect of matters for which the Company is in appeal		
a) Income tax	8,79,000	8,79,000

- Managerial Remuneration to the Chief Executive:

Particulars	2010-2011 Rs.	2009-2010 Rs.
a) Salaries	23,46,719	14,03,000
b) Perquisites, Allowances and other benefits	2,98,468	1,25,389
<b>TOTAL</b>	<b>26,45,187</b>	<b>15,28,389</b>

- Auditors Remuneration:

Particulars	2010-2011 Rs.	2009-2010 Rs.
a) Audit fees	3,00,000	3,00,000
b) Taxation matters	2,00,000	1,64,374
c) Reimbursement of expenses / levies	2,911	3,500
<b>TOTAL</b>	<b>5,02,911</b>	<b>4,67,874</b>

- Installed Capacity, Production and Sales of each class of goods manufactured / traded:

Particulars	2010-2011 Units	2009-2010 Units
a) Installed Capacity: (As certified by the Director on which the Auditors have placed reliance as this is a technical matter) - Injection Moulding Machines – Nos.	1,200	1,200
b) Production: - Injection Moulding Machines – Nos.	682	547

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

c) Purchase: - Injection Moulding Machines – Nos.	-	1
d) Sales: - Injection Moulding Machines – Nos	683	546
e) Finished goods: - Injection Moulding Machines – Nos.		
Opening Stock	2	-
Closing Stock	1	2

\* In respect of Auxiliary Equipment, number of units are not quantifiable due to diverse nature of items and hence no disclosure is made in this regard.

## 6. Sales Turnover:

Particulars	2010-11		2009-10	
	Qty (Nos.)	Rs.	Qty (Nos.)	Rs.
Injection Moulding Machines	683	158,98,68,819	546	115,12,76,198
Auxiliary Equipment*		22,54,42,288		10,18,91,506
Spare Parts & Job-Work		9,99,74,912		6,97,37,791
<b>TOTAL</b>		<b>191,52,86,019</b>		<b>132,29,05,495</b>

\* Number of units not quantifiable due to diverse nature of items.

## 7. Raw Materials and Components Consumed:

Particulars	2010-11		2009-10	
	Qty (Tonnes)	Rs.	Qty (Tonnes)	Rs.
Ferrous and Non-ferrous materials	22	20,21,064	20	16,72,252
Intermediates and components (including processing charges and bought our spares)		143,77,67,033		98,94,92,257
<b>TOTAL</b>		<b>143,97,88,097</b>		<b>99,11,64,509</b>

## 8. Value of imported and indigenous raw materials and components consumed and percentage thereof:

Particulars	2010-11		2009-10	
	%	Rs.	%	Rs.
Imported	29	41,29,71,009	32	31,31,54,303
Indigenous	71	102,68,17,088	68	67,80,10,206
<b>TOTAL</b>	<b>100</b>	<b>143,97,88,097</b>	<b>100</b>	<b>99,11,64,509</b>

## 9. Value of Imports (on CIF basis):

Particulars	2010-11	2009-10
	Rs.	Rs.
Raw materials and components	36,11,84,100	18,32,22,621
Spare parts	8,78,770	10,27,288
<b>TOTAL</b>	<b>36,20,62,870</b>	<b>18,42,49,909</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 10. Expenditure in Foreign Currency (on Accrual basis):

<b>Particulars</b>	<b>2010-2011</b> <b>Rs.</b>	<b>2009-2010</b> <b>Rs.</b>
Travel	7,45,644	4,13,736
Agency commission	39,16,665	1,68,954
Sales promotion expenses	1,95,133	99,943
Others	1,13,596	40,545
<b>TOTAL</b>	<b>49,71,038</b>	<b>7,23,178</b>

## 11. Earnings in Foreign Currency (on Accrual Basis):

<b>Particulars</b>	<b>2010-2011</b> <b>Rs.</b>	<b>2009-2010</b> <b>Rs.</b>
Export of goods on F.O.B. basis	6,92,61,108	7,10,70,810
Export of services	–	13,31,549
<b>TOTAL</b>	<b>6,92,61,108</b>	<b>7,24,02,359</b>

## 12. The following are the details in respect of Lease Accounting:

## Operating Lease:

- a) The Company has taken certain cars and computers on non – cancelable operating leases and the future minimum lease payments in respect of which are as follows -

<b>Particulars</b>	<b>Minimum Lease Payments as on 31.03.2011</b> <b>Rs.</b>	<b>Minimum Lease Payments as on 31.03.2010</b> <b>Rs.</b>
i) Not later than one year	14,02,154	20,00,363
ii) Later than one year but not later than five years	15,03,556	25,91,944
iii) Later than five years	–	–
<b>TOTAL</b>	<b>29,05,710</b>	<b>45,92,307</b>

- b) There are no exceptional / restrictive covenants in the lease agreements.

## 13. Earnings per Share:

<b>Particulars</b>	<b>2010-2011</b> <b>Rs.</b>	<b>2009-2010</b> <b>Rs.</b>
Net profit as per Profit & Loss Account	18,39,95,459	5,75,38,122
Weighted Average Number of Equity Shares	1,60,00,000	1,60,00,000
Basic and Diluted Earnings Per Share	11.50	3.60

## 14. Research &amp; Development:

The expenditure on research and development activities is Rs. 1,83,72,841 including capital expenditure of Rs. 32,18,415. (Previous year Rs. 1,33,85,917 including capital expenditure of Rs. 6,72,901)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Segment Reporting:

The company operates in a single business segment of manufacture and sale of Injection Moulding Machines And Auxiliary Equipment.

Particulars	Geographical Segments (In Rs.)					
	Domestic		Overseas		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
External Revenue	<b>203,60,54,892</b>	135,81,12,825	<b>6,92,61,108</b>	7,24,02,359	<b>210,53,16,000</b>	143,05,15,184
Carrying amount of Segment Assets	<b>69,67,63,454</b>	59,98,41,175	<b>3,06,546</b>	1,84,54,632	<b>69,70,70,000</b>	61,82,95,807
Addition to Fixed Assets	<b>2,35,64,785</b>	56,63,849	-	-	<b>2,35,64,785</b>	56,63,849

## 16. Employee Defined Benefit Plans:

Particulars	Gratuity (Funded)		Compensated Absence (Unfunded)	
	2010-11 Rupees	2009-10 Rupees	2010-11 Rupees	2009-10 Rupees
I. Net (Asset) / Liability recognized in the Balance Sheet as at the year end				
1. Present Value of Defined Benefit Obligation	<b>31,49,154</b>	1,553,926	<b>63,84,030</b>	5,937,376
2. Fair Value of Plan Assets	<b>29,09,269</b>	2,665,386	-	-
3. (Deficit) / Surplus	-	-	<b>(63,84,030)</b>	(5,937,376)
4. Net (Asset) / Liability	<b>2,39,885</b>	(1,111,460)	<b>63,84,030</b>	5,937,376
II. Expenses recognized in the Profit & Loss Account for the year				
1. Current Service Cost	<b>5,28,135</b>	368,606	<b>4,84,018</b>	181,992
2. Interest Cost	<b>5,31,538</b>	157,122	<b>4,52,906</b>	390,888
3. Actuarial (Gains) / Losses	<b>5,35,555</b>	(795,252)	<b>72,657</b>	(182,019)
4. Expected Return on Plan Assets	<b>(2,43,883)</b>	(366,577)	-	-
5. Total Expense	<b>13,51,345</b>	(636,101)	<b>10,09,581</b>	390,861
III. Change in Present Value of obligation during the year				
1. Present Value of Defined Benefit Obligation as at the beginning of the year	<b>15,53,926</b>	4,525,695	<b>59,37,376</b>	5,620,476
2. Current Service Cost	<b>5,28,135</b>	368,606	<b>4,84,018</b>	181,992
3. Interest Cost	<b>5,31,538</b>	157,122	<b>4,52,906</b>	390,888
4. Actuarial (Gains) / Losses	<b>5,35,555</b>	1,625,849	<b>72,657</b>	(182,019)
5. Benefits Paid	-	(5,123,346)	<b>(5,62,927)</b>	(73,961)
6. Present Value of Defined Benefit Obligation as at the end of the year	<b>31,49,154</b>	1,553,926	<b>63,84,030</b>	5,937,376

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	Gratuity (Funded)		Compensated Absence (Unfunded)	
	2010-11 Rupees	2009-10 Rupees	2010-11 Rupees	2009-10 Rupees
IV. Change in Fair Value of Plan Assets during the year				
1. Fair Value of Plan Assets at the beginning of the year	26,65,386	5,001,049	-	-
2. Expected Return on Plan Assets	2,43,883	366,577	-	-
3. Contributions by Employer	-	-	-	-
4. Actuarial Gains / (Losses)	-	2,421,106	-	-
5. Benefits Paid	-	(5,123,346)	-	-
6. Fair Value of Plan Assets as at the end of the year	29,09,269	2,665,386	-	-
V. Principal Actuarial Assumptions as at year end				
1. Discount Rate	8.00%	8.00%	8.00%	7.00%
2. Expected Return on Plan Assets	9.00%	8.00%	-	-

## VI. Basis used to determine Expected Rate of Return

The information on major categories of plan assets and expected return on each class of plan assets / experience adjustments are not readily available. However, LIC has confirmed that the average rate of return on plan assets is 9%.

## VII. Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion, increments and other relevant factors such as supply and demand in the market.

## VIII. Mortality

The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables.

## 17. Related Party Transactions:

## a) List of related parties and nature of relationship where control exists:

Name of the Related Party	Nature of Relation
i) Larsen and Toubro Limited	Parent Company
ii) L&T Finance Limited	Fellow Subsidiary
iii) L&T General Insurance Company Limited	Fellow Subsidiary
iv) P. Kailas, Chief Executive	Key Management Personnel

## b) Disclosure of Related Party Transaction:

Nature of Transactions	2010-2011 Rupees	2009-2010 Rupees
i) Sale of Goods and Services		
Larsen & Toubro Limited	27,23,415	26,72,061
ii) Commission		
Larsen & Toubro Limited	-	2,69,02,279
iii) Reimbursement of Expenses		
Larsen & Toubro Limited	10,08,93,637	6,35,33,188
iv) Purchase of Goods and Services		
Larsen & Toubro Limited	6,72,422	4,29,13,568



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Nature of Transactions</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
v) Purchase of Fixed Assets Larsen & Toubro Limited	<b>5,58,728</b>	8,35,001
vi) Dividend Paid Larsen & Toubro Limited	<b>10,40,00,000</b>	–
vi) Managerial Remuneration P. Kailas	<b>26,45,187</b>	15,28,389
vii) Insurance Charges L&T General Insurance Company Limited	<b>3,92,415</b>	–
viii) Lease Rent L&T Finance Limited	<b>11,45,132</b>	10,22,581
ix) Royalty Larsen Toubro Limited	<b>45,06,536</b>	20,37,214
x) Outstanding as at year end payable to Larsen & Toubro Limited	<b>2,54,61,092</b>	1,99,72,886

## 18. Movement in Provisions:

<b>Contractual Product Warranties</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
a. Balance of provision as at year beginning	<b>1,40,00,000</b>	88,00,000
b. Additional provision made during the year	<b>52,92,000</b>	1,08,54,908
c. Provision used during the year	<b>(67,92,000)</b>	(56,54,908)
d. Balance of provision as at year end	<b>1,25,00,000</b>	1,40,00,000

The Company gives warranty to products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provision is made for expected future cash outflows and computed on total sales made during the year based on past experience. No reimbursements are expected.

## 19. Disclosures Regarding Derivative Instruments:

- Number of Forward exchange contracts entered into by the Company remaining outstanding as at the year end - NIL.
- Year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise

<b>Particulars</b>	<b>Currency</b>	<b>2010-2011</b>		<i>2009-2010</i>	
		<b>Foreign Currency</b>	<b>INR Equivalent Rupees</b>	<i>Foreign Currency</i>	<i>INR Equivalent Rupees</i>
Amounts receivable in foreign currency	USD	<b>2,66,022</b>	<b>1,18,63,252</b>	4,99,812	2,24,41,562
	EUR	<b>4,504</b>	<b>2,85,475</b>	–	–
Amounts payable in foreign currency	USD	<b>24,887</b>	<b>11,09,836</b>	4,74,014	2,12,83,224
	EUR	<b>38,218</b>	<b>24,22,368</b>	2,39,779	1,44,95,212

## L&T PLASTICS MACHINERY LIMITED

### 20. Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:

Based on the information available with the Company, the disclosures that are required to be made under The Micro, Small and Medium Enterprises Development Act, 2006, which has come into effect from October 2, 2006, are as under -

Particulars	2010-11 Rupees		2009-10 Rupees	
	Principal	Interest	Principal	Interest
i) a) Overdue principal as at year end	4,54,022		9,19,006	
b) Interest due on the above		5,702		13,383
ii) a) Principal paid after the due date during the year	3,97,10,631		2,64,99,251	
b) Interest paid on the above		-		-
c) Interest due on the above		5,12,769		7,98,926
iii) Total Interest unpaid as at the Balance Sheet date		31,42,283		26,23,812

### 21. Deferred tax as at March 31, 2011:

Particulars	As at 01.04.2010 Rupees	Movement during the year Rupees	As at 31.03.2011 Rupees
<b>Deferred Tax Liabilities</b>			
Fixed Assets	2,46,24,512	(9,18,208)	2,37,06,304
<b>Deferred Tax Assets</b>			
Provision for doubtful debts	56,40,278	23,15,712	79,55,990
Expenses allowed on payment basis	19,72,248	99,050	20,71,298
Brought forward business losses / depreciation	1,70,11,986	(1,70,11,986)	-
<b>Total</b>	2,46,24,512	(1,45,97,224)	1,00,27,288
<b>Net Deferred Tax Asset / (Liability)</b>	-	1,36,79,016	1,36,79,016

### 22. Change in estimate of useful life of certain assets :

From the current year, certain assets which were hitherto depreciated at the rates specified under Schedule XIV of the Companies Act, 1956 have been depreciated at rates based on useful life. Consequently, the depreciation for the year is higher by Rs. 20,25,359 and the profit before tax for the year lower by the same amount.

### 23. The details of investments purchased and sold during the year:

Investment in mutual funds (non trade)	Units purchased / swapped (Nos.)	Cost of purchases Rupees	Units sold / swapped (Nos.)	Sale Value Rupees
L&T Freedom Income STP Inst.-Cum-Org	3,685,690	5,80,02,543	3,685,690	5,81,29,990
L&T Liquid Inst.Plus - Cumulative	1,068,665	2,10,00,000	1,068,665	2,10,09,317
L&T Freedom Income STP Inst.-Daily dividend reinvestment plan	1,477,946	1,50,08,840	1,477,946	1,50,14,383
L&T Liquid Inst. Daily Dividend Reinvestment plan	988,504	1,00,00,000	988,504	1,00,08,840
<b>Total</b>		10,40,11,383		10,41,62,530

Net proceeds - Rs. 1,51,147/- (Previous year - Rs. Nil)

### 24. Figures of the previous year have been re-grouped / recast, where necessary to confirm to the classification, of the current year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 25. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax Liability **Application of Funds**Net Fixed Assets Net Current Assets **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earning per Share (in Rs.) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No.   
(ITC Code)Product Descriptions 

In terms of our report attached

For and on behalf of the Board

**FOR DELOITTE HASKINS & SELLS**Chartered Accountants  
Registration No. 008072S**Signature to Schedules A to L****B. RAMARATNAM**  
Partner**P. KAILAS**  
Manager**S. RAGHAVAN**  
Director**S. R. SUBRAMANIAN**  
Director**S. VENKATARAMAN**  
DirectorPlace : Chennai  
Date : April 13, 2011Place : Chennai  
Date : April 13, 2011

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting their Third Report and the Accounts for the year ended March 31, 2011.

### **I. FINANCIAL RESULTS**

The key financial parameters for the period ended March 31, 2011 are submitted below:

<b>Sl. Particulars No.</b>	<b>2010-11 Rs. in Lakhs</b>	<i>2009-2010 Rs. in Lakhs</i>
1 Income for the year	<b>1,185.70</b>	4,833.92
2 Less: Expenditure	<b>(1,131.19)</b>	<i>(4,817.90)</i>
<b>3 Profit Before Depreciation &amp; Tax (PBDT)</b>	<b>54.51</b>	16.02
4 Less: Depreciation	-	-
<b>5 Profit / (Loss) before tax (PBT)</b>	<b>54.51</b>	16.02
6 Less: Provision for tax	<b>17.04</b>	4.95
<b>7 Profit / (Loss) after tax (PAT)</b>	<b>37.47</b>	11.07
8 Balance brought forward from previous year	<b>1.19</b>	<i>(9.88)</i>
<b>9 Balance carried to Balance Sheet</b>	<b>38.66</b>	<i>1.19</i>

### **II. PERFORMANCE OF THE COMPANY**

Your Company, in line with its objectives, had acquired three Quarry leases in its favour and applied for seven Quarry leases, which are under process, during the year.

Quarrying and crushing operations were carried out in compliance with statutory requirements by engaging resourceful sub-contractors and supplies were made in line with clients' requirements / satisfaction while meeting our business purpose.

### **III. APPROPRIATION**

The Directors wish to inform that there were no appropriations to any kind of specific reserves of the Company during the year.

### **IV. DIVIDENDS**

The Directors of your Company express their inability to consider any dividend to be paid to the shareholders of the Company for the year 2010-11.

### **V. CAPITAL EXPENDITURE**

The Company does not carry any Fixed assets in the Books.

### **VI. AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications.

### **VII. DEPOSITS**

The Company has not accepted any deposits from the public.

### **VIII. MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT**

There are no material changes that have taken place in the Company between the date of the Balance Sheet and the date of the Directors' Report.

### **IX. PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### **X. SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary company.

### **XI. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. that the selected accounting policies were applied consistently and the directors 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, 2011 and of the profit / loss of the Company for the year ended on that date;

3. that 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;
4. that the annual accounts have been prepared on a going concern basis.

## XII. DIRECTORS

Mr. Subbaiya Kanappan was appointed as a Director in casual vacancy due to resignation of Mr. M. H. Desai w.e.f September 15, 2010 and he holds office until the conclusion of term of office of the resigning Director. The term of office of Mr. M. H. Desai will come to an end on the ensuing Annual General Meeting of the Company.

A notice has been received under the provision of Section 257 of the Companies Act, 1956 in respect of Mr. Subbaiya Kanappan, proposing his appointment as a Director of the Company.

Mr. N. Bhaskar Raju, Director retiring by rotation at the forthcoming Annual General Meeting being eligible, offer himself for re-appointment.

The Board of Directors as on March 31, 2011 is as follows:

- Mr. B. Ramakrishnan
- Mr. N. Bhaskara Raju
- Mr. Subbaiya Kanappan

## XIII. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009.

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below –

### A) Separation of offices of Chairman & Chief Executive

The Chairman is elected during each Board Meeting by the Directors from amongst those present. All the Directors are Non-Executive and the role of Chairman is confined to the proper conduct of the Board Meeting. The Company is not required to appoint a Manager as per the Companies Act, 1956 and the Project Manager of the Company is handling the day to day activities of the Project and attends the Board Meetings only as invitee. In this manner the separation of offices of Chairman & Manager is ensured as per the requirement of guidelines.

### B) Remuneration of Directors

The Directors are not paid any remuneration by way of sitting fees, etc.

### C) Independent Directors

None of the Directors is involved in the day to day affairs of the Company.

#### Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

### D) Responsibilities of the Board

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### E) Statutory Auditors

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

### F) Internal Auditors

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

### G) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### H) Secretarial Audit

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

## HI-TECH ROCK PRODUCTS & AGGREGATES LIMITED

### XIV. AUDIT COMMITTEE

The Company need not have an Audit Committee as the paid-up capital of the Company is only Rs. 5 Lacs

### XV. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from Auditors have been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### XVI. DISCLOSURE OF PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER THE COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

#### CONSERVATION OF ENERGY

Since the Company is engaged in quarrying and mining operation, conservation of energy, research and development, technology observation does not apply.

#### TECHNOLOGY ABSORPTION

There was no technology absorption during the year.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no earnings or outgo in terms of foreign exchange during the year 2010-11.

### XVII. ACKNOWLEDGEMENTS

The Directors acknowledge the valuable support extended to the Company by the employees of the Company, staff and management of the parent company.

For and on behalf of the Board

**HI-TECH ROCK PRODUCTS AND AGGREGATES LIMITED**

Place : Chennai  
Date : May 17, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF HI-TECH ROCK PRODUCTS & AGGREGATES LIMITED

We have audited the attached Balance Sheet of HI-TECH ROCK PRODUCTS & AGGREGATES LIMITED as at March 31, 2011, the Profit and Loss Account for the year ended March 31, 2011 and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of the written representations received from the Directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies in Schedule 'A' and Notes on Accounts in Schedule 'B' 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:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
- ii) in the case of Profit and Loss Account, the profit for the year ended on that date, and
- iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

**V. VISWANATHAN**  
Partner  
Membership No: 215565

Place : Chennai  
Date : May 18, 2011

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## ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph (1) of our report of even date)

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of Hi-Tech Rock Products & Aggregates Limited on the accounts for the year ended March 31, 2011, we report that:

- (i) The Company does not carry any fixed asset in the books, hence reporting on clauses relating to fixed assets under clause 4(i)(a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (ii) The Company does not carry any inventory in its books and hence the clauses 4(ii)(a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 relating to inventory are not applicable.
- (iii) According to the information and the explanations given to us the Company has not granted or taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence reporting under Clause 4(iii)(a) to (g) of the Companies (Auditor's Report) Order, 2003 does not arise.

## HI-TECH ROCK PRODUCTS & AGGREGATES LIMITED

- (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 sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) In our opinion, and according to the information and explanations given to us, there is no transaction that needs to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 and hence reporting under clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (vi) The Company has not accepted deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956. Hence clause 4(vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (vii) The aggregate of paid-up share capital and reserves of the Company has not exceeded Rs. 50 lakhs as at the commencement of the financial year and hence the requirement of internal audit for the year does not arise.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the operations of the Company and hence, reporting on this clause does not arise.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been regular in depositing undisputed statutory dues including income tax, sales tax and other statutory dues during the year with the appropriate authorities. As at March 31, 2011, there are no undisputed statutory dues payable for a period of six months from the date they became payable.  
(b) According to the information and explanations given to us, there are no disputed statutory liabilities in respect of income tax, sales tax and cess.
- (x) The Company is in existence for a period of less than five years and hence reporting on the accumulated loss and cash loss under clause 4(x) of the Companies (Auditor's Report) Order, 2003 does not arise
- (xi) According to the information and explanations given to us, the Company has not availed any loan from financial institutions / banks or debenture holders and hence reporting on default in repayment of dues in respect of loans from financial institutions / banks or debenture holders does not arise.
- (xii) According to the information and explanations given 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 the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or a trader in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has not taken term loans, and hence reporting on their application under clause 4(xvi) of the Companies (Auditors Report) Order, 2003 does not arise.
- (xvii) The Company has not raised funds on short term basis during the year and hence the provisions of clause 4(xvii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued debentures during the year and hence no security or charge has been created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

**V. VISWANATHAN**  
Partner  
Membership No: 215565

Place : Chennai  
Date : May 18, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		500,000		500,000
Reserves & Surplus			3,866,055		119,032
<b>TOTAL</b>			<b>4,366,055</b>		<b>619,032</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Sundry Debtors		16,455,111		29,049,353	
Cash and Bank Balances		1,480,542		1,293,742	
Loans & Advances		18,622,043		3,155,926	
		<b>36,557,696</b>		<b>33,499,021</b>	
<b>Less: Current Liabilities &amp; Provisions</b>					
<b>Current Liabilities</b>					
Current Liabilities		30,487,679		32,384,812	
Provisions		1,703,962		495,177	
		<b>32,191,641</b>		<b>32,879,989</b>	
<b>Net Current Assets</b>			<b>4,366,055</b>		<b>619,032</b>
<b>TOTAL</b>			<b>4,366,055</b>		<b>619,032</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>A</b>				
<b>NOTES ON ACCOUNTS</b>	<b>B</b>				

The schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 003792S)  
By the hand of

**V. VISWANATHAN**

Partner  
Membership No : 215565

Place : Chennai  
Date : May 18, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

Place : Chennai  
Date : May 17, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Income from Operations	4	105,837,788	468,544,462
Other Income	5	12,732,500	14,847,875
<b>TOTAL</b>		<b>118,570,288</b>	<b>483,392,337</b>
<b>EXPENDITURE</b>			
Operating Expenses	6	104,248,060	464,628,199
Sales, Administration and Other Expenses	7	8,871,243	17,161,623
<b>TOTAL</b>		<b>113,119,303</b>	<b>481,789,822</b>
<b>Profit before taxes</b>		<b>5,450,985</b>	<b>1,602,515</b>
Provision for current taxes		1,703,962	495,177
<b>Profit after taxes</b>		<b>3,747,023</b>	<b>1,107,338</b>
Balance brought forward from previous year		119,032	(988,306)
Balance carried to Balance Sheet		3,866,055	119,032
<b>Earnings Per Share - (Basic &amp; Diluted)</b>		<b>74.94</b>	<b>22.15</b>
Face Value per Share (Refer Note No. 9 in Schedule B)		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>A</b>		
<b>NOTES ON ACCOUNTS</b>	<b>B</b>		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)  
By the hand of

**V. VISWANATHAN**  
Partner  
Membership No : 215565

Place : Chennai  
Date : May 18, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

Place : Chennai  
Date : May 17, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A Cash Flow from Operating activities</b>		
Net profit before taxes	5,450,985	1,602,515
<b>Adjustments for Working Capital Changes</b>		
(Increase) / Decrease in Sundry Debtors	12,594,242	(29,049,353)
(Increase) / Decrease in Loans and Advances	(15,466,117)	(3,155,926)
Increase / (Decrease) in Miscellaneous Expenditure	-	-
Increase / (Decrease) in Current Liabilities	(1,897,133)	31,396,506
<b>Cash generated from operations</b>	<b>681,977</b>	<b>793,742</b>
Direct Tax paid during the year	(495,177)	-
<b>Net Cash from / (used in) Operating Activities (A)</b>	<b>186,800</b>	<b>793,742</b>
<b>B Cash Flow from Investing activities</b>		
<b>Net Cash from / (used in) Investing Activities (B)</b>	-	-
<b>C Cash Flow from Financing Activities :</b>		
<b>Net cash from / (used in) Financing Activities (C)</b>	-	-
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>186,800</b>	<b>793,742</b>
<b>Cash and Cash equivalents as at the beginning of the year</b>	<b>1,293,742</b>	<b>500,000</b>
<b>Cash and Cash equivalents as at the end of the year</b>	<b>1,480,542</b>	<b>1,293,742</b>

**NOTES**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 003792S)  
By the hand of

**V. VISWANATHAN**

Partner  
Membership No : 215565

Place : Chennai  
Date : May 18, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

Place : Chennai  
Date : May 17, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
1,00,00,000 equity shares of Rs. 10/- each		100,000,000		100,000,000
<b>Issued, Subscribed &amp; Paid up</b>				
50,000 equity shares of Rs. 10/- each fully paid up (All the shares are held by Larsen & Toubro Limited, the holding company & its nominees)		500,000		500,000
<b>TOTAL</b>		<b>500,000</b>		<b>500,000</b>
<b>SCHEDULE - 2</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>Sundry Debtors</b>				
Unsecured, considered good				
Outstanding for more than six months	-		-	
Others -Due from holding company	16,455,111		29,049,353	
		16,455,111		29,049,353
<b>Cash &amp; Bank Balances</b>				
Balances with scheduled bank on current account		1,480,542		1,293,742
<b>Loans and Advances</b>				
Unsecured, considered good				
Advances recoverable in cash or kind for the value to be received		18,622,043		3,155,926
<b>TOTAL</b>		<b>36,557,696</b>		<b>33,499,021</b>
<b>SCHEDULE - 3</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Due to Micro & Small Enterprises	-		-	
Due to others	27,114,344		31,075,237	
		27,114,344		31,075,237
Other liabilities		3,373,335		1,309,575
		30,487,679		32,384,812
<b>Provisions</b>				
Current Tax		1,703,962		495,177
<b>TOTAL</b>		<b>32,191,641</b>		<b>32,879,989</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	<b>2010-11</b> <b>Rupees</b>	<i>2009-10</i> <i>Rupees</i>
<b>SCHEDULE - 4</b>		
<b>INCOME FROM OPERATIONS</b>		
Sale of aggregates and boulders	<b>105,837,788</b>	<i>468,544,462</i>
<b>TOTAL</b>	<b>105,837,788</b>	<i>468,544,462</i>
<b>SCHEDULE - 5</b>		
<b>OTHER INCOME</b>		
Recovery of expenses	<b>12,732,500</b>	<i>14,847,875</i>
<b>TOTAL</b>	<b>12,732,500</b>	<i>14,847,875</i>
<b>SCHEDULE - 6</b>		
<b>OPERATING EXPENSES</b>		
Contracting Expenses	<b>69,409,825</b>	<i>295,846,557</i>
Power & Fuel	<b>5,683,290</b>	<i>60,387,960</i>
Spares and Consumables	<b>2,458,896</b>	<i>2,578,000</i>
Royalty	<b>16,413,746</b>	<i>61,613,900</i>
Hire of Plant and Machinery	<b>4,004,444</b>	<i>23,270,750</i>
Amortization of Infrastructure Costs	<b>3,079,915</b>	<i>17,017,372</i>
Repairs and Maintenance	<b>1,455,924</b>	<i>3,448,249</i>
Travelling and Conveyance	<b>1,692,020</b>	<i>356,336</i>
Lease Rentals	<b>50,000</b>	<i>109,075</i>
<b>TOTAL</b>	<b>104,248,060</b>	<i>464,628,199</i>
<b>SCHEDULE - 7</b>		
<b>SALES, ADMINISTRATION &amp; OTHER EXPENSES</b>		
Cost of Services	<b>8,304,754</b>	<i>14,847,875</i>
Professional Fees	<b>27,984</b>	<i>2,025,406</i>
Rates and Taxes	<b>381,817</b>	<i>47,809</i>
Printing and Stationery Expenses	<b>17,303</b>	<i>35,387</i>
Miscellaneous Expenses	<b>139,385</b>	<i>205,146</i>
<b>TOTAL</b>	<b>8,871,243</b>	<i>17,161,623</i>

## **SCHEDULES FORMING PART OF ACCOUNTS**

### **SCHEDULE - A**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

##### **2. Use of estimates**

The preparation of the financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The difference, if any, between actual results and estimates is recognized in the period in which the results are known.

##### **3. Revenue Recognition**

Revenue from sale of products is recognised when all the significant risk and reward of ownership of the products are passed on to the customers, which is generally on dispatch of goods and acceptance, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefit associated with the transaction will flow to the enterprise.

##### **4. Accounting for taxes on income**

Tax on income is determined on the basis of taxable income and tax credits in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing difference between the accounting income and the estimated taxable income for the period and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

##### **5. Leases**

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

##### **6. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- (a) The Company has a present obligation as a result of a past event
- (b) The probable outflow of resources is expected to settle the obligation ; and
- (c) The amount of the obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

- (a) Present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation
- (b) A present obligation arising from past events, when no reliable estimate is possible
- (c) A possible obligation arising from past events, where the probability of outflow of resources is not remote

Contingent assets are neither recognized nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### SCHEDULE B

#### NOTES ON ACCOUNTS

- The Company is engaged in quarrying and mining operations and accordingly, information required under paragraph 4C of Part II of Schedule VI to the Companies Act, 1956 have been disclosed, to the extent applicable to the nature of operations.
- There were no transactions during the year with Micro and Small Enterprises covered under the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest do not arise.
- Auditor's remuneration (excluding service tax):

Particulars	2010-11	2009-10
Audit Fees	50,000	50,000
Other services	27,294	6,500

- The Company does not have taxable wealth and hence no provision has been made for wealth tax under the provisions of the Wealth Tax Act, 1957.
- Contingent liabilities as at March 31, 2011 – Rs. Nil (*Previous year Rs. Nil*)
- The Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972 are not applicable to the Company for the year.
- Segment Reporting as per Accounting Standard (AS) 17
  - The Company operates in the single segment of mining and quarrying operations and accordingly no primary segment reporting has been made.
  - The Company derives its entire income from India and accordingly, no geographical segment reporting has been made.
- Disclosure of Related Parties / related party transactions:
  - List of related parties  
Holding Company : Larsen & Toubro Limited
  - Transaction with Related Parties

Nature of transaction	Transaction Rs.	Amount due to (Rs.)	Amount due from (Rs.)
Sales of Boulders and Aggregates	105,837,788 (468,544,462)	Nil (Nil)	16,455,111 (29,049,353)
Recovery of expenses	12,732,500 (14,847,875)		
Hire charges paid	4,004,444 (23,270,750)		
Cost of services paid	8,304,754 (14,847,875)		
Land Lease Rental	50,000 (100,000)		

(Figures in bracket indicate previous year)

- No amount due to or due from related parties has been written off or written back during the year.
- Earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20

Particulars	2010-11	2009-10
Profit After Tax for the year (Rs.)	3,747,023	1,107,338
Number of Equity Shares	50,000	50,000
Nominal Value of Shares (Rs.)	10	10
Earnings per Share – Basic & Diluted	74.94	22.15

- The Company has not entered into any finance lease as specified in Accounting Standard (AS) - 19 'Leases'. The Company has however taken various plant and machinery under cancellable operating lease. These agreements are normally renewed on expiry, when required.  
Lease rent charged to Profit and Loss Account for the year is Rs. 50,000 (*Previous year Rs. 109,075*)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

11. Details of Sales

Particulars	2010-11		2009-10	
	Qty (MTs)	Rupees	Qty (MTs)	Rupees
Aggregates	737,612	78,831,138	1,244,099	233,933,479
Boulders	137,469	27,006,650	2,187,949	234,610,983
Total	875,081	105,837,788	3,432,048	468,544,462

12. Figures for the previous period have been regrouped / reclassified wherever necessary.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)  
By the hand of

**V. VISWANATHAN**  
Partner  
Membership No : 215565

Place : Chennai  
Date : May 18, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

Place : Chennai  
Date : May 17, 2011



**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital (Including Advance against Share Capital)

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

+ -  
Net Current Assets/(Liabilities)

Miscellaneous Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (including other income)

Total Expenditure

+ -  
Profit / Loss Before Tax

+ -

Profit / Loss After Tax

Earnings Per Share in Rs.

Dividend Rate %

**V. Generic Names of Principal Products/Services of the Company (as per monetary items)**

Item Code No.

(ITC Code)

Product Descriptions

For and on behalf of the Board

Place : Chennai  
Date : May 17, 2011

**B. RAMAKRISHNAN**  
Director

**N. BHASKARA RAJU**  
Director

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Second Report and Accounts for the year ended March 31, 2011.

### **1. FINANCIAL RESULTS**

<b>Particulars</b>	<b>2010-2011 Rs in Lakhs</b>	<i>2009-2010 Rs in Lakhs</i>
Sales & Other income	<b>329.25</b>	–
<b>Profit / Loss before depreciation and tax</b>	<b>(2.53)</b>	<i>(5.23)</i>
Less: Depreciation	<b>163.15</b>	–
<b>Profit / Loss Before Tax</b>	<b>(165.68)</b>	<i>(5.23)</i>
Less Provision for tax	–	–
<b>Profit / Loss After tax</b>	<b>(165.68)</b>	<i>(5.23)</i>

### **2. DIVIDEND**

The Directors do not recommend any dividend.

### **3. CAPITAL EXPENDITURE**

During the year, the Company acquired fixed assets valued at Rs. 5,824.84 Lakhs. As at March 31, 2011, the gross fixed assets stood at Rs. 5,824.84 Lakhs and the net fixed assets stood at Rs. 5,661.69 Lakhs. Capital Work in Progress (Advances to Vendors) stood at Rs. 722.21 Lakhs.

### **4. PERFORMANCE OF THE COMPANY**

The Company Commenced commercial operations from November 2010. The Sales and other Income of the Company for the year is Rs. 329.25 Lakhs (*previous year Nil*). The loss before tax (after depreciation) is Rs. 165.68 Lakhs (*previous year Rs. 5.23 Lakhs*), Provision for Tax is Nil (*previous year Nil*) and the loss after tax is Rs. 165.68 Lakhs (*previous year Rs. 5.23 Lakhs*). The loss carried forward to the Balance Sheet stands at Rs. 170.91 Lakhs.

### **5. AUDITORS**

The Auditors, M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### **6. AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### **7. DIRECTORS**

The first Directors of the Company are Mr. S. N. Roy and Mr. H. A. Karkada.

Mr. H. A. Karkada is liable to retire by rotation and is eligible for re-appointment.

### **8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the losses of the Company for the year ended on that date.
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **9. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT**

There are no material changes between Balance Sheet date and date of Directors' report.

**10. DISCLOSURE OF PARTICULARS**

There are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**11. PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**12. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below-

**A. INDEPENDENT DIRECTORS**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. Directors are updated about their role, responsibilities and liabilities.

**B. NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR**

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

**C. INTERNAL AUDITORS**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to all its group companies.

**D. INTERNAL CONTROL**

The Board ensures the effectiveness of the Company's system of internal controls.

**E. SECRETARIAL AUDIT**

The Secretarial Audit of the Company is handled by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said authority.

**F. RELATED PARTIES TRANSACTION**

As required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions form part of the accounts as required under AS 18 and the same forms part of this Annual report.

**13. ACKNOWLEDEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 14, 2011

**S. N. ROY**  
Director

**H. A. KARKADA**  
Director

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T AVIATION SERVICES PRIVATE LIMITED

We have audited the attached Balance Sheet of L&T Aviation Services Private Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement 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.

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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 14, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that fixed assets have been physically verified by management during the year and no material discrepancies were noticed on such verification.
- (c) No fixed assets have been disposed off during the year.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii)(a), (b) and (c) are not applicable.
- 3 (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- 4 In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- 5 According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- 7 The Company is in the process of setting up an internal audit system.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- 9 (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 undisputed statutory dues including income tax, and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- 10 The Company is in existence for a period of less than 5 years and hence, reporting under paragraph 4(x) is not applicable.
- 11 According to the information and explanations given to us, in our opinion the Company has not defaulted in the repayment of dues to any financial institutions or bank as at the Balance Sheet date. The Company has not issued any debentures.
- 12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 The Company is not dealing or trading in shares or securities.
- 15 The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16 The Company has not taken any term loans during the period.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares during the period.
- 19 The Company has not issued debentures during the year and, accordingly, paragraph 4(xix) of the Order is not applicable.
- 20 The Company has not raised any money by public issues during the period.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*By the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

*Place : Mumbai*  
*Date : May 14, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>		<u>As at 31.03.2010</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	<b>A</b>		<b>240,000,000</b>		<b>10,000,000</b>
Advance against Equity Commitment			<b>63,000,000</b>		
<b>Loan Funds</b>					
Unsecured Loans	<b>B</b>		<b>353,861,325</b>		<b>-</b>
<b>TOTAL</b>			<b>656,861,325</b>		<b>10,000,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible assets</b>					
Gross block		<b>582,483,826</b>		<b>-</b>	
Less: Depreciation		<b>16,315,252</b>		<b>-</b>	
Net block		<b>566,168,574</b>		<b>-</b>	
Capital work-in-progress		<b>72,221,500</b>		<b>-</b>	
			<b>638,390,074</b>		<b>-</b>
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	<b>D</b>	<b>20,291,317</b>			
Cash & Bank Balances		<b>1,580,861</b>		<b>9,999,450</b>	
Loans and advances		<b>5,843,183</b>		<b>26,909</b>	
		<b>27,715,361</b>		<b>10,026,359</b>	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	<b>E</b>	<b>26,335,517</b>		<b>549,593</b>	
<b>Net Current Assets</b>			<b>1,379,844</b>		<b>9,476,766</b>
<b>Profit and Loss Account</b>			<b>17,091,407</b>		<b>523,234</b>
<b>TOTAL</b>			<b>656,861,325</b>		<b>10,000,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	<b>L</b>				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332Place : Mumbai  
Date : May 14, 2011**S. N. ROY**  
DirectorPlace : Mumbai  
Date : May 14, 2011**H. A. KARKADA**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and Services	F	31,616,100		–	
Other Income	G	1,309,275		–	
			32,925,375		–
<b>EXPENDITURE</b>					
Manufacturing, Construction and Operating expenses	H	15,480,188		–	
Staff Expenses	I	5,810,035		–	
Sales, Administration and other expenses	J	10,078,662		523,234	
Interest and Brokerage	K	1,809,411		–	
Depreciation and obsolescence of tangible assets		16,315,252		–	
			49,493,548		523,234
<b>Profit / Loss before taxes</b>			(16,568,173)		(523,234)
Provision for current taxes			–		–
<b>Profit / Loss after taxes</b>			(16,568,173)		(523,234)
Add : Balance brought forward from Previous Year			(523,234)		–
<b>Balance carried to Balance Sheet</b>			(17,091,407)		(523,234)
Basic and Diluted Earnings per share (Refer note no 9)			(9.43)		(1.34)
Face value per equity share			10.00		10.00
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	L				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332Place : Mumbai  
Date : May 14, 2011**S. N. ROY**  
Director**H. A. KARKADA**  
DirectorPlace : Mumbai  
Date : May 14, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Profit / (Loss) (after extraordinary item)</b>	<b>(16,568,173)</b>	<b>(523,234)</b>
Adjustments for		
Depreciation (including obsolescence), amortisation and impairment	<b>16,315,252</b>	-
Unrealised foreign exchange difference - net (gain) / loss	<b>(1,309,275)</b>	-
Interest (net)	<b>1,809,411</b>	-
<b>Operating profit before working capital changes</b>	<b>247,215</b>	<b>(523,234)</b>
Adjustments for		
(Increase) / Decrease in trade and other receivables	<b>(26,107,591)</b>	<b>(26,909)</b>
Increase / (Decrease) in trade payables	<b>25,785,924</b>	<b>549,593</b>
<b>Cash generated from operations</b>	<b>(74,452)</b>	<b>(550)</b>
Direct taxes refund / (paid)- net	-	-
<b>Net Cash from Operating Activities</b>	<b>(74,452)</b>	<b>(550)</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	<b>(582,483,826)</b>	-
Advance paid for Purchase of Fixed Assets	<b>(72,221,500)</b>	-
<b>Net Cash (used in) / from Investing Activities</b>	<b>(654,705,326)</b>	-
<b>C. Cash flow from Financing Activities:</b>		
Issue of Equity Shares	<b>230,000,000</b>	<b>10,000,000</b>
Advance against Equity Commitment	<b>63,000,000</b>	-
Proceeds from long term borrowings	<b>355,170,600</b>	-
Interest paid	<b>(1,809,411)</b>	-
<b>Net Cash (used in) / from Financing Activities</b>	<b>646,361,189</b>	<b>10,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>(8,418,589)</b>	<b>9,999,450</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>9,999,450</b>	-
<b>Cash and cash equivalents at end of the year</b>	<b>1,580,861</b>	<b>9,999,450</b>

**Notes**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS)3 - "Cash Flow Statements" issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents at the end of the year represent cash and bank balances.
- Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 14, 2011

**S. N. ROY**  
Director

Place : Mumbai  
Date : May 14, 2011

**H. A. KARKADA**  
Director



**SCHEDULES FORMING PART OF ACCOUNTS**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
2,40,00,000 Equity shares of Rs. 10 each	<u>240,000,000</u>	<u>10,000,000</u>
<b>Issued, Subscribed and paid up</b>		
2,40,00,000 Equity shares of Rs. 10 each fully paid up (Previous year 10,00,000 Equity shares of Rs. 10 each) (All the above Equity shares are held by Larsen & Toubro Limited, the Holding Company)	<u>240,000,000</u>	<u>10,000,000</u>
<b>TOTAL</b>	<u><u>240,000,000</u></u>	<u><u>10,000,000</u></u>

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE B</b>		
<b>UNSECURED LOANS</b>		
External Commercial Borrowings (Bridge Loan)	<u>353,861,325</u>	<u>-</u>
<b>TOTAL</b>	<u><u>353,861,325</u></u>	<u><u>-</u></u>

<b>SCHEDULE C</b>											
<b>FIXED ASSETS</b>											
PARTICULARS	COST / VALUATION				DEPRECIATION				IMPAIRMENT	BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Up to 31.03.2010	For the year	Deduction	As at 31.03.2011		As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees
<b>Tangible Fixed Assets</b>											
Owned Assets											
Aircraft	-	581,982,600	-	581,982,600	-	16,295,513	-	16,295,513	-	565,687,087	-
Computer	-	501,226	-	501,226	-	19,739	-	19,739	-	481,487	-
<b>TOTAL (A)</b>		<b>582,483,826</b>	<b>-</b>	<b>582,483,826</b>	<b>-</b>	<b>16,315,252</b>	<b>-</b>	<b>16,315,252</b>	<b>-</b>	<b>566,168,574</b>	<b>-</b>
Previous Year	-	-	-	-	-	-	-	-	-	-	-
Add : Capital work-in-progress (Advance to vendor) (B)										72,221,500	-
<b>TOTAL (A + B)</b>										<b>638,390,074</b>	<b>-</b>

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE D</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Sundry Debtors</b>		
Debts outstanding for less than 6 months		
Considered Good	<u>20,291,317</u>	<u>-</u>
<b>Cash and Bank balances</b>		
Balances with Scheduled banks		
On current account	<u>973,361</u>	<u>9,999,450</u>
On current account (corporate cards)	<u>607,500</u>	<u>-</u>
	<u><u>1,580,861</u></u>	<u><u>9,999,450</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Loan and advances				
Advances to Suppliers	761,267		–	
Deposit Paid	2,650,000		–	
Prepaid Expenses	1,734,465		–	
TDS certificates receivable	697,451		–	
		5,843,183		–
Other current assets				
Service Tax recoverable		–		26,909
<b>TOTAL</b>		<b>27,715,361</b>		<b>10,026,359</b>

**SCHEDULE E**  
**CURRENT LIABILITIES AND PROVISIONS**

**Liabilities**

Sundry Creditors				
Due to Holding Company	19,759,242		524,050	
TDS liability	388,504		20,543	
Others	6,187,771		5,000	
		26,335,517		549,593
<b>TOTAL</b>		<b>26,335,517</b>		<b>549,593</b>

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE F</b>				
<b>SALES AND SERVICES</b>				
Charter Hire Income		31,616,100		–
(Tax deducted at source Rs. 6,97,451)				
<b>TOTAL</b>		<b>31,616,100</b>		<b>–</b>

**SCHEDULE G**  
**OTHER INCOME**

Exchange gain / loss		1,309,275		–
<b>TOTAL</b>		<b>1,309,275</b>		<b>–</b>

**SCHEDULE H**  
**MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES**

Material Consumed				
Stores, Spares and Tools		18,561		–
Fuel		5,111,138		–
Other Manufacturing, Construction and Operating expenses				
Aircraft hire charges	45,500		–	
Insurance charges	1,408,329		–	
Repairs and maintenance	6,530,052		–	
		7,983,881		–

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Other Manufacturing and Operating expenses				
Landing & Parking charges	1,815,921			
Weather Access Fees	550,687			
		2,366,608		
<b>TOTAL</b>		<b>15,480,188</b>		
<b>SCHEDULE I</b>				
<b>STAFF EXPENSES</b>				
Salaries		4,784,908		
Welfare and other expenses				
Welfare Med.benefits to Cov, Health checkup	306			
Training fees	787,063			
Staff Welfare expenses	104,047			
Other food refreshment exp. Incl.lunch allowance	133,711			
		1,025,127		
<b>TOTAL</b>		<b>5,810,035</b>		
<b>SCHEDULE J</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Preliminary Expenses				
ROC filing fees	-		6,600	
Company Seal & Nylon Stamps	-		3,080	
Fees for formation of Company	-		8,572	
Rent	200,483			
Travelling and conveyance	1,207,518			
Telephone postage and telegrams	180,161			
Gift Articles	75,831			
Printing and Stationery	24,479			
Bank charges	40,576			
Professional fees	6,954,333		75,560	
Audit fees	62,500			
Books and periodicals	679,183		10,250	
Computer Hire charges	32,148			
Other interest	12,540			
Overhead charges	151,417			
Miscellaneous expenses	457,493		419,172	
		10,078,662		523,234
<b>TOTAL</b>		<b>10,078,662</b>		<b>523,234</b>
<b>SCHEDULE K</b>				
<b>INTEREST AND BROKERAGE</b>				
Interest paid on buyers' credit		1,809,411		
<b>TOTAL</b>		<b>1,809,411</b>		

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - L**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts /advances, etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

##### **2. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured; revenue from charter services is recognized based on services provided and billed as per the terms of contracts with the customers provided that the collection is reasonably certain.

##### **3. Fixed Assets**

Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment.

##### **4. Depreciation**

Depreciation is provided on straight-line basis at the rates and in the manner provided in Schedule XIV to the Companies Act, 1956. Depreciation for additions to / deductions from owned assets is calculated *pro-rata* from / to the month of additions / deductions.

##### **5. Foreign Currency Transactions, foreign operations**

(i) The reporting currency of the Company is Indian rupees.

(ii) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(iii) The exchange differences on settlement / conversion are adjusted to Profit and Loss Account.

##### **6. Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

##### **7. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961 and based on the expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the income accounted in financial statements and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head "capital gains" are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

##### **8. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event.
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Contingent Liability is disclosed in the case of

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**9. Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- the provision for impairment loss, if any; and
- the reversal of impairment loss recognized in previous periods, if any.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- in the case of an individual asset, at the higher of the net selling price and the value in use; and
- in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

**NOTES FORMING PART OF ACCOUNTS**

- There have been no transactions during the year with Micro and Small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest does not arise.
- The management of the Company is of the opinion that the Company is a service company and accordingly information required under paragraph 4(c) of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
- Sales and services include Rs. 3,16,16,100 (*previous year: Rs. NIL*) for charter hire income from Aircraft.
- Bridge loan from Australia and New Zealand Banking Group Limited, Singapore till the financial closure of External Commercial Borrowing, has been supported by letter of comfort from Holding Company, Larsen & Toubro Limited, to the Bank.
- Expenditure in Foreign currency

Sr. No.	Particulars	For the year 2010-2011 Rupees	For the year 2009-2010 Rupees
1	Payment for aircraft	65,42,04,100	–
2	Professional Fees	58,56,952	–
3	Interest on ECB	18,09,411	–
4	Training Fees	7,87,063	–

- Auditors' Remuneration (excluding service tax)

Particulars	For the year 2010-2011 Rupees	For the year 2009-2010 Rupees
Audit Fees	12,000	5,000
Tax Audit Fees	5,000	–
Certification work	45,500	5,250

- Segmental reporting

The Company is engaged in the business of providing services in a single business segment. Hence requirement of reporting on primary segment does not arise. The Company operates from India, hence, reporting requirement of disclosure of secondary / geographical segment information does not arise.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 8. Disclosure of related parties / related party transactions:

## A. List of related parties which exercise control

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company

## B. Names of the related parties with whom transactions were carried out during the year and description of relationship:

Sr. No.	Name of the related party
1	Holding Company Larsen & Toubro Limited
2	Key management personnel and their relatives Larsen & Toubro Limited Mr. J. P. Nayak (Whole-time director of Larsen & Toubro Limited) Ms. Nina Nayak (daughter of Mr. J. P. Nayak)

## C. Disclosure of related party transactions:

Sr. No.	Nature of transaction/relationship/major parties	For the year 2010-2011 Rupees	For the year 2009-2010 Rupees
1	Holding Company Larsen & Toubro Limited <ul style="list-style-type: none"> <li>Charter Income (excluding service tax)</li> <li>Reimbursement of expenses</li> </ul>	3,16,16,100 2,02,94,200	– 5,24,050
2	Relatives of key management personnel Nina Nayak <ul style="list-style-type: none"> <li>Rent paid</li> <li>Loan and Advances (deposit)</li> </ul>	2,00,483 5,50,000	– –

## D. Amount due to/from related parties:

Sr. No.	Nature of transaction/relationship/major parties	For the year 2010-2011 Rupees	For the year 2009-2010 Rupees
1	Holding Company Larsen & Toubro Limited <ul style="list-style-type: none"> <li>Advance against equity commitment</li> <li>Accounts receivable</li> <li>Accounts payable</li> </ul>	6,30,00,000 2,02,91,317 1,97,59,242	– – 5,24,050

## E. No amount due to or due from related parties has been written off or written back during the year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

9. Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting standard (AS) 20 'Earnings per share' as specified in Companies (Accounting Standard) Rules, 2006.

Particulars	For the year 2010-2011	For the year 2009-2010
<b>Basic</b>		
Excess of expenditure over income as per accounts (Rupees)	(1,65,68,173)	(5,23,234)
Weighted average number of shares	17,56,164	3,89,068
<b>Basic and Diluted EPS (Rupees)</b>	<b>(9.43)</b>	<b>(1.34)</b>

10. Deferred Tax

Taxes on Income in accordance with the provisions of Accounting Standard 22, are as per the details given below:

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>Deferred tax liabilities:</b>		
Difference between book and tax depreciation	33,294,444	-
<b>TOTAL</b>	<b>33,294,444</b>	<b>-</b>
<b>Deferred tax assets:</b>		
Unabsorbed carry forward losses	36,864,060	-
<b>TOTAL</b>	<b>36,864,060</b>	<b>-</b>
Net deferred tax liability / (asset)	(35,69,616)	-
Net incremental provision for deferred tax liability / (asset)	(35,69,616)	

The Company has not accounted for deferred tax asset of Rs. 35,69,616 on the grounds of prudence.

11. The Company does not have any contingent liabilities as at March 31 2011 (*previous year: Rs. NIL*).
12. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 208,035,675 (*previous year: Rs. NIL*).
13. Previous years figures in the Balance Sheet have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

14. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No. 

U62100MH2009PTC196917									
-----------------------	--	--	--	--	--	--	--	--	--

Balance Sheet Date 

3	1		0	3		2	0	1	1
---	---	--	---	---	--	---	---	---	---

State Code 

									1	1
--	--	--	--	--	--	--	--	--	---	---

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement 

		2	9	3	0	0	0
--	--	---	---	---	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities 

		6	5	6	8	6	1
--	--	---	---	---	---	---	---

Total Assets 

		6	5	6	8	6	1
--	--	---	---	---	---	---	---

**Sources of Fund**

Paid-up Capital 

		2	4	0	0	0	0
--	--	---	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Reserves & Surplus 

						N	I	L
--	--	--	--	--	--	---	---	---

**Application of Funds**

Advance against Equity 

		6	3	0	0	0
--	--	---	---	---	---	---

Unsecured Loans 

		3	5	3	8	6	1
--	--	---	---	---	---	---	---

Net Fixed Assets 

		6	3	8	3	9	0
--	--	---	---	---	---	---	---

Investments 

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets 

				1	3	8	0
--	--	--	--	---	---	---	---

Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses 

		1	7	0	9	1
--	--	---	---	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income) 

		3	2	9	2	5
--	--	---	---	---	---	---

Total Expenditure 

		4	9	4	9	4
--	--	---	---	---	---	---

+ - Profit / Loss Before Tax 

		1	6	5	6	9
--	--	---	---	---	---	---

+ - Profit / Loss After Tax 

		1	6	5	6	9
--	--	---	---	---	---	---

+ - Earning per Share (in Rs.) 

		9	.	4	3
--	--	---	---	---	---

Dividend Rate % 

						N	A
--	--	--	--	--	--	---	---

**V. Generic Names of Three Principal Products / Services of the Company (As per monetary terms)**

Item Code No. (ITC Code) 

						N	A
--	--	--	--	--	--	---	---

Product Descriptions 

AIRCRAFT CHARTER INCOME									
-------------------------	--	--	--	--	--	--	--	--	--

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 14, 2011

**S. N. ROY**  
Director

**H. A. KARKADA**  
Director

Place : Mumbai  
Date : May 14, 2011



## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their First Report on the business and operations of the Company together with the Audited Statements and Accounts and Auditor's Report for the period September 2, 2010 (date of incorporation) to March 31, 2011.

### **FINANCIAL RESULTS**

<b>Particulars</b>	<b>02.09.2010 to 31.03.2011 Amount (Rs.)</b>
Sales and other income	1,899,635,377
Profit before depreciation and tax	20,950,237
Less Depreciation on Fixed Assets	58,643
<b>Profit Before Tax</b>	<b>20,891,594</b>
Less: Provision for tax	7,453,940
<b>Profit after Tax</b>	<b>13,437,654</b>

### **DIVIDEND**

The Directors do not recommend any dividend for the period ended March 31, 2011.

### **CAPITAL EXPENDITURE**

As at March 31, 2011, the gross fixed assets stood at Rs. 1,162,104 and the net fixed assets at Rs. 1,088,973. Additions during the year amounted to Rs. 1,162,104.

### **AUDITORS**

The Auditor's Report to the shareholders does not contain any qualifications. The notes to accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further comments of Directors.

### **PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

The Company does not have any subsidiary Company.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the Accounting Standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profits of the Company for the year ended on that date;
- III. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the statutory provisions for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- IV. that the annual accounts have been prepared on a going concern basis.
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

Mr. K. Venkataramanan, Datuk Shahril Shamsuddin, Mr. U. Dasgupta, Mr. M. R. Shanker, Mr. Rohizad Bin Darus and Mr. P. S. Kapoor are the Directors of the Company.

### **AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### **COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

- The roles and offices of Chairman and Chief Executive is separated. Mr. K. Venkataramanan is the Chairman of the Board and Mr. V. Ashwini Kumar designated as the Manager is the Chief Executive.
- All the Members of the Board of the Company are independent in the sense that none of them are involved in the day to day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.
- The Board ensures the effectiveness of the Company's system of internal controls.
- The Board hereby states that the details of all the related party transactions form part of the accounts as required under AS 18 and the same are given in the Schedules and Notes to Accounts.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the bankers, suppliers and customers. The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 18, 2011

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

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## **AUDITORS' REPORT**

**TO THE MEMBERS OF L&T SAPURA OFFSHORE PRIVATE LIMITED**

We have audited the attached Balance Sheet of L&T Sapura Offshore Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period 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.

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 test basis, evidence supporting the amounts and disclosures in 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule L and the notes appearing 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:

- 1) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- 2) in the case of the Profit and Loss Account, of the profit of the Company for the period ended on that date; and
- 3) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
by the hand of

Place : Mumbai  
Date : May 18, 2011

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

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## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i)
  - (a) The Company is maintaining proper records to show full particulars including quantitative details of inventory and situation of all fixed assets.
  - (b) The assets were physically verified by management during the period. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii)
  - (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the period. In our opinion, the frequency of such verification is reasonable.

- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) We are informed by management that there were no transactions with companies, firms and other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d), 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any failure to correct major weaknesses in the aforesaid internal control systems.
- (v) We are informed by management that there were no transactions with companies, firms or other parties that are required to be listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has not conducted internal audit during the period.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us and the records of the Company examined by us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty and excise duty were in arrears, as at March 31, 2011 for a period of more than six months from the date they became payable.
- (x) The Company has been registered for a period less than five years. Accordingly clause (x) of the Order is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has not obtained term loans during the period. Accordingly, clause (xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the period. Accordingly, clause (xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the period.
- (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 instances of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
*by the hand of*

*Place : Mumbai*  
*Date : May 18, 2011*

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011	
		Rupees	Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	A	100,000	
Reserves and Surplus	B	13,437,654	
			13,537,654
<b>Deferred Tax Liability</b>			38,531
<b>TOTAL</b>			<b>13,576,185</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross Block	C	1,162,104	
Less: Depreciation		58,643	
Net Block			1,103,461
<b>Current assets, Loans &amp; Advances</b>			
Sundry debtors	D	745,988,899	
Cash and Bank Balance	E	238,816,502	
Loans & advances	F	253,602,737	
		1,238,408,138	
<b>Less: Current liabilities and Provisions</b>			
Current liabilities	G	1,225,935,414	
		1,225,935,414	
<b>Net Current Assets</b>			12,472,724
<b>TOTAL</b>			<b>13,576,185</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	L		

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

For and on behalf of the Board  
**L&T SAPURA OFFSHORE PRIVATE LIMITED**

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

**PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM SEPTEMBER 2, 2010 TO MARCH 31, 2011**

	Schedule	Period 02.09.2010 to 31.03.2011 Rupees
<b>INCOME</b>		
Revenue from operations	H	1,893,336,383
Other income	I	6,298,994
<b>Total Income</b>		<b>1,899,635,377</b>
<b>EXPENSES</b>		
Operating Expenses	J	1,869,248,623
Administration & Other Expenses	K	9,436,517
Depreciation		58,643
<b>Total expenditure</b>		<b>1,878,743,783</b>
<b>Profit Before Tax</b>		<b>20,891,594</b>
Less: Tax		
Current tax		7,415,410
Deferred tax (Net)		38,531
<b>Profit After Tax for the period</b>		<b>13,437,654</b>
Earnings per equity share:		
Basic		1,343.77
Diluted		1,343.77
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	L	

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

For and on behalf of the Board  
**L&T SAPURA OFFSHORE PRIVATE LIMITED**

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	Period 02.09.2010 to 31.03.2011 Rupees
<b>I. Cash Flow from Operating Activities</b>	
<b>Profit before tax</b>	20,891,594
Adjustments for:	
Interest Income Received	(6,298,994)
Depreciation & Ammortisation	58,643
<b>Operating Profit before working capital changes</b>	14,651,243
(+) (Increase) / Decrease in Trade Receivable	(745,988,899)
(+) (Increase) / Decrease in Other Current Assets	(481,447,823)
(+) Increase / (Decrease) Trade payables	1,225,935,414
<b>Cash (used in) / generated from Operations</b>	13,149,935
Direct Taxes paid	220,429,677
<b>Net Cash (used in) / generated from Operations activities [A]</b>	233,579,612
<b>II. Cash Flow from Investing Activities</b>	
Interest Received	6,298,994
Purchase of Fixed Assets	(1,162,104)
<b>Net Cash Flow (used in) / received from Investing Activities [B]</b>	5,136,890
<b>III. Cash Flow from Financing Activities</b>	
Proceeds from Issue of Share Capital	1,00,000
<b>Net Cash Flow (used in) / received from Financing Activities [C]</b>	1,00,000
Net Increase / (decrease) in cash & cash equivalents [A+B+C]	238,816,502
Cash & Cash Equivalents at beginning of the period	-
<b>Cash &amp; Cash Equivalents at end of the period</b>	238,816,502

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Amendment Rules, 2009.
- Cash & Cash Equivalents at end of the period represents bank balances.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

For and on behalf of the Board  
**L&T SAPURA OFFSHORE PRIVATE LIMITED**

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**As at 31.03.2011  
Rupees**SCHEDULE A****SHARE CAPITAL****Authorised Capital**

2,25,00,000 Equity Shares of Rs. 10 each

225,000,000**Issued, Subscribed and Paid up**

10,000 Equity Shares of Rs. 10 each

100,000

(10,000 equity shares issued during the period of which 6,000 Equity Shares are held by Larsen &amp; Toubro Limited, the holding company)

**TOTAL**100,000**SCHEDULE B****RESERVES & SURPLUS**

Profit &amp; Loss Account

13,437,654**TOTAL**13,437,654**SCHEDULE C****FIXED ASSETS**

	Gross Block		Accumulated Depreciation		Book Value
	Additions during the period	Balance as at 31.03.2011	Depreciation charge for the year	Balance as at 31.03.2011	Balance as at 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>					
Office equipment	548,876	548,876	24,266	24,266	524,610
Computers	608,228	608,228	33,336	33,336	574,892
Furniture	5,000	5,000	1,041	1,041	3,959
<b>Total</b>	<b>1,162,104</b>	<b>1,162,104</b>	<b>58,643</b>	<b>58,643</b>	<b>1,103,461</b>

As at 31.03.2011  
Rupees**SCHEDULE D****SUNDRY DEBTORS**

Trade receivables outstanding for a period less than six months, considered good:Larsen &amp; Toubro Limited

745,988,899**TOTAL**745,988,899**SCHEDULE E****CASH & BANK BALANCES**

Cash on hand

-

Balance with Scheduled Bank

Kotak Mahindra Bank Ltd, Mumbai

131,674,119

Fixed Deposit

Kotak Mahindra Bank Ltd, Mumbai

107,020,000

(lien on Rs. 70,20,000 in favour of Kotak Mahindra Bank, Mumbai)

Interest accrued but not due

122,384**TOTAL**238,816,503

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

As at 31.03.2011

Rupees**SCHEDULE F****OTHER CURRENT ASSETS**

Security Deposit	500,000
Service Tax Receivable	40,088,469
Current tax (net of provision for tax Rs. 74,15,409)	<u>213,014,267</u>
<b>TOTAL</b>	<u><u>253,602,737</u></u>

**SCHEDULE G****OTHER LIABILITIES**

Sundry Creditors	
Due to related parties	
Larsen & Toubro Limited	27,321,260
TL Offshore Sdn Bhd	53,112,785
Micro, Small and Medium enterprises	-
Others	999,009,998
Due to Customer (Project related Activity)	146,491,371
Items covered by investor education and protection fund	-
<b>TOTAL</b>	<u><u>1,225,935,414</u></u>

For the period  
02.09.2010 to  
31.03.2011  
Rupees

**SCHEDULE H****REVENUE FROM OPERATIONS**

Project related activity	1,893,336,383
<b>TOTAL</b>	<u><u>1,893,336,383</u></u>

**SCHEDULE I****OTHER INCOME**

Interest Income	6,298,994
<b>TOTAL</b>	<u><u>6,298,994</u></u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	For the period 02.09.2010 to 31.03.2011 Rupees
<b>SCHEDULE J</b>	
<b>OPERATING EXPENSES</b>	
Bank Charges	5,515
Deputation Charges	35,254,941
Clearing & forwarding	4,440,445
Customs Duty	4,821,130
Foreign Exchange Loss	19,486,619
Hire Charges-plant & Machinery and others	1,130,819,318
License Fees	360,000
Other Expenses	18,333,437
Power and fuel	210,791,158
Professional Fees	582,744
Stores, spares and tools	142,370,182
Sub- contracts	288,794,587
Survey and technical	2,226,971
Travelling and conveyance	10,961,577
<b>TOTAL</b>	<b>1,869,248,623</b>

<b>SCHEDULE K</b>	
<b>ADMINISTRATION &amp; OTHER EXPENSES</b>	
Rent,rates and taxes	2,778,649
Printing & Stationery	36,477
Telephone Charges	72,479
Travelling and conveyance	3,700,835
Bank Charges	504,267
Other Expenses	2,343,810
<b>TOTAL</b>	<b>9,436,517</b>

**SCHEDULE L****SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS****Company Overview**

L&T Sapura Offshore Private Limited (LTSOPL) is a subsidiary of M/s Larsen & Toubro Limited (L&T) providing engineering and installation services for installation of offshore platforms and laying of pipes and cables under the sea for the Hydrocarbon Upstream Industry.

The Company was incorporated on September 2, 2010. Accordingly, the accounts are drawn up for the period from September 2, 2010 to March 31, 2011. The Profit & Loss Account has been prepared under compliance with the provision of the Companies Act, 1956.

**1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] except for the revaluation of certain fixed assets, and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards [as specified in the Companies (Accounting Standards) Amendment Rules, 2009, prescribed by the Central Government]. However, certain escalation and other claims, which are not ascertainable / acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates, is recognised in the period in which the results are known.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **2. Revenue Recognition**

Revenue from construction / project related activity and contracts for erection and installation of complex plant and equipment is recognised as follows:

- a. Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer.
- b. Fixed price contracts: Contract revenue represent the cost of work performed on the contract plus proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost of work performed to date to the total estimated contract cost.

Full provision is made for any loss in the period in which it is foreseen. Project and construction related work-in-progress is reflected at cost till such time the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

Interest Income is accrued at applicable interest rate.

### **3. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

### **4. Depreciation**

Owned assets

Depreciation is provided from the date the assets have been installed and put to use, on Straight Line Method at the following rates:

Computers	16.21%
Office Equipment	6.67%
Mobile phones	100.00%
Fixed Assets individually costing Rs. 5,000 or below	100.00%

Depreciation for additions to / deductions from owned assets is calculated pro rata from / to the month of additions / deductions.

### **5. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any, required; or
- b) the reversal, of impairment loss recognized in previous periods, if any,

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined in the case of an individual asset, at the higher of the net selling price and the value in use;

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

### **6. Inventories**

Work-in-progress

Project and construction-related work-in-progress at cost till such time the outcome of the job cannot be ascertained reliably and at realisable value thereafter.

### **7. Foreign Currency Transactions, Forward Contracts and Derivatives**

- a) The reporting currency of the Company is the Indian Rupee.
- b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences that arise on settlement of monetary items or on reporting at each Balance Sheet date at the closing rate are recognized as income or expense in the period in which they arise.

- c) Derivative contracts, including forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the Balance Sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard (AS) 30 ["Financial Instruments: Recognition and Measurement"] for accounting of such derivative contracts, not covered under Accounting Standard (AS) 11 ["The Effects of Changes in Foreign Exchange Rates"], as mandated by the ICAI in the aforesaid announcement.

Accordingly, the resultant gains or losses on fair valuation / settlement of the derivative contracts covered under Accounting Standard (AS) 30 ["Financial Instruments: Recognition and Measurement"] are recognised in the Profit and Loss Account or Balance Sheet as the case may be after applying the test of hedge effectiveness. The gains or losses are recognised in the Balance Sheet where the hedge is effective, while the same is recognised in the Profit & Loss Account where the hedge is ineffective. The premium paid / received on a foreign currency forward contract is accounted as expense / income over the period of the contract.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 8. Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognised on timing differences between the income accounted in financial statement and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head "Capital Gains" are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### 9. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event,
- a probable outflow of resources is expected to settle the obligation and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation
- a present obligation arising from past events when no reliable estimate is possible;
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### NOTES ON ACCOUNTS

- Capital Commitments: Estimated amount of capital purchases remaining to be executed and not provided for in the books of accounts is Rs. 16,00,000.

- Contract disclosures:

Disclosures pursuant to Accounting Standard (AS) 7 (Revised) Construction Contracts

Particulars		2010-2011 Rupees
i)	Contract revenue recognized for the financial year	189,33,36,383
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at the end of the financial year for all contracts in progress as at that date	189,33,36,383
iii)	Amount of customer advances outstanding for contracts in progress as at end of the financial year	NIL
iv)	Retention amounts due from customers for contracts in progress as at the end of the financial year	NIL

- Related Party Disclosures:

- List of related parties which can exercise control:

Larsen & Toubro Limited	Holding Company
SapuraCrest Petroleum Bhd	JV Partner

- Names of related parties with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited	Holding company
SapuraCrest Petroleum Bhd	JV partner
Nautical Power Pte Ltd, Singapore	Shareholder
L&T-Valdel Engineering Limited	Fellow Subsidiary
TLO Offshore Sdn Bhd	Fellow Subsidiary

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3) Disclosure of Related Party Transactions:

Particulars	As at 31.03.2011 Rupees
<b>Purchase of services:</b>	
Larsen & Toubro Limited	4,21,35,777
TLO Offshore Sdn Bhd	6,08,82,522
L&T-Valdel Engineering Limited	54,788
<b>Infrastructure charges and overhead recoveries</b>	
Larsen & Toubro Limited	3,44,246
<b>Equity Contribution</b>	
Larsen & Toubro Limited	60,000
Nautical Power Pte Limited	40,000
<b>Contract Revenue and sales</b>	
Larsen & Toubro Limited	189,33,36,383

## 4) Amounts due to / from related parties:

	As at 31.03.2011 Rupees
<b>Accounts Receivable</b>	
Larsen & Toubro Limited	74,59,88,899
TLO Offshore Sdn Bhd.	Nil
<b>Accounts payable</b>	
Larsen & Toubro Limited	2,73,21,260
TLO Offshore Sdn Bhd.	5,93,54,925
L&T-Valdel Engineering Limited	54,788

## 4. Major Components of Deferred Tax (Assets)/Liabilities:

Particulars	Charge / (credit) to P&L Account Rupees	Deferred Tax (asset) / Liability as at 31.03.2011 Rupees
Difference between book and tax depreciation	53,613	53,613
Pre-operative expenses	(15,082)	(15,082)
Net Deferred Tax Liability / (Asset)	38,531	38,531

## 5. Basic and Diluted earning per share calculated in accordance with Accounting Standard 20- "Earning per share"

Particulars	2010-11
<b>Basic and Diluted</b>	
Profit / (Loss) after Tax as per P&L Account (Rs.)	13,437,654
Weighted Average number of shares outstanding	10,000
<b>Basic and diluted EPS (Rs.)</b>	1,343.77

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 6. Foreign exchange earnings, Expenditure and Exposure:

	As at 31.03.2011 Rupees
<b>Foreign currency earnings - installation service</b>	-
<b>Foreign currency expenditure</b>	
Hire charges paid for equipments taken on hire from overseas	49,88,58,538
Construction related & Project Management Team Costs	20,44,43,239
Others	4,76,95,235
<b>Total</b>	<b>75,09,97,012</b>

7 As at March 31, 2011, the Company has a gross foreign currency exposure of Rs. Nil towards receivables and hence is not required to be hedged either by a derivative instruments or otherwise.

The Company has no derivatives outstanding at the Balance Sheet date.

## 8. Auditor's remuneration and expenses charged to accounts:

Particulars	As at 31.03.2011 Rupees
As Statutory Auditor	25,000
Tax Audit Services	15,000
Certification Services	94,000
<b>Total</b>	<b>1,34,000</b>

9. During the year, the Company has not entered into any Finance or Operating Lease as specified in Accounting Standard 19.

10. The Company does not have transactions attracting the provisions of AS15- Employee Benefits as all the employees are on secondment basis from the parents and are charged a fixed lumpsum fee for the services received from them.

11. During the year, the Company has not paid any remuneration to its Directors.

12. No provision for Wealth Tax has been made for the current year, as there is no taxable wealth under the Wealth Tax Act, 1957.

13. The bank guarantee facilities from bank have been secured against the hypothecation of fixed deposits amounting to Rs. 70,20,000.

14. The Company operates in only one segment, i.e. engineering and installation services for installation of offshore platforms and laying of pipes and cables under the sea for the Hydrocarbon Upstream Industry. Accordingly, segment reporting is not required.

15. There have been no transactions during the period with Micro, Small and Medium enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

16. There are no contingent liabilities, as at the Balance Sheet date.

17. There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2011.

18. There are no figures for the previous period as the Company came into existence during the year.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

For and on behalf of the Board  
**L&T SAPURA OFFSHORE PRIVATE LIMITED**

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

## SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

### Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	<input type="text" value="U11200TN2010PTC077214"/>	State Code	<input type="text" value="18"/>
Balance Sheet Date	<input type="text" value="31032011"/>		
	Date                      Month                      Year		

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="100"/>

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

<b>Sources of Fund</b>	Total Liabilities	<input type="text" value="13576"/>	Total Assets	<input type="text" value="13576"/>
	Paid-up Capital	<input type="text" value="100"/>	Reserves & Surplus	<input type="text" value="13438"/>
	Secured Loans	<input type="text" value="NIL"/>	Unsecured Loans	<input type="text" value="NIL"/>
<b>Application of Funds</b>	Net Fixed Assets and net Intangible Assets	<input type="text" value="1103"/>	Investments	<input type="text" value="NIL"/>
	Net Current Assets	<input type="text" value="12473"/>	Deferred tax	<input type="text" value="39"/>
	Misc. Expenditure	<input type="text" value="NIL"/>	Accumulated Losses	<input type="text" value="NIL"/>

#### IV. Performance of Company (Amount in Rs. Thousands)

	Turnover (including other income)	<input type="text" value="1899635"/>	Total Expenditure	<input type="text" value="1878744"/>
+ -	Profit / Loss Before Tax	<input type="text" value="20892"/>	Profit / Loss After Tax	<input type="text" value="13438"/>
+ -	Basic Earnings Per Share in Rs.	<input type="text" value="1343.77"/>	Dividend Rate %	<input type="text" value="NIL"/>

#### V. Generic Names of Three Principal Products/Services of the Company (as per monetary items)

Item Code No.	<input type="text" value="N.A."/>
(ITC Code)	
Product Description	<input type="text" value="OFFSHORE INSTALLATION SERVICES"/>

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

For and on behalf of the Board  
**L&T SAPURA OFFSHORE PRIVATE LIMITED**

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

## **DIRECTOR'S REPORT**

The Directors have pleasure in presenting their First Report on the business and operations of the Company together with the Audited Statements and Accounts and Auditor's Report for the period September 02, 2010 (date of incorporation) to March 31, 2011.

### **FINANCIAL RESULTS**

<b>Particulars</b>	<b>02.09.2010 to 31.03.2011 Amount (Rs.)</b>
Sales and other income	<b>624,096,640</b>
Profit before depreciation and tax	<b>368,620,333</b>
Less: Depreciation on Fixed Assets	<b>144,675,552</b>
<b>Profit Before Tax</b>	<b>223,944,781</b>
Less: Provision for tax	<b>192,000</b>
<b>Profit after Tax</b>	<b>223,752,781</b>

### **DIVIDEND**

The Directors do not recommend any dividend for the period ended March 31, 2011.

### **CAPITAL EXPENDITURE**

Your Company has purchased LTS 3000 on November 18, 2010 and, the gross fixed assets stood at Rs. 7,202,440,739 and the net fixed assets at Rs. 7,057,765,187. Additions during the year amounted to Rs. 7,202,440,739 as at March 31, 2011.

### **AUDITORS**

The Auditor's Report to the shareholders does not contain any qualifications. The notes to accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further comments of Directors.

### **PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

The Company does not have any subsidiary company.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the Accounting Standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profits of the Company for the year ended on that date;
- III. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the statutory provisions for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- IV. that the annual accounts have been prepared on a going concern basis.

### **DIRECTORS**

Mr. K. Venkataramanan, Datuk Shahril Shamsuddin, Mr. U. Dasgupta, Mr. M. R. Shanker, Mr. Rohizad Bin Darus, Mr. P. S. Kapoor are the Directors of the Company.

### **AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956

## L&T SAPURA SHIPPING PRIVATE LIMITED

### **COST AUDIT**

The Central Government has not recommended cost audit of the Company during the year under consideration.

### **COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009.**

- The roles and offices of Chairman and Chief Executive is separated. Mr. K. Venkataramanan is the Chairman of the Board and Mr. V. Ashwini Kumar, designated as the Manager, is the Chief Executive.
- All the Members of the Board of the Company are independent in the sense that none of them are involved in the day to day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.
- The Board ensures the effectiveness of the Company's system of internal controls.
- The Board hereby states that the details of all the related party transactions form part of the accounts as required under AS 18 and the same are given in the Schedules and Notes to Accounts.

### **ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the bankers, suppliers and customers. The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

*Place : Mumbai  
Date : May 18, 2011*

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director



## AUDITORS' REPORT

### TO THE MEMBERS OF L&T SAPURA SHIPPING PRIVATE LIMITED

We have audited the attached Balance Sheet of L&T Sapura Shipping Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period 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. 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 test basis, evidence supporting the amounts and disclosures in 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. In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule L and the notes appearing 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:
    - 1) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
    - 2) in the case of the Profit and Loss Account, of the profit of the Company for the period ended on that date; and
    - 3) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
by the hand of

**FIRDOSH BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details of inventory and situation of all fixed assets.
- (b) The assets were physically verified by management during the period. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the period. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

## L&T SAPURA SHIPPING PRIVATE LIMITED

- (iii) We are informed by management that there were no transactions with companies, firms and other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d), 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) We are informed by management that there were no transactions with companies, firms or other parties that are required to be listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has not conducted internal audit during the period.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us and the records of the Company examined by us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty and excise duty were in arrears, as at March 31, 2011 for a period of more than six months from the date they became payable.
- (x) The Company has been registered for a period less than five years. Accordingly clause (x) of the Order is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the period. Accordingly, clause (xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the period.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**

*Chartered Accountants  
ICAI Registration No. 109982W  
by the hand of*

*Place : Mumbai  
Date : May 18, 2011*

**FIRDOSH D. BUCHIA**  
*Partner  
Membership No. 38332*

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	A	1,585,648,980	
Reserves and surplus	B	223,752,781	
			1,809,401,761
<b>Loan Funds</b>			
Secured loans	C		5,651,524,350
<b>TOTAL</b>			<u>7,460,926,111</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
	D		
Gross block		7,202,440,739	
Less: Accumulated Depreciation		<u>144,675,552</u>	
Net Block			7,057,765,187
<b>Current assets, loans &amp; advances</b>			
Sundry debtors	E	241,783,727	
Cash and Bank Balance		179,779,209	
Loans and advances		<u>100,644,104</u>	
		522,207,040	
<b>Less: Current liabilities &amp; Provisions</b>			
Current liabilities	F	<u>119,046,116</u>	
		119,046,116	
<b>Net Current Assets</b>			403,160,924
<b>TOTAL</b>			<u>7,460,926,111</u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	L		

The schedules referred to above form an integral part of the Balance Sheet

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

**K. A. CHARANIA**  
Company Secretary

Place : Mumbai  
Date : May 18, 2011

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

## **PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM SEPTEMBER 2, 2010 TO MARCH 31, 2011**

	Schedules	For the period 02.09.2010 to 31.03.2011 Rupees
		<u>                    </u>
<b>INCOME</b>		
Revenue from operations	G	620,987,587
Other income	H	3,109,053
<b>Total Income</b>		<u>624,096,640</u>
<b>EXPENSES</b>		
Operating Expenses	I	169,694,227
Administration & other Expenses	J	21,828,627
Finance costs	K	53,806,204
Depreciation and amortization expense		144,675,552
Preliminary Expenses		10,147,248
<b>Total Expenditure</b>		<u>400,151,859</u>
<b>Profit before tax</b>		223,944,781
Less: Tax		
Current tax		192,000
<b>Amount available for Appropriation</b>		<u>223,752,781</u>
<b>Appropriations</b>		
Transfer to Tonnage Tax Reserve		44,788,956
<b>Balance carried to Balance Sheet</b>		<u>178,963,825</u>
Earnings per equity share:		
(1) Basic		2.22
(2) Diluted		2.22
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>		
	L	

The schedules referred to above form an integral part of the Profit and Loss Account

As per our attached report of even date

### **SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 18, 2011

**K. A. CHARANIA**  
Company Secretary

Place : Mumbai  
Date : May 18, 2011

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

## CASH FLOW STATEMENT FOR THE PERIOD FROM SEPTEMBER 2, 2010 TO MARCH 31, 2011

	For the period 02.09.2010 to 31.03.2011 Rupees
<b>I. Cash Flow from Operating Activities</b>	
<b>Profit before tax</b>	223,944,781
Adjustments for	
Interest Income Received	(3,109,053)
Depreciation & Ammortisation	144,675,552
Exchange difference on items grouped under financing activity	(3,485,075)
<b>Operating Profit before working capital changes</b>	362,026,205
(Increase) / Decrease in Trade Receivable	(241,783,727)
(Increase) / Decrease in short term Loans & Advances	(128,144,832)
Increase / (Decrease) Trade payables	119,046,116
<b>Cash (used in) / generated from Operations</b>	111,143,762
Direct Taxes paid	27,308,729
<b>Net Cash (used in) / generated from Operations activities</b>	138,452,490
	[ A ]
<b>II. Cash Flow from Investing Activities</b>	
Interest Received	3,109,053
Purchase of Fixed Assets	(7,202,440,739)
<b>Net Cash Flow (used in) / received from Investing Activities</b>	(7,199,331,686)
	[ B ]
<b>III. Cash Flow from Financing Activities</b>	
Proceeds from Issue of Share Capital	1,585,648,980
Proceeds from Term Loan from Bank	5,655,009,425
<b>Net Cash Flow (used in) / received from Financing Activities</b>	7,240,658,405
	[ C ]
<b>Net Increase / (decrease) in cash &amp; cash equivalents</b>	179,779,209
	[ A+B+C ]
<b>Cash &amp; Cash Equivalents at beginning of the period</b>	-
<b>Cash &amp; Cash Equivalents at end of the period</b>	179,779,209

**Notes:**

- 1 Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Amendment Rules, 2009.
- 2 Cash & Cash Equivalents at end of the period represents bank balances.
- 3 Previous year's figures have been regrouped / reclassified wherever applicable.

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**K. A. CHARANIA**  
Company Secretary

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**As at  
31.03.2011  
Rupees**SCHEDULE - A****SHARE CAPITAL****Authorised**

18,00,00,000 Equity Shares of Rs. 10 each

1,800,000,000**Issued, subscribed and paid up**

15,85,64,898 Equity Shares of Rs. 10 each issued during the period

1,585,648,980

(Of the above, 9,51,38,939 Equity Shares are held by Larsen &amp; Toubro Ltd, the holding company)

**TOTAL**1,585,648,980**SCHEDULE - B****RESERVES & SURPLUS**

Tonnage Tax Reserve

44,788,956

Profit &amp; Loss Account

178,963,825**TOTAL**223,752,781**SCHEDULE - C****SECURED LOANS****Secured**

Term loans

from BNP Paribas, Singapore

5,651,524,350

(Secured By Mortgage of Vessel)

(Terms of Repayment - 13 semi-annual instalment of USD 6.67 million each &amp; final instalment of USD 46.69 million)

**TOTAL**5,651,524,350**SCHEDULE - D****FIXED ASSETS**

	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK
	Additions during the period	Balance as at 31.03.2011	Depreciation charge for the year	Balance as at 31.03.2011	Balance as at 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees
Vessel LTS 3000	6,946,537,900	6,946,537,900	126,567,372	126,567,372	6,819,970,528
Equipments on Board	255,865,564	255,865,564	18,108,173	18,108,173	237,757,391
Office Equipments	37,275	37,275	7	7	37,268
<b>TOTAL</b>	<b>7,202,440,739</b>	<b>7,202,440,739</b>	<b>144,675,552</b>	<b>144,675,552</b>	<b>7,057,765,187</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011 Rupees
<b>SCHEDULE - E</b>	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>	
<b>SUNDRY DEBTORS</b>	
Trade receivables outstanding for a period less than six months, considered good:	
Larsen & Toubro Ltd.	241,783,727
<b>TOTAL</b>	<b>241,783,727</b>
 <b>CASH AND BANK BALANCE</b>	
<b>Balances with scheduled bank</b>	
on current account	29,754,289
on fixed deposits including interest accrued thereon	150,024,921
<b>TOTAL</b>	<b>179,779,209</b>
 <b>LOANS AND ADVANCES</b>	
<b>Unsecured, considered good</b>	
Deposit with Customs	50,000,000
Mercantile Marine Department, Mumbai	17,991
GAC Shipping (India) Pvt Ltd.	4,807,797
Prepaid Expenses	10,778,909
Service Tax - Input Credit	7,538,679
Current tax (net of provision for tax Rs. 192,000)	27,500,729
<b>TOTAL</b>	<b>100,644,104</b>
 <b>SCHEDULE - F</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
<b>Current Liabilities</b>	
Sundry Creditors	
Due to related parties	
Larsen & Toubro Limited	10,393,665
TL Offshore Sdn Bhd	12,108,168
Micro, Small and Medium enterprises	-
Others	96,199,978
Items covered by investor education and protection fund	-
Term Loan Interest Accrued But Not Due	
Interest accrued but not due on loans	344,305
<b>TOTAL</b>	<b>119,046,116</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	For the period 02.09.2010 to 31.03.2011 Rupees
<b>SCHEDULE - G</b>	
<b>REVENUE FROM OPERATIONS</b>	
<b>Sale of services</b>	
Charter hire income	620,987,587
<b>TOTAL</b>	<u>620,987,587</u>
<b>SCHEDULE - H</b>	
<b>OTHER INCOME</b>	
Interest on Fixed Deposit	299,890
Foreign Exchange gain (net)	2,809,163
<b>TOTAL</b>	<u>3,109,053</u>
<b>SCHEDULE - I</b>	
Operating cost	
Customs Duty	17,146,891
Freight Forwarding Expenses	1,250,637
Fuel and Oil lubes Consumed	1,003,077
Other expenses	1,221,175
Port and marine Dues	906,721
Repairs and Maintenance to Fleet	4,585,189
Stores and Spares Consumed	48,520,993
Vessel Management & Agency fees	13,593,864
Weather Forecast, Communication, Survey Cost	4,141,610
Deputation charges & allowances to floating staff	67,045,753
Consumables	261,360
Catering, House Keeping & Disposal Cost	221,636
Insurance and Protection Club fee	9,795,321
<b>TOTAL</b>	<u>169,694,227</u>
<b>SCHEDULE - J</b>	
<b>ADMINISTRATION &amp; OTHER EXPENSES</b>	
Godown Rent	13,574,070
Other expenses	224,246
Professional & Consultancy Fees	4,344,809
Rates and Taxes	848,061
Printing & Stationery	2,171,946
Infrastructure Charges	665,496
<b>TOTAL</b>	<u>21,828,627</u>
<b>SCHEDULE - K</b>	
<b>FINANCE COST</b>	
Interest on Term Loan from BNP Paribas, Singapore	53,766,770
Bank charges	39,434
<b>TOTAL</b>	<u>53,806,204</u>



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

#### SCHEDULE - L

#### A SIGNIFICANT ACCOUNTING POLICIES

##### Company Overview

L&T Sapura Shipping Private Limited (LTSSPL) is a joint venture between Larsen & Toubro Limited (L&T) and SapuraCrest Petroleum Bhd, Malaysia (Sapura) who have invested through its wholly owned subsidiary Nautical Power Pte Limited, Singapore (Nautical). L&T holds 60% of the share capital and Nautical holds 40%. The Company owns and operates a Heavy Lift cum Pipe Lay Vessel (HLPV) which is used for installation of offshore platforms and laying of pipes and cables under the sea for the Hydrocarbon Upstream Industry.

The Company was incorporated on September 02, 2010. Accordingly, the accounts are drawn up for the period from September 02, 2010 to March 31, 2011. The Profit & Loss Account has been prepared to comply with the provision of the Companies Act 1956.

##### 1. Basis of Accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] except for the revaluation of certain fixed assets, and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards [as specified in the Companies (Accounting Standards) Amendment Rules, 2009, prescribed by the Central Government].

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates, is recognised in the period in which the differences are ascertained.

##### 2. Revenue Recognition

- Time charter  
Revenue under time charter is recognized based on the terms of the time charter agreement.
- Interest income is recognized at applicable rates on the fixed deposit with banks on accrual basis.
- Other items of income are accounted as and when the right to receive arises.

##### 3. The Company commenced commercial operations from the date of incorporation – September 2, 2010.

##### 4. Fixed Assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use.

Specific know-how fees paid, if any, relating to plant and machinery is treated as part of cost thereof.

##### 5. Depreciation

Depreciation is provided in the accounts on straight-line basis at the rates specified in Schedule XIV to the Companies Act 1956. Depreciation on additions / deductions is calculated pro rata from / to the month of additions / deductions.

##### Owned assets

Depreciation is provided from the date the assets have been installed and put to use, on Straight Line Method at the following rates:

Vessel	5.00%
Computers	16.21%
Office Equipment	6.67%
Vehicles (Motor Car)	9.50%
Hammer, lifting tool, Pile top drilling rig & Equipments on board	20.00%
Fixed Assets individually costing Rs. 5,000 or below	100.00%

Software which is capitalized is amortized over a period of six years.

Depreciation for additions to / deductions from owned assets is calculated pro rata from / to the month of additions / deductions.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

##### 6. Borrowing cost

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that essentially requires a

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred less any investment income on the temporary investment of those borrowings.

### **7. Inventories**

Inventories of raw materials, components, stores, tools, jigs and fixtures are valued, after providing for obsolescence at the lower of weighted average cost and net realizable value.

### **8. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- A) the provision for impairment loss, if any, required ; or
- B) the reversal of impairment loss recognised in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined in the case of an individual asset, at the higher of the net selling price and the value in use;

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

### **9. Foreign Currency Transactions, Forward Contracts and Derivatives**

- A) The reporting currency of the Company is the Indian Rupee.
- B) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences that arise on settlement of monetary items or on reporting at each Balance Sheet date of the Company's monetary items at the closing rate are recognised as income or expense in the period in which they arise.

- C) All the other derivative contracts, including forward contracts entered into, to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the Balance Sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard (AS) 30 ["Financial Instruments: Recognition and Measurement"] for accounting of such derivative contracts, not covered under Accounting Standard (AS) 11 ["The Effects of Changes in Foreign Exchange Rates"], as mandated by the ICAI in the aforesaid announcement.

Accordingly, the resultant gains or losses on fair valuation / settlement of the derivative contracts covered under Accounting Standard (AS) 30 ["Financial Instruments: Recognition and Measurement"] are recognised in the Profit and Loss Account or Balance Sheet, as the case may be, after applying the test of hedge effectiveness. The gains or losses are recognised in the Balance Sheet where the hedge is effective, while the same is recognised in the Profit & Loss Account where the hedge is ineffective. The premium paid / received on a foreign currency forward contract is accounted as expense / income over the period of the contract.

### **10. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments / appeals.

### **11. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- A) the Company has a present obligation as a result of a past event,
- B) a probable outflow of resources is expected to settle the obligation and
- C) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- A) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation
- B) a present obligation arising from past events when no reliable estimate is possible;
- C) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****B. NOTES ON ACCOUNTS**

1. Capital Commitments: Estimated amount of capital purchases remaining to be executed and not provided for in the books of accounts is Rs. 16,00,000.
2. Foreign exchange earnings, Expenditure and Exposure:

	<b>As at 31.03.2011 Rupees</b>
Foreign currency earnings- Charter hire income	-
Foreign currency expenditure	<b>142,860,823</b>

As at March 31, 2011, the Company has no foreign currency exposure towards receivables and hence is not required to be hedged either by a derivative instrument or otherwise.

The Company has no derivatives outstanding at the Balance Sheet date.

3. The Company does not have transactions attracting the provisions of AS15- Employee Benefits as all the employees are on secondment basis from the parent and are charged a fixed lump sum fee for the services received from them.
4. Auditor's remuneration and expenses charged to accounts:

<b>Particulars</b>	<b>As at 31.03.2011 Rupees</b>
As Statutory Auditor	<b>25,000</b>
Tax Audit Services	<b>15,000</b>
Certification Services	<b>18,500</b>
<b>TOTAL</b>	<b>58,500</b>

5. Related Party Disclosures:

- 1) List of related parties which can exercise control:

Larsen & Toubro Limited	Holding Company
SapuraCrest Petroleum Bhd	JV Partner

- 2) Names of related parties with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited	Holding company
SapuraCrest Petroleum Bhd	JV partner
Nautical Power Pte Ltd, Singapore	Shareholder
TL Offshore Sdn Bhd	Fellow Subsidiary
Offshore International FZC	Fellow Subsidiary

- 3) Disclosure of Related Party Transactions:

<b>Particulars</b>	<b>As at 31.03.2011 Rupees</b>
<b>Purchase of Vessel</b>	
Offshore International FZC	<b>7,193,147,000</b>
<b>Equity Contribution</b>	
Larsen & Toubro Limited	<b>951,389,390</b>
Nautical Power Pte Ltd. Singapore	<b>634,259,590</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Particulars</b>	<b>As at 31.03.2011 Rupees</b>
<b>Infrastructure charges and overhead recoveries</b>	
Larsen & Toubro Limited	24,282,644
TLO Offshore Sdn Bhd	29,851,942
<b>Contract Revenue and sales</b>	
Larsen & Toubro Limited	620,987,587

## 4) Amounts due to /from related parties

<b>Particulars</b>	<b>As at 31.03.2011 Rupees</b>
<b>Accounts Receivable</b>	
Larsen & Toubro Limited	241,783,727
TLO Offshore Sdn Bhd.	-
<b>Accounts payable</b>	
Larsen & Toubro Limited	10,393,665
TLO Offshore Sdn Bhd.	12,108,168

## 6. Secured Loan

The bank loan represents long term loan availed from BNP Paribas, Singapore Branch.

Bank Loan is secured by:

- Mortgage of vessel to the bank.
- Employment undertaking of the vessel by Larsen & Toubro Limited and Sapura Crest Petroleum Bhd.
- Assignment of insurance

## 7. During the year, the Company has not paid any remuneration to its Directors.

## 8. No provision for Wealth Tax has been made for the current year, as there is no taxable wealth under the Wealth Tax Act, 1957.

## 9. The Company has not capitalized any borrowing cost during the year, as there were no Qualifying assets.

## 10. The Company has firm commitments in the form of Long Term Bank Loan payable and denominated in foreign currency at the Balance Sheet. The loan is not hedged by a derivative instrument or otherwise.

<b>Currency</b>	<b>Particulars</b>	<b>2010-2011 Rupees</b>
USD	Term Loan from BNPP Singapore	5,651,524,350

## 11. Basic and Diluted earning per share calculated in accordance with Accounting Standard 20- "Earning per share"

<b>Particulars</b>	<b>2010-2011 Rupees</b>
<b>Basic and Diluted</b>	
Profit / (Loss) after Tax as per P&L Account	223,752,781
Weighted Average number of shares outstanding	100,708,135
Basic and diluted EPS.	2.22

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

12. As at March 31, 2011, the Company has reviewed the future earning of all its future cash generating units in accordance with the AS 28 "Impairment of Assets". As the carrying amount of assets does not exceed the future recoverable amount, consequently, no adjustments to the carrying amount of assets is considered necessary by the management.
13. There are no contingent liabilities, as at the Balance Sheet date.
14. The Company operates in only one segment, i.e. operating Heavy lift cum pipelay vessel on charter hire basis. Accordingly, segment reporting is not required.
15. Preliminary expenses amounting to Rs. 101,47,248 representing incorporation expenses and filing fees paid to Registrar of Companies have been charged to Profit and Loss Account during the period.
16. There have been no transactions during the period with Micro, Small and Medium enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.  
Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.
17. There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2011.
18. The Company has opted to pay Tonnage Tax under the Income Tax Act, 1961 and accordingly no provision for deferred tax is required.
19. This being the first year of accounts for the Company, previous year's figures are not given.

### SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

20. Balance Sheet Abstract and Company's General Business Profile  
(Part IV of Schedule VI of Companies Act, 1956)

**I. Registration Details**

Registration No.	U61100TN2010PTC077217	State Code	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">8</td> </tr> </table>							1	8		
						1	8						
Balance Sheet Date	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> </tr> </table>	3	1		0	3		2	0	1	1		
3	1		0	3		2	0	1	1				
	Date	Month	Year										

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>						N	I	L	Rights Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>						N	I	L
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					N	I	L												
Bonus Issue	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>						N	I	L	Private Placement	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">8</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> </tr> </table>	1	5	8	5	6	4	9	
					N	I	L												
1	5	8	5	6	4	9													

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> </tr> </table>		7	4	6	0	9	2	6	Total Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> </tr> </table>		7	4	6	0	9	2	6
	7	4	6	0	9	2	6												
	7	4	6	0	9	2	6												
<b>Sources of Fund</b>		<b>Reserves &amp; Surplus</b>																	
Paid-up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">8</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> </tr> </table>		1	5	8	5	6	4	9		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> </tr> </table>		2	2	3	7	5	3	
	1	5	8	5	6	4	9												
	2	2	3	7	5	3													
Secured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> </tr> </table>		5	6	5	1	5	2	4	Unsecured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>					N	I	L	
	5	6	5	1	5	2	4												
				N	I	L													
<b>Application of Funds</b>		<b>Investments</b>																	
Net Fixed Assets and net Intangible Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> </tr> </table>		7	0	5	7	7	6	5		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>					N	I	L	
	7	0	5	7	7	6	5												
				N	I	L													
Net Current Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> </tr> </table>		4	0	3	1	6	1	Deferred Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>					N	I	L		
	4	0	3	1	6	1													
				N	I	L													
Misc. Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>						N	I	L	Accumulated Losses	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>					N	I	L	
					N	I	L												
				N	I	L													

**IV. Performance of Company** (Amount in Rs. Thousands)

Turnover (Including other income)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> </tr> </table>		6	2	4	0	9	7	Total Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">0</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> </tr> </table>		4	0	0	1	5	2
	6	2	4	0	9	7											
	4	0	0	1	5	2											
+ - Profit / Loss Before Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px; text-align: center;">9</td> <td style="width: 20px; height: 20px; text-align: center;">4</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> </tr> </table>		2	2	3	9	4	5	+ - Profit / Loss After Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">3</td> </tr> </table>		2	2	3	7	5	3
	2	2	3	9	4	5											
	2	2	3	7	5	3											
+ - Basic Earning per Share (in Rs.)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">.</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> </tr> </table>		2	.	2	2	Dividend Rate %	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">N</td> <td style="width: 20px; height: 20px; text-align: center;">I</td> <td style="width: 20px; height: 20px; text-align: center;">L</td> </tr> </table>					N	I	L		
	2	.	2	2													
				N	I	L											

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">6</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> <td style="width: 20px; height: 20px; text-align: center;">1</td> </tr> </table>				6	1	1
			6	1	1		
Product Descriptions	SHIP OWNERS						

As per our attached report of even date

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No: 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**K. A. CHARANIA**  
Company Secretary

**U. DASGUPTA**  
Director

**ROHIZAD BIN DARUS**  
Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended March 31, 2011.

### I) FINANCIAL RESULTS

Particulars	2010-11 Rs. Lakhs	2009-10 Rs. Lakhs
Sales and Service Income	2,388.11	909.27
Profit before depreciation and Tax	393.02	271.11
Less: Depreciation & Obsolescence	(15.25)	(17.12)
<b>Profit before Tax</b>	<b>377.77</b>	<b>253.99</b>
Provision for Tax	(162.30)	(93.40)
<b>Profit after Tax</b>	<b>215.47</b>	<b>160.59</b>
Balance brought forward from previous years	589.62	423.37
Provision for Deferred Tax	(1.49)	(5.66)
Profit available for appropriation	806.58	589.62
Less: Transfer to General Reserve	-	-
Profit available for distribution	806.51	589.62
<b>Balance carried to Balance Sheet</b>	<b>806.51</b>	<b>589.62</b>

### II) DIVIDEND

In order to conserve the resources and plough back to the ongoing business, the Directors do not recommend any dividend.

### III) YEAR IN RETROSPECT

- Your Company achieved significantly enhanced growth during the year under report. The gross sales and other income for the financial year under review was Rs. 2,601.16 Lakhs as against Rs. 946.85 Lakhs in the previous financial year registering an impressive increase of 175%. Profit before tax and extraordinary items stood at Rs. 377.77 and the Profit after tax (before extraordinary items) of Rs. 215.47 Lakhs as against Rs. 253.99 Lakhs and Rs. 160.59 Lakhs respectively for the previous financial year, improved by 49% and 34% respectively.
- The Company operations have been moved to a new building located at Second Floor, "Komarla Solitaire", Plot No.145/2, Old Madras Road, Nagawara Palya, C.V. Raman Nagar, Bangalore - 560 093. This facility is equipped with state of the art Design Labs, Good ambience, ESD compliant testing area and well equipped conference rooms.

### IV) Capital Expenditure

As on March 31, 2011 the gross fixed asset and intangible assets, stood at Rs. 135.80 Lakhs and the net fixed assets including intangible asset stood at Rs. 70.16 Lakhs. Additions during the year amounted to Rs. 30.09 Lakhs.

### V) SUBSIDIARY COMPANIES

The Company has no subsidiary company.

### VI) AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

### VII) MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTOR'S REPORT

There are no material changes in between the Balance Sheet date and the date of Director's Report.

### VIII) DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given as follows -

- The consumption of electricity by the Company for its operation is insignificant and negligible. Consequently reporting requirement as contemplated in Section 217(1)(e) of the Companies Act is not considered necessary.
- In view of the nature of business of the Company, the reporting requirement relating to the technology absorption contemplated in Section 217(7)(e) of the Companies Act is not applicable to this Company.
- Foreign Exchange earnings during the year : Rs. Nil.
- Foreign Exchange outgo during the year : Rs. 130.60 Lakhs.

SPECTRUM INFOTECH PRIVATE LIMITED

**IX) PARTICULARS OF EMPLOYEES U/S 217(2A)**

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, particulars required under the said section are not required to be appended.

**X) DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

1. that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed and there has been no material departure;
2. that the selected Accounting policies were applied consistently and the Directors 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, 2011 for the year ended on that date;
3. that 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
4. that the annual accounts have been prepared on a going concern basis.

**XI) DIRECTORS**

During the year under review, Mr. N. Nigam resigned from the Board consequent upon his retirement from the services of L&T. Your Board places on record deep appreciation for the services rendered by Mr. N. Nigam during the tenure of his office.

Mr. Satish A. Gune retires from the Board of Directors on rotation and is eligible for re-appointment.

**XII) SECRETARIAL COMPLIANCE CERTIFICATE**

In terms of Section 383A of the Companies Act, 1956, the Company has obtained Secretarial Compliance Certificate from a Practicing Company Secretary.

**XIII) AUDIT COMMITTEE**

The Company is not statutorily required to constitute Audit Committee.

**XIV) AUDITORS**

Messrs Eesh and Company, Chartered Accountants, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

**XV) ACKNOWLEDGEMENT**

Your Directors place on record their appreciation for the co-operation rendered by Government Authorities, Bankers, Customers, Vendors, other Acquaintances and Investors.

For and on behalf of the Board

Place: Mumbai  
Date : April 21, 2011

**J. D. PATIL**  
Director

**SATISH A. GUNE**  
Director



**SECRETARIAL COMPLIANCE CERTIFICATE**

Registration No. of the Company/CIN: **U72200KA1995PTC018112**

Nominal Capital: **Rs. 60,00,000/-**

Paid up Capital: **Rs. 44,00,000/-**

To

The Members  
Spectrum Infotech Private Limited  
L and T Area Office,  
38, Cubbon Road,  
Bangalore - 560 001

I have examined the registers, records, books and papers of Spectrum Infotech Private Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on the March 31, 2011. In my opinion and to the best of my information and according to examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder (beyond the time prescribed with additional fee).
3. The Company being a Private Limited Company (although the Company is a subsidiary of a Public Limited Company, it continues to retain certain features of Private Limited Company including the name), has the minimum prescribed Paid-up Capital and its maximum number of members during the said financial year was 2 (Two) excluding its present and past employees and the Company during the year under scrutiny:
  - (i) has not invited public to subscribe for its shares or debentures; and
  - (ii) has not invited or accepted any deposits from persons other than its Members, Directors or their relatives.
4. The Board of Directors duly met 5 (Five) times from 1.4.2010 to 31.3.2011 on the following dates: 17.04.2010, 20.09.2010, 20.10.2010, 11.02.2011 and 09.03.2011 in respect of which Meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2010 was held on 20.09.2010 after giving due notice to the members of the Company and the resolutions passed were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the year.
8. The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into transactions falling within the purview of Section 297 of the Act during the year; therefore making any entries in the Register maintained under Section 301 was not required.
10. As there was no instance falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
11. The Company has not issued any duplicate share certificates during the financial year.
12. The Company:
  - (i) has not allotted, transferred / transmitted any securities during the financial year.
  - (ii) has not declared any dividend during the year.
  - (iii) was not required to transfer any funds to the Investor Education and Protection Fund during the year since the same was not warranted.
  - (iv) has duly complied with the requirement of Section 217 of the Act.
13. The Board of Directors of the Company is duly constituted. There were changes in the composition of the Board and requisite returns were filed with ROC.
14. The Company has not appointed Managing Director / Wholetime Director / Manager during the financial year.
15. The Company has not appointed any sole-selling agents during the financial year.
16. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
17. The Directors have disclosed their interests in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
18. The Company has not issued any shares / debentures / other securities during the financial year.
19. The Company has not bought back any shares during the financial year.

**SPECTRUM INFOTECH PRIVATE LIMITED**

20. The Company has not issued any preference shares or debentures. Therefore, there is no question of redemption of preference shares or debentures during the financial year.
21. There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
23. The Company has duly complied with the provisions of Section 293(1)(d) of the Act wherever necessary.
24. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
25. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
26. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the share capital of the Company during the year under scrutiny.
29. The Company has not altered its Articles of Association during the financial year.
30. There were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
31. The Company has not received any money as security from its employees during the financial year.
32. The Company has deposited both the Employee and Employers contribution to the Government Provident Fund referred to, under Section 418 of the Act.

Place: Bangalore  
Date: April 21, 2011

**VIJAYAKRISHNA K. T.**

**ANNEXURE- A**

Registers as maintained by the Company

1. Register of Allotment
2. Register of Directors
3. Register of Members
4. Register of Directors' Disclosure
5. Register of Transfers
6. Register of Directors' shareholdings
7. Register of Charges
8. Minutes of the meetings of Shareholders and Board.

**ANNEXURE- B**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended March 31, 2011:

Sl.No.	Form No. / Return	Filed under Section	For	Date of Filing	Whether filed within the Prescribed time Yes/ No	If delay in filing whether requisite additional fee paid Yes / No
1.	Form 23AC & ACA	220	Balance Sheet	19.10.2010	Yes	No
2.	Form 20B	159	Annual Return	02.11.2010	Yes	No
3.	Form 66	383A	Secretarial Compliance Report	13.10.2010	Yes	No
6.	Form 32	303	Change in composition of the Board of Directors	15.10.2010	Yes	No
7.	Form 61	166	Filing an application with ROC	22.03.2011	Yes	No

## AUDITORS' REPORT

### TO THE MEMBERS OF SPECTRUM INFOTECH PRIVATE LIMITED, BANGALORE

1. We have audited the attached Balance Sheet of SPECTRUM INFOTECH PRIVATE LIMITED, Bangalore as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Central Government of India in terms of subsection (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. 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 it appears from our examination of those books;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. On the basis of written representation received by the Company from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. In our opinion and to the best of our information and according to the explanations given to us, the 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.
    - i. in the case of Balance Sheet, of the affairs of the Company as at March 31, 2011;
    - ii. in the case of Profit and Loss Account, of the Profit for the year ended on that date;
    - iii. in the case of Cash Flow Statement, of the cash flows for the year.

**For EESH & CO.**  
Chartered Accountants  
Firm Registration Number 000794S

**K. G. SATHISH**  
Proprietor  
Membership No. 20011

Place : Bangalore  
Date : April 21, 2011

## ANNEXURE TO THE AUDITORS REPORT

### STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR AUDIT REPORT OF EVEN DATE

We report that:

1.
  - a) The Company has maintained proper records showing full particulars of the fixed assets including quantitative details and situation of assets.
  - b) There is a regular programme of physically verifying the assets by the management. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of the assets. As explained to us, no material discrepancies were noticed on such verification.
  - c) No substantial part of the fixed assets has been disposed off during the year so as to affect the going concern status.
2.
  - a) As explained to us, the inventory has been physically verified by the management at reasonable intervals.
  - b) The procedures for physical verification of inventories followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) As explained to us, no material discrepancies were noticed on such physical verification.

**SPECTRUM INFOTECH PRIVATE LIMITED**

3. As informed to us, the Company has neither granted nor taken any loan to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods.
5. As explained to us, there was no transaction that needed to be entered into a register in pursuance of Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposit from public and hence the requirement of item (vi) of paragraph 4 of the Order is not applicable to the Company.
7. The Company has an internal audit system commensurate with the size of the Company and the nature of its business but the transactions of later part of the year are yet to be verified by the internal auditor.
8. On the basis of the records, we are of the opinion that the prima facie cost records and accounts, prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, have been maintained. However, we have not carried out any detailed examination of such records and accounts
9.
  - a. According to the records provided to us, the Company is regular in depositing the undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, no undisputed statutory dues was in arrears as at March 31, 2011 for a period of more than six months from the date it became payable.
  - b. According to the information and explanations given to us, we furnish below the details of statutory dues, which have not been deposited on account of disputes.

Nature of dues	Amount (Rs.)	Forum where dispute is pending
Excise Duty	1,04,08,768	CESTAT
Excise Duty	78,89,820	CESTAT
Excise Duty	42,23,412	Commissioner (Appeals)
Excise Duty	29,29,938	Commissioner (Appeals)

10. The Company neither has accumulated losses at the end of the financial year nor has incurred cash losses during the financial year and in the immediate preceding year.
11. According to the records examined by us and to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank as at the date of Balance Sheet.
12. According to the information and explanations given to us, the Company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities, and hence the requirement of item (xii) of paragraph 4 of the Order is not applicable to the Company.
13. The Company is not a Chit Fund, Nidhi or Mutual Benefit Society, and hence the requirement of item (xiii) of paragraph 4 of the Order is not applicable to the Company.
14. The Company is not trading in shares, securities, debentures and other investments, and hence the requirement of item (xiv) of paragraph 4 of the Order is not applicable to the Company.
15. As informed to us, the Company has not given any guarantee for loans taken by others, and hence the requirement of item (xv) of paragraph 4 of the Order is not applicable to the Company.
16. The Company has not taken any term loan, and hence the requirement of item (xvi) of paragraph 4 of the Order is not applicable to the Company.
17. The Company has not raised any fund, and hence the requirement of item (xvii) of paragraph 4 of the Order is not applicable to the Company.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the period.
19. The Company has not issued any debentures, and hence the requirement of item (xix) of paragraph 4 of the Order is not applicable to the Company.
20. The Company has not raised money by public issues, and hence the requirement of item (xx) of paragraph 4 of the Order is not applicable to the Company.
21. According to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by management.

**For EESH & CO.**  
Chartered Accountants  
Firm Registration Number 000794S

**K. G. SATHISH**  
Proprietor  
Membership No. 20011

Place : Bangalore  
Date : April 21, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	4,400,000		4,400,000	
Reserves and surplus	B	83,062,901		61,366,928	
			87,462,901		65,766,928
<b>Loan funds</b>					
Secured loans	C	-		-	
Unsecured loans	D	-		-	
			-		-
<b>Deferred Tax Liabilities</b>			748,755		191,972
<b>TOTAL</b>			<b>88,211,656</b>		<b>65,958,900</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross block	E(i)	9,796,704		10,031,515	
Less: Depreciation		2,935,454		4,632,348	
Net block			6,861,250		5,399,167
<b>Intangible Assets</b>					
Gross block	E(ii)	3,783,430		3,783,430	
Less: Amortisation		3,628,965		3,275,231	
Net block			154,465		508,199
<b>Deferred tax asset</b>			2,292,331		1,586,217
<b>Investments</b>	F		-		-
<b>Current assets, loans and advances</b>					
Inventories	G	38,861,874		46,437,957	
Sundry Debtors		210,147,935		56,379,754	
Cash and bank balances		25,337,613		8,765,506	
Loans and advances		50,130,704		14,284,831	
		324,478,126		125,868,048	
<b>Current liabilities and provisions</b>					
Current liabilities	H	222,530,375		52,598,103	
Provisions		23,044,141		14,804,628	
		245,574,516		67,402,731	
<b>Net Current Assets</b>			78,903,610		58,465,317
<b>Miscellaneous Expenditure</b>	I		-		-
<b>TOTAL</b>			<b>88,211,656</b>		<b>65,958,900</b>
<b>Contingent liabilities</b>	J				
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	Q				

As per our report attached

For and on behalf of the Board

**EESH & CO.**Chartered Accountants  
Firm Registration No. 000794S**K. G. SATHISH**Proprietor  
Membership No. 20011**J. D. PATIL**

Director

**SATISH A. GUNE**

Director

Place : Bangalore  
Date : April 21, 2011Place : Mumbai  
Date : April 21, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	For the year ended 31.03.2011		For the year ended 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Manufacturing, Research & Development Income (Gross)	K	260,116,443		94,685,489	
Less Excise Duty		<u>21,305,270</u>		<u>3,758,537</u>	
Manufacturing, Research & Development Income (Net)			238,811,173		90,926,952
Other operational income	L-(i)		203,735		288,958
Interest Income	L-(ii)		<u>301,152</u>		<u>1,138,640</u>
<b>TOTAL</b>			<u><b>239,316,060</b></u>		<u><b>92,354,550</b></u>
<b>EXPENDITURE</b>					
Manufacturing and operating expenses	M		170,509,973		37,909,860
Staff Expenses	N		17,268,849		16,146,680
Sales, Administration and other expenses	O		11,910,288		10,900,663
Interest and Brokerage	P		325,267		286,421
Depreciation and Obsolescence	E 1		1,171,542		755,649
Amortisation of Intangible assets	E 2		<u>353,734</u>		<u>956,077</u>
<b>TOTAL</b>			<u><b>201,539,653</b></u>		<u><b>66,955,350</b></u>
<b>Profit before tax</b>			<b>37,776,407</b>		<b>25,399,200</b>
<b>Provision for tax</b>					
Provision for current taxes			16,229,765		9,339,566
Provision for deferred tax			<u>(149,331)</u>		<u>(565,740)</u>
			<u><b>16,080,434</b></u>		<u><b>8,773,826</b></u>
<b>Profit after tax</b>			<b>21,695,973</b>		<b>16,625,374</b>
Balance brought forward from previous years			<u>58,962,120</u>		<u>42,336,746</u>
<b>Profit available for appropriation</b>			<b>80,658,093</b>		<b>58,962,120</b>
Less: Transferred to:					
General Reserve			—		—
<b>Profit available for distribution</b>			<b>80,658,093</b>		<b>58,962,120</b>
Interim dividend			—		—
Dividend Distribution tax			—		—
<b>Balance carried to Balance sheet</b>			<u><b>80,658,093</b></u>		<u><b>58,962,120</b></u>
<b>Basic and Diluted Earnings per equity share</b>			<b>49.31</b>		<b>37.78</b>
Face value per equity share			<b>10.00</b>		<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	Q				

As per our report attached

For and on behalf of the Board

**EESH & CO.**Chartered Accountants  
Firm Registration No. 000794S**K. G. SATHISH**Proprietor  
Membership No. 20011**J. D. PATIL**

Director

**SATISH A. GUNE**

Director

Place : Bangalore  
Date : April 21, 2011Place : Mumbai  
Date : April 21, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net profit before tax (after extraordinary items)</b>	<b>37,776,407</b>	25,399,200
Depreciation (including obsolescence, amortisation and impairment)	1,525,276	1,711,726
Interest (net)	24,115	(1,269,904)
(Profit) / Loss on sale of fixed assets (net)	167,598	32,864
(Profit) / Loss on sale of investments (net)	-	-
<b>Operating profit before working capital changes</b>	<b>39,493,396</b>	25,873,886
Adjustments for :		
(Increase) / Decrease in trade and other receivables	(174,971,045)	(28,924,021)
(Increase) / Decrease in inventories	7,576,083	3,482,845
(Increase) / Decrease in miscellaneous expenditure	-	-
(Increase) / Decrease in trade payables	161,589,186	(10,206,904)
<b>Cash generated from Operations</b>	<b>33,687,620</b>	(9,774,194)
Direct taxes refund / (paid) - net	(14,290,175)	(6,438,903)
<b>Net cash from Operating activities</b>	<b>19,397,445</b>	(16,213,097)
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	(3,009,137)	(2,410,488)
Sale of fixed assets (Including monies received as advance)	207,914	133,770
Purchase of investments	-	-
Interest received	301,152	1,398,325
<b>Net Cash (used in) / from Investing Activities</b>	<b>(2,500,071)</b>	(878,393)
<b>C. Cash flow from Financing Activities</b>		
Proceeds from issue of share capital	-	-
Proceeds from long term borrowings	-	-
Repayment of long term borrowings	-	-
(Repayments) / Proceeds from other borrowings (net)	-	-
Loans (to) / from subsidiaries / associates (net)	-	-
Dividends paid	-	-
Additional tax on dividend	-	-
Interest paid	(325,267)	(128,421)
<b>Net Cash (used in) / from Financing Activities</b>	<b>(325,267)</b>	(128,421)
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>16,572,107</b>	(17,219,911)
<b>Cash and cash equivalents at beginning of the period</b>	<b>8,765,506</b>	25,985,417
<b>Cash and cash equivalents at end of the period</b>	<b>25,337,613</b>	8,765,506

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 : "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**EESH & CO.**Chartered Accountants  
Firm Registration No. 000794S**K. G. SATHISH**Proprietor  
Membership No. 20011**J. D. PATIL**

Director

**SATISH A. GUNE**

Director

Place : Bangalore  
Date : April 21, 2011Place : Mumbai  
Date : April 21, 2011



**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010
	Rupees	Rupees	Rupees
	Rupees		Rupees
<b>SCHEDULE A</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised:</b>			
6,00,000 (previous year 6,00,000) Equity shares of Rs. 10 each		<b>6,000,000</b>	6,000,000
<b>Issued, subscribed and paid-up:</b>			
4,40,000 (previous year 4,40,000) Equity shares of Rs. 10 each (All the shares are held by Larsen & Toubro Limited, the holding Company)		<b>4,400,000</b>	4,400,000
<b>TOTAL</b>		<b>4,400,000</b>	4,400,000

<b>SCHEDULE B</b>			
<b>RESERVES AND SURPLUS</b>			
Securities premium			
As per last Balance Sheet	<b>150,000</b>		150,000
		<b>150,000</b>	150,000
General Reserve			
As per last Balance Sheet	<b>2,254,808</b>		2,254,808
		<b>2,254,808</b>	2,254,808
Profit and loss account		<b>80,658,093</b>	58,962,120
<b>TOTAL</b>		<b>83,062,901</b>	61,366,928

<b>SCHEDULE C</b>			
<b>SECURED LOANS</b>			
		-	-

<b>SCHEDULE D</b>			
<b>UNSECURED LOANS</b>			
		-	-

**SCHEDULE E1**  
**TANGIBLE ASSETS**

DESCRIPTION	GROSS BLOCK						ACCUMULATED DEPRECIATION						NET BLOCK		
	As at 01.04.2010	Adjust- ments	Obsole- scence	Sales 2010-11	Additions During 2010-11	As at 31.03.2011	As at 01.04.2010	Adjust- ments	Obsole- scence	Sales	Provision for 2010-11	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Plant and Machinery	2,822,302	-	-	133,422	17,066	2,705,946	562,281	-	-	71,805	133,662	624,138	2,081,808	2,260,021	
Office Equipments	639,746	-	-	203,585	809,650	1,245,811	273,237	-	-	154,965	153,908	272,180	973,631	366,509	
Electrical Fittings	195,758	-	-	195,758	94,205	94,205	105,474	-	-	116,156	11,730	1,048	93,157	90,284	
Computers	4,601,106	-	-	1,127,797	1,487,323	4,960,632	2,274,416	-	-	1,127,461	774,210	1,921,165	3,039,467	2,326,690	
Furniture	1,712,803	(1)	-	1,523,585	540,097	729,314	1,365,916	-	-	1,343,658	92,774	115,032	614,282	346,887	
Air Conditioners	59,800	-	-	59,800	-	-	51,024	-	-	54,391	3,367	-	-	8,776	
Buildings		-	-		60,796	60,796	-	-	-	1,891	1,891	1,891	58,905		
<b>TOTAL</b>	<b>10,031,515</b>	<b>(1)</b>	<b>-</b>	<b>3,243,947</b>	<b>3,009,137</b>	<b>9,796,704</b>	<b>4,632,348</b>	<b>-</b>	<b>-</b>	<b>2,868,436</b>	<b>1,171,542</b>	<b>2,935,454</b>	<b>6,861,250</b>		
Previous Year	8,764,318	-	-	1,062,306	2,329,503	10,031,515	4,772,370	-	-	895,672	755,649	4,632,348		5,399,167	



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE E2**

DESCRIPTION	GROSS BLOCK						ACCUMULATED DEPRECIATION					NET BLOCK		
	As at 01.04.2010	Adjust- ments	Obsole- scence	Sales 2010-11	Additions During 2010-11	As at 31.03.2011	As at 01.04.2010	Adjust- ments	Obsole- scence	Sales	Provision for 2010-11	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Software	3,783,430	-	-	-	-	<b>3,783,430</b>	3,275,231	-	-	-	353,734	<b>3,628,965</b>	<b>154,465</b>	508,199
<b>TOTAL</b>	<b>3,783,430</b>	-	-	-	-	<b>3,783,430</b>	<b>3,275,231</b>	-	-	-	<b>353,734</b>	<b>3,628,965</b>	<b>154,465</b>	
<i>Previous Year</i>	<i>3,702,445</i>	<i>(1)</i>	-	-	<i>80,986</i>	<i>3,783,430</i>	<i>2,319,154</i>	-	-	-	<i>956,077</i>	<i>3,275,231</i>		<i>508,199</i>

**As at 31.03.2011****Rupees****Rupees****As at 31.03.2010****Rupees****Rupees****SCHEDULE F****INVESTMENTS**

-

-

**SCHEDULE G****CURRENT ASSETS, LOANS AND ADVANCES****Inventories**

Raw Material &amp; Component

**8,199,556**

13,873,316

Stores Spares parts &amp; loose tools

**89,912**

95,865

**8,289,468**

13,969,181

**Work-in-Progress**

Manufacturing work in progress

**30,572,406**

32,468,776

**38,861,874**

46,437,957

**Sundry Debtors**

## Unsecured

Debts outstanding for more than 6 months

Considered good

**14,750,495**

5,869,648

Considered Doubtful

-

10,159

**14,750,495**

5,879,807

Other debts

Considered good

**195,397,440**

50,510,106

**210,147,935**

56,389,913

Less: Provision for doubtful debts

-

10,159

**210,147,935**

56,379,754

**Cash and bank balances**

Cash on hand

**27,773**

28,234

Balance with scheduled bank

on current accounts

**7,720,695**

3,225,135

on fixed deposits including interest accrued thereon

**17,589,145**

5,512,137

**25,337,613**

8,765,506

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>Loans and advances</b>				
Unsecured, Considered Good:				
Advances recoverable in cash or kind				
Advances to suppliers	11,913,922		2,486,134	
Excise duty recoverable	–		25,397	
Prepaid Insurance	1,986		10,310	
Prepaid Expenses	1,980,050		1,849,243	
Deposits paid	3,895,190		2,461,190	
VAT recoverable	15,212,754		–	
Service Tax recoverable	371,920		356,815	
Sales taxes deposit	5,000		5,000	
Advance to Employees	–		72,000	
Advance payment of income-tax	16,049,663		6,958,789	
MAT Credit recoverable	700,219		–	
Other receivable	–		59,952	
		<b>50,130,704</b>		<b>14,284,831</b>
<b>TOTAL</b>		<b>324,478,126</b>		<b>125,868,048</b>
<b>SCHEDULE H</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry Creditors				
Due to Parent	6,726,620		2,074,095	
Due to others				
Liability for revenue goods	320,982		292,392	
Liability for other expenses	984,845		511,258	
Liability for Sales Tax	–		4,539,149	
Liability to Provident Fund	68,720		52,868	
Liabilities TDS on Salary	444,385		28,309	
Liabilities TDS on Contractors payments	93,437		44,600	
Liabilities TDS Others	76,929		38,707	
Professional Tax payable	9,550		8,450	
Suppliers Ledger Balance	162,823,449		816,820	
		<b>171,548,917</b>		<b>8,406,648</b>
Advances from customers				
Advances from customers Others Non AS7		<b>50,981,458</b>		<b>44,191,455</b>
		<b>222,530,375</b>		<b>52,598,103</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>Provisions</b>				
Provisions other than AS29				
Current Taxes	16,929,984		9,497,566	
Gratuity	56,065		-	
Leave encashment	578,000		630,872	
Superannuation Fund	228,754		83,686	
Provisions AS29 related				
Provision for product warranties	5,251,338		4,592,504	
		<b>23,044,141</b>		<b>14,804,628</b>
<b>TOTAL</b>		<b>245,574,516</b>		<b>67,402,731</b>
<b>SCHEDULE I</b>				
<b>MISCELLANEOUS EXPENDITURE</b>		-		-
<b>SCHEDULE J</b>				
<b>CONTINGENT LIABILITIES</b>				
a) Excise duty / Service Tax liability that may arise in respect of matters in appeal / challenged by the Company in writing		25,451,938		22,798,589
b) Income tax liability (Including Interest) that may arise in respect of which the Company is in appeal		-		2,224,065
	<b>2010-11</b>	<b>2009-10</b>		
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE K</b>				
<b>SALES AND SERVICES</b>				
Manufacturing, trading and property development activity				
Manufacturing Activity - Gross Sales		247,699,111		87,523,339
Servicing				
Servicing Fees Other		12,417,332		7,162,150
<b>TOTAL</b>		<b>260,116,443</b>		<b>94,685,489</b>
<b>SCHEDULE L-(i)</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Profit / (Loss) on sale of Fixed Asset		(167,598)		(32,864)
Miscellaneous income		371,333		321,822
<b>TOTAL</b>		<b>203,735</b>		<b>288,958</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE L-(ii)</b>				
<b>INTEREST INCOME</b>				
Interest income on Bank Deposits		301,152		1,138,640
(Tax deducted at source Rs. 31,640, PY Rs. 2,41,827)				
<b>TOTAL</b>		<b>301,152</b>		<b>1,138,640</b>
<b>SCHEDULE M</b>				
<b>MATERIALS AND OPERATING EXPENSES</b>				
Raw Material and Component consumed				
Opening Stock Raw Materials	13,873,316		14,922,436	
Purchase of Materials and components	149,342,567		22,488,566	
Closing Stock of Raw material and Component	(8,199,556)		(13,873,316)	
		<b>155,016,327</b>		<b>23,537,686</b>
Stores Spares and Tools				
Opening Stock- Stores, Spares and Tools other	95,865		16,000	
Purchase- Stores, Spares and Tools other	-		84,523	
Closing Stock - Stores Spares and Tools other	(89,912)		(95,865)	
		<b>5,953</b>		<b>4,658</b>
Increase / (Decrease) in project inventories				
Closing stock of work-in-progress	(30,572,406)		(32,468,776)	
Opening stock of work-in-progress	32,468,776		34,982,367	
		<b>1,896,370</b>		<b>2,513,591</b>
Sub Contracts				
Sub Contracts Others		<b>3,100,768</b>		<b>2,787,524</b>
Power and Fuel				
Electricity (MCO)	633,740		588,973	
Fuel (MCO)	105,866		111,244	
		<b>739,606</b>		<b>700,217</b>
Hire Charges plant machinery and others				
Hire charges for generator		<b>6,125</b>		<b>16,000</b>
Repairs to Plant Machinery Buildings				
Repairs to Plant & Machinery	255,017		220,058	
Repairs to Buildings	519,721		24,336	
		<b>774,738</b>		<b>244,394</b>
Travelling and Conveyance Mfg Cons				
Travelling				
Travel Inland Tickets	302,731		453,192	
Travel Inland Hotel, Boarding & Lodging	327,351		574,309	
Travel Inland other expenses	24,645		25,422	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
Travel conveyance allowance for official purpose	64,481		107,590	
Travel conveyance for attending conference	60,466		136,089	
Conveyance				
Conveyance expenses	145,853		174,517	
Car hire charges For Employees (local travel)	179,913		86,846	
Car hire charges For Others (local travel)	196,417		145,551	
Car hire charges For Employees (outstation travel)	–		23,430	
Car hire charges For Others (outstation travel)	–		–	
		1,301,857		1,726,946
Insurance (Manufacturing, Construction and Operating Activity)				
Fixed assets (MCO Activity)	21,121		13,392	
Stocks (MCO Activity)	14,039		19,552	
Others (MCO Activity)	25,741		22,277	
		60,901		55,221
Rent MCO Activity				
Rent - Office space	4,267,343		3,298,788	
Rent others e.g. Godown, etc.	–		–	
		4,267,343		3,298,788
Rates and taxes MCO Activity				
Water charges paid	82,811		100,512	
Other rates & taxes	276,488		84,877	
		359,299		185,389
General Repairs Maintenance MCO Activity				
R&M Elect. Installations	101,263		21,886	
R&M Computers	51,038		57,390	
Cleaning materials/sweeping contracts	328,375		176,400	
Security charges	380,724		338,784	
Other repairs & maintenance	107,476		48,944	
		968,876		643,404
Other manufacturing construction and operating expenses				
Guarantee Charges MCO Activity		2,011,810		2,196,043
<b>TOTAL</b>		<b>170,509,973</b>		<b>37,909,860</b>

**SCHEDULE N****STAFF EXPENSES**

## Salaries, wages and bonus

Salaries	7,833,790	7,939,957
Rent allowance thru Salaries	2,066,288	1,510,920
PLP / PLR / VR payments	2,137,049	2,237,610

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
Conveyance allowance through salary	653,704		516,915	
Employee Compensation ESAS	481,000		–	
		13,171,831		12,205,402
Contribution to and provision for				
Contri / Prov to PF/Pension RPFPC	676,952		615,668	
Contri / Prov to SAF	234,163		83,686	
Contri / Prov to Gratuity Funds	330,484		236,015	
Leave encashment provision	(52,872)		201,987	
		1,188,727		1,137,356
Staff welfare expenses				
Welf Contribution to canteen	1,304,990		1,168,138	
Welf Contribution to ESIS	91,621		45,157	
Welfare Leave passage O & S and above	699,782		793,906	
Welfare Med. Benefit to staff	646,367		727,162	
Welf PF inspection charges	60,806		56,418	
Welfare Tution fees	76,208		–	
Other Food refreshment expense	28,517		13,141	
		2,908,291		2,803,922
<b>TOTAL</b>		<b>17,268,849</b>		<b>16,146,680</b>

**SCHEDULE O****SALES, ADMINISTRATION AND OTHER EXPENSES**

Rent				
Lease rentals - PC Scheme ICO		96,720		894,123
Packing forwarding Secondary		84,386		13,717
Telephone, postage and telegrams				
Postage	2,033		1,587	
Telephones Expenses Others	280,152		307,474	
Courier charges	23,866		28,009	
Internet Charge	4,192		5,336	
		310,243		342,406
Advertising and Publicity				
Advertisement in Print electronic media		–		10,000
Stationery and printing		256,093		247,294
Bank charges				
Bank charges		183,630		160,554
Repairs				
Repair & Maintenance- Furniture Fixture		308		15,115

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Professional Fees				
Professional fees (Other than MCO activity)		259,685		356,381
Miscellaneous expenses				
Audit fees	119,500		115,000	
Entertainment Others	7,088		15,182	
External Conference expense being participation fees	64,308		12,273	
Subscription- Others	8,953		28,912	
Cost of softwares	–		2,403	
Books & periodicals External	4,030		5,585	
Overheads charged by L&T	9,687,843		8,160,056	
Others	166,724		38,559	
		10,058,446		8,377,970
Bad Debts and advances written off				
Bad Debts and Advances Written off	12,102		17,500	
Less: Provision for Doubtful Debts Advances Written Back	(10,159)		(17,500)	
		1,943		–
Provision for doubtful debts advances				
Provision for doubtful debt		–		10,159
Provisions (AS 29 Related)				
Provisions for Product Warranties including excise duty		658,834		472,944
<b>TOTAL</b>		<u>11,910,288</u>		<u>10,900,663</u>
<b>SCHEDULE P</b>				
<b>INTEREST AND BROKERAGE</b>				
Interest paid on intercorporate borrowings		130,445		–
Other interest paid		194,822		286,421
<b>TOTAL</b>		<u>325,267</u>		<u>286,421</u>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE Q**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. However, certain escalation and other claims, which are not ascertainable / acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Differences, if any, between the actual results and estimates is recognised in the period in which the results are known.

##### **2. Revenue Recognition**

- (a) Sales and service include excise duty and adjustments made towards liquidated damages, wherever applicable.
- (b) Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.
  - (i) Revenue from sale of goods is recognised when the substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.
- (c) Other operational income is recognised on rendering of related services as per the terms of the contracts.
- (d) Other items of income are accounted as and when the right to receive arises.

##### **3. Research and Development**

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

##### **4. Employee Benefits**

###### **(a) Short Term Employee Benefits**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

###### **(b) Post-Employment Benefits**

- (i) **Defined Contribution Plans:** The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.
- (ii) **Defined Benefit Plans :** The employees gratuity fund schemes, post-retirement medical care schemes, pension scheme and provident fund scheme managed by trust are the Company's defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

###### **(iii) Long Term Employee Benefits**

The obligation for long term employee benefits like long term compensated absences, long service award etc is recognized in the similar manner as in the case of defined benefit plans as mentioned in (ii)(b) above.

##### **5. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment. Specific know-how fees paid, if any, relating to plant and machinery is treated as part of cost thereof.



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 6. Leases

Lease transactions entered into on or after April 1, 2001:

- i. Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

### 7. Depreciation

Owned assets

- a) Assets carried at historical cost :

Depreciation on assets carried at historical cost is provided on straight line method at the rates prescribed under Schedule XIV. However, in respect of the following assets categories, the depreciation is provided at higher rates in line with their estimated useful life.

Category of asset	Rate of depreciation (% p.a.)
Furniture and fixtures	10.00
Plant and Machinery :	
i) Office equipments	6.67
ii) Printers and Laptops	25.00
iii) Air conditioning and Refrigeration equipment	8.33
iv) Leasehold buildings	Depreciated over the period of lease i.e. 7 years

- c) Depreciation for additions to / deductions from owned assets is calculated pro rata from / to the month of additions / deductions.

### 8. Intangible Assets and Amortisation

Intangible assets are recognised as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standards) Rule, 2006 and are amortised as follows:

- i. Specialised software: Over a period of Six years (Three years till 31.12.2010)

### 9. Impairment of Assets

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) the provision for impairment loss, if any, required ; or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- a) in the case of an individual asset, at the higher of the net selling price and the value in use;
- b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

### 10. Inventories

Inventories are valued after providing for obsolescence, as under:

- a) Raw materials, components, stores, spares and loose tools at lower of weighted average cost or net realisable value.
- b) Work-in-progress

Work-in-progress at lower of cost including related overheads or net realisable value.

### 11. Securities Premium Account

Securities premium includes:

- i. The difference between the market value and the consideration received in respect of shares issued

### 12. Borrowing Costs

There is no borrowing costs which is attributable to the acquisition, construction or production of a qualifying asset, and to be capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **13. Foreign Currency Transactions, Foreign Operations, Forward Contracts and Derivatives**

- a) The reporting currency of the Company is the Indian Rupee.
- b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.  
Exchange differences that arise on settlement of monetary items or on reporting at each Balance Sheet date of the Company's monetary items at the closing rate are:
  - i. recognized as income or expense in the period in which they arise.
- c) No Forward Contracts & Derivatives taken.

### **14. Segment Accounting**

- i. Segment accounting policies  
Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:
  - a) Segment revenue includes sales and other income directly identifiable with / allocable to the segment including intersegment revenue.
  - b) Expenses that are directly identifiable with / allocable to segments are considered for determining the Segment Result. Expenses which relate to the Group as a whole and not allocable to segments are included under "Unallocable Corporate Expenditure."
  - c) Income which relates to the Group as a whole and not allocable to segments is included in "Unallocable Corporate Income".
  - d) Segment Result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Group.
  - e) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment. Unallocable assets mainly comprise trade investments in Associate companies. Unallocable liabilities include mainly loan funds, provisions for employee retirement benefits and proposed dividend.
- ii. Inter-segment transfer pricing  
Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

### **15. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### **16. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event,
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of :

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a present obligation when no reliable estimate is possible;
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****NOTES TO ACCOUNTS**

- 1) Sales and service is net off (Rs. 7,21,144) {Previous year (Rs. 4,60,050)} adjustment towards liquidated damages in terms of contracts with the customers.
- 2) Other Income
- a) Other Income (Schedule L-I) includes recovery for unserved bond of Rs. 1,00,000 and Excess provision of IT reversal of Rs. 2,70,133 of FY 2009-10 and loss on sale of Fixed Assets of Rs. 1,67,598 (Previous year loss of Rs. 32,864).
- b) Other Income (Schedule L-II) is Interest received and accrued from Bank during FY 2010-11 of Rs. 3,01,152 (Previous year Rs. 1,38,640).
- 3) Non-fund based working capital facilities from State Bank of India for Bank Guarantees and letter of credit are secured by hypothecation of Fixed Assets, Inventories and Book debts. The total charge on these assets is Rs. 20 Cr as on March 31, 2011.
- 4) Depreciation
- Estimated life of Software has been increased from 3 years to 6 years with effect from 01.01.2011 resulting less amortisation expense of Rs. 23,305. Similarly Estimated life of Printer and Laptop has been decreased to 4 years from 15 years resulting excess depreciation expenses of Rs. 1,28,533 in the financial year 2010-11.

- 5) Disclosure pursuant to the MSMED Act, 2006

The Company has no dues to suppliers under the Micro, Small and Medium Enterprise Development Act, 2006, [MSMED Act] as at March 31, 2011. The disclosure pursuant to the said Act is under:-

Particulars	2010-11 (Rupees)	2009-10 (Rupees)
Principal amount due to suppliers under MSMED Act, 2006	-	-
Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	-	-

- 6) Pursuant to the provisions of Accounting Standard (AS)15 (Revised) on "Employee benefits" Actuarial valuation has been carried out as on March 31, 2011

Defined Benefit Plan :

- a) The amounts recognised in the Balance Sheet are as follows -

	Particulars	As at 31.03.2010 (Rupees)	As at 31.03.2011 (Rupees)
A	Present value of Funded Obligations	688,741	1,045,231
	Less Fair value of Plan Assets	748,693	989,166
	Present value of Unfunded Obligations	-	-
	Unrecognized Past service cost	-	-
	Amount not recognised as an Asset (limit in Para 59 (b))	-	-
	Net Liability	(59,952)	56,065
B	Amount reflected in Balance Sheet		
	Liabilities	-	56,065
	Assets	59,952	-
	Net Liability	(59,952)	56,065

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b Expense to be recognised in Profit and Loss Account are as follows -

	<b>Particulars</b>	<i>2009-10 (Rupees)</i>	<b>2010-11 (Rupees)</b>
1	Current Service Cost	122,390	171,515
2	Interest on Defined Benefit Obligation	35,546	59,675
3	Expected return on Plan Assets	(35,102)	(56,933)
4	Net Actuarial Losses / (gains)	113,181	156,227
5	Past Service cost	–	–
6	Losses / (Gains) on “curtailments or settlements”	–	–
7	Losses / (Gains) on “Acquisition / Divestiture”	–	–
8	Effect of the limit in Para 59 (b)	–	–
	<b>Total included in Staff Expenses (1 to 8)</b>	<b>236,015</b>	<b>330,484</b>
	Actual return on Plan Assets	64,085	62,698

c The changes in the present value of defined benefit obligation and fair value of Plan Assets representing reconciliation of opening and closing balances thereof are as follows -

<b>Particulars</b>	<i>As at 31.03.2010 (Rupees)</i>	<b>As at 31.03.2011 (Rupees)</b>
Change in defined benefit obligation		
<b>Opening Defined Benefit Obligation</b>	388,641	688,741
Current Service cost	122,390	171,515
Interest cost	35,546	59,675
Actuarial Losses / (Gain)	142,164	161,992
Past Service cost	–	–
Actuarial Losses / (Gain) due to Curtailment	–	–
Liabilities extinguished on settlements	–	–
Liabilities extinguished on Acquisition / (settled on divestiture)	–	–
Exchange difference on Foreign plans	–	–
Benefits paid	–	(36,692)
<b>Closing Defined Benefit Obligation</b>	688,741	1,045,231
<b>Change in Fair Value of Assets</b>		
<b>Opening Fair value of Plan Assets</b>	482,947	748,693
Expected Return on Plan Assets	35,102	56,933
Actuarial (Losses) / Gain	28,983	5,765
Assets distributed on settlements	–	–
Contributions by Employer	201,661	214,467
Assets acquired on Acquisition / (distributed on divestiture)	–	–
Exchange difference on Foreign plans	–	–
Benefits paid	–	(36,692)
<b>Closing Fair Value of Plan Assets</b>	748,693	989,166
Expected Employer’s contribution Next Year	150,000	500,000

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## d Asset Information

Category of Assets	As at 31.03.2010 % age	As at 31.03.2011 % age	As at 31.03.2011 (Rupees)
Government of India Securities	-	-	-
Corporate Bonds	-	-	-
Special Deposit Scheme	-	-	-
Equity Shares of Listed Companies	-	-	-
Property	-	-	-
Insurer Managed Funds	100%	100%	989,166
Public Sector Unit Bonds	-	-	-
Others	-	-	-
<b>Grand Total</b>	<b>100%</b>	<b>100%</b>	<b>989166</b>

## e Experience Adjustments

Category of Assets	As at 31.03.2008 (Rupees)	As at 31.03.2009 (Rupees)	As at 31.03.2010 (Rupees)	As at 31.03.2011 (Rupees)
Defined Benefit Obligation	226,972	388,641	688,741.00	1,045,231.00
Plan Assets	222,202	482,947	748,693.00	989,166.00
Surplus / (Deficit)	(4,770)	94,306	59,952.00	(56,065.00)
Experience Adjustment on Plan Liabilities	-	55,569	150,770.00	194,840.00
Experience Adjustment on Plan Assets	-	14,357	28,983.00	5,765.00

## f Financial Assumptions at the Valuation Date

	As at 31.03.2010	As at 31.03.2011
Discount Rate (p.a)	7.50%	7.85%
Expected Rate of return (p.a)	7.50%	7.50%
Salary Escalation Rate (p.a)	6.00%	6.00%

## 1) Discount Rate

The discount rate is based on the prevailing market yields of Indian Government securities as the Balance Sheet date for the estimated term of the obligations.

## 2) Expected rate of return on Plan Assets

This is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

## 3) Salary escalation rate

The estimates of future salary increases considered takes into account the Inflation, seniority, promotion and other relevant factors.

## 4) Attrition rate

The attrition rate varied from 1% to 25% for various age groups.

## g General Descriptions of defined benefit plans :

## 1 Gratuity Plan :

The Gratuity benefit payable to employees of the Company is as per the provisions of the Payment of Gratuity Act, 1972.

Every employee is entitled to the payment of fifteen days salary last drawn for each completed year of service with part thereof in excess of six months.

The benefit vests after five years of continuous service and is payable on termination of service or retirement whichever is earlier.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 7) Segment Reporting

## i Primary segment (Business segment)

The Company operates in Manufacturing Research and Development segment.

## ii. Secondary segments (Geographical segments)

In respect of secondary segment information, the Company has identified its geographical segment as i) Domestic & ii) Overseas

Particulars		Domestic	Overseas	Total
		(Rupees)	(Rupees)	(Rupees)
External revenue by location of customers	<b>CY</b>	<b>260,116,443</b>	–	<b>260,116,443</b>
(including excise duty)	<i>PY</i>	<i>94,685,489</i>	–	<i>94,685,489</i>
Carrying amount of segment assets by location of assets	<b>CY</b>	<b>88,211,656</b>	–	<b>88,211,656</b>
	<i>PY</i>	<i>65,958,900</i>	–	<i>65,958,900</i>
Cost incurred for acquisition of tangible and intangible fixed assets	<b>CY</b>	<b>3,009,137</b>	–	<b>3,009,137</b>
	<i>PY</i>	<i>2,410,489</i>	–	<i>2,410,489</i>

## 8) Disclosure of related parties / related party transactions

## i Related Parties

List of related parties

Larsen & Toubro Limited - Holding Company

## ii Names of related parties with whom transactions were carried out during the year and description of relationship

Larsen and Toubro Limited - Holding Company

L&T Finance Limited - Fellow Subsidiary

## iii Disclosure of related party transactions

Related Party		Purchase/ Overheads	Sales & Service	Lease rental	Interest paid
Larsen and Toubro Limited	<b>CY</b>	<b>9,687,843</b>	<b>138,663,680</b>	–	–
	<i>PY</i>	<i>8,160,056</i>	<i>2,355,800</i>	–	–
L&T Finance Limited	<b>CY</b>	<b>224,474</b>	–	<b>96,720</b>	<b>130,445</b>
	<i>PY</i>	–	–	<i>894,123</i>	–

a During the year 2007-08, the Company has entered into an Operating Lease Agreement with L&T Finance Limited.

The amount of final lease rentals paid during the year is Rs. 96,720 (*PY Rs. 8,94,123*) under this agreement.

## iv Amount due to / from related parties

Related Party		Accounts Receivable	Accounts Payable	Net Balance
Larsen and Toubro Limited	<b>CY</b>	<b>155,764,649</b>	<b>6,726,620</b>	<b>149,038,029</b>
	<i>PY</i>	<i>543,686</i>	<i>2,621,328</i>	<i>(2,077,642)</i>

There are no other transactions with any other related parties during the year.

## 9) Leases

## Operating Lease

a) The Company has taken technology assets on non-cancellable operating lease.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) The Future Minimum Lease payments in respect of which, as at March 31, 2011, are as under

	Particulars	Minimum Lease payments	
		As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
i	Payable not later than one year	-	95,799
ii	Payable later than one year and not later than five years	-	-
iii	Payable later than five years	-	-
	<b>Total</b>	-	95,799

c) There are no exceptional / restrictive covenants to the lease agreement.

d) Lease rental expenses in respect of operating leases : Rs. 96,720 (Previous year Rs. 8,94,123)

10) Deferred tax asset and liability

Major components of deferred tax liabilities and deferred Tax Assets:

Particulars	Deferred tax Liabilities / (Assets) as at 31.03.10	Charge / (credit) to Profit & loss Account	Deferred tax Liabilities / (Assets) as at 31.03.11
<b>Deferred tax liabilities</b>			
Difference between Book depreciation and tax depreciation	191,972	556,783	748,755
Other item contributing to timing differences	-	-	-
<b>Total</b>	191,972	556,783	748,755
<b>Deferred tax Assets</b>			
Provision for Leave encashment debited to P&L A/C	(209,576)	22,044	(187,532)
Provision for Bad Debt debited to P&L A/C	(3,375)	3,375	-
Provision for Liquidated damage debited to P&L A/C	(195,932)	(205,070)	(401,002)
Provision for warranty debited to P&L A/C	(1,525,630)	(178,167)	(1,703,797)
Other item contributing to timing differences	348,296	(348,296)	-
<b>Total</b>	(1,586,217)	(706,114)	(2,292,331)
Net deferred tax liabilities/(assets)	(1,394,245)	(149,331)	(1,543,576)
Previous year	(828,505)	(565,740)	(1,394,245)

11) Earnings per share

Basic and diluted Earning per share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

		2010-11	2009-10
Profit after tax as per accounts (Rupees)	A	21,695,973	16,625,374
Weighted average number of shares outstanding	B	440,000	440,000
Basic and Diluted Earnings per equity share (Rupees)	A / B	49.31	37.78

12) Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets"

a) Movement in Provisions

		Class of Provisions	
		Product Warranties (Rupees)	Total (Rupees)
1	Balance as at 01.04.2011	4,592,504	4,592,504
2	Additional provision during the year	4,267,121	4,267,121
3	Provision used during the year	-	-
4	Provision reversed during the year	3,608,287	3,608,287
5	Balance as at 31.03.2011	5,251,338	5,251,338

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## b) Nature of provisions:

Product Warranties : The Company gives warranties on certain products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at 31-3-2011 represents the amount of the expected cost of meeting such obligations of rectification/replacement.

The timing of outflows is expected to be within a period of two years.

## c) Disclosure in respect of contingent liabilities is given as part of Schedule J to the Balance Sheet.

13 a) The expenditure on research and development activities, as certified by the management, is Rs. 98,55,216.

b) The exchange difference arising on foreign currency transactions amounting to Rs. 46,029 (net loss) [Previous year : Rs.1,57,148 (Net Loss)] has been accounted under respective revenue heads in the P&L A/C covered under Accounting Standard AS) 11 "The Effects of Changes in Foreign Exchange Rates".

## c) Unhedged foreign currency exposures as at March 31, 2011 are as follows:

<b>Unhedged foreign currency exposures</b>	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
i) Payables, including firm commitments	<b>11,246,815</b>	–

14) Estimated amount of contracts remaining to be executed on capital account (net of advances) is Rs. 7,63,109 as on 31.03.2011.

15) Auditor remuneration (excluding service tax) and expenses charged to the Accounts

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Statutory Audit fees	<b>60,000</b>	<i>60,000</i>
Tax audit fees	<b>40,000</b>	<i>40,000</i>
Others services	<b>19,500</b>	<i>15,000</i>
<b>Total</b>	<b>119,500</b>	<i>115,000</i>

16) Value of imports on CIF basis

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Raw Materials	<b>4,596,549</b>	<i>4,826,216</i>
Components & Spare parts	<b>8,430,062</b>	<i>10,165,428</i>
Capital Goods	<b>33,147</b>	<i>102,676</i>
<b>Total</b>	<b>13,059,758</b>	<i>15,094,320</i>

17) Expenditure in foreign currency

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
On overseas contracts	<b>NIL</b>	<i>NIL</i>

18) Earnings in foreign currency

	<b>2010-11 Rupees</b>	<i>2009-10 Rupees</i>
Development charges & Sales	<b>NIL</b>	<i>NIL</i>

19) Details of materials purchased, consumed, capacities & production and Inventories

The Company is engaged in the business of Manufacturing, Research and Development of Electronic Units.

A Licenced Capacity and Installed Capacity Not Applicable



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	Units	2010-11		2009-10	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
B Production and Sales					
Electronic Units	Nos	58	247,699,111	56	87,523,339
			-		-
	<b>Total</b>		<b>247,699,111</b>		<b>87,523,339</b>

C i) Raw Materials and Components Consumed			
Electronic Goods		155,016,327	23,537,686

	2010-11		2009-10	
	% to total Consumption	Amount Rupees	% to total Consumption	Amount Rupees
ii) Classification of Goods				
Imported	6.38%	9,889,071	48.96%	11,524,029
Indigenous	93.62%	145,127,256	51.04%	12,013,657
<b>Total</b>	<b>100.00%</b>	<b>155,016,327</b>	<b>100.00%</b>	<b>23,537,686</b>

D Inventories:	2010-11		2009-10	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Electronic Goods		-		-
<b>Total</b>		<b>-</b>		<b>-</b>

20) Provision for Income tax :-

a) Provision for Income tax includes Rs. 23,90,870 and Rs. 70,10,087 tax after assessment for FY 2006-07 & 2007-08 respectively

21) Figures for the previous year have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

22) Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Deferred Tax

Misc. Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)

Total Expenditure

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

Basic Earnings per Share in Rs.

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. (ITC Code)

Product Descriptions

As per our report attached

For and on behalf of the Board

**EESH & CO.**  
Chartered Accountants  
Firm Registration No. 000794S

**K. G. SATHISH**  
Proprietor  
Membership No. 20011

**J. D. PATIL**  
Director

**SATISH A. GUNE**  
Director

Place : Bangalore  
Date : April 21, 2011

Place : Mumbai  
Date : April 21, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

The Company has not yet commenced its commercial operations. As per the extant accounting policy, Preliminary Expenses & Pre-operative Expenditure (including staff cost) incurred up to March 31, 2011 of Rs. Nil Lakhs (*Previous year Rs. 265.14 Lakhs*) and Rs. 493.00 Lakhs (*Previous year Rs. 277.19 Lakhs*) respectively has been charged to the Profit & Loss Account for period ended March 31, 2011.

### FINANCIAL RESULTS

Head	2010-11 Rs. Lakhs	2009-10 Rs. Lakhs
<b>Total Income</b>	<b>45.52</b>	<b>89.07</b>
<b>Profit / (Loss) before tax</b>	<b>(477.21)</b>	<b>(459.66)</b>
Less : Provision for tax	-	5.82
<b>Profit / (Loss) after tax</b>	<b>(477.21)</b>	<b>(465.48)</b>

### DEPOSITS

During the year under review, the Company has not accepted any deposit from the Public.

### CAPITAL EXPENDITURE

The Board has approved a total capital expenditure of Rs.172,500 Lakhs for the setting up of the manufacturing facility at Hazira.

During the period under review, the Company has achieved good progress in construction of its factory at Hazira. Cumulative Expenditure incurred up to March 31, 2011 (including other operational capital expenditure) is Rs. 69,950.14 Lakhs (*Previous year Rs. 9,610.51 Lakhs*).

### SHARE CAPITAL AND FINANCE

During the year, the Company has allotted 1,500 lakhs shares of Rs. 10 each aggregating Rs. 15,000 Lakhs.

During the year the Company has taken a secured loan of Rs. 30,000.00 Lakhs from Nuclear Power Corporation of India Limited and Rs. 15,000 Lakhs from various Banks.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### DISCLOSURE OF PARTICULARS

The Company did not carry on business activities and hence there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the loss of the Company for that period.;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis;
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company; and
- VI. that as required under the Voluntary Corporate Governance Guidelines, 2009- the Board hereby states that the details of all the related party transactions form part of the accounts as required under AS18 and the same are given on the page number 31 of the Annual Report.

### DIRECTORS

Mr. P. S. Banerjee and Mr. Jagdeep Ghai are liable to retirement at the ensuing Annual General Meeting (AGM) and all are eligible for re-appointment. During the year, Mr. J. D. Patil was appointed as Director in place of vacancy caused by resignation of Mr. N. Nigam.

## L&T SPECIAL STEELS AND HEAVY FORGINGS PRIVATE LIMITED

### INDEPENDENT DIRECTORS

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions.

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

### NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL CAN BECOME A DIRECTOR

The Company has apprised its Board members about the restriction on number of other directorships and all the members are in compliance with the guidelines.

### INTERNAL AUDITORS

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

### INTERNAL CONTROL

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### AUDIT COMMITTEE

The Audit Committee comprises of Mr. J.K.Ghai, Mr. V.C.Bedi, Mr.P.S.Banerjee.

The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 for an Audit Committee.

### AUDITORS

The Auditors, M/s M. P. Chitale & Co., hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s M. P. Chitale & Co., Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### ACKNOWLEDGEMENTS

The Directors take this opportunity to thank Banks, govt. authorities, stakeholders and the employees for their continued support to the Company.

For and on behalf of the Board

**M. V. KOTWAL**  
*Director*

**J. K. GHAI**  
*Director*

**V. C .BEDI**  
*Director*

*Place : Mumbai*  
*Date : April 19, 2011*

**M. K. KANNAN**  
*Director*

**J. D. PATIL**  
*Director*

**P. S. BANERJEE**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T SPECIAL STEELS AND HEAVY FORGINGS PRIVATE LIMITED

1. We have audited the attached Balance Sheet of L&T Special Steels and Heavy Forgings Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 Section 227(4A) of the Companies Act, 1956 we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We report that :
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement read with the notes thereon, dealt with by this report 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 from the Directors, taken on record by the Board of Directors in its meeting held on April 19, 2011 none of the Directors is disqualified as on March 31, 2011 from being appointed as a Director u/s 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule 'J' and notes on accounts in Schedule 'K', appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**FOR M. P. CHITALE & CO**  
*Chartered Accountants*  
*Firm Regn No. 101851W*

**ANAGHA THATTE**  
*Partner*  
*ICAI M No. 105525*

*Place : Mumbai*  
*Date : April 19,2011*

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## ANNEXURE TO THE AUDITORS' REPORT

(Referred to paragraph (1) of our report of even date)

- i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - (b) According to the information and explanations given to us, the fixed assets were physically verified during the year by the management as per its planned program and we are informed that no material discrepancies were noticed on such verification. The discrepancies noticed on such verification have been properly dealt with in the books of account.
  - (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii) (a) The Company has no inventory and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.

## L&T SPECIAL STEELS AND HEAVY FORGINGS PRIVATE LIMITED

- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets. Further, on the basis of our examination of the books and records of the Company, there is no continuing failure to correct major weaknesses in the internal control system during the year.
- v) (a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301. Consequently, para (b) is not applicable.
- vi) The Company has not accepted deposits from the public in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The cost accounting rules under Section 209(1)(d) will be applicable to Company when it starts commercial operations. Since the Company has not yet commenced its operations; no such records are required to be maintained during the current year.
- 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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there were no undisputed amounts in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2011.
- x) The Company has not been registered for more than five years, hence paragraph 4(x) is not applicable.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in mutual funds. The investments in mutual funds have been held by the Company in its own name.
- xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flow of the Company, we report that no funds raised on short term basis have been, prima facie, used for long term investments.
- xviii) The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us and on the basis of representation of the management which we have relied upon no fraud on or by the Company was noticed or reported during the year.

**FOR M. P. CHITALE & CO**  
*Chartered Accountants*  
*Firm Regn No. 101851W*

**ANAGHA THATTE**  
*Partner*  
*ICAI M No. 105525*

*Place : Mumbai*  
*Date : April 19, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		3,000,000,000		1,500,000,000
Reserves & Surplus					
Hedge reserves			22,790,447		(9,534,037)
<b>Loan Funds</b>					
Secured Loans	B		4,591,910,957		—
<b>TOTAL</b>			<b>7,614,701,404</b>		<b>1,490,465,963</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>C</b>					
Tangible Assets					
Gross Block		40,659,594		12,389,562	
Less: Depreciation		3,179,462		558,905	
Net Block		37,480,132		11,830,657	
Capital Work in Progress		6,639,901,810		948,661,070	
			6,677,381,942		960,491,727
Intangible Assets					
Gross Block		1,553,742		—	
Less: Depreciation		191,403		—	
Net Block		1,362,339		—	
Capital Work in Progress		312,899,152		—	
			314,261,491		—
			6,991,643,433		960,491,727
<b>Investments</b>					
<b>D</b>					
<b>Current Assets, Loans &amp; Advances</b>					
<b>E</b>					
Current Assets					
Cash and Bank Balances		41,631,632		28,592,317	
Loans & Advances		352,873,875		30,746,554	
Other Current Assets		46,448,321		1,600,000	
		440,953,828		60,938,871	
<b>Less: Current Liabilities &amp; Provisions</b>					
<b>F</b>					
Current Liabilities		942,358,218		118,846,045	
Provisions		2,688,316		581,888	
		945,046,534		119,427,933	
<b>Net Current Assets / (Liabilities)</b>			<b>(504,092,706)</b>		<b>(58,489,062)</b>
<b>Profit and Loss Account (Debit Balance)</b>			<b>94,268,259</b>		<b>46,547,620</b>
<b>TOTAL</b>			<b>7,614,701,404</b>		<b>1,490,465,963</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>J</b>					
<b>NOTES FORMING PARTS OF ACCOUNTS</b>					
<b>K</b>					

The accompanying notes including schedules will form an integral part of the Balance Sheet.

As per our Report attached

**M. P. CHITALE & CO.**

Chartered Accountants

Regn. No. 101851W

For and on behalf of the Board

**ANAGHA THATTE**

Partner

Membership No. 105525

**R. G. KULKARNI**

Manager

**M. V. KOTWAL**

Director

**J. K. GHAI**

Director

**V. C. BEDI**

Director

**M. K. KANNAN**

Director

**J. D. PATIL**

Director

**P. S. BANERJEE**

Director

Place : Mumbai

Date : April 19, 2011

Place : Mumbai

Date : April 19, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	2010-11		2009-10	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Interest received		–		1,823,529	
Other income - Income from Investment in Mutual Funds		4,551,756		7,083,871	
			4,551,756		8,907,400
<b>EXPENDITURE</b>					
Staff Expenses	<b>G</b>	9,349,495		–	
Pre-operative Expenses	<b>H</b>	39,951,040		27,719,378	
Preliminary Expenses	<b>I</b>	–		26,513,582	
Interest		139,675		81,267	
Depreciation & amortisation		2,832,185		558,905	
			52,272,395		54,873,132
Loss for the year before tax			47,720,639		45,965,732
Provision for tax			–		581,888
Loss for the year after tax			47,720,639		46,547,620
<b>Balance carried to Balance Sheet</b>			47,720,639		46,547,620
Earnings per Share (Basic & Diluted)			(0.30)		(0.99)
Face value per Equity Share ( Rupees)			10		10

The accompanying notes including schedules will form an integral part of Profit & Loss Account.

As per our Report attached  
**M. P. CHITALE & CO.**  
Chartered Accountants  
Regn. No. 101851W

For and on behalf of the Board

**ANAGHA THATTE**  
Partner  
Membership No. 105525

**R. G. KULKARNI**  
Manager

**M. V. KOTWAL**  
Director

**J. K. GHAI**  
Director

**V. C .BEDI**  
Director

**M. K. KANNAN**  
Director

**J. D. PATIL**  
Director

**P. S. BANERJEE**  
Director

Place : Mumbai  
Date : April 19, 2011

Place : Mumbai  
Date : April 19, 2011



**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net Profit / (Loss) before tax	(47,720,639)	(45,965,732)
Adjustment for :		
Depreciation and Amortisation	2,832,185	558,905
Income from Investments	(4,551,756)	(8,907,400)
Interest Others	139,675	-
Loss on sale of assets	85,025	-
<b>Operating Profit before working capital changes</b>	<b>(49,215,510)</b>	<b>(54,314,227)</b>
Direct taxes paid (net of refund)	-	581,888
<b>Net Cash from Operating Activities (A)</b>	<b>(49,215,510)</b>	<b>(54,896,115)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (including CWIP)	(5,948,150,847)	(961,050,632)
Working Capital movement for Capex current assets	(348,759,465)	(32,346,554)
Working Capital movement for Capex payables	824,827,506	119,427,933
Sale of fixed assets	31,500	-
Cash flow on hedging	14,108,307	(9,534,037)
Purchase of Investments (net)	(490,966,740)	(541,915,678)
Income from Investments	25,066,227	8,907,400
<b>Net Cash / (used in) from Investing Activities (B)</b>	<b>(5,923,843,512)</b>	<b>(1,416,511,568)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	1,500,000,000	1,500,000,000
Proceeds from long term borrowings	4,500,000,000	-
Interest paid (net)	(13,901,663)	-
<b>Net cash / (used in) from Financing Activities (C)</b>	<b>5,986,098,337</b>	<b>1,500,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>13,039,315</b>	<b>28,592,317</b>
<b>Cash and Cash equivalents as at the beginning</b>	<b>28,592,317</b>	<b>-</b>
<b>Cash and Cash equivalents at end of the year</b>	<b>41,631,632</b>	<b>28,592,317</b>

**Notes:**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the AS 3 Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances.

As per our Report attached  
**M. P. CHITALE & CO.**  
Chartered Accountants  
Regn. No. 101851W

For and on behalf of the Board

**ANAGHA THATTE**  
Partner  
Membership No. 105525

**R. G. KULKARNI**  
Manager

**M. V. KOTWAL**  
Director

**J. K. GHAI**  
Director

**V. C. .BEDI**  
Director

**M. K. KANNAN**  
Director

**J. D. PATIL**  
Director

**P. S. BANERJEE**  
Director

Place : Mumbai  
Date : April 19, 2011

Place : Mumbai  
Date : April 19, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
57,50,00,000 Equity Shares of Rs. 10 each (Previous Year: 57,50,00,000 Equity Shares of Rs. 10 each)	<u>5,750,000,000</u>	<u>5,750,000,000</u>
<b>Issued Capital</b>		
45,00,00,000 Equity Shares of Rs. 10 each (Previous Year: 15,00,00,000 Equity Shares of Rs. 10 each)	<u>4,500,000,000</u>	<u>1,500,000,000</u>
<b>Subscribed &amp; Paidup</b>		
30,00,00,000 Equity share of Rs. 10 each fully paid up (Previous Year: 15,00,00,000 Equity Shares of Rs. 10 each)	<u>3,000,000,000</u>	<u>1,500,000,000</u>
22,20,00,000 Equity Shares of Rs. 10 each fully paid held by Holding Company - Larsen & Toubro Limited (Previous Year: 11,10,00,000 Equity Shares of Rs. 10 each)		
7,80,00,000 Equity shares of Rs. 10 each fully paid held by Nuclear Power Corporation of India Limited (Previous Year: 3,90,00,000 Equity Shares of Rs. 10 each fully paid)		
<b>TOTAL</b>	<u><u>3,000,000,000</u></u>	<u><u>1,500,000,000</u></u>

	<u>As at 31.03.2011</u>		<u>As at 31.03.2010</u>	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - B</b>				
<b>SECURED LOANS</b>				
<b>Loan from Banks</b>				
Term Loan Bank of Baroda	<u>412,500,000</u>		-	
Term Loan Canara Bank	<u>403,125,000</u>		-	
Term Loan Axis Bank	<u>403,125,000</u>		-	
Term Loan State Bank of Hyderabad	<u>281,250,000</u>		-	
		<u>1,500,000,000</u>		-
<b>Loan from Promoter</b>				
NPCIL Loan	<u>3,000,000,000</u>		-	
Accrued Interest on NPCIL Loan (refer Sch. K Note -1 to accounts)	<u>91,910,957</u>		-	
		<u>3,091,910,957</u>		-
<b>TOTAL</b>		<u><u>4,591,910,957</u></u>		<u><u>-</u></u>

**SCHEDULE - C****FIXED ASSETS**

Description	COST				DEPRECIATION			WRITTEN DOWN VALUE		
	As at 01.04.2010	Addition	Deduction	As at 31.03.2011	As at 01.04.2010	Addition	Deduction	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>										
Building	-	17,179,350	-	17,179,350	-	70,006	-	70,006	17,109,344	-
Air Conditioner Refrigerator	199,000	562,930	-	761,930	10,017	63,021	-	73,038	688,892	188,983
Office Equipment	995,762	720,784	-	1,716,546	39,917	203,552	-	243,469	1,473,077	955,845
Computers	2,502,842	4,723,275	136,750	7,089,367	207,199	846,564	20,225	1,033,538	6,055,829	2,295,643
Furniture and Fixtures	7,801,958	3,255,580	-	11,057,538	291,285	1,150,351	-	1,441,636	9,615,902	7,510,673
Car / Vehicles	890,000	1,964,863	-	2,854,863	10,487	307,288	-	317,775	2,537,088	879,513
<b>TOTAL</b>	<b>12,389,562</b>	<b>28,406,782</b>	<b>136,750</b>	<b>40,659,594</b>	<b>558,905</b>	<b>2,640,782</b>	<b>20,225</b>	<b>3,179,462</b>	<b>37,480,132</b>	<b>11,830,657</b>
Capital Work In Progress	948,661,070	5,691,240,740	-	6,639,901,810	-	-	-	-	6,639,901,810	948,661,070
<b>Sub-Total (A)</b>	<b>961,050,632</b>	<b>5,719,647,522</b>	<b>136,750</b>	<b>6,680,561,404</b>	<b>558,905</b>	<b>2,640,782</b>	<b>20,225</b>	<b>3,179,462</b>	<b>6,677,381,942</b>	<b>960,491,727</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

Description	COST				DEPRECIATION				WRITTEN DOWN VALUE	
	As at 01.04.2010	Addition	Deduction	As at 31.03.2011	As at 01.04.2010	Addition	Deduction	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Intangible Assets</b>										
Computer Softwares	–	1,553,742	–	1,553,742	–	191,403	–	191,403	1,362,339	–
	–	1,553,742	–	1,553,742	–	191,403	–	191,403	1,362,339	–
Capital Work In Progress	–	312,899,152	–	312,899,152	–	–	–	–	312,899,152	–
<b>Sub-Total (B)</b>	–	314,452,894	–	314,452,894	–	191,403	–	191,403	314,261,491	–
<b>Total (A+B)</b>	961,050,632	6,034,100,416	136,750	6,995,014,298	558,905	2,832,185	20,225	3,370,865	6,991,643,433	960,491,727
<i>Previous Year</i>	–	961,050,632	–	961,050,632	–	558,905	–	558,905	960,491,727	–

**Notes:**

- Capital work in progress includes advances Rs. 92,24,56,344 (*Previous year Rs. 40,37,38,019*)
- Capital work in progress includes Rs. 8,59,49,567 (*Previous year Rs. Nil*), being borrowing cost capitalised in accordance with Accounting Standard (AS) 16 on "Borrowing Costs" as specified in the Companies (Accounting Standards) Rules, 2006.
- Capital work in progress (intangibles) include Rs. 27,91,44,481 (*Previous year Rs. Nil*) towards Lease hold land for which a Lease / Sub-lease Deed is yet to be executed.

As at 31.03.2011    As at 31.03.2010  
Rupees                      Rupees

**SCHEDULE - D****INVESTMENTS (at cost unless specified otherwise)**

Current investments: (other than trade)

Mutual Funds (Unquoted)

1,032,882,418                      541,915,678

**TOTAL**

1,032,882,418                      541,915,678

Details of investments

Particulars	Face value	Number of units				Rupees	
		Opening 01.04.10	Purchases / additions	Sold / deduction	Closing 31.03.11	As at 31.03.11	As at 31.03.10
BIRLA SUN LIFE CASH MANAGER DDR	10	–	39,986,021	20,020,969	19,965,052	200,039,842	–
BIRLA SUN LIFE INST. PLAN DDR	10	22,847,332	20,167,119	43,014,452	–	–	228,628,687
BIRLA SUN LIFE FLOATING RATE FUND INST WDR	10	–	30,209,516	30,209,516	–	–	–
BIRLA CASH MANAGER DDR	10	–	30,409,498	30,409,498	–	–	–
BIRLA SUN LIFE STF INST. PLAN DDR	10	20,018,731	30,286,154	50,304,885	–	–	200,297,418
ICICI PREDENTIAL LIQUID INST. PLAN	100	–	3,507,332	499,887	3,007,445	300,812,430	–
ICICI PREDENTIAL FLEXIBLE PLAN PRE - DDR	100	–	1,445,637	1,445,637	–	–	–
ICICI PREDENTIAL ULTRA ST PLAN SUPER PRE - DDR	10	9,116,534	30,221,357	39,337,890	–	–	91,356,783
DWS ULTRA STF INST. PLAN DDR	10	2,150,080	14,881	2,164,961	–	–	21,553,052
DWS ULTRA STF INST. PLAN DDR	10	7,960	10,193,952	10,201,912	–	–	79,738
IDFC CASH FUND SUPER INST. PLAN C DDR	10	–	15,052,665	4,998,750	10,053,915	100,564,281	–
KOTAK MAHINDRA FLOATER LONG TERM DDP	10	–	20,200,035	20,200,035	–	–	–
KOTAK MAHINDRA LIQUID INST. PLAN DDR	10	–	8,210,715	–	8,210,715	100,401,439	–
RELIANCE LIQUID FUND CASH PLAN DDR	10	–	75,112,643	45,398,114	29,714,529	331,064,426	–
<b>TOTAL</b>		54,140,638	315,017,524	298,206,507	70,951,655	1,032,882,418	541,915,678

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>A. Current Assets</b>				
Cash And Bank Balances				
Balances with scheduled banks in current accounts		41,631,632		28,592,317
<b>B. Loans And Advances</b>				
Unsecured Considered good				
Advances recoverable in cash or in kind or for value to be received				
IT TDS	-		182,093	
Advance tax paid	-		399,795	
Deposits	18,100,900		3,090,900	
Indirect tax setoffs	334,772,975		27,073,766	
		352,873,875		30,746,554
<b>C. Other Current Assets</b>				
Prepaid Exp. - Borrowing Cost	33,166,971		1,600,000	
Others	13,281,350		-	
		46,448,321		1,600,000
<b>TOTAL</b>		<b>440,953,828</b>		<b>60,938,871</b>
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Current Liabilities</b>				
<b>Sundry Creditors for Capital Goods</b>				
Larsen & Toubro Group Cos.	170,004,340		92,322,889	
Others Sundry Creditors	681,486,218		22,886,741	
		851,490,558		115,209,630
<b>Other current liabilities</b>				
TDS / other taxes	88,016,345		1,943,282	
Payroll related	453,179		-	
Interest accrued	791,095		-	
Others	1,607,041		1,693,133	
		90,867,660		3,636,415
<b>Provisions</b>				
Income Tax payable	-		581,888	
Provision for leave encashment	2,688,316		-	
		2,688,316		581,888
<b>TOTAL</b>		<b>945,046,534</b>		<b>119,427,933</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>STAFF EXPENSES</b>				
Salaries, Wages and bonus		3,817,927		–
Contribution to and provision for:				
Provident Fund	143,366		–	
Gratuity	203,000		–	
Leave Encashment	286,261		–	
		632,627		–
Welfare and other expenses		4,898,941		–
<b>TOTAL</b>		<b>9,349,495</b>		<b>–</b>
<b>SCHEDULE - H</b>				
<b>PRE-OPERATIVE EXPENSES</b>				
Professional Fees		1,117,382		13,750
Insurance		19,546		–
Auditor Remuneration		122,577		17,000
Overheads Charged		7,026,072		3,914,248
Exchange (Gain) / Loss		(6,361,603)		21,780,787
Loss - Sale of Fixed Assets		85,025		–
Travelling and conveyance		4,136,825		61,874
Telephone, postage and Telegrams		787,155		–
Advertising and Publicity		639,385		–
Stationary and Printing		1,281,556		–
Bank Charges		870,751		22,156
Forwards premium		24,992,593		287,834
General repairs and maintenance		305,719		709,947
Miscellaneous Expenses		4,928,057		911,782
<b>TOTAL</b>		<b>39,951,040</b>		<b>27,719,378</b>
<b>SCHEDULE - I</b>				
<b>PRELIMINARY EXPENSES</b>				
Expenses for setting up company, raising of capital		–		26,513,582
<b>TOTAL</b>		<b>–</b>		<b>26,513,582</b>

## **SCHEDULES FORMING PART OF ACCOUNTS**

### **SCHEDULE - J**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **Method of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the accounting standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956.

##### **Revenue Recognition**

The Company has not yet commenced its operations.

- Revenue is recognized based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.
- Revenue from sale of goods is recognized when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.
- Interest income is accrued at applicable interest rate.
- Other items of income are accounted as and when the right to receive arises.

##### **Employee Benefits**

During the year, the Company has set up Employees' Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India. The PF Scheme is being managed by the Holding Company Larsen & Toubro Limited.

The following are the Company policies on employee benefits-

##### **(A) Short Term Employee Benefit**

- i. All employee benefits payable within one year like salaries, wages, accumulating short term compensated absences ("leave entitlements"), etc. are recognized in the period in which the employee renders the related service which entitles him to avail such benefits.
- ii. The expected cost of profit sharing and bonus payments are recognized when (i) there is a present obligation to make such payments as a result of past events and (ii) a reliable estimate of the liability can be made.

##### **(B) Post employment benefits**

- i. Defined Contribution Plans: - State administered pension scheme is classified as defined contribution plan. The contribution paid / payable under defined contribution plan is recognized during the period in which the employee renders related service.
- ii. Defined benefit Plan: The Employees' Group Gratuity-cum-Life Assurance Scheme intended with Life Insurance Corporation of India and Provident Fund Scheme managed by the Holding Company (Larsen & Toubro Limited) are the Company's defined benefit Plan.

(C) Long term employee benefits - The obligation for long term employee benefits such as long term compensated absences, long service awards etc. is recognized in the same manner as in case of defined benefit plan as mention in (B) (ii)above.

(D) Termination benefits – Termination benefits, if any, are recognized as expense.

Wherever applicable, the present value of obligation under such defined benefit plans are determined based on actuarial valuation.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plan to recognize the obligation on the net basis.

##### **Fixed Assets and Depreciation**

Fixed assets are stated at cost of net of tax / duty credits availed, if any, less accumulated depreciation / amortisation and cumulative impairment.

Administrative and other overheads that are specifically attributable to construction or acquisition of fixed assets or bringing the fixed assets to working condition for its intended use are allocated and capitalized as part of the cost of fixed assets.

The overhead towards project capitalization incurred by one of the promoters on behalf of the Company are on actual without any internal mark-ups.

Depreciation on assets has been provided at the rates prescribed in Schedule XIV of the Companies Act, 1956 on straight line basis. However, in respect of the following asset categories, the depreciation is provided at higher rates in line with their estimated useful lives-

Furniture fixtures	10.00%
Office Equipment	25.00%
Air Conditioning & Refrigeration equipments	8.33%
Motor Cars	14.14%
Computers – Employee scheme	33.33%
Laptops	25.00%

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Depreciation for, additions to / deletions from, owned assets is calculated *pro rata* from / to the month of additions / deletions.

### **Capital Work-in-Progress**

Capital work-in-progress includes –

- Expenditure, direct or indirect incurred on assets, which are yet to be brought into working condition for its intended use
- Advances to suppliers against capital expenditure
- Interest during construction netted of income earned on temporary investment of borrowed funds

### **Intangible assets and amortization**

Intangible assets are recognized as per the criteria specified in Accounting Standard 26 – Intangible Assets issued under the Companies (Accounting Standards) Rules, 2006.

Intangible assets are amortized as under-

- i. Specialized software over a period of six years
- ii. Lump sum fee for technical know-how over a period of 6 years in case of foreign technology & 3 years in case of domestic technology.
- iii. Land lease rentals are amortised over the period of lease.

### **Investments**

Investments intended to be held for one year or more are classified as Long Term Investments and are carried at cost, after providing for any diminution in value, if such diminution is permanent in nature. Current Investments are carried at lower of cost or market value. The determination of the carrying cost of such investment is done on the basis of specific identification.

### **Inventories**

There is no inventory at the end of the current financial year.

### **Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying fixed assets are capitalized as part of such assets till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial time to get ready for its intended use. All other borrowing costs are recognized as expense in the year in which it is incurred.

### **Foreign Currency Transactions**

- a. The reporting currency of the Company is Indian Rupee.
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction.
- c. Forward contracts, other than those entered to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted as per Accounting Standard -11. Exchange differences on such contracts are recognized in the period in which they arise.  
Gains or losses on account of rollover / cancellation of forward contracts are recognized as income or expense of the period in which such rollover or cancellation takes place.
- d. All other derivative contracts, including forward contracts entered to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions are recognized in the financial statement at fair value as on Balance Sheet date in pursuance of the announcement by the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard-30 for accounting of such derivative contracts, not covered under Accounting Standard -11, as mandated by the ICAI in aforesaid announcement.

Accordingly, the resultant gains / losses on fair valuation / settlement of the derivative contracts covered under AS-30 are recognized in P&L Account or Balance Sheet after applying the test of hedge effectiveness. The gains or losses are recognized in Balance Sheet where the hedge is effective while the same is recognized in P&L Account where the hedge is ineffective.

Gains / losses on effective hedges for capital goods are adjusted to asset cost.

The premium paid or received on foreign currency forward is accounted as expense or income over the period of the contract.

### **Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if -

- (a) the Company has a present obligation as a result of past event;
- (b) a probable outflow of resources is expected to settle the obligation; and
- (c) the amount of the obligation can be reliably estimated. Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of -

- (a) a probable obligation arising from a past event, when it is probable that an outflow of resources will be required to settle the obligation
- (b) a present obligation arising out of a past events, when reliable estimate is possible
- (c) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

### **SCHEDULE - K**

#### **NOTES FORMING PART OF ACCOUNTS**

1. Secured Loans

The loan facilities from banks are secured by a first pari passu charge over the project assets and immovable properties of the Company.

The loan from one of the promoters is also secured by a first pari passu charge over the project assets and immovable properties of the Company.

Interest on loan from one of the promoters is to be compounded annually & to be accrued for 10 years and total accrued interest is to be paid in 5 equal annual installments beginning with end of the 11th year from the last drawdown date. Simple interest to be paid on remaining unpaid principal, annually after the 10th year.

2. Deferred Borrowing cost -

Expenses incurred in connection with the arrangement of the secured loans will be amortised over the period of borrowing. The cost attributable to period prior to commencement of operations date will be capitalized. Till such date, these expenses have been recognized under prepaid expenses in schedule of Current assets.

3. Estimated amount of contracts remaining to be executed on capital account (net of advances):- Rs. 375,29,21,697 (*Previous year Rs. 366,70,81,844*)

4. With effect from January 1, 2011 the estimated useful life of office equipments has been revised to 4 years from 15 years, office laptop to 4 years from 6 years, desktop / laptop covered under employee scheme to 3 years from 6 years and specialized software to 6 years from 3 years. Consequent to this change, depreciation / amortization charged to P&L Account is higher by Rs. 75,162 with corresponding decrease in the carrying amount of fixed assets as on March 31, 2011.

5. In line with the Company's risk management policy, the financial risks related to change in foreign exchange rates, are hedged by Forward Contracts.

The particulars of derivative contracts entered in to for hedging purposes, outstanding as on March 31, 2011 are as under-

Forwards contracts for payables (capital expenditure) - firm commitments Rs. 58,07,79,940 (*Previous year Rs. 30,60,10,155*)

The Company has payable including firm commitments (for capital expenditure) net of advances, denominated in foreign currency at the Balance Sheet date aggregating to Rs. 85,38,77,196 (*Previous year Rs. 51,23,30,059*) that are not hedged by a derivative instrument or otherwise. The Company has no receivables denominated in foreign currency at the Balance Sheet date.

6. Employee Benefits – Provision for / contributions to retirement benefit schemes are made as follows (As per AS – 15)

a. Provident Fund on actual liability basis.

b. Gratuity based on actuarial valuation.

The Company makes contributions to the Employees Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment of employees at retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed 5 years in service.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

a. Amount recognised in the Balance Sheet:

Rupees

A	<b>Gratuity Plan</b>
a) Present value of defined benefit obligation as on March 31, 2011	
Wholly Funded	<b>2,03,000</b>
<b>TOTAL</b>	<b>2,03,000</b>
b) Fair value of plan assets as on March 31, 2011	<b>2,03,000</b>
Amount to be recognized as (liability) or asset (a-b)	<b>Nil</b>
<b>B</b> Amount reflected in the Balance Sheet	
Liabilities	
Assets	
Net (liability) / asset	<b>Nil</b>

b. The amounts recognised in the Profit &amp; Loss Account:

Rupees

1. Current Service Cost	<b>2,03,000</b>
2. Interest Cost	<b>Nil</b>
3. Actual Return on Plan Assets	<b>Nil</b>
4. Actuarial Losses / (Gains)	<b>Nil</b>
Total Expenses for the year	<b>2,03,000</b>
5. Total Included in Staff Expenses (1 to 4)	<b>2,03,000</b>

c. The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Rupees

	<b>Gratuity Plan</b>
Opening balance of the present value of defined benefit obligation	<b>Nil</b>
Add: Current Service Cost	<b>2,03,000</b>
Add: Interest Cost	<b>Nil</b>
Add: Contribution by Plan participants	<b>Nil</b>
Add / (Less): actuarial (Gains) / Losses	<b>Nil</b>
Less: Benefit paid	<b>Nil</b>
Closing Balance of the present value of defined benefit obligation	<b>2,03,000</b>

d. Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Rupees

	<b>Gratuity Plan</b>
Opening balance of fair value of the Plan Assets	<b>Nil</b>
Add: Expected Return of Plan Assets	<b>Nil</b>
Less: Actuarial Gains / (Loss)	<b>Nil</b>
Add: Contribution by the Employer	<b>2,03,000</b>
Add: Contribution by Plan Participants	<b>Nil</b>
Less: Benefit paid	<b>Nil</b>
Closing Balance of fair value of assets	<b>2,03,000</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- e. The major categories of Plan Assets as a percentage of total plan assets are as follows:

	<b>Gratuity Plan</b>
Govt. of India Securities	<b>Scheme with Life Insurance Corporation</b>
State Govt. Securities	
Corporate Bonds	
Public Sector Bonds	

- f. Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

Discount rate as at March 31	<b>8%</b>
Expected Return on Plan Assets as at March 31	<b>Nil</b>
Attrition Rate	<b>NA</b>
Salary Growth Rate	<b>5%</b>

The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- g. The amount pertaining to defined benefit plans for the current year are as follows: Rupees

Defined Benefit Obligation	<b>2,03,000</b>
Plan assets	<b>2,03,000</b>
Surplus / (Deficit)	<b>Nil</b>

The company did not have any employees as on March 31, 2010, hence no information is given for the previous year.

7. Related party disclosure

- a. List of related parties over whom control exists and who exercise control:

Larsen & Toubro Limited

Nuclear Power Corporation of India Limited

- b. Names of related parties with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited- Holding Company

Nuclear Power Corporation of India Limited- Promoter Company

L&T Infrastructure Finance Co. Limited- Group Company / Fellow subsidiary

L&T-MHI Boilers Private Limited- Group Company / Fellow subsidiary

- c. Disclosure of related party transactions:

Particulars	2010-11 Rupees	2009-10 Rupees
<b>Larsen &amp; Toubro Limited</b>		
For Overheads	2,28,51,463	80,76,681
For Building & P&M	213,41,04,969	27,82,41,145
Unsecured Loan taken & repaid during the year	50,00,00,000	-
Interest on loan	33,28,767	-
<b>Nuclear Power Corporation of India Limited</b>		
Secured Loan	300,00,00,000	-
Interest on Loan	10,21,23,288	-
<b>L&amp;T Infrastructure Finance Company Limited</b>		
For Financial advisory services	1,84,00,000	16,00,000

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

d. Amount due to / from related parties:

Particulars	2010-11 Rupees	2009-10 Rupees
<b>Amount due to</b>		
Larsen & Toubro Limited	17,00,14,340	9,23,22,889
<b>Amount due from</b>		
Larsen & Toubro Limited	45,24,09,322	16,00,00,000
L&T-MHI Boilers Private Limited	10,000	-
<b>Secured Loan from</b>		
Nuclear Power Corporation of India Limited	309,19,10,959	-

8. Basic Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per share".

Particulars	2010-11	2009-10
Profit / (loss) after tax as per Accounts (Rs.)	(4,77,20,639)	(4,65,47,620)
Weighted average number of shares outstanding	15,86,30,137	4,70,87,153
Basic EPS (Rs.)	(0.30)	(0.99)

9. Note- No Deferred tax asset was recognized on grounds of prudence.

10. There is no Contingent Liability as at Balance Sheet date.

11. Preliminary and Pre-operative expenditure incurred (net of income earned) prior to commencement of commercial business operations are charged to Profit and Loss Account.

12. Manager's remuneration-

10% of the salary & allowances paid to the Manager of the company amounting to Rs. 3,48,151 being attributable to administrative expenses, has been charged off to Profit & Loss Account. The rest of the cost has been capitalized under Capital Work-in-Progress as part of project cost.

13. Auditors' remuneration and expenses charged to Accounts-

Particulars	2010-11 Rs.	2009-10 Rs.
Audit fees	1,00,000	12,000
Tax audit fees	-	5,000
Expenses Reimbursed	19,577	Nil

14. Expenditure in Foreign Currency-

The company has spent Rs. 135,86,57,366 (Previous year Rs. 21,72,43,107) in Foreign currency on Capital Expenditure during the year.

15. Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company, in respect of the same is Rs. 3,65,10,171 (Previous Year Rs. NIL). The same is being recovered over the period of vesting by the holding company. Accordingly, cost of Rs. 95,27,742 (Previous Year Rs. NIL) has been recovered by the holding company up to current year, out of which, Rs. 95,27,742 (Previous Year Rs. NIL) was recovered during the year. Balance Rs. 2,69,82,429 (Previous Year Rs. NIL) will be recovered in future periods.

16. There is no amount due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

17. Figures for the previous year have been re-grouped where necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets (Including Preoperative Expenses)

Investments

+ - Net Current Assets / (Liabilities)

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning per Share (in Rs.)

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of the Company (As per monetary terms)

Item Code No.

(ITC Code)

Product Descriptions

Signatures to Schedules A to K

For and on behalf of the Board

Place : Mumbai  
Date : April 19, 2011

**R. G. KULKARNI**  
Manager

**M. V. KOTWAL**  
Director

**J. K. GHAI**  
Director

**V. C. BEDI**  
Director

**M. K. KANNAN**  
Director

**J. D. PATIL**  
Director

**P. S. BANERJEE**  
Director

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Annual Report and Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

During the year under review, the Company did not carry on any business activities.

Particulars	Rs. in Lacs	
	2010-2011	2009-2010
Loss before tax	(6.75)	(6.12)
Provision for taxes	-	-
Loss after tax	(6.75)	(6.12)
Preliminary Expenses charged to P&L	-	-
Balance brought forward from Previous Year	(61.79)	(55.67)
Balance carried to Balance Sheet	(68.54)	(61.79)

### DIVIDEND

During the period under review, no dividend has been proposed or paid.

### PERFORMANCE OF THE COMPANY

The project to put up a global-scale 3 MTPA Alumina project (in two streams) has been cleared by State Level Single Window Clearance Authority (SLSWCA). The Company have been continuously in touch with Government of Orissa (GoO) officials and it is expected that the project would be put up for HLCA approval shortly. After approval by HLCA, Memorandum of Understanding (MoU) would be signed with GoO and GoO would forward recommendation of Mining Lease (ML) to Government of India (GoI).

### CAPITAL EXPENDITURE

During the period under review, the Company did not incur any capital expenditure. The amount shown under Fixed Assets as "Intangible Exploration and Evaluation Expenditure" pertains to expenditure incurred in previous years towards several studies including exploration, site selection, Infrastructure, water source, environmental studies, etc. The commercial operations will commence on obtaining clearance from the government.

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### DISCLOSURE OF PARTICULARS

The Company did not carry on business activities and hence there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTOR'S REPORT

There are no material changes between Balance Sheet date & date of Director's Report.

### CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

- The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in Reporting Board of Directors) Rules, 1988.
- No technology has been developed and / or imported by way of foreign collaboration.
- During the year, the Company has had "nil" foreign exchange earnings and outgo.

### PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements 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, 2011;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the

## RAYKAL ALUMINIUM COMPANY PRIVATE LIMITED

Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### DIRECTORS

The present directors of the Company are as follows:

L&T nominated directors: Mr. K. Venkataramanan, Mr. S. Suryanarayanan

Dubai Aluminium Company Limited nominated directors: Mr. A. J. M. Kalban, Mr. A. K. Gurtoo, Mr. S. Chandrashekar and Mr. K. Natarajan.

During the year, Mr. A. K. Chhatwani resigned as a Director with effect from October 9, 2010 and Mr. R. K. Sharma resigned as a Director with effect from February 21, 2011.

Mr. K. Venkataramanan was appointed as a Director in casual vacancy caused by the resignation of Mr. A. K. Chhatwani with effect from October 25, 2010.

Mr. S. Suryanarayanan joined the Board with effect from April 7, 2011 as an additional director who shall hold office up to the forthcoming Annual General Meeting and is eligible for re-appointment.

Mr. K. Venkataramanan and Mr. S. Chandrashekar are liable to retire by rotation and are eligible for re-appointment.

### AUDITORS

The Auditors, Sharp & Tannan, will hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

#### a) Remuneration of Directors

The directors are not paid any remuneration by way of sitting fees, etc.

#### b) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in day to day management of the Company.

#### c) Number of the Companies in which an individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and same is being complied with.

#### d) Responsibility of the Board

Presentation to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board.

#### e) Internal Auditors

The Corporate Audit Service Department of Larsen & Toubro Limited provides internal audit services to the Company.

#### f) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls & risk management systems.

#### g) Secretarial Audit

The secretarial audit, at regular intervals, is conducted by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

#### h) Related Party Transactions

The details of all the related party transactions form part of the accounts as required under Accounting Standard-18 issued by ICAI.

### ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent companies.

For and on behalf of the Board

Place : Mumbai  
Date : May 6, 2011

**K. VENKATARAMANAN**  
Director

**S. SURYANARAYANAN**  
Director

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF RAYKAL ALUMINIUM COMPANY PRIVATE LIMITED**

We have audited the attached Balance Sheet of Raykal Aluminium Private Limited as at March 31, 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As the Company satisfies all the conditions mentioned in paragraph 2(iv) of the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, reporting under the said Order is not required.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956, to the extent applicable.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the significant accounting policies in Schedule B and notes to accounts in Schedule C, 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the loss for the year then ended; and
- (ii) in the case of the Cash Flow Statement, of the cash flows for the year then ended.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration no. 109982W  
by the hand of

*Place : Mumbai*  
*Date : May 6, 2011*

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

**BALANCE SHEET AS AT MARCH 31, 2011**

Schedule	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
<b>Share Capital</b>				
Authorised				
1,00,000 Equity Shares of Rs.10 each		<b>1,000,000</b>		<b>1,000,000</b>
Issued, Subscribed & Paid-up				
50,000 Equity Shares of Rs.10 each fully paid-up (80% of the equity is held by Larsen & Toubro Limited and balance 20% is held by Dubai Aluminium Company Limited)		<b>500,000</b>		<b>500,000</b>
Advance against equity commitment (Refer Note 2 )		<b>13,397,073</b>		<b>13,397,073</b>
<b>TOTAL</b>		<b>13,897,073</b>		<b>13,897,073</b>
<b>APPLICATION OF FUNDS</b>				
<b>Intangible Exploration and Evaluation Expenditure</b>		<b>9,238,058</b>		<b>9,238,058</b>
<b>Current Assets, Loans and Advances</b>				
Cash and bank balances				
Cash in hand		-		-
Balance with Scheduled bank in Current Account	<b>65,587</b>		<b>385,830</b>	
<b>Loans and Advances</b>				
Unsecured and considered good				
Advances recoverable in cash or in kind-Advances		<b>4,670</b>		<b>10,432</b>
		<b>70,257</b>		<b>396,262</b>
<b>Less: Current Liabilities</b>				
Larsen & Toubro Limited		<b>729,787</b>		<b>348,903</b>
TDS payable		<b>12,133</b>		<b>38,605</b>
Dubai Aluminium Company Limited		<b>1,513,135</b>		<b>1,517,875</b>
Liability for expenses		<b>10,000</b>		<b>11,030</b>
		<b>2,265,055</b>		<b>1,916,413</b>
<b>Net Current Liabilities</b>		<b>(2,194,798)</b>		<b>(1,520,151)</b>
<b>Profit and Loss Account</b>		<b>6,853,813</b>		<b>6,179,166</b>
<b>TOTAL</b>		<b>13,897,073</b>		<b>13,897,073</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>B</b>			
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>C</b>			

The Schedules referred to above form an integral part of financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 6, 2011

**K. VENKATARAMANAN**  
Director

Place : Mumbai  
Date : May 6, 2011

**S. SURYANARAYANAN**  
Director



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11 Rupees	2009-10 Rupees
<b>OTHER INCOME</b>			
Exchange Gain		14,666	240,817
<b>TOTAL</b>		<b>14,666</b>	<b>240,817</b>
<b>EXPENDITURE</b>			
Administration and Other Expenses	A	689,313	852,995
<b>TOTAL</b>		<b>689,313</b>	<b>852,995</b>
<b>Loss before taxes</b>		<b>(674,647)</b>	<b>(612,179)</b>
Provision for taxes		-	-
<b>Loss after taxes</b>		<b>(674,647)</b>	<b>(612,179)</b>
Prior Period Expenses		-	-
Preliminary Expenses Written off		-	-
Balance brought forward from previous year		(6,179,166)	(5,566,987)
<b>Balance carried to Balance Sheet</b>		<b>(6,853,813)</b>	<b>(6,179,166)</b>
Earnings per Share			
Basic		(13.49)	(12.24)
Nominal value per Equity Share		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	B		
<b>NOTES FORMING PART OF ACCOUNTS</b>	C		

The Schedules referred to above form an integral part of financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 6, 2011

**K. VENKATARAMANAN**

Director

Place : Mumbai  
Date : May 6, 2011

**S. SURYANARAYANAN**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net Profit / (Loss) before tax (after extraordinary items)</b>	<b>(674,647)</b>	<b>(612,179)</b>
Add : Non - Cash expenditure		
Exchange Gain & Loss - Translation	<b>14,666</b>	<b>240,817</b>
<b>Cash from Operations before working capital changes</b>	<b>(689,313)</b>	<b>(371,362)</b>
<b>Adjustment for:</b>		
(Increase) / decrease in trade and other receivables	<b>5,762</b>	<b>7,604</b>
Increase / (decrease) in trade payables	<b>363,308</b>	<b>(512,034)</b>
<b>Cash generated from operations</b>	<b>(320,243)</b>	<b>(875,792)</b>
Direct taxes refund / (paid) - net	<b>-</b>	<b>-</b>
<b>Net cash from (used in) Operating Activities (A)</b>	<b>(320,243)</b>	<b>(875,792)</b>
<b>B. Cash flow from investing activities</b>		
Payment towards Intangible Assets (Exploration & Evaluation Expenditure )	<b>-</b>	<b>-</b>
<b>Net cash (used in) / from Investing Activities (B)</b>	<b>-</b>	<b>-</b>
<b>C. Cash flow from financing activities</b>		
Advance towards equity commitment	<b>-</b>	<b>1,162,065</b>
<b>Net cash (used in) / from Financing Activities (C)</b>	<b>-</b>	<b>1,162,065</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(320,243)</b>	<b>286,273</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>385,830</b>	<b>99,557</b>
<b>Cash and cash equivalents at end of the year</b>	<b>65,587</b>	<b>385,830</b>

## Notes :

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statement" issued under the Companies (Accounting Standard) Amendment Rules, 2009.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 6, 2011

**K. VENKATARAMANAN**

Director

Place : Mumbai

Date : May 6, 2011

**S. SURYANARAYANAN**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	2010-11		2009-10	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
CSR Expenses	259,386		424,396	
Membership fees	14,618		13,878	
Services availed from Holding Company	386,050		386,050	
ROC Fees	2,442		600	
Bank charges	1,192		2,326	
Sundry Expenses	25,625		25,745	
		<u>689,313</u>		<u>852,995</u>
<b>TOTAL</b>		<u><b>689,313</b></u>		<u><b>852,995</b></u>

**SIGNIFICANT ACCOUNTING POLICIES****SCHEDULE B****1 Basis of accounting**

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with generally accepted accounting principles [GAAP] in compliance with the provisions of the Companies Act, 1956 and the accounting standards as specified in the Companies (Accounting Standards) Amendment Rules, 2009 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**2 Exploration and evaluation expenditure**

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential alumina and includes costs incurred for exploration, site selection, infrastructure, water source, environmental studies etc and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful exploration and development of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically available reserves and active and significant operations in relation to the area are continuing or are planned for the future.

Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development receives appropriate approvals.

**3 Impairment**

An impairment review is performed, either individually or as a cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed the recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are re-assessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - C****NOTES FORMING PART OF ACCOUNTS**

1. Raykal Aluminium Company Private Limited 'the Company' has undertaken several studies including exploration, site selection, infrastructure, water source, environmental studies etc. The commercial operations will commence on obtaining clearance from the government. The amount incurred towards the above expenses has been capitalised and shown under fixed assets as "Intangible Exploration and Evaluation Expenditure". Other reimbursement of expenses towards business support services are recognized as expense in Profit and Loss Account.
2. The advance amounting to Rs.13,397,073 is convertible into equity upon the Company (Raykal) achieving financial closure and subject to the terms of the JV agreement with Dubai Aluminium Company Limited ('DUBAL'). The Company is in the process of seeking an extension to the stipulated period of converting this advance against equity from Reserve Bank of India.

## 3. Disclosure of related parties / related party transactions

## 3.1 List of related parties who exercise control

Larsen &amp; Toubro Limited - Holding Company

## 3.2 Names of related parties with whom transactions were carried out during the year and description of relationship

Larsen &amp; Toubro Limited - Holding Company

## 3.3 Disclosure of related party transactions

Amt in Rs.

Nature of transaction		2010-11	2009-10
1.	Professional service fees charged by		
	Larsen & Toubro Limited - Holding Company	375,750	3,86,050
2.	Recovery of expenses by related parties	5,864	1,458

## 3.4 Amount due to / from related parties:

Amt in Rs.

Particulars		2010-11	2009-10
1.	Accounts Payable		
	Larsen & Toubro Limited - Holding Company	729,787	3,48,903

4. There are no dues to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011.
5. Basic Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share "

Particulars	2010-11 Rupees	2009-10 Rupees
<b>Basic</b>		
A. Loss after tax as per Accounts	(674,647)	(6,12,179)
B. Weighted average number of shares outstanding	50,000	50,000
<b>Basic EPS (Rupees) (A/B)</b>	(13.49)	(12.24)

The number of equity shares to be issued against the advance received against equity is not ascertainable at present; hence Diluted EPS is not disclosed.

6. Auditors remuneration charged to accounts is Rs. 10,000 (previous year Rs. 10,000).
7. There are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.
8. Previous year figures have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

9. Balance Sheet Abstract And Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

\*includes advance against equity commitment

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

**Sources of Fund**  
Total Liabilities

Total Assets

Paid-up Capital\*\*

Reserves & Surplus

\*\* Includes Rs. 13,397 Thousand towards advance against equity commitment (Refer Note no. 2)

**Application of Funds**  
Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

Net Current Assets / (Liabilities)

Miscellaneous Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

Please tick Appropriate box + for Profit, - for Loss

+ - Earnings Per Share in Rs.

Dividend Rate %

**V. Generic Names of Principal Products / Services of the Company (as per monetary items)**

Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 6, 2011

**K. VENKATARAMANAN**

Director

Place : Mumbai  
Date : May 6, 2011

**S. SURYANARAYANAN**

Director

## ***DIRECTORS' REPORT***

Your Directors have pleasure in presenting the Sixteenth Annual Report along with the Accounts for the year ended March 31, 2011.

### **FINANCIAL RESULTS**

During the year under review, the Company did not carry out any commercial activities and accordingly no Profit and Loss Account has been prepared.

### **SECURITY DEPOSIT**

In the matter of recovery of the security deposit with interest from Madhya Pradesh State Electricity Board (MPSEB), no hearings had taken place since February 27, 2008 for the release of balance amount of Rs. 8,46,57,085/- due to the Company. Hence the status remained the same.

### **CAPITAL EXPENDITURE**

During the period under review, the Company did not incur any capital expenditure.

### **FIXED DEPOSITS**

During the year under review, the Company did not accept any deposits from the public.

### **AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### **DISCLOSURE OF PARTICULARS**

As the Company could not commence commercial operations, there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgements 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, 2011;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

During the year Mr. A. K. Chhatwani resigned from the Board with effect from October 9, 2010. Mr. S. N. Roy was appointed for the casual vacancy caused by the resignation of Mr. A. K. Chhatwani.

Mr. P. S. Kapoor is liable to retire by rotation and being eligible offers himself for re-appointment.

The present directors of the Company are Mr. S. N. Roy, Mr. P. S. Banerjee and Mr. P. S. Kapoor.

### **AUDITORS**

The Auditors, M/s. Sharp and Tannan retire at the ensuing Annual General Meeting and are eligible for re-appointment.

### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below –

#### **a) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.

#### **b) Number of Companies in which an Individual may become a Director**

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

**c) Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these Guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

**d) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**e) Secretarial Audit**

The Secretarial Audit is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**f) Internal Control**

The Board ensures the effectiveness of the Company's internal control system commensurate with its size and nature of the business.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 11, 2011*

**S. N. ROY**  
*Director*

**P. S. BANERJEE**  
*Director*

**P. S. KAPOOR**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF BHILAI POWER SUPPLY COMPANY LIMITED

We have audited the attached Balance Sheet of Bhilai Power Supply Company Limited as at March 31, 2011 and the Cash Flow Statement for the year ended on that date, annexed thereto. No Profit and Loss Account has been prepared for the year ended March 31, 2011 for the reason referred to in Note No.1 in Schedule E to the accounts. 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.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) the Balance Sheet and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet and Cash Flow Statement dealt by this report comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956; and
  - f) in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, read together with the significant accounting policies in Schedule D, and the notes appearing in schedule E, 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
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011
    - (ii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

**SHARP & TANNAN**

*Chartered Accountants*

*ICAI Registration no. 000452N*

By the hand of

**PAVAN K. AGGARWAL**

*Partner*

*Membership No. 91466*

*Place : New Delhi*

*Date : May 11, 2011*



## **ANNEXURE TO THE AUDITOR'S REPORT**

(Referred in paragraph (1) of our report of even date)

- (i) The Company has not yet acquired any fixed assets.
- (ii) As informed to us, the Company has not taken or granted any loan, secured or unsecured, to/from companies, firms or other parties covered in the register required to be maintained under Section 301 of the Companies Act, 1956.
- (iii) To the best of our knowledge and as explained there was no transaction exceeding the value of Rs. 5, 00,000/- that need to be entered into the register required to be maintained under Section 301.
- (iv) The Company has not accepted any deposit from the public and hence reporting compliance under the provisions of Section 58A and Section 58AA of the Companies Act 1956 and rules framed thereunder and the directives of Reserve Bank of India does not arise.
- (v) According to the records produced to us the Company is generally regular in depositing undisputed statutory dues like Income Tax. Since the Company had not employed any employee during the year the question of P.F./ESI did not arise. Sales tax, custom duty, excise duty cess and other statutory dues are not applicable to the Company during the year. According to the information and explanations given to us, no disputed amounts payable in respect of income tax were outstanding at the year end for a period of more than six months from the date they became payable.
- (vi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not availed any credit facilities from any bank / financial institution.
- (vii) 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.
- (viii) 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.
- (ix) To the best of our knowledge and as explained the Company is not dealing / trading in securities and other investments.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by associates and others, from bank or financial institutions.
- (xi) To the best of our knowledge and as explained the Company has not availed of any term loan during the year.
- (xii) To the best of our knowledge and as explained the Company has not raised any fund for long term or short term during the year.
- (xiii) The Company has not made any preferential allotment of shares to parties and companies covered in the register required to be maintained under Section 301 of the companies Act, 1956.
- (xiv) To the best of our knowledge and as explained the Company has not issued any Debentures.
- (xv) To the best of our knowledge and as explained the Company has not raised any money through public issues during the year.
- (xvi) Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
- (xvii) Other clauses of the Order are not applicable for the current year.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration no. 000452N  
By the hand of

*Place : New Delhi*  
*Date : May 11, 2011*

**PAVAN K. AGGARWAL**  
*Partner*  
Membership No. 91466

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011 Rupees</u>	<u>As at 31.03.2010 Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders Funds</b>			
Share Capital	<b>A</b>	<b>5,00,000</b>	5,00,000
<b>Loan Funds</b>			
Unsecured Loans	<b>B</b>	<b>7,63,39,423</b>	7,63,39,423
<b>TOTAL</b>		<b>7,68,39,423</b>	7,68,39,423
<b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans and Advances</b>			
Bank Balances			
On current account with Standard Chartered Bank		<b>1,06,483</b>	1,08,138
On current account with State Bank of India		<b>9,280</b>	9,280
Security Deposit with Madhya Pradesh State Electricity Board		<b>8,46,57,085</b>	8,46,57,085
Advance Tax (TDS)		<b>38,13,177</b>	38,13,177
		<b>8,85,86,025</b>	8,85,87,680
<b>Less : Current Liabilities and Provisions</b>			
Sundry Creditors-Others		<b>56,545</b>	4,49,014
Advances from promoters:			
Larsen and Toubro Limited		<b>1,16,90,057</b>	1,12,99,243
		<b>1,17,46,602</b>	1,17,48,257
<b>Net Current Assets</b>		<b>7,68,39,423</b>	7,68,39,423
<b>TOTAL</b>		<b>7,68,39,423</b>	7,68,39,423
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>D</b>		
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>E</b>		

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 000452N  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466  
Place : New Delhi  
Date : May 11, 2011

For and on behalf of the Board

**S. N. ROY**  
Director

**P. S. BANERJEE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 11, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from Operating Activities</b>	-	-
<b>Net Cash from Operating Activities</b>	-	-
<b>B. Cash flow from Investing Activities</b>		
Preoperative Expenses (Bank charges)	(1,655)	-
Refund of Deposit with interest from MPSEB / CSEB	-	-
<b>Net Cash (used in) / from Investing Activities</b>	(1,655)	-
<b>C. Cash flow from Financing Activities</b>		
Repayment of unsecured loan	-	-
Sum received from L&T	-	-
Interest paid on unsecured loan	-	-
<b>Net Cash (used in) / from Financing Activities</b>	-	-
<b>Net (Decrease) / Increase in cash &amp; cash equivalents (A+B+C)</b>	(1,655)	-
<b>Cash &amp; cash equivalents at the beginning of the year</b>	117,418	117,418
<b>Cash &amp; cash equivalents at the end of the year</b>	115,763	117,418

**Notes:**

- 1 In the absence of Profit & Loss Account, Cash Flow Statement has been prepared under the Direct Method, as set out in the Accounting Standard-3 issued by the Institute of Chartered Accountants of India.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 000452N  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466  
Place : New Delhi  
Date : May 11, 2011

For and on behalf of the Board

**S. N. ROY**  
Director

**P. S. BANERJEE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 11, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
100 preference shares of Rs. 10/- each		1,000		1,000
50,00,000 Equity shares of Rs. 10/- each		5,00,00,000		5,00,00,000
<b>TOTAL</b>		<b>5,00,01,000</b>		<b>5,00,01,000</b>
<b>Issued, Subscribed and Paid up</b>				
50,000 Equity shares of Rs. 10/- each		5,00,000		5,00,000
(99.9% of the above equity shares (same as previous year) are held by Larsen & Toubro Limited, the holding Company)				
<b>TOTAL</b>		<b>5,00,000</b>		<b>5,00,000</b>
<b>SCHEDULE - B</b>				
<b>UNSECURED LOANS</b>				
(a) Larsen & Toubro Limited				
(i) Principal Amount	-		-	
(ii) Interest accrued & due	7,19,15,910		7,19,15,910	
<b>Sub-Total (a)</b>		<b>7,19,15,910</b>		<b>7,19,15,910</b>
(b) Steel Authority of India Limited				
(i) Principal Amount	-		-	
(ii) Interest accrued & due	44,23,513		44,23,513	
<b>Sub-Total (b)</b>		<b>44,23,513</b>		<b>44,23,513</b>
<b>TOTAL of (a) + (b)</b>		<b>7,63,39,423</b>		<b>7,63,39,423</b>
		<b>Upto 31.03.10</b>	<b>From 01.04.10</b>	<b>As at 31.03.11</b>
		<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - C</b>				
<b>PRELIMINARY AND PRE-OPERATIVE EXPENSES</b>				
<b>Preliminary Expenses</b>				
Stamp Duty for MOA / AOA		120	Nil	120
Registration Charges		1,58,580	Nil	1,58,580
Miscellaneous		1,750	Nil	1,750
<b>TOTAL - A</b>		<b>1,60,450</b>	<b>Nil</b>	<b>1,60,450</b>
<b>Pre-Operative Expenses (Project Development Expenses)</b>				
Travelling and Conveyance		1,60,96,369	Nil	1,60,96,369
Printing and Stationery		4,63,723	Nil	4,63,723
Telephone and Telex		11,80,091	Nil	11,80,091
Advertisement and Business Promotion		17,38,247	Nil	17,38,247
Entertainment		12,66,158	Nil	12,66,158
Professional Fees		20,18,04,023	(-) 4,09,014	20,13,95,009
Commitment Charges		2,41,08,700	Nil	2,41,08,700
Rent, Rates and Taxes		12,22,727	Nil	12,22,727
Repairs and Maintenance		23,36,467	Nil	23,36,467
Auditors' Remuneration		8,41,575	55,000	8,96,575
Sundry Expenses		19,20,861	11,152	19,32,013
<b>TOTAL - B</b>		<b>25,29,78,941</b>	<b>(-) 3,42,862</b>	<b>25,26,36,079</b>
<b>SUB-TOTAL (A+B)</b>		<b>25,31,39,391</b>	<b>(-) 3,42,862</b>	<b>25,27,96,529</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<u>Upto 31.03.10</u> <u>Rupees</u>	<u>From 01.04.10</u> <u>Rupees</u>	<u>As at 31.03.11</u> <u>Rupees</u>
Less : Arrangement with Promoters for Reduction of Liabilities :			
(a) Larsen & Toubro Limited	12,20,31,820	(-) 3,42,862	<b>12,16,88,958</b>
(b) PSEG Bhilai Energy Company Limited	11,84,58,461	Nil	<b>11,84,58,461</b>
Less: SAIL's share of pre-operative expenses recovered	1,26,49,110	Nil	<b>1,26,49,110</b>
<b>TOTAL - C</b>	<u>25,31,39,391</u>	<u>(-) 3,42,862</u>	<u><b>25,27,96,529</b></u>
<b>TOTAL : (A+B) – C</b>	<u>Nil</u>	<u>Nil</u>	<u><b>Nil</b></u>

**SCHEDULE - D****SIGNIFICANT ACCOUNTING POLICIES****1. Method of Accounting**

The Company maintains its accounts on accrual basis.

**2. Foreign Currencies**

Actual foreign currency expenditure is booked at the exchange rate prevailing on the date of the transaction. Outstanding foreign currency liabilities are translated at exchange rate prevailing at the year end. The exchange variations, if any, arising out of such transactions is adjusted in pre-operative expenditure.

**SCHEDULE - E****NOTES FORMING PART OF ACCOUNTS**

1. All the expenditure incurred by the Company from time to time has been agreed to be borne by the promoters and the said arrangement has been effected by reduction of liabilities of the Company towards the promoters.

In line with the aforesaid arrangement, pre-operative expenses amounting to Rs. 66,152/- have been adjusted against the liability towards Larsen & Toubro Limited during the year as shown in Schedule 'C' as these expenses are agreed to be reimbursed by the Parent Company. Further, provision for pre-operative expenses amounting to Rs. 4,09,014/- has been reversed and credited to Larsen & Toubro Limited during the year as these expenses were earlier reimbursed by the Parent Company. The net amount of Rs.3,42,862 has been shown in Schedule 'C'.

No profit and loss account is prepared as there are no items of income earned or expenses incurred which are to be borne by the Company

2. Auditors' Remuneration (excluding Service Tax) and expenses charged to the accounts includes:-

	<b>2010-11</b>	<i>2009-10</i>
Audit Fee	<b>Rs. 20,000</b>	<i>Rs. 20,000</i>
Other Services	<b>Rs. 35,000</b>	<i>Rs. 35,000</i>

3. The Board of Directors of the Company in their meeting held on the June 29, 2000, has not accepted the notice of termination of May 25, 2000 given to them by Steel Authority of India Ltd. The treatment in the accounts for SAIL's share as a continuing partner for the year ended on March 31, 2011 is given accordingly as in past. L&T vide letter dated October 16, 2006 has sent the proposal to SAIL to consider for transferring their minority stake of 0.1% in the Company in favour of L&T, which is under consideration of SAIL.
4. The Company has decided to accrue interest on the Security Deposit only upto February 26, 2007 and hence no interest income has been computed on outstanding dues from MPSEB / CSEB amounting to Rs. 8,46,57,085/- in the accounts during the year. As the Company has back-to-back arrangement to pay interest with its promoters, there will not be any impact of this to preoperative expenses or any other heads.
5. In the hearing held on February 17, 2008 for release of balance amount of Rs. 8,46,57,085/- due to BPSCL, the Hon'ble Supreme Court has directed that the decision on this will be taken after the Original Suit No. 6/2004 between MPSEB and CSEB, also pending in the Hon'ble Supreme Court, is decided. The case came up for hearing on September 15, 2008 when the Hon'ble Supreme Court has issued the direction to maintain the status quo.
6. The Company continues to be a prospective investment vehicle for development of power generation projects. Management expects that the Company would be used as a special purpose vehicle Company for its power development business. These financial statements are therefore continued to be prepared on a "Going Concern Basis".

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

7. Larsen & Toubro Limited, the Holding Company entered into an agreement with PSEG Bhilai Energy Company Limited to acquire their shareholding (45 Equity Shares of Rs. 10/- each) in the Company and made an application to Reserve Bank of India for their approval, which is still pending.

8. Disclosure of related parties / related party transactions

- a) Name of the related party who can exercise control Relationship  
Larsen & Toubro Limited Holding Company
- b) Name of the related parties with whom transaction were carried out during the year and description of relationship  
Larsen & Toubro Limited Holding Company

c) Disclosure of related party transactions

Transaction	Relationship	Value of transaction (Rs. in Lakhs)
Payment made for Pre-operative expenses	Holding Company	<b>0.48</b> (0.64)

d) Amount due to related parties

Transaction	Relationship	Value of transaction (Rs. in Lakhs)
i) Unsecured loan	Holding Company	<b>719.16</b> (719.16)
ii) Account payable	Holding Company	<b>116.90</b> (112.99)

Note : Figures in brackets relate to previous year

9. Previous year's figures have been regrouped wherever necessary to conform to figures of the current year.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 ICAI Registration No. 000452N  
 By the hand of

**PAVAN K. AGGARWAL**  
 Partner  
 Membership No. 91466  
 Place : New Delhi  
 Date : May 11, 2011

For and on behalf of the Board

**S. N. ROY**  
 Director

**P. S. BANERJEE**  
 Director

**P. S. KAPOOR**  
 Director

Place : Mumbai  
 Date : May 11, 2011

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No. 

5	5	0	7	0	7	0	4
---	---	---	---	---	---	---	---

State Code 

						5	5
--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1		0	3		2	0	1	1
---	---	--	---	---	--	---	---	---	---

Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue 

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue 

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue 

					N	I	L
--	--	--	--	--	---	---	---

Private Placement 

					N	I	L
--	--	--	--	--	---	---	---

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 

			7	6	8	3	9
--	--	--	---	---	---	---	---

Total Assets 

			7	6	8	3	9
--	--	--	---	---	---	---	---

#### Sources of Fund

Paid-up Capital 

					5	0	0
--	--	--	--	--	---	---	---

Reserves & Surplus 

					N	I	L
--	--	--	--	--	---	---	---

Secured Loans 

					N	I	L
--	--	--	--	--	---	---	---

Unsecured Loans 

			7	6	3	3	9
--	--	--	---	---	---	---	---

#### Application of Funds

Net Fixed Assets 

					N	I	L
--	--	--	--	--	---	---	---

Investments 

					N	I	L
--	--	--	--	--	---	---	---

Net Current Assets 

			7	6	8	3	9
--	--	--	---	---	---	---	---

Miscellaneous Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses 

					N	I	L
--	--	--	--	--	---	---	---

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income) 

					N	I	L
--	--	--	--	--	---	---	---

Total Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Profit / Loss Before Tax 

					N	I	L
--	--	--	--	--	---	---	---

Profit / Loss After Tax 

					N	I	L
--	--	--	--	--	---	---	---

Earnings Per Share in Rs. 

					N	A
--	--	--	--	--	---	---

Dividend Rate % 

					N	A
--	--	--	--	--	---	---

### V. Generic Names of Three Principal Products / Services of the Company (as per monetary items)

Item Code No. 

					N	A
--	--	--	--	--	---	---

(ITC Code)

Product Descriptions 

NO COMMERCIAL ACTIVITIES DURING THE YEAR							
--	--	--	--	--	--	--	--

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 000452N  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466  
Place : New Delhi  
Date : May 11, 2011

For and on behalf of the Board

**S. N. ROY**  
Director

**P. S. BANERJEE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 11, 2011

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourth Annual Report and Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

The Company is in the project implementation phase. The Profit and Loss Account has been drawn to comply with the provisions of the Companies Act, 1956. However, the Company has not commenced commercial operation. The key financial parameters for the year ended March 31, 2011 are:

Description	For the year ended 31.03.2011 Rs. in Lakhs	For the year ended 31.03.2010 Rs. in Lakhs
<b>Profit /(Loss) before Tax</b>	<b>(9.64)</b>	<b>(5.12)</b>
Provision for Tax	<b>87.20</b>	<b>0.48</b>
<b>Profit /(Loss) after Tax</b>	<b>(96.84)</b>	<b>(5.60)</b>
<b>Balance carried to Balance Sheet</b>	<b>(320.76)</b>	<b>(223.92)</b>
Gross Fixed Assets	28,999.31	30,747.19
Depreciation/Amortisation	<b>725.77</b>	390.07
Pre-operative Expenses	<b>15,065.61</b>	3,933.95
Capital Work-in-Progress	<b>1,43,587.08</b>	49,846.52

### PERFORMANCE OF THE COMPANY

During the year under review, the Company has further acquired 5.66 acres of land on 97.5 years lease basis from Tamilnadu Industrial Development Corporation Limited (TIDCO). With this, the total leasehold land acquired from TIDCO as at the Balance Sheet date is 1148.40 acres which will be used for setting up an integrated state-of-the-art Shipyard Cum Minor Port complex at Kattupalli Village, near Chennai, Tamilnadu.

During the year, from the total 1148.40 acres of leasehold land in its possession, the Company has subleased 79.43 acres of land on 97 years lease basis and received an upfront fee of Rs. 20.83 Crores from Larsen & Toubro Limited – Engineering & Construction (Projects) Division for the purpose of setting up of a SEZ Unit for Modular fabrication facility and related facilities for fabrication of process platforms, jackets etc.

The Company is a Developer of a Heavy Engineering sector specific Special Economic Zone (SEZ) at Kattupalli, Ponneri taluk, Tiruvallur District under the Special Economic Zone Act, 2005. During the year the Company had its Notified SEZ area increased from 317.72 hectares to 607.89 hectares through three Gazette Notifications of the Ministry of Commerce & Industry, Government of India for developing the Shipyard and Port SEZ.

For constructing buildings and related facilities in Shipyard and Port areas the Company obtained approval from the Directorate of Town and Country Planning, Tamilnadu in March and April 2011 respectively.

Construction activity at the project site is progressing as per schedule. Installation of major plant and equipments in the Shipyard area is in progress. Manufacturing of cranes for Port is in progress at vendors' premises and they are expected to arrive at the Port Site for commissioning by end December 2011. Capital dredging work along the harbour basin started in January 2010 is nearing completion.

The Company has started availing term loan funds from consortium of bankers to meet the project cost.

### DIVIDEND

The Company has not commenced commercial operations and is in the process of implementing the project. Hence, the Directors do not recommend any dividend for the current period.

### DEPOSITS

The Company has not accepted any deposits from the public.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

### DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

### PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.



**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.

**DIRECTORS**

Mr. N. S. Sivaraman, Director of the Company resigned from the office of Director from the close of April 7, 2011. The Members of the Board expressed their gratitude and appreciation for the contributions made by Mr. N. S. Sivaraman.

Mr. P. R. Prabhu was appointed as an Additional Director of the Company with effect from April 1, 2011 and he shall hold office until the forthcoming Annual General Meeting. As per Section 260 of the Companies Act, 1956 an Additional Director holds office upto the date of the ensuing Annual General Meeting.

Pursuant to provisions of the Companies Act, 1956, Mr. K. Venkatesh, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

**AUDITORS**

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. Certificate from Auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the financial institutions, bankers, employees of the Company, and the management of the parent company.

For and on behalf of the Board

Place : Chennai  
Date : May 9, 2011

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T SHIPBUILDING LIMITED

We have audited the attached Balance Sheet of L&T Shipbuilding Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.

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

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as it appears from our examination of those books;
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report 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 representation received from the directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule 1 and Notes on Accounts in Schedule 2 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:

- i) in case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011
- ii) in the case of Profit and Loss Account, of the loss for the year ended March 31, 2011; and
- iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No.003792S)  
*by the hand of*

**L. VAIDYANATHAN**  
Partner  
Membership No.16368

Place : Chennai  
Date : May 9, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

With reference to the Annexure referred to in paragraph 1 of the report to the Members of L&T Shipbuilding Limited on the accounts for the year ended March 31, 2011 we report that:

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situations of fixed assets.
- (b) We are informed that the management of the Company has physically verified during the year all its fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed of substantial part of its fixed assets during the year so as to affect its going concern status.
- (ii) (a) As explained to us, inventories have been physically verified by the management at the end of the year and, in our opinion, such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and there were no discrepancies between physical stock and book records.
- (iii) (a) According to the information and the 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, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and the 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, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for purchase of fixed assets and inventories. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control systems.
- (v) According to the information and explanations given to us, the Company has not entered into any contract or arrangement, particulars of which need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under paragraph 4, clause (v)(a) & (b) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (vi) The Company has not accepted deposits from the public and hence reporting on compliance under the provisions of Section 58A, Section 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under and the directives of Reserve Bank of India does not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company has not commenced commercial operations and hence, reporting under Clause 4(viii) of the Companies (Auditors' Report) Order, 2003 on maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 does not arise.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing income tax, customs duty, cess and other statutory dues during the year with the appropriate authorities. As at March 31, 2011, there were no undisputed statutory dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion, there are no statutory 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 and is yet to commence its commercial operations and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003 regarding accumulated losses and cash losses does not arise.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not issued any debentures or taken any loan from financial institutions during the year.
- (xii) According to the information and explanations given 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 and hence reporting on Clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other securities. Accordingly, provision of paragraph 4(xiv) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, reporting on the provision of Clause 4(xv) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us, the Company has not raised any funds on short-term basis and hence reporting under Clause 4(xvii) of the Companies (Auditors' Report) Order, 2003 does not arise.

## L&T SHIPBUILDING LIMITED

- (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, during the year under audit and hence reporting under clause 4(xviii) of the Companies (Auditors' Report) Order, 2003 does not arise.
- (xix) The Company has not issued any debentures during the year. Hence, reporting on paragraph 4(xix) of the Companies (Auditor's Report) Order, 2003 pertaining to creation of security or charge for debentures does not arise.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, paragraph 4(xx) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xxi) During the course of our audit of the books and records of the Company carried out in accordance with generally accepted auditing practices followed in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed by us or reported during the year, nor have we been informed of such cases by the management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No.003792S)*  
*by the hand of*

**L. VAIDYANATHAN**  
Partner  
Membership No.16368

*Place : Chennai*  
*Date : May 9, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A		500,000		500,000
Advance against Share Capital			6,230,800,000		6,230,800,000
<b>Loan Funds</b>					
Secured Loans	B		10,136,723,471		—
Unsecured Loans	C		744,100,000		—
<b>TOTAL</b>			<b>17,112,123,471</b>		<b>6,231,300,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible assets</b>					
Gross Block	D (i)		55,549,071	8,366,147	
Less: Depreciation			4,555,126	732,415	
Net Block			50,993,945	7,633,732	
Capital Work-in-progress			14,347,344,059	4,984,651,842	
			<b>14,398,338,004</b>		4,992,285,574
<b>Intangible assets</b>					
Gross Block	D (ii)		2,844,382,050	3,066,353,446	
Less: Amortisation			68,021,870	38,274,619	
Net Block			2,776,360,180	3,028,078,827	
Capital work-in-progress			11,364,000	—	
			<b>2,787,724,180</b>		3,028,078,827
<b>Pre-operative Expenses</b>	E		<b>1,506,561,322</b>		393,395,478
<b>Current Assets, Loans and Advances</b>					
Inventories	F		40,046,656	—	
Cash and Bank Balances	G		232,351,938	51,678,313	
Loans and Advances	H		12,223,824	4,272,831	
			<b>284,622,418</b>	<b>55,951,144</b>	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	I		1,888,478,436	2,260,754,949	
Provisions			8,720,000	48,140	
			<b>1,897,198,436</b>	<b>2,260,803,089</b>	
<b>Net Current Assets</b>			<b>(1,612,576,018)</b>		<b>(2,204,851,945)</b>
<b>Profit and Loss Account</b>			<b>32,075,983</b>		<b>22,392,066</b>
<b>TOTAL</b>			<b>17,112,123,471</b>		<b>6,231,300,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES FORMING PART OF ACCOUNTS</b>	2				

The schedules referred to above and notes form an integral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No.003792S)  
by the hand of

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No: 16368  
Place : Chennai  
Date : May 9, 2011

**C. SIRISHA**  
Company Secretary  
Place : Chennai  
Date : May 9, 2011

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	<u>2010-2011 Rupees</u>	<u>2009-2010 Rupees</u>
<b>INCOME</b>			
Interest Income (Tax deducted at source Rs. 2,448,355/- (previous year Rs. 5,903/-))		<b>26,329,230</b>	141,631
<b>TOTAL</b>		<b>26,329,230</b>	141,631
<b>EXPENDITURE</b>			
Manufacturing and operating expenses	J	-	-
Administration and other expenses	K	<b>27,268,300</b>	653,761
Depreciation and obsolescence		<b>24,847</b>	
<b>TOTAL</b>		<b>27,293,147</b>	653,761
<b>Profit / (Loss) before tax</b>		<b>(963,917)</b>	(512,130)
Provision for			
Current tax		<b>8,720,000</b>	48,140
<b>Profit / (Loss) after tax</b>		<b>(9,683,917)</b>	(560,270)
Add: Balance brought forward from previous year		<b>(22,392,066)</b>	(21,831,796)
<b>Balance carried to Balance Sheet</b>		<b>(32,075,983)</b>	(22,392,066)
Earnings per share (Basic / Diluted)		<b>(193.68)</b>	(11.21)
Face Value per share		<b>10.00</b>	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>1</b>		
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>2</b>		

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The schedules referred to above and notes form an integral part of the Profit and Loss Account.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICA Registration No.003792S)  
by the hand of

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No: 16368  
Place : Chennai  
Date : May 9, 2011

**C. SIRISHA**  
Company Secretary  
Place : Chennai  
Date : May 9, 2011

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before tax</b>	(963,917)	(512,130)
Adjustments for		
Interest received	(26,329,230)	(141,631)
Income from sublease of leasehold land (net)	(3,756,223)	-
<b>Operating profit / (loss) before working capital changes</b>	(31,049,370)	(653,761)
Adjustments for		
(Increase) / Decrease in loans and advances	(5,462,638)	12,538,635
(Increase) / Decrease in inventories	(40,046,656)	-
Increase / (Decrease) in trade payables	(372,276,513)	2,068,021,545
<b>Cash generated from / (used in) Operations</b>	(448,835,177)	2,079,906,419
Direct taxes paid	(2,536,495)	(695,638)
<b>Net Cash from / (used in) operating activities</b>	(451,371,672)	2,079,210,781
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(9,165,697,783)	(5,494,996,997)
Pre operative expense	(1,113,165,844)	(282,296,577)
Interest received	26,329,230	141,631
Profit on sale of fixed assets	3,756,223	-
<b>Net cash from / (used in) Investing Activities</b>	(10,248,778,174)	(5,777,151,943)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of shares / advance against share capital	-	3,745,800,000
Proceeds of long term borrowings	10,880,823,471	-
<b>Net cash from / (used in) Financing Activities</b>	10,880,823,471	3,745,800,000
<b>Net increase in Cash and Cash equivalents (A+B+C)</b>	180,673,625	47,858,838
<b>Cash and Cash equivalents as at the beginning</b>	51,678,313	3,819,475
<b>Cash and Cash equivalents as at the end</b>	232,351,938	51,678,313

**Notes:**

- Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.
- Purchase of fixed assets includes movement of Capital Work-in-Progress during the year.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No.003792S)  
by the hand of

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No: 16368

**C. SIRISHA**  
Company Secretary

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director

Place : Chennai  
Date : May 9, 2011

Place : Chennai  
Date : May 9, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011	As at 31.03.2010
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,000,000,000 Equity shares of Rs. 10 each	10,000,000,000	10,000,000,000
<b>Issued, Subscribed &amp; Paid-up</b>		
50,000 Equity shares of Rs. 10 each fully paid up (The entire equity shares are held by Larsen & Toubro Limited, the holding company and its nominees)	500,000	500,000
<b>TOTAL</b>	<u>500,000</u>	<u>500,000</u>
<b>SCHEDULE - B</b>		
<b>SECURED LOANS</b>		
Term Loan from Banks (Note 3 in Schedule 2)	10,130,000,000	-
Interest accrued and due on above loans	6,723,471	-
<b>TOTAL</b>	<u>10,136,723,471</u>	<u>-</u>
<b>SCHEDULE - C</b>		
<b>UNSECURED LOANS</b>		
Term loan from others - Holding Company (Note 4 in Schedule 2)	744,100,000	-
<b>TOTAL</b>	<u>744,100,000</u>	<u>-</u>

**SCHEDULE - D (i)  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions	As at 31.03.2011	Upto 01.04.2010	For the year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSET</b>										
Plant and Machinery	470,590	21,583,543	-	22,054,133	2,003	643,233	-	645,236	21,408,897	468,587
Electrical Installation	-	828,388	-	828,388	-	29,946	-	29,946	798,442	-
Computers	6,309,670	18,086,649	432,292	23,964,027	665,411	2,268,312	100,572	2,833,151	21,130,876	5,644,259
Office Equipment	1,057,887	605,233	-	1,663,120	38,895	152,603	-	191,498	1,471,622	1,018,992
Air Conditioning and Refrigeration Equipment	430,500	340,375	-	770,875	20,449	24,770	-	45,219	725,656	410,051
Furniture and Fixtures	97,500	6,171,028	-	6,268,528	5,657	804,419	-	810,076	5,458,452	91,843
<b>TOTAL</b>	<b>8,366,147</b>	<b>47,615,216</b>	<b>432,292</b>	<b>55,549,071</b>	<b>732,415</b>	<b>3,923,283</b>	<b>100,572</b>	<b>4,555,126</b>	<b>50,993,945</b>	
Previous Year	2,057,222	6,308,925	-	8,366,147	212,376	520,039	-	732,415		7,165,145
Add: Capital work in progress (Note 7 and Note 16(a) in Schedule 2)									14,347,344,059	4,984,651,842
									14,398,338,004	4,991,816,987

**SCHEDULE - D (ii)  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 01.04.2010	For the year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>INTANGIBLE ASSETS</b>										
Leasehold Land (Note 6 in Schedule 2)	3,066,353,446	12,839,310	256,653,000	2,822,539,756	38,274,619	31,076,552	3,756,223	65,594,948	2,756,944,808	3,028,078,827
Specialised software	-	21,842,294	-	21,842,294	-	2,426,922	-	2,426,922	19,415,372	-
<b>TOTAL</b>	<b>3,066,353,446</b>	<b>34,681,604</b>	<b>256,653,000</b>	<b>2,844,382,050</b>	<b>38,274,619</b>	<b>33,503,474</b>	<b>3,756,223</b>	<b>68,021,870</b>	<b>2,776,360,180</b>	
Previous Year	2,476,698,144	589,655,302	-	3,066,353,446	5,277,591	32,997,028	-	38,274,619		3,028,078,827
Add: Capital Work in Progress - Specialised software									11,364,000	-
									2,787,724,180	3,028,078,827



**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 01.04.2010 Rupees	For the year Rupees	As at 31.03.2011 Rupees
<b>SCHEDULE - E</b>			
<b>PRE-OPERATIVE EXPENSES</b>			
Cost of Services	96,101,074	92,863,247	188,964,321
Professional fees	161,341,697	188,353,509	349,695,206
Rent	18,561,014	20,767,020	39,328,034
Rates and Taxes	16,231,751	7,285,391	23,517,142
Repairs and Maintenance	15,037,014	25,770,817	40,807,831
Printing and Stationery	848,445	1,013,974	1,862,419
Postage and Telephone charges	2,220,773	1,980,030	4,200,803
Travel and Conveyance	29,211,219	30,095,392	59,306,611
Miscellaneous expenses	8,549,706	22,002,012	30,551,718
Establishment charges	6,271,888	2,189,946	8,461,834
Insurance	13,863	34,720,478	34,734,341
Interest and Finance Charges	-	662,353,495	662,353,495
Depreciation (Note 23 in Schedule 2)	732,415	3,923,282	4,655,697
Amortisation	38,274,619	33,503,474	71,778,093
	393,395,478	1,126,822,067	1,520,217,545
Less: Income on sublease of leasehold land	-	(3,756,223)	(3,756,223)
Less: Transferred to Larsen & Toubro Limited (Note 7 in Schedule 2)		(9,900,000)	(9,900,000)
<b>TOTAL</b>	393,395,478	1,113,165,844	1,506,561,322

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - F</b>		
<b>INVENTORIES</b>		
Raw Materials (Note 17 in Schedule 2)	40,046,656	-
<b>TOTAL</b>	40,046,656	-

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - G</b>		
<b>CASH AND BANK BALANCES</b>		
Balances with scheduled banks		
On Current account	32,321,116	2,941,265
On deposit accounts (including interest accrued thereon Rs. 30,822/- (previous year Rs. 37,048/-))	200,030,822	48,737,048
<b>TOTAL</b>	232,351,938	51,678,313

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - H</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured, Considered good		
Advances recoverable in cash or kind or for value to be received	12,223,824	4,272,831
<b>TOTAL</b>	12,223,824	4,272,831

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
<b>SCHEDULE - I</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
Due to micro and small enterprises	-	-
Due to other than micro and small enterprises		
Holding Company	1,010,729,210	1,880,246,198
Others	511,629,226	380,508,751
Advances from customers (Note 18 in Schedule 2)	366,120,000	-
	<b>1,888,478,436</b>	<b>2,260,754,949</b>
<b>Provisions</b>		
Income Tax	8,720,000	48,140
<b>TOTAL</b>	<b>1,897,198,436</b>	<b>2,260,803,089</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	2010-2011	2009-2010
	Rupees	Rupees
<b>SCHEDULE - J</b>		
<b>MANUFACTURING AND OPERATING EXPENSES</b>		
Raw materials consumed		
Purchases	40,046,656	-
Less: closing stock	40,046,656	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b>SCHEDULE - K</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Cost of Service	13,154,136	-
Staff Welfare	440,537	-
Repair and Maintenance	2,147,781	-
Rates and taxes	2,899,597	74,220
Rent	2,069,896	-
Travelling & Conveyance	3,122,886	-
Exchange loss	507,900	-
Miscellaneous expenses	2,925,567	579,541
<b>TOTAL</b>	<b>27,268,300</b>	<b>653,761</b>

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE - 1

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ("GAPP") in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. However, certain claims are accounted for as and when admitted by the appropriate authorities.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the year, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as at the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

##### 2. Revenue Recognition

Interest income on deposits with banks is recognised at the agreed rate on accrual basis.

##### 3. Inventories

Raw materials are valued at the lower of actual cost and net realisable value, after providing for obsolescence.

##### 4. Fixed Assets

Fixed assets are stated at original cost less accumulated depreciation.

Pre-operative expenses including administrative and other general overhead expenses which are specifically attributable to the project, incurred up to the date of commencement of commercial operation are capitalized as a part of the cost of the fixed asset.

##### 5. Depreciation

Depreciation on assets is provided on straight-line basis at the rates specified in the Schedule XIV to the Companies Act, 1956.

Depreciation on additions / deductions is calculated pro-rata from / to the month of additions/deductions. Assets costing less than Rs. 5,000/- each are fully depreciated in the year of purchase.

With effect from January 1, 2011, in respect of the following categories of fixed assets, depreciation has been provided at a higher rate in line with their estimated useful life.

Category of Asset	Estimated useful life (in years)	Depreciation rate (% per annum)
Office Equipment	4	25.00%
Computers – Laptop	4	25.00%
Furniture and Fixtures	10	10.00%
Air conditioners	12	8.33 %

##### 6. Intangible Assets and Amortization

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are amortized under straight line method as follows:

- i. Leasehold land - over the primary lease period.
- ii. Specialised software - over a period of three years.

##### 7. Foreign Currency Transactions

(i) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.

(ii) The exchange differences on settlement / conversion are adjusted to preoperative expenses.

##### 8. Borrowing Cost

Borrowing costs that are attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of such asset, till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **9. Leases**

Assets acquired on leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals paid during development period of the project are included in pre-operative expenses and are charged off in the commercial operational period.

### **10. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance of the provisions of Income Tax Act, 1961.

### **11. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event.
- b) a probable outflows of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of :

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## **SCHEDULE - 2**

### **NOTES FORMING PART OF ACCOUNTS**

1. Profit and Loss Account has been drawn to comply with the provisions of the Companies Act, 1956. However, the Company has not commenced commercial operations.
2. The shareholders of the Company namely Larsen & Toubro Limited and Tamilnadu Industrial Development Corporation Limited (TIDCO) have entered into an Associate Sector Agreement on April 15, 2008 to form a joint venture public limited company under the provisions of the Companies Act, 1956 in the State of Tamilnadu for implementation of shipyard cum minor port complex and related facilities at Kattupalli village in Tiruvallur District. The conditions relating to financial participation by way of share capital by TIDCO referred to in para 1 and 2 in said agreement is yet to be achieved.
3. Terms loans from Banks are secured by:
  - a) a first mortgage by way of deposit of title deeds and charge on all the Company's immovable properties comprising of leasehold land admeasuring 357.98 acres in Village Kattupalli, Ponneri Taluk, Tiruvallur District, in the Sub Registration District of Ponneri in Tamilnadu together with the buildings and structures thereon, and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth, both present and future.
  - b) an Indenture of Mortgage executed by the Company in favour of security trustee comprising of leasehold land admeasuring 784.76 acres in Village Kattupalli, Ponneri Taluk, Tiruvallur District, in the Sub Registration District of Ponneri in Tamilnadu together with the buildings and structures thereon, and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth, both present and future.
  - c) a first charge on all the Company's moveable properties including its moveable plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other moveable assets, both present and future
  - d) a first charge on Company's receivables
  - e) a first charge on all accounts, including without limitation, the Trust and Retention account, the Debt Service Reserve account, the retention accounts (or any account in substitution thereof) and such other bank accounts that may be opened under common loan agreement.
  - f) a first charge on all intangibles of the Company including but not limited to goodwill, rights, undertakings and uncalled capital,
  - g) an assignment by way of security of the right, title and interest:
    - i) under the project documents except defence related contracts and contracts expressly waived by Lender's Agent, all as amended, varied and supplemented from time to time.
    - ii) to and under all the Government Approvals and Insurance contracts
    - iii) to and under any letter of credit, guarantee including contract guarantees and liquidated damages and performance bond provided by any part to the project documents.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Provided that

- i) the aforesaid mortgages, charges, assignments and guarantees shall in all respects rank pari-passu inter-se amongst the lenders without any preference or priority to one over the other or others; and
  - ii) the aforesaid mortgages and charges shall in all respects rank pari-passu to the mortgages and charges to be created by the Company in favour of the working capital lenders as security for the working capital facilities to such extent as may be approved by the lenders in writing.
4. Unsecured loan from holding company of Rs. 744,100,000/- is repayable from June 30, 2020 in 16 equal quarterly instalments of Rs. 10.50 crore each as per clause 2.5 of term loan agreement dated July 14, 2010. Interest on the loan is payable at the end of every quarter as per clause 2.4 of the said agreement.
  5. During the year, the Company has been given approval by Ministry of Commerce & Industry, Govt. of India for additional area of 290.175 hectares for setting up of a sector specific Special Economic Zone (SEZ) for Heavy Engineering at Kattupalli Village, Ponneri Taluk, Tiruvallur District, Tamilnadu. With this, the total area notified as Special Economic Zone is 607.89 hectares. The total SEZ area is constituted by 447.62 hectares (1105.63 acres) of land area, 31.12 hectares (76.87 acres) of Coastal land area and 129.15 hectares (319.00 acres) of Water area.
  6. Leasehold land
    - (a) Additions to leasehold of Rs. 1.23 crores represent amount paid towards 5.66 acres of land taken on lease from Tamilnadu Industrial Development Corporation Limited (TIDCO) for a period of 97.5 years commencing from July 29, 2010.
    - (b) Deductions from leasehold land represents sublease of 79.43 acres of land to holding company for a period of 97 years vide lease deed dated 8th October 2010.
  7. During the year M/s. Larsen & Toubro Limited, the holding company has decided to set up a modular fabrication facility at the heavy engineering sector SEZ being developed by the Company at Kattupalli and entered into a lease deed for lease of land referred to in Note 6(b) above. The Company has also entered into an arrangement to enter into an agreement with the holding Company to share the cost of development of the facilities and accordingly debited Rs. 245,800,000/- from capital work in progress and Rs. 99,00,000/- from pre-operative expenses on provisional basis. Further adjustments, if any, in this regard will be accounted for as and when the final costs are determined.
  8. The Company had received a letter dated December 4, 2009 from M/s. Tamilnadu Electricity Board (TNEB) claiming Rs 0.75 crore towards share of maintenance cost of North Chennai Thermal Power Station road maintained by TNEB. Joint Venture partner TIDCO had represented the matter to Govt. of Tamilnadu to resolve the same vide their letter dated December 21, 2009. During the year no development has been made in this regard. The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.
  9. The Company has received a letter dated December 18, 2009 from M/s. Ennore Port Limited claiming Rs. 12.31 crores towards share of cost of road formation for use of the approach road to Company's project site. Joint Venture partner TIDCO has represented the matter to Govt. of Tamilnadu to resolve the same vide their letter dated December 21, 2009. During the year no development has been made in this regard. The management is confident of resolving the matter in favour of the Company and hence no provision has been made in these accounts.
  10. The Company has received a letter dated March 30, 2010 from M/s. Tamilnadu Maritime Board (TNMB) claiming Rs. 14.70 crores towards consultation fee on the cost of marine structure being constructed by the Company at Kattupalli Port. During the year the claim has been mutually agreed and settled at Rs. 5.25 crores of which Rs. 4.26 crores has been paid.
  11. During the year, the Company has received a letter dated August 16, 2010 from M/s. Chennai Water Desalination Limited (CWDL) having its water desalination plant adjacent to the Company's project site claiming Rs. 25.82 crores as compensation towards losses suffered by CWDL on account of off-shore dredging and other construction activities undertaken by the Company. The Company has rejected the above claim as untenable on the footing that the loss as claimed by CWDL is not due to any construction activity undertaken by the Company. Hence no provision has been made in these accounts as the management is confident of resolving the matter in favour of the Company.
  12. There have been no transactions during the year with micro and small enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Hence, reporting on principal outstanding and interest does not arise.
  13. Value of imports (on CIF basis)

<b>Particulars</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Raw materials	<b>34,844,728</b>	<i>NIL</i>
Capital goods	<b>1,084,947,184</b>	<i>NIL</i>

14. Expenditure in foreign currency

<b>Particulars</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Professional fees	<b>15,672,653</b>	<i>1,227,804</i>
Others	<b>300,994</b>	<i>9,798,206</i>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Auditor's Remuneration (excluding service tax)

Particulars	2010-2011 Rupees	2009-2010 Rupees
Audit Fees	150,000	100,000
Certification Fees	19,160	13,500

## 16. (a) Capital work in progress

Particulars	As at 31.3.2011 Rupees	As at 31.3.2010 Rupees
Buildings	7,526,180,315	1,834,229,327
Plant and machinery	1,507,621,934	31,250,000
Port facilities	4,640,100,664	1,950,162,642
Advance for Capital Works and Progress Payments	919,241,146	1,169,009,873
	<b>14,593,144,059</b>	<b>4,984,651,842</b>
Less: Transferred to Larsen & Toubro Limited		
Port facilities	145,700,000	-
Buildings	100,100,000	-
Total CWIP transferred to Larsen & Toubro Limited	<b>245,800,000</b>	-
	<b>14,347,344,059</b>	<b>4,984,651,842</b>

(b) Estimated amount of Contracts remaining to be executed on capital account (net of advances) as of March 31, 2011 is Rs. 1155,56,71,407/- (Previous year Rs. 1677,14,37,347/-)

17. Advance from customer represents amount received from holding company towards supply of twelve interceptor boats to be delivered between October 2011 and October 2012. The company has not commenced any production activity against the order.

18. Inventories as at March 31, 2011 represent raw materials procured to execute the order from the holding company referred to in Note 17 above.

19. The Company has not commenced commercial operations and hence there are no reportable segments as defined in the Accounting Standard - 17 on Segment Reporting prescribed under the Companies (Accounting Standards) Rules, 2006.

## 20. Disclosure of related parties/ related party transactions

a) Name of related parties with whom transactions were entered into during the year and nature of relationship

Name of Company	Nature of Relationship
Larsen & Toubro Limited	Holding Company
L&T Infrastructure Finance Company Limited	Fellow Subsidiary
L&T Seawoods Private Limited	Fellow Subsidiary
L&T Infrastructure Development Projects Limited	Fellow Subsidiary

b) Transactions during the year and amount due to or due from related parties

Nature of Transactions	2010-11 Rupees	Due to Rupees	Due from Rupees
Larsen & Toubro Limited		101,07,29,210 (188,02,46,198)	-
Purchase of Fixed Assets / Capital Work in progress	591,43,46,163 (466,44,62,105)		-
Cost of services	10,49,12,547 (5,86,95,629)		
Reimbursement of expenses to	10,11,34,883 (8,66,60,023)		
Rent paid	94,60,713 (88,60,680)		
Cost of land given on sublease	25,66,53,000 (Nil)		
Share of common infrastructure costs transfer to	25,57,00,000 (Nil)		
Advances received	36,61,20,000 (Nil)		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Nature of Transactions	2010-11 Rupees	Due to Rupees	Due from
L&T Infrastructure Finance Company Limited Financial Advisory services paid	<b>3,92,60,786</b> <i>(3,54,45,000)</i>	-	-
L&T Infrastructure Development Projects Limited Reimbursement of Expenses to	<b>418,938</b> <i>(Nil)</i>	<b>418,938</b> <i>(Nil)</i>	-
L&T Seawoods Private Limited Reimbursement of Expenses	<b>1,885</b> <i>(Nil)</i>	-	-

*(Figures in bracket relate to previous year)*

c) No amount due to or due from has been written off or written back during the year. (Previous year – Nil)

## 21. Leases

a) The Company has taken a car on non-cancellable operating lease. The future minimum lease payments in respect of which are as follows:

Particulars	Not later than 1 year	Later than 1 year, not later than 5 years	Later than 5 years
Future minimum lease payments	Rs. 812,172 <i>(Previous year Rs. Nil)</i>	Rs. 1,015,215 <i>(Previous year Rs. Nil)</i>	Rs. Nil <i>(Previous year Rs. Nil)</i>

b) Lease rental paid / provided in respect of non-cancellable operating leases for the year is Rs. 609,129/- *(Previous year – Rs. Nil)*

c) The Company has taken an office premises on cancellable operating lease. Lease rental paid / provided for the year is Rs. 9,460,713/- *(Previous year – Rs. 8,860,680/-)*

d) Contingent rents recognised as income / expenses during the year – Rs. Nil *(Previous year – Rs. Nil)*

22. a) The Company does not have taxable wealth under the provisions of the Wealth Tax Act, 1957 and hence no provision for wealth tax has been made for the year.

b) Provision for current tax has been made on interest income as per the provisions of the Income Tax Act, 1961.

23. The Company has reviewed the useful life of certain categories of fixed assets during the year. Consequently, the rates of depreciation have been revised with effect from January 1, 2011 resulting in additional depreciation of Rs. 838,459/- As a result pre-operative expenses is higher by the said amount.

24. Figures of the previous year have been re-grouped / re-classified wherever necessary.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
*(ICAI Registration No.003792S)*  
by the hand of

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No: 16368

**C. SIRISHA**  
Company Secretary

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director

Place : Chennai  
Date : May 9, 2011

Place : Chennai  
Date : May 9, 2011

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

Registration No. U74900TN2007PLC065356

State Code                   1 8

Balance Sheet Date 3 1   0 3   2 0 1 1  
 Date                      Month                      Year

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue           N I L

Rights Issue           N I L

Bonus Issue           N I L

Private Placement           N I L

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities 1 7 1 1 2 1 2 3

Total Assets 1 7 1 1 2 1 2 3

**Sources of Fund**

Paid-up Capital           5 0 0

Reserves & Surplus           N I L

Advance against Share Capital   6 2 3 0 8 0 0

Secured Loans 1 0 1 3 6 7 2 3

Unsecured Loans     7 4 4 1 0 0

**Application of Funds**

Net Fixed Assets (Incl. pre-op. expenses) 1 8 6 9 2 6 2 3

Investments           N I L

+ -  
  -

Net Current Assets/(Liabilities)   1 6 1 2 5 7 6

Misc. Expenditure           N I L

Accumulated Losses       3 2 0 7 6

**IV. Performance of Company** (Amount in Rs. Thousands)

Turnover (Including other income)       2 6 3 2 9

Total Expenditure       2 7 2 9 3

+ -  
  -

Profit / Loss Before Tax           9 6 4

+ -  
  -

Profit / Loss After Tax           9 6 8 4

+ -  
  -

Earning per Share (in Rs.)     1 9 3 . 6 8

Dividend Rate %           N A

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)

Item Code No.             N A

Product Descriptions MANUFACTURE, REPAIR AND MAINTENANCE OF MARINE VESSELS AND PORT SERVICES

For and on behalf of the Board

Place : Chennai  
Date : May 9, 2011

**C. SIRISHA**  
Company Secretary

**K. VENKATESH**  
Director

**P. R. PRABHU**  
Director



## **DIRECTORS' REPORT**

Your Directors take pleasure in presenting the Third Annual Report along with the Audited Accounts for the period ended March 31, 2011.

### **1. FINANCIAL RESULTS & OPERATIONS**

The Company is yet to commence its commercial operations.

### **2. APPROPRIATIONS**

During the period under review, the Company has not transferred any sums to Reserves.

### **3. DIVIDEND**

During the period under review, no dividend has been proposed or paid.

### **4. FIXED DEPOSITS**

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

### **5. DIRECTORS**

During the year under review, Mr. P. S. Kapoor & Mr. K. Venkataramanan were appointed as the Directors with effect from December 17, 2010 in casual vacancy caused on account of resignation of Mr. N. Hariharan & Mr. V. K. Magapu respectively. Mr. Sankar Suryanarayan was appointed as the Director with effect from March 31, 2011 in casual vacancy caused on account of resignation of Mr. R. K. Sharma.

Mr. K. Venkataramanan, Director of your Company, retires by rotation at the ensuing Annual General Meeting of the Company, and being eligible, has offered himself for re-appointment.

### **6. AUDITORS**

M/s.Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed. The Board commends re-appointment of the firm as Statutory Auditors.

### **7. PARTICULARS OF EMPLOYEES**

Your Company did not have any employees as on March 31, 2011 and therefore, the provisions of Section 217(2A) of the Companies Act, 1956 (as amended vide the notification dated April 17, 2002) are presently not applicable.

### **8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the period under review, the Company did not have any foreign exchange earnings and expenditure. Since your Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable.

### **9. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. 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 your Company at the end of the financial year and of the loss of your Company for that year;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
4. The Directors have prepared the annual accounts on a going concern basis.
5. Proper systems are in place to ensure compliance with all laws applicable to the Company.

### **10. AUDITORS' REPORT**

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956. Mr. R. D. Kare, partner of M/s Sharp & Tannan has signed the last Auditors' Report of the Company.

### **11. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT**

None.

### **12. SUBSIDIARY COMPANIES**

Your Company does not have a subsidiary.

**13. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below-

**A) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. Directors are updated about their role, responsibilities and liabilities.

**Number of Companies in which an Individual may become a Director**

The Directors of the Company comply with the requirements of the maximum number of other directorship prescribed under the Guidelines.

**B) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to all its group companies.

**C) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls.

**D) Secretarial Audit**

The Secretarial Audit of the Company is handled by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said authority.

**E) Related Parties Transaction**

As required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions form part of the accounts as required under AS 18 and the same forms part of this Annual report.

**14. ACKNOWLEDGEMENT**

Your Company maintained cordial relationships with Regulatory Authorities during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement.

For and on behalf of the Board

Place : Mumbai  
Date : May 16, 2011

**P. S. KAPOOR**  
Director

**K. VENKATARAMANAN**  
Director

**AUDITORS' REPORT****TO THE SHAREHOLDERS OF KESUN IRON AND STEEL COMPANY PRIVATE LIMITED**

We have audited the attached Balance Sheet of Kesun Iron and Steel Company Private Limited as at March 31, 2011, the Statement of Income and Expenditure during pre-operational period from April 1, 2010 to March 31, 2011 and also the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As the Company satisfies all the conditions mentioned in paragraph 2(iv) of the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, reporting under the said Order is not required.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during pre-operational period and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Statement of Income and Expenditure during pre-operational period and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, statement of income and expenditure during pre-operational period and Cash Flow Statement read together with the significant accounting policies in schedule G and notes forming part of accounts in schedule H, 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:
    - (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
    - (ii) in the case of the statement of income and expenditure during pre-operational period of the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

Place : Mumbai  
Date : May 16, 2011

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		100,000		100,000
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block		-		-	
Less: Depreciation		-		-	
Net Block		-		-	
<b>Capital Work in Progress</b>		-		-	
			-		-
<b>Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Cash and Bank Balances		59,111		79,654	
		59,111		79,654	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	C	2,251,418		2,127,877	
		2,251,418		2,127,877	
<b>Net Current Assets / (liabilities)</b>			<b>(2,192,307)</b>		<b>(2,048,223)</b>
<b>Excess of expenditure over income during pre-operational period</b>			<b>2,292,307</b>		<b>2,148,223</b>
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES TO ACCOUNTS</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**P. S. KAPOOR**  
Director

**K. VENKATARAMANAN**  
Director

Place : Mumbai  
Date : May 16, 2011

Place : Mumbai  
Date : May 16, 2011

## STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD APRIL 1, 2010 TO MARCH 31, 2011

	<u>Schedule</u>	<u>2010-2011 Rupees</u>	<u>2009-2010 Rupees</u>
<b>INCOME</b>			
Sales and Service		-	
Other income	D	-	135,998
<b>TOTAL</b>		<u>-</u>	<u>135,998</u>
<b>EXPENDITURE</b>			
Sales, administration and other expenses	E	144,084	1,610,021
Depreciation		-	635,438
<b>TOTAL</b>		<u>144,084</u>	<u>2,245,459</u>
Excess of expenditure over income		(144,084)	(2,109,461)
Balance brought forward		(2,148,223)	(38,762)
<b>Balance carried to Balance Sheet</b>		<u>(2,292,307)</u>	<u>(2,148,223)</u>
Basic earnings per share		(14.41)	(210.95)
Face value per equity share		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	F		
<b>NOTES TO ACCOUNTS</b>	G		

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 16, 2011

**P. S. KAPOOR**  
Director

**K. VENKATARAMANAN**  
Director

Place : Mumbai  
Date : May 16, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Excess of expenditure over income	(144,084)	(2,109,461)
<b>Adjustment for :</b>		
Depreciation	-	635,438
<b>Operating Profit before Working Capital Changes</b>	(144,084)	(1,474,023)
<b>Adjustments for :</b>		
(Increase) / Decrease in Loans & Advances	-	-
Increase / (Decrease) in Trade Payables	123,540	1,381,844
<b>Cash generated from operations</b>	(20,544)	(92,179)
Direct taxes paid (net of refund)	-	-
<b>Net Cash from Operating Activities (A)</b>	(20,544)	(92,179)
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	-	(12,938,330)
Sale of Fixed Asset	-	13,024,440
<b>Net Cash flow / (used in) from Investing activities (B)</b>	-	86,110
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	-	-
Interest Paid	-	-
<b>Net cash / (used in) from Financing Activities (C)</b>	-	-
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(20,544)	(6,069)
<b>Cash &amp; cash equivalents at beginning of the year</b>	79,654	85,723
<b>Cash &amp; cash equivalents at end of the year</b>	59,110	79,654

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**P. S. KAPOOR**  
Director

**K. VENKATARAMANAN**  
Director

Place : Mumbai  
Date : May 16, 2011

Place : Mumbai  
Date : May 16, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,000 Equity Shares of Rs. 10 each	<b>100,000</b>	<i>100,000</i>
<b>Issued, Subscribed &amp; Paidup</b>		
10,000 Equity shares of Rs. 10 each fully paid up	<b>100,000</b>	<i>100,000</i>
(Out of which 95% share capital is held by Larsen & Toubro Limited and its nominees in FY 10-11) (PY 100%)		
<b>TOTAL</b>	<b>100,000</b>	<i>100,000</i>
<b>SCHEDULE - B</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash and Bank Balances		
Cash on hand	-	-
Balances with scheduled banks on current account	<b>59,111</b>	<i>79,654</i>
<b>TOTAL</b>	<b>59,111</b>	<i>79,654</i>
<b>SCHEDULE - C</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Current Liabilities		
Sundry Creditors		
Due to Larsen & Toubro Limited	<b>2,231,192</b>	<i>2,101,819</i>
TDS Payable	<b>9,196</b>	<i>20,543</i>
Liability for expenses	<b>11,030</b>	<i>5,515</i>
<b>TOTAL</b>	<b>2,251,418</b>	<i>2,127,877</i>

**SCHEDULES FORMING PART OF INCOME & EXPENDITURE STATEMENT**

	<b>2010-2011</b>	<i>2009-2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - D</b>		
<b>OTHER INCOME</b>		
Exchange Gain/Loss (Realized)	-	<i>135,998</i>
<b>TOTAL</b>	<b>-</b>	<i>135,998</i>

**SCHEDULES FORMING PART OF INCOME & EXPENDITURE STATEMENT (Contd.)**

	<b>2010-2011</b>	<i>2009-2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - E</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
<b>Sales, administration and other expenses</b>		
Preliminary Expenses :		
Certifying Fees	-	-
Legal Expenses	-	-
Registration Fees	-	-
Pre-operative Expenses :		
Audit Fees	<b>5,000</b>	5,000
Cost of Software	-	429,017
Hire Charges - Others	-	38,769
Internet Charges	-	865,480
Sundry Expenses	<b>53,204</b>	21,071
Professional fees	<b>2,374</b>	34,862
Overhead charged by holding Company	<b>83,506</b>	186,248
Printing & Stationery Expenses	-	29,574
<b>TOTAL</b>	<b>144,084</b>	<i>1,610,021</i>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - F****SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the accounting standards referred to in Section 211 (3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from those estimates.

**b. Preliminary and pre-operative expenses**

Preliminary and pre-operative expenses are charged to income and expenditure during pre-operational period from April 1, 2010 to March 31, 2011.

**c. Income and expenditure during pre-operational period April 1, 2010 to March 31, 2011**

Income and expenditure during pre-operational period will be charged to Profit and Loss Account in the year when operations commence.

**SCHEDULE - G****NOTES FORMING PART OF ACCOUNTS**

1. There is no amount due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
2. Related party disclosures :
  - 2.1 List of related parties who exercise control and over which control exists
    - Larsen & Toubro Limited - Holding Company
  - 2.2 Name of related party with whom transactions were carried out during the period and description of relationship
    - Larsen & Toubro Limited - Holding Company



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 2.3 Disclosure of related party transactions :

	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Larsen & Toubro Limited		
Sale of Fixed Assets	<b>Nil</b>	<i>1,30,24,440</i>
Purchase of Fixed Assets	<b>Nil</b>	<i>79,29,069</i>
Overhead charged	<b>83,506</b>	<i>186,248</i>

## 2.4 Amount due to related parties

	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Due to holding Company	<b>22,31,193</b>	<i>21,01,819</i>

## 3. Earnings per share (EPS)

	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Basic		
Loss as per Income & Expenditure statement	<b>144,084</b>	<i>21,09,462</i>
Average number of equity shares outstanding	<b>10,000</b>	<i>10,000</i>
<b>Basic EPS</b>	<b>(14.41)</b>	<i>(210.95)</i>

4. Auditors' Remuneration (excluding Service Tax) charged to the accounts amounted to rs. 5,000 during the year.
5. Previous year's figures have been regrouped wherever necessary to confirm to figures of the current year.

### SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

6. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
 Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Sources of Fund  
 Total Liabilities

Total Assets

Paid-Up Capital

Reserves & Surplus

Application of Funds  
 Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

+ -  
 Net Current Assets / (Liabilities)

Misc. Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (including other income)

Total Expenditure

+ -  
 Profit / Loss Before Tax

+ -  
 Profit / Loss After Tax

+ -  
 Earnings per Share in Rs.

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No.

(ITC Code)  
 Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**  
 Partner  
 Membership No. 38332

**P. S. KAPOOR**  
 Director

**K. VENKATARAMANAN**  
 Director

Place : Mumbai  
 Date : May 16, 2011

Place : Mumbai  
 Date : May 16, 2011

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting the First Report and Audited Accounts for the period November 25, 2010 to March 31, 2011.

### **FINANCIAL RESULTS**

(Statement of Income & Expenditure during pre-operational period ended 31.3.2011)

<b>Particulars</b>	<b>2010-2011</b>
	<b>Rs.</b>
Excess of Expenditure over income before Tax	<b>25,30,980</b>
Add / (Less): Provision for Tax	<b>15,91,000</b>
Excess of Expenditure over Income after Tax	<b>41,21,980</b>
<b>Balance to be carried forward</b>	<b>41,21,980</b>

This, being the first year of operations, there was no comparative previous year's figures.

### **DIVIDEND**

The Directors do not recommend any dividend for the current period.

### **REVIEW OF OPERATIONS**

The Company was incorporated on November 25, 2010 as a Joint Venture between Larsen & Toubro Limited, India and KOBE STEEL, LTD, Japan. The Company is in the process of setting up a state of the art of factory at Karai Village, Kanchipuram to manufacture Internal Mixers and Twin Screw Roller head Extruders for rubber for the tyre industry and is expected to commence its commercial operations in second half of the Financial Year 2011-12. The Company has already received orders worth Rs. 87 million during the period under review including an export order worth Rs. 67 million. The order prospects for the Company are very good considering the growth in the tyre industry.

### **CAPITAL EXPENDITURE**

During the period under review, the Company incurred Capital Expenditure of Rs. 90 Million including both tangible and intangible assets.

### **SHARE CAPITAL**

During the period under review, the Company allotted 30 million Equity Shares of Rs. 10 each aggregating to Rs. 300 million to Larsen & Toubro Limited, India and KOBE STEEL, LTD, Japan at 51:49 ratio respectively.

### **DEPOSITS**

During the year under review, the Company has not accepted any deposits from the public.

### **AUDITORS' REPORT**

The Auditors' Report does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### **MATERIAL CHANGES, IF ANY, BETWEEN BALANCESHEET DATE AND DATE OF DIRECTORS REPORT**

There were no material changes between the Balance Sheet date and date of Directors report.

### **DISCLOSURE OF PARTICULARS**

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo, is provided in Annexure A forming part of this Report.

### **PERSONNEL**

The Board of Directors wishes to express their appreciation to all the employees for their outstanding contribution to the operations of the Company during the period under review. There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

The Company does not have any subsidiary company.

## L&T KOBELCO MACHINERY PRIVATE LIMITED

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i. That in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. That the selected accounting policies were applied consistently and the Directors made judgements 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, 2011 and of the loss of the Company for the period ended on that date;
- iii. That 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;
- iv. That the annual accounts have been prepared on a going concern basis; and
- v. That the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

### DIRECTORS

Mr. S. Raghavan, Director and Mr. K. Naraki, Director retire from the Board by rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors.

### SEPARATION OF OFFICES OF CHAIRMAN & CHIEF EXECUTIVE OFFICER

The roles and offices of Chairman and Chief Executive are separated. Mr. S. Raghavan chairs the meetings of the Board whereas Mr. S. Srinivasan, designated as the Manager, is the Chief Executive.

### NOMINATION AND REMUNERATION COMMITTEE

The Company has a Nomination and Remuneration (N&R) Committee comprising of majority of Independent Directors. The composition of the Nomination Committee is given below –

Name	Designation
Mr. S. R. Subramanian	Member
Mr. S. Venkataraman	Member
Mr. T. Aoyama	Member
Mr. M. Motoyoshi	Member

The terms of reference of the Nomination Committee is given below –

- To review, assess and recommend the appointment of Managerial personnel and to review and recommend their remuneration package

### REMUNERATION OF DIRECTORS

The remuneration policy of Managerial personnel is decided by the N&R Committee. The Directors are not paid sitting fees for attending the meetings of the Board and Committee thereof nor any other Remuneration.

The structure of pay for senior management and other employees is based on the Company policy evolved over a period of time. The objectives of the remuneration policy are to motivate the employees to excel in their performance; recognize their contribution, retain talent and reward merit. Remuneration of employees largely consists of base remuneration and performance incentives. The component of remuneration vary for different grades and are governed by industry pattern, qualifications, experience, responsibilities handled, individual performance, etc. Periodical presentations are made to the N&R Committee and the Board on HR policies.

### INDEPENDENT DIRECTORS

All the members of the Board of the Company are Independent in the sense that none of them are involved in the day-to-day management of the Company.

### NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR

The Company has apprised the board members about the restriction on number of other directorships and expects in due course to comply with the same.

### RESPONSIBILITIES OF THE BOARD

Presentations to the Board in areas such as financial results, budgets, business prospects, etc. give the Directors to interact with senior managers and other functional heads. Directors are also updated of their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its

Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**AUDITORS**

The Auditors, M/s PKF Sridhar & Santhanam, hold office until the conclusion of the ensuing Annual General Meeting are recommended for re-appointment.

**INTERNAL AUDIT**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**SECRETARIAL AUDIT**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry on the said audit.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the Central and State Government Authorities, the Regulatory Authorities, the Stakeholders, the bankers, the suppliers and the customers.

The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company and also wish to record their appreciation for their continued co-operation and support received from the Joint Venture Partners and their employees.

For and on behalf of the Board

**S. RAGHAVAN**  
*Director*

**S. R. SUBRAMANIAN**  
*Director*

**S. VENKATARAMAN**  
*Director*

*Place : Chennai*  
*Date : April 13, 2011*

**K. NARAKI**  
*Director*

**T. AOYAMA**  
*Director*

**M. MOTOYOSHI**  
*Director*

## **ANNEXURE A TO THE DIRECTORS' REPORT**

(Additional information given in terms of notification issued by the Ministry of Corporate Affairs)

### **[A] CONSERVATION OF ENERGY**

NIL

Project is under implementation

### **[B] TECHNOLOGY ABSORPTION**

#### **1. Efforts in brief made towards technology absorption and adaptation.**

Technology Licensing Agreement has been signed with Kobe Steel Limited for technology of 4 models of Internal Mixers and two models of Twin Screw Roller Head Extruders. Technology has already been received for the major product BB 270 and the same is being verified and put into formats and software of the Company. Technology for the other products will be received by end of May 2011.

Design engineers have visited Kobe Steel Limited's Takasago works for understanding of the product features and technology to be able to adapt and absorb the technology documents received, for manufacture the products in the Company.

Manufacturing process has been reviewed and most machine tools, facilities and assembly equipment have been identified and ordering of such capital goods has already commenced.

Interaction with external agencies / internal customers / suppliers for exposure to the latest products / designs, manufacturing technologies, processes, analytical techniques and engineering protocols is on.

Analysing feedback from users to improve processes and services will be obtained once the manufacturing and supply of the product commences.

#### **2. Benefits expected / derived as a result of above Technology Acquisition**

- Product development.
- Increase in know-how within the country.
- Introduction and expansion of Product range.
- Export opportunities.
- Development of in-house capability for advanced engineering studies in rubber mixing and extrusion.
- Successful testing / commissioning of plants and equipment in projects through multi disciplinary technology support.
- Ability to quickly offer new products for the Tyre manufacturing units for varied requirements and position our products well against offering by global players.
- Indigenization and development of products.
- Introduction of new products with a focus on achieving global acceptance, enhancing safety and user convenience, environment friendly features, built in intelligence and communication capability and conformance to latest Indian and International Standards.

#### **3. Future Plan of Action**

Indigenize various components for Rubber Processing Machinery by designing, developing specifications and adapting to Indian Conditions.

#### **4. Expenditure on Technology Absorption**

- (a) Capital – Technical Know How – Rs. 30 million
- (b) Recurring
- (c) Total expenditure on Technology Absorption as a percentage of turnover.

**Total**

### **[C] FOREIGN EXCHANGE EARNINGS AND OUTGO**

- |   |   |   |
|---|---|---|
| <p>(1) Activities relating to exports; initiatives taken to increase exports; development of new export markets for product and services; and export plans.</p> | } | <p>NIL<br/>(Project under implementation)</p> |
| <p>(2) Total Foreign Exchange used and earned</p>   |   |   |
| <p>Total Foreign Exchange used<br/>(TKH Fees &amp; Foreign Travel)</p>  |   | : Rs. 30 Million.                             |
| <p>Total Foreign Exchange earned</p>  |   | : Rs. 147 Million (Share Capital)             |

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF L&T KOBELCO MACHINERY PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of L&T KOBELCO MACHINERY PRIVATE LIMITED, as at March 31, 2011, the Statement of Income and Expenditure during pre-operational period and also the Cash Flow Statement for the period 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, the Statement of Income and Expenditure during pre-operational period and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, the Statement of Income and Expenditure during pre-operational period and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (b) in case of the Statement of Income and Expenditure during pre-operational period, of the excess of expenditure over income for the period ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**For PKF SRIDHAR & SANTHANAM**  
*Chartered Accountants*  
*Firm Regn No. 03990S*

**S. RAJESHWARI**  
*Partner*  
*Membership No. 24105*

*Place: Chennai*  
*Date: April 13, 2011*

## **ANNEXURE TO THE AUDITORS' REPORT**

*Referred to in paragraph 3 of our report of even date,*

As the Company is yet to commence commercial operations, provisions of clauses (ii) pertaining to inventory and (viii) pertaining to maintenance of cost records of paragraph 4 of the said Order are not applicable

- (i) a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
b. The only fixed asset, being land, has been physically verified by the management.  
c. The Company has not disposed off, any substantial part of fixed assets during the period.
- (ii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iii) 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 for the purchase of fixed assets. During the course of our audit, we have not observed or been informed of a continuing failure to correct major weakness in internal control system.
- (iv) To the best of our knowledge and belief and according to the information and explanations given to us, and having regard to the disclosure of interest made by the directors of the Company, we report that there are no contracts or agreements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that Section;
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the rules framed thereunder are applicable.
- (vi) In our opinion, the Company is in the process of setting up an internal audit system commensurate with its size and nature of its business.
- (vii) a. The Company has been regular in depositing undisputed statutory dues including Provident Fund, Income-tax and Service Tax with the appropriate authorities.  
b. According to the information and explanations given to us, there are no disputed dues outstanding as at the Balance Sheet date, of income tax / custom tax / service tax / cess, remaining unpaid on account of any disputes.
- (viii) As this is the first year of operations, the question of accumulated losses as at the Balance Sheet date does not arise. The Company has made cash losses during the period.
- (ix) The Company has not borrowed any funds from banks or financial institutions or by way of issuing debentures during the period under report.
- (x) The Company has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause (xii) of paragraph 4 of the said Order are not applicable.
- (xi) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, the provisions of clause (xiii) of paragraph 4 of the said order are not applicable.
- (xii) During the period under report, the Company has not dealt in or traded in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the said Order are not applicable.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiv) The Company has not availed any term loans during the period under report. Accordingly, the provisions of clause (xvi) of paragraph 4 of the said Order are not applicable.
- (xv) In our opinion and according to the explanations given to us, funds have not been raised on a short-term basis.
- (xvi) According to the information and explanations given to us, during the period under report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvii) The Company has not issued any debentures during the period under report. Accordingly, the provisions of clause (xix) of paragraph 4 of the said Order are not applicable
- (xviii) The Company has not raised money by public issues. Accordingly, the provisions of clause (xx) of paragraph 4 of the said order are not applicable.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, there have been no cases of fraud on or by the Company, noticed or reported during the period.

**For PKF SRIDHAR & SANTHANAM**  
*Chartered Accountants*  
*Firm Regn No. 03990S*

**S. RAJESHWARI**  
*Partner*  
*Membership No. 24105*

*Place: Chennai*  
*Date: April 13, 2011*



**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	<b>A</b>	<b>300,000,000</b>	
Reserves & Surplus	<b>B</b>	<b>(330,517)</b>	
			<u>299,669,483</u>
<b>TOTAL</b>			<u>299,669,483</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	<b>C</b>	<b>60,568,691</b>	
Less: Depreciation		<b>-</b>	
Net Block		<b>60,568,691</b>	
Capital Work-in-progress		<b>32,179,352</b>	
			<u>92,748,043</u>
<b>Investments</b>	<b>D</b>		<b>10,000,000</b>
<b>Current Assets, Loans &amp; Advances</b>			
Cash & Bank Balances	<b>E</b>	<b>192,552,143</b>	
Loans & Advances		<b>4,016,663</b>	
		<b>196,568,806</b>	
<b>Less: Current Liabilities &amp; Provisions</b>			
Liabilities	<b>F</b>	<b>3,763,646</b>	
Provisions		<b>5,700</b>	
		<b>3,769,346</b>	
<b>Net Current Assets</b>			<b>192,799,460</b>
<b>Excess of expenditure over income during pre-operational period</b>	<b>G</b>		<b>4,121,980</b>
<b>TOTAL</b>			<u>299,669,483</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES FORMING PART OF ACCOUNTS</b>			
	<b>L</b>		
	<b>M</b>		

The Schedules referred above form an integral part of Accounts.

As per our report attached  
**PKF SRIDHAR & SANTHANAM**  
 Chartered Accountants  
 ICAI registration No. 003990S

**S. RAJESHWARI**  
 Partner  
 Membership No. 24105

**S. SRINIVASAN**  
 Manager

Place : Chennai  
 Date : April 13, 2011

Place : Chennai  
 Date : April 13, 2011

**S. RAGHAVAN**  
 Director

**K. NARAKI**  
 Director

**S. R. SUBRAMANIAN**  
 Director

**T. AOYAMA**  
 Director

**S. VENKATARAMAN**  
 Director

**M. MOTOYOSHI**  
 Director

For and on behalf of the Board

**STATEMENT OF INCOME AND EXPENDITURE DURING PRE-OPERATIONAL PERIOD FROM NOVEMBER 25, 2010 TO MARCH 31, 2011**

	Schedule	For the period 25.11.2010 to 31.03.2011	
		Rupees	Rupees
<b>INCOME</b>			
Other Income	H	5,038,108	
<b>TOTAL</b>			5,038,108
<b>EXPENDITURE</b>			
Staff Expenses	I	380,080	
Administration & Other Expenses	J	3,566,021	
Preliminary Expenses written off	K	3,622,988	
<b>TOTAL</b>			7,569,088
<b>Excess of Expenditure over income (before Tax)</b>			(2,530,980)
Provision for Current Tax including interest			1,591,000
<b>Excess of Expenditure over Income during pre-operational period</b>			(4,121,980)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	L		
<b>NOTES FORMING PART OF ACCOUNTS</b>	M		

The Schedules referred above form an integral part of Accounts.

As per our report attached

**PKF SRIDHAR & SANTHANAM**  
Chartered Accountants  
ICAI registration No. 003990S

**S. RAJESHWARI**  
Partner  
Membership No. 24105

**S. SRINIVASAN**  
Manager

Place : Chennai  
Date : April 13, 2011

Place : Chennai  
Date : April 13, 2011

For and on behalf of the Board

**S. RAGHAVAN**  
Director

**K. NARAKI**  
Director

**S. R. SUBRAMANIAN**  
Director

**T. AOYAMA**  
Director

**S. VENKATARAMAN**  
Director

**M. MOTOYOSHI**  
Director

## CASH FLOW STATEMENT FOR THE PERIOD FROM NOVEMBER 25, 2010 TO MARCH 31, 2011

	For the period 25.11.2010 to 31.03.2011 Rupees
<b>A. Cash flow from Operating Activities</b>	
Excess of expenditure over income during pre-operational period	(2,530,980)
<b>Adjustments for:</b>	
Interest income	(5,038,108)
Unrealized Foreign exchange loss	82,529
<b>Operating Profit before working capital changes</b>	<b>(7,486,559)</b>
<b>Adjustments for:</b>	
(Increase) / Decrease in Trade and othe receivables	(4,016,663)
Increase / (Decrease) in trade payables and customer advances	3,350,600
<b>Cash used in / generated from operating activities</b>	<b>(8,152,623)</b>
Direct taxes refund / (paid)-net	(1,585,300)
<b>Net cash used in / generated from operating activities</b>	<b>(9,737,923)</b>
<b>B. Cash flow from investing activities</b>	
Purchase of Fixed Assets	(92,748,043)
(Purchase) / sale of current Term Investments	(10,000,000)
Interest income	5,038,108
<b>Net cash (used in) / from investing activities (after extraordinary items)</b>	<b>(97,709,935)</b>
<b>C. Cash flow from financing activities</b>	
Proceeds from fresh issue of Share capital	300,000,000
<b>Net cash (used in) / from financing activities</b>	<b>300,000,000</b>
<b>Net (decrease) / Increase in cash and cash equivalents (A + B + C)</b>	<b>192,552,142</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>—</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>192,552,142</b>

**Notes:**

- 1 Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- 2 Purchase of fixed assets includes Capital Work-in-progress.
- 3 Cash and Cash equivalents at the end of the year represents cash and Bank balances.

As per our report attached  
**PKF SRIDHAR & SANTHANAM**  
 Chartered Accountants  
 ICAI registration No. 003990S

For and on behalf of the Board

**S. RAJESHWARI**  
 Partner  
 Membership No. 24105

**S. RAGHAVAN**  
 Director

**S. R. SUBRAMANIAN**  
 Director

**S. VENKATARAMAN**  
 Director

**S. SRINIVASAN**  
 Manager

**K. NARAKI**  
 Director

**T. AOYAMA**  
 Director

**M. MOTOYOSHI**  
 Director

Place : Chennai  
 Date : April 13, 2011

Place : Chennai  
 Date : April 13, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

As at 31.03.2011

Rupees

**SCHEDULE - A****SHARE CAPITAL****Authorised**

5,00,00,000 equity shares of Rs. 10 each

500,000,000

**Issued**

3,00,00,000 Equity shares of Rs. 10 each

300,000,000

**Subscribed and Paid-up**

3,00,00,000 Equity shares of Rs. 10 each (Refer Note No. 1 in Schedule M)

300,000,000

**TOTAL**

300,000,000

**SCHEDULE - B****RESERVES & SURPLUS**

Hedging Reserve Fund

(330,517)

**TOTAL**

(330,517)

**SCHEDULE - C****FIXED ASSETS**

Particulars	VALUE				DEPRECIATION				VALUE	
	As at 1.4.2010	Additions	Deductions	As at 31.3.2011	As at 1.4.2010	For the year	Deductions	As at 31.3.2011	As at 1.4.2010	As at 31.3.2011
Land	-	60,568,691	-	60,568,691	-	-	-	-	-	60,568,691
<b>Total</b>	-	60,568,691	-	60,568,691	-	-	-	-	-	60,568,691
Add: Capital Work-in-progress										32,179,352
										92,748,043

**Note:** Capital Work-in-progress includes advance Rs. 6,61,800 towards Architect Fee for Building design.

**SCHEDULE - D****INVESTMENTS** (At cost or NAV whichever is lower)**Current Investments**

Particulars	Face Value Rs.	Number of Units				As at 31.03.11	As at 31.03.11 Rs.
		As at 01.04.10	Purchased Subscribed	Sold Redeemed			
L&T Freedom Income STP Inst. Cum Org	10	-	633,846.115	-	633,846.115	10,000,000	
<b>TOTAL</b>						10,000,000	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**As at 31.03.2011  
Rupees**SCHEDULE - E****CURRENT ASSETS, LOANS & ADVANCES****Current Assets**

## Cash &amp; Bank Balances

Cash on hand

336

Balances with Scheduled Banks

on Current Account

5,181,105

on Fixed Deposits including interest accrued thereon

187,370,702

**TOTAL**192,552,143**Loans & Advances**

## Un-secured, Considered Good:

Advances recoverable in cash or kind

742,375

Recoverable from Group co

109,162

Others

237,639

Balance with Excise &amp; Service Tax, etc.

2,927,487

**TOTAL**4,016,663**SCHEDULE - F****CURRENT LIABILITIES AND PROVISIONS****Liabilities**

## Sundry Creditors

Due to: Parent (Group) Company

2,096,046

Micro and Small Enterprises

-

Others

1,667,600

**TOTAL**3,763,646**Provisions for**

Current Taxes (Net of payments made Rs. 15,85,300)

5,700

**TOTAL**5,700**SCHEDULE - G****EXCESS OF EXPENDITURE OVER INCOME DURING PRE-OPERATIONAL PERIOD**

Excess of Expenditure over income during pre-operational period carried over to Balance Sheet

4,121,980

**TOTAL**4,121,980

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

For the period  
25.11.2010 to  
31.03.2011  
Rupees

**SCHEDULE - H****OTHER INCOME****Interest income**

Interest on Fixed deposit (Tax Deducted at source Rs.66,742)

5,038,108

**TOTAL**

5,038,108

**SCHEDULE - I****STAFF EXPENSES**

Salary, Wages &amp; Bonus

319,516

Contribution to and provision for:

Provident Fund &amp; Pension Fund

17,941

Leave Salary

18,329

Welfare &amp; Other Expenses

24,294

**TOTAL**

380,080

**SCHEDULE - J****ADMINISTRATION & OTHER EXPENSES**

Professional Fees

1,932,554

Audit Fees

20,000

Rent

146,925

Rates &amp; Taxes

273,732

Travelling &amp; Conveyance

887,880

Repairs &amp; Maintenance

9,000

Telephone, Postage &amp; Telegramme

8,600

Printing &amp; Stationery

9,010

Bank Charges

49,159

Loss or Gain on Foreign Exchange

187,511

Miscellaneous Expenses

41,649

**TOTAL**

3,566,021

**SCHEDULE - K****PRELIMINARY EXPENSES**

Filing Fees

2,608,900

Stamp Duty

1,000,300

Certification Charges

13,788

**TOTAL**

3,622,988

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - L**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles (GAAP), in compliance with provisions of the Companies Act, 1956 and the Accounting Standards [as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government].

The presentation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, future obligations in respect of retirement benefit plans, etc., Difference if any, between the actual results and estimates, is recognized in the period in which the results are known.

##### **2. Revenue Recognition**

Revenue is recognized based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

- a) Sales & service
  - i) Sales and service include excise duty and adjustments made towards liquidated damages and price variation, wherever applicable.
  - ii) Revenue from sale of goods is recognized when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.
  - iii) Revenue from service related activities is recognized using full completion method.
- b) Other Operational income represents income earned from the activities incidental to the business and is recognized when the right to receive the income is established as per the terms of contract.
- c) Interest Income is accrued at applicable interest rate.
- d) Other items of income are accounted as and when the right to receive arises.

##### **3. Employee benefits**

- a) Short term employee benefits
 

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like Salaries, wages, short term compensated absences, etc., and the expected cost of bonus, ex-gratia, are recognized in the period in which the employee renders the related service.
- b) Post- employment benefits
  - i) Defined benefit plans: The employees' gratuity fund schemes, post-retirement medical care schemes, pension scheme and provident fund scheme are the Company's defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plants is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.
 

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities, of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

The interest element implicit in the actuarial valuation of defined benefit plans is classified under interest expense and balance charge is recognized as employee benefits in the Profit and Loss Account.
- c) Long Term employee benefits
 

The obligation for long term employee benefits such as long term compensated absences, long service award etc., is recognized in the similar manner as in the case of defined benefit plants as mentioned in b(ii) above.

##### **4. Fixed Assets**

Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of fixed assets or bringing the fixed assets to working condition are included and capitalized as a part of the cost of the respective fixed assets.

## **SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

### **5. Intangible Assets**

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of fixed assets or bringing the fixed assets to working condition are included and capitalized as a part of the cost of the respective fixed assets.

### **6. Investments**

Long term Investments are stated at cost after providing for any diminution in value, if such diminution is of permanent nature. Current Investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification.

### **7. Depreciation / Amortisation**

Owned Assets

Depreciation on assets carried at cost is provided on the straight line method (at the rates prescribed under Schedule XIV of Companies Act, 1956).

Depreciation for additions to / deduction from assets is calculated pro-rata from / to the month of additions / deductions. Extra shift depreciation is provided wherever applicable.

Intangible assets are amortised as follows:

Lump sum fee for Technical Know-how over a period of six years from the date of know how available for use.

### **8. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production, of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### **9. Foreign Currency transactions, Forward Contracts and derivatives**

a) The reporting currency of the Company is in Indian Rupees.

b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing rate are recognized as income or expenses in the period in which they arise.

c) Forward Contracts, other than those entered into to hedge foreign currency risk on expected firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 [The effects of changes in Foreign Exchange Rates]. Exchange differences arising on such contracts are recognized in the period in which they arise.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognized as income / expenses of the period in which such roll over / cancellation takes place.

d) All the other derivative contracts, including forward contracts entered into, to hedge foreign currency risk on unexecuted firm commitments and highly probable forecast transactions, are recognized in the financial statements at fair value as on the Balance Sheet date, in pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives. The Company has adopted Accounting Standard (AS) 30 [“Financial Instruments: Recognition and Measurement”] for accounting of such derivative contracts, not covered under Accounting Standard (AS) 11 [“The Effects of Changes in Foreign Exchange Rates”], as mandated by the ICAI in the aforesaid announcement.

Accordingly, the resultant gains or losses on fair valuation / settlement of the derivative contracts covered under Accounting Standard (AS) 30 [“Financial Instruments: Recognition and Measurement”] are recognized in the Profit and Loss Account or Balance Sheet as the case may be after applying the test of hedge effectiveness. The gains or losses are recognized in the Balance Sheet where the hedge is effective, while the same is recognized in the Profit & Loss Account where the hedge is ineffective.

### **10. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.



## **SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **11. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- b) a present obligation when no reliable estimate is possible;
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

## **SCHEDULE - M**

### **NOTES FORMING PART OF ACCOUNTS**

#### **1. Background**

The Company was incorporated on November 25, 2010 as a Joint Venture Company between M/s Larsen & Toubro Limited, India and M/s KOBELCO STEEL, LTD. Japan with an authorised capital of Rs. 50 Crores. The main objective of the Company is to carry on the business of designing, engineering, manufacturing and sale of rubber processing machinery and spares. During the period, the Company has issued and allotted 3,00,00,000 equity shares of Rs. 10 each out of which 51% is held by M/s Larsen & Toubro Limited, India the holding company.

#### **2. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "EMPLOYEE BENEFITS"**

##### **(i) Defined Contribution Plans:**

Provident Fund Contribution amount of Rs. 17,941 is recognized as an expense and included in "Staff Expenses" (Schedule-I) in the Statement of Income and Expenditure during pre-operational period from November 25, 2010 to March 31, 2011.

##### **(ii) Defined Benefit Plans**

The Company recognized Rs. 18,329 as leave salary for the employees who are eligible for such benefits.

##### **a) Gratuity Plan**

Company plans to operate gratuity plan through a trust wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favorable as compared to the obligation under Payment of Gratuity Act, 1972. A small part of the gratuity plan, which is not material is unfunded and managed within the Company.

##### **b) Government owned Provident Fund Plan**

The Provident Fund for its employees is covered under Central Government as per the Provisions of Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employee. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

## 3. Disclosure of Related parties / related party transactions

## (i) List of Related Parties

SL No	Name of Related Party	Relationship
1	Larsen & Toubro Limited, India	Holding Company
2	KOBE STEEL, LTD, Japan	Joint Venture Partner
3	L&T Asset Management Company Limited	Fellow Subsidiary
	<b>Key Management Personnel</b>	
1	Mr. S. Srinivasan	Manager

## (ii) Related Party Transactions

SL No	Nature of Transactions	Amount Rs.	Amount Rs.
1	Subscription to Equity Shares received		30,00,00,000
	Larsen & Toubro Limited	15,30,00,000	
	KOBE STEEL, LTD.	14,70,00,000	
2	Purchase of Goods & Services		3,13,629
	Larsen & Toubro Limited	3,13,629	
3	Purchase of Fixed Assets / CWIP – Intangible		3,00,06,627
	KOBE STEEL, LTD.	3,00,06,627	
4	Sale of Goods & Services		1,23,806
	Larsen & Toubro Limited	1,23,806	
5	Rent paid		93,840
	Larsen & Toubro Limited	93,840	
6	Charges paid for deputation of employees		1,59,738
	Larsen & Toubro Limited	1,59,738	
7	Accounts Receivable		1,09,162
	KOBE STEEL, LTD.	1,09,162	
8	Accounts Payable		20,96,046
	Larsen & Toubro Limited	20,96,046	
9	Investment in Mutual Fund Units		1,00,00,000
	L&T Asset Management Company Ltd.	1,00,00,000	
10	Remuneration to Key Management Person		9,39,398
	Mr. S. Srinivasan	9,39,398	

## 4. The particulars of derivative contracts entered into for hedging purpose outstanding as at March 31, 2011 are as under

Category of derivative instruments	Exposure Hedged as at 31.3.2011 Rs.
Forward Contracts on firm commitments and highly probable forecasted transactions	2,01,89,282

## 5. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 17,90,90,249.

## 6. Managerial Remuneration

Particulars	Amount Rs.
Salary	8,15,814
Perquisites	1,04,290
Contribution to Provident Fund / Superannuation Fund	19,294
<b>TOTAL</b>	<b>9,39,398</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

7. Auditors' Remuneration (Excluding Service tax) and expenses charged to the Accounts.

<b>Particulars</b>	<b>Amount Rs.</b>
Audit Fees	20,000
Expenses Reimbursed	NIL
<b>TOTAL</b>	<b>20,000</b>

8. Receipts in Foreign Currency

<b>Particulars</b>	<b>Amount Rs.</b>
Equity Share Capital	14,70,00,000

9. Expenditure in Foreign Currency

<b>Particulars</b>	<b>Amount Rs.</b>
Technical Know How Fee	3,00,06,627
Foreign Travel	5,33,096

10. The Company has no liability due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at March 31, 2011.
11. Figures have been rounded off to the nearest rupee.
12. This is the first year of Accounts and hence previous year figures are not available.

### SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

13. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date    
 Date                      Month                      Year

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital (including advance)

+ -

Reserves & Surplus

Current Liabilities

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Excess of Expenditure over Income

**IV. Performance of Company (Statement of Income & Expenditure during pre-operational period from November 25, 2010 to March 31, 2011)** (Amount in Rs. Thousands)

Other Income

Total Expenditure

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ -

Earning per Share in Rs. (Basic)

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)

Item Code No. (ITC Code)

Product Descriptions

As per our report attached  
**PKF SRIDHAR & SANTHANAM**  
 Chartered Accountants  
 ICAI registration No. 003990S

**S. RAJESHWARI**  
 Partner  
 Membership No. 24105

**S. SRINIVASAN**  
 Manager

Place : Chennai  
 Date : April 13, 2011

Place : Chennai  
 Date : April 13, 2011

For and on behalf of the Board

**S. RAGHAVAN**  
 Director

**K. NARAKI**  
 Director

**S. R. SUBRAMANIAN**  
 Director

**T. AOYAMA**  
 Director

**S. VENKATARAMAN**  
 Director

**M. MOTOYOSHI**  
 Director

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Third Annual Report along with the audited accounts of the Company for the year ended March 31, 2011.

### A) FINANCIAL RESULTS

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Rupees Lakhs	Rupees Lakhs	Rupees Lakhs	Rupees Lakhs
<b>Income</b>				
Interest on Deposit		5.98		3.34
<b>Expenditure</b>				
Construction work in progress				
Opening work in progress	6,790.38		2,375.35	
Construction expenses during the year	1,702.75		4,415.03	
Less : Closing work-in-progress	8,493.13		6,790.38	
		Nil		Nil
Other Expenditure		88.08		178.62
Profit / (Loss) before tax		(82.10)		(175.28)
Less : Tax		Nil		Nil
Profit / (Loss) after tax		(82.10)		(175.28)
Earnings per share - Basic and diluted		Rs. (821.01)		Rs. (1,752.79)

### B) APPROPRIATIONS

No appropriation is proposed in view of the absence of profits.

### C) DIVIDEND

Your Directors do not recommend any Dividend for the year ended 31.03.2011.

### D) PERFORMANCE OF THE COMPANY

The concept design and master plan have been completed now. The schematic design is in progress and is expected to get completed shortly. The project is ready in all aspects for commencing construction. The Company is however awaiting clearances from the Railway Authorities as regards General Arrangement Drawings (GAD) which will enable commencement of construction activity.

### E) CAPITAL AND FINANCE

Your Company received 'Advance towards share capital' of Rs. 22.80 crores from M/s Larsen & Toubro Limited, the Holding Company, during the year. The cumulative value of 'Advance towards share capital' stands at Rs. 881.05 crores as at March 31, 2011.

### F) AUDITORS' REPORT

The Statutory Audit was conducted for the year ended March 31, 2011 and the Auditors' report is annexed hereto. The report does not contain any qualification.

### G) MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between Balance Sheet date and date of Directors' Report.

### H) DISCLOSURE OF PARTICULARS

Information as required Under Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the year ended March 31, 2011 is nil except during the period under review, the total foreign exchange utilized was Rs. 4,07,33,795 towards professional fees.

### I) PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**J) DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO 217(2AA) OF THE COMPANIES ACT, 1956**

The Directors of your Company wish to state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (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 true and fair view of the state of affairs of the Company at the end of the financial year ended 31.03.2011 and of the loss of the Company for that year;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis
- (v) proper systems are in place to ensure compliance with all laws applicable to the Company.

**K) DIRECTORS**

The present Directors of the Company are Mr. P. S. Banerjee, Mr. Vivek Mehta and Mr. D. B. Raju. During the year, Mr. D. B. Raju was appointed as an Additional Director with effect from December 20, 2010.

Mr. P. S. Banerjee is liable to retire by rotation and being eligible offers himself for re-appointment.

**L) AUDITORS**

The Auditors M/s Sharp and Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp and Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Mr. Firdosh D. Buchia, Partner of M/s Sharp and Tannan had signed the Auditors' Report of the Company for the period ended March 31, 2009. Mr. R. D. Kare, Partner of M/s Sharp and Tannan had signed the Auditors' report for the year ended March 31, 2010. The Auditors' report for the year ended March 31, 2011 has been signed by Mr. Firdosh D. Buchia.

**M) SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary company.

**N) COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

**a) Separation of Offices of Chairman and Chief Executive Officer**

The roles and offices of Chairman and Chief Executive are separated. The Board of Directors from among themselves elects a Chairman of the Board whereas Ms. Neera Saggi designated as Manager is the Chief Executive of the Company.

**b) Remuneration of Directors**

The Directors are not paid any remuneration by way of sitting fees, etc.

**c) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

**d) Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

**e) Responsibilities of the Board**

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**f) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**g) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**h) Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**i) Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

**O) ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the services of all employees and other stakeholders for their contribution.

On behalf of the Board

*Place : Mumbai  
Date : May 12, 2011*

**D. B. RAJU**  
*Director*

**P. S. BANERJEE**  
*Director*

**VIVEK MEHTA**  
*Director*

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF L&T SEAWOODS PRIVATE LIMITED**

We have audited the attached Balance Sheet of L&T Seawoods Private Limited as at March 31, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

As the Company satisfies all the conditions mentioned in paragraph 2 (iv) of the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, reporting under the said order is not required.

Further to our comments in paragraph 1 above, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
- d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule 7 and notes forming part of accounts in Schedule 8, 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, the loss for the year then ended; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended then ended

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 109982W)*  
*By the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

*Place : Mumbai*  
*Date : May 12, 2011*



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		100,000		100,000
Advance towards share capital			8,810,500,000		8,582,500,000
Future instalments payable for lease premium to CIDCO (See Schedule 8, Note : 9)			10,850,000,000		10,850,000,000
<b>TOTAL</b>			<b>19,660,600,000</b>		<b>19,432,600,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block		51,557,804		51,494,084	
Less: Depreciation		10,920,737		5,399,663	
Net Block		40,637,067		46,094,421	
Capital work-in-progress		318,750		212,500	
			40,955,817		46,306,921
<b>Intangible Assets</b>					
Gross Block		361,938		—	
Less : Amortisation and impairment		30,623		—	
Net Block		331,315		—	
Capital work-in-progress		18,605,987,699		18,605,987,699	
			18,606,319,014		18,605,987,699
<b>Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Inventories	3	849,312,987		679,038,278	
Cash and Bank Balances		5,853,826		23,054,543	
Loans and Advances		428,201,019		415,441,421	
		1,283,367,832		1,117,534,242	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	4	311,320,559		370,882,886	
Provisions		2,158,915		1,572,734	
		313,479,474		372,455,620	
<b>Net Current Assets</b>			<b>969,888,358</b>		<b>745,078,622</b>
<b>Profit and Loss Account</b>			<b>43,436,811</b>		<b>35,226,758</b>
<b>TOTAL</b>			<b>19,660,600,000</b>		<b>19,432,600,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES ON ACCOUNTS</b>					

The schedules referred to above and the notes attached form an integral part of the Financial Statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**D. B. RAJU**  
Director

**P. S. BANERJEE**  
Director

**VIVEK MEHTA**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: Mumbai  
Date : May 12, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011**

	<u>Schedule</u>	2010-2011		2009-2010	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Interest on fixed deposits with bank			298,387		334,277
Interest income - Others			300,000		
<b>TOTAL</b>			<b>598,387</b>		<b>334,277</b>
<b>EXPENDITURE</b>					
Construction Work in Progress					
Opening work in progress			679,038,278	237,534,773	
Construction Expenses during the year	5		170,274,709	441,503,505	
Less: Closing Work in progress			849,312,987	679,038,278	
			-		-
Administration and Other Expenses	6		8,757,877		17,811,657
Depreciation			50,563		50,478
<b>TOTAL</b>			<b>8,808,440</b>		<b>17,862,135</b>
<b>Profit / (Loss) before tax</b>			<b>(8,210,053)</b>		<b>(17,527,858)</b>
Provision for taxes					
Current tax			-		-
Deferred tax			-		-
			-		-
<b>Profit / (Loss) after tax</b>			<b>(8,210,053)</b>		<b>(17,527,858)</b>
Add: Balance brought forward from previous year			<b>(35,226,758)</b>		<b>(17,698,899)</b>
<b>Balance carried to Balance Sheet</b>			<b>(43,436,811)</b>		<b>(35,226,758)</b>
<b>Basic and Diluted earnings per share (Rs.)</b>			<b>(821.01)</b>		<b>(1,752.79)</b>
Face value per Equity Share			10.00		10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	7				
<b>NOTES FORMING PART OF ACCOUNTS</b>	8				

The schedules referred to above and the notes attached form an integral part of the Financial Statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

**D. B. RAJU**

Director

**P. S. BANERJEE**

Director

**VIVEK MEHTA**

Director

Place: Mumbai

Date : May 12, 2011

Place: Mumbai

Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from operating activities</b>		
<b>Net Profit / (Loss) before tax and extraordinary items</b>	<b>(8,210,053)</b>	<b>(17,527,858)</b>
Adjustment for :		
Depreciation	50,563	50,478
Interest income	(598,387)	(334,277)
<b>Operating Profit before Working Capital changes</b>	<b>(8,757,877)</b>	<b>(17,811,657)</b>
Adjustments for :		
(Increase) / Decrease in inventories	(164,773,575)	(436,374,745)
(Increase) / Decrease in Loans and Advances	(12,759,598)	(34,479,240)
Increase / (Decrease) in trade payables	(58,976,147)	41,919,444
<b>Cash generated from operations</b>	<b>(245,267,196)</b>	<b>(446,746,198)</b>
<b>Net Cash from operating activities (A)</b>	<b>(245,267,196)</b>	<b>(446,746,198)</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of fixed and intangible assets	(531,908)	(385,397)
Interest income	598,387	334,277
<b>Net Cash / (used in) from investing activities (B)</b>	<b>66,479</b>	<b>(51,120)</b>
<b>C. Cash Flow from Financing activities</b>		
Advance against share capital	228,000,000	482,500,000
Interest paid	-	(21,480,407)
<b>Net cash/ (used in) from financing activities (C)</b>	<b>228,000,000</b>	<b>461,019,593</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(17,200,717)</b>	<b>14,222,275</b>
<b>Cash and Cash equivalents as at the beginning of the year</b>	<b>23,054,543</b>	<b>8,832,268</b>
<b>Cash and Cash equivalents as at the end of the year</b>	<b>5,853,826</b>	<b>23,054,543</b>

**Notes:**

- (a) Cash Flow Statement has been prepared under the Indirect Method as set of in the Accounting Standard 3 issued by the Central Government  
(b) Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

**D. B. RAJU**

Director

**P. S. BANERJEE**

Director

**VIVEK MEHTA**

Director

Place: Mumbai

Date : May 12, 2011

Place: Mumbai

Date : May 12, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,00,000 Equity Shares of Rs. 10 each	50,000,000	50,000,000
<b>Issued, Subscribed and Paidup</b>		
10,000 Equity Shares of Rs. 10 each fully paid up issued during the period (All the above equity shares are held by Larsen and Toubro Limited the holding Company)	100,000	100,000
<b>TOTAL</b>	<b>100,000</b>	<b>100,000</b>

**SCHEDULE - 2****FIXED ASSETS**

PARTICULARS	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at 31.3.2010	Additions for the year	As at 31.3.2011	As at 31.3.2010	Additions for the year	As at 31.3.2011	As at 31.3.2011	As at 31.3.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSETS</b>								
Plant and Machinery	14,917,895	53,621	14,971,516	1,535,579	1,862,874	3,398,453	11,573,063	13,382,316
Furniture & Fixtures	4,748,834	10,099	4,758,933	522,451	475,464	997,915	3,761,018	4,226,383
Building	31,827,355	–	31,827,355	3,341,633	3,182,736	6,524,369	25,302,986	28,485,722
<b>TOTAL</b>	<b>51,494,084</b>	<b>63,720</b>	<b>51,557,804</b>	<b>5,399,663</b>	<b>5,521,074</b>	<b>10,920,737</b>	<b>40,637,067</b>	<b>46,094,421</b>
Capital work in progress							318,750	212,500
<b>TOTAL</b>							<b>40,955,817</b>	<b>46,306,921</b>

PARTICULARS	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at 31.3.2010	Additions for the year	As at 31.3.2011	As at 31.3.2010	Additions for the year	As at 31.3.2011	As at 31.3.2011	As at 31.3.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>INTANGIBLE ASSETS</b>								
Software license	–	361,938	361,938	–	30,623	30,623	331,315	–
<b>TOTAL</b>	<b>–</b>	<b>361,938</b>	<b>361,938</b>	<b>–</b>	<b>30,623</b>	<b>30,623</b>	<b>331,315</b>	<b>–</b>
Developmental / Leasehold rights - Capital work-in-progress							18,605,987,699	18,605,987,699
<b>TOTAL</b>							<b>18,606,319,014</b>	<b>18,605,987,699</b>

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - 3</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Inventories</b>		
(at cost or net realisable value whichever is less)		
Construction and project related work in progress	849,312,987	679,038,278
<b>Cash and Bank Balances</b>		
Balance with scheduled bank		
on current account	5,853,826	23,054,543
<b>Loans and Advances</b>		
Unsecured		
Advances recoverable in cash or in kind or for value to be received	59,484,529	46,589,631
Deposits	368,716,490	368,851,790
	<b>428,201,019</b>	<b>415,441,421</b>
<b>TOTAL</b>	<b>1,283,367,832</b>	<b>1,117,534,242</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 4</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Due to Micro and Medium enterprises	—		—	
Due to Others	5,543,558		8,828,930	
Due to Holding Company				
on current account	300,722,528		303,178,080	
on trade payables	5,054,473		58,875,876	
		311,320,559		370,882,886
<b>Provisions for</b>				
Gratuity	586,677		379,485	
Compensated absences	1,572,238		1,193,249	
		2,158,915		1,572,734
<b>TOTAL</b>		313,479,474		372,455,620

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	2010-2011	2009-2010
	Rupees	Rupees
<b>SCHEDULE - 5</b>		
<b>CONSTRUCTION EXPENSES</b>		
Professional Fees	99,066,624	212,247,778
Cost of Construction	14,245,393	108,439,817
Project Approval Costs	7,602,000	88,804,346
Staff expenses- (Refer Schedule 8, note : 13)	20,222,389	18,437,539
Security Services	4,668,166	3,850,312
Power and fuel	4,227,531	2,544,216
Travelling and conveyance	1,604,002	1,548,998
Bank Charges	12,689,688	14,559
Communication Expenses	447,782	487,178
Depreciation	5,501,134	5,128,762
<b>TOTAL</b>	170,274,709	441,503,505

**SCHEDULE - 6****ADMINISTRATIVE AND OTHER EXPENSES**

Staff expenses-(Refer Schedule 8, note : 13)	3,929,401	7,063,283
Professional fees	472,613	5,385,253
Travelling and conveyance	352,088	897,747
Communication expenses	48,883	288,553
Insurance	3,716	5,139
Postage and courier	8,467	8,840
Repairs and maintenance	304,942	267,407
Printing and Stationery	135,363	187,098
Business Promotion Expenses	426,957	311,569
Electricity Charges	42,890	47,890
Housekeeping Services	1,051,061	749,449
Miscellaneous expenses	1,321,120	1,474,313
Rent	254,980	345,180

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (Contd.)**

	2010-2011 Rupees	2009-2010 Rupees
Books and Periodicals	19,078	17,928
Donation	–	50,000
Exhibition Expenses	200	3,831
Fees and Subscription	34,886	136,875
Audit fees	25,000	25,000
Rates and taxes	19,568	381,371
Exchange difference	306,665	164,931
<b>TOTAL</b>	<b>8,757,877</b>	<b>17,811,657</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS****SCHEDULE - 7****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible fixed assets and intangible assets, provision for doubtful debts / advances, etc. Actual results could differ from these estimates.

**2. Revenue Recognition**

Revenue from property development activity is recognised when all significant risks and rewards of ownership in the land and / or building are transferred to the customer and a reasonable expectation of collection of the sale consideration from the customer exists. Rental income from leased assets is recognised on accrual basis over the lease term.

**3. Employee Benefits****a) Short Term Employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc and the expected cost of bonus, ex gratia are recognised in the period in which the employee renders the related service.

**b) Post-Employment Benefits**

Defined Contribution Plans : State governed provident fund scheme linked with Employee Pension Scheme are defined contribution plans. The contribution paid / payable is recognised during the year in which the employee renders the related service.

**c) Long Term Employee Benefits**

The obligation for long term employee benefits like long term compensated absences, gratuity etc is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

**4. Fixed Assets**

Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

**5. Intangible Assets and Amortisation**

Development cum leasehold rights ("the rights") are shown as "Capital work-in-progress" under Intangible assets pending completion of pre-conditions for acquisition of such rights. The cost of the rights comprises lease premium, applicable registration costs, borrowing costs and any other cost required to be incurred as a pre-condition to acquire the said rights.

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. The cost incurred for acquisition of intangible assets is carried as "Capital Work-in-Progress" till the acquisition of intangible asset is completed and put to use.

The said development-cum-leasehold rights are amortised on a systematic basis over the period of development on the basis of built-up area developed to total built-up area available for development. The cost of amortisation is inventoried / capitalised as part of inventory / fixed assets as the case may be.

## SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

### 6. Leases

Assets acquired on lease where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are accounted on accrual basis.

### 7. Depreciation

Depreciation is provided on straight-line basis at the rates and in the manner provided in Schedule XIV to the Companies Act, 1956. However, in respect of the following asset categories, the depreciation is provided at higher rates in line with their estimated useful life up to December 31, 2010. Effective from January 1, 2011, new rates have been followed as per revised estimate of useful life

Category of asset	Rate of depreciation (% p.a.) (up to 31.12.2010)	Rate of depreciation (% p.a.) (from 1.1.2011)
Furniture and Fixtures	10.00	10.00%
Plant and Machinery: Office equipment	6.67	6.67%
Fax, Printers, Scanner and Projectors	16.21%	25.00%
Desktop and laptop	16.21%	25.00%
Building	10.00	10.00%

### 8. Inventories

Work-in-progress is valued at lower of cost including related overheads or net realisable value. Cost of inventory also includes applicable amortization cost of developmental-cum-leasehold rights. Completed property is valued at lower of cost or net realizable value.

In the case of qualifying assets, cost includes applicable borrowing costs vide policy relating to borrowing costs.

### 9. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 10. Foreign Currency Transactions

- The reporting currency of the Company is the Indian Rupee
- Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rate at the date of the transaction. At the Balance Sheet date, foreign currency monetary items are reported using the closing rate.

### 11. Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961 and based on the expected outcome of the assessment.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### 12. Provisions, Contingent Liabilities and Contingent Assets

- Provision are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - the Company has a present obligation as a result of a past event.
  - a probable outflow of resources is expected to settle the obligation and
  - the amount of the obligation can be reliably estimated.
- Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that reimbursement will be received.
- Contingent Liability is disclosed in the case of :
  - a present obligation arising from a past events, when it is not probable that an outflow of resources will be required to settle the obligation.
  - a possible obligation, unless the probability of outflow of resources is remote.
- Contingent Assets are neither recognised, nor disclosed.
- Provision, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)****SCHEDULE - 8****SCHEDULES FORMING PART OF ACCOUNTS****NOTES ON ACCOUNTS**

1. The Company is a special purpose vehicle incorporated to execute a transit oriented, integrated / mixed use development project at Seawoods-Dharave railway station, Nerul Node, Navi Mumbai, on a plot covering an area of 39.92 acre. The Company is a 100% subsidiary of Larsen and Toubro Limited.
2. There have been no transactions during the period with Micro, Small and Medium Enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.  
Note : The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.
3. The Company is not in the business of manufacturing activity and hence information required under paragraph 4(C) of Part II of Schedule VI to the Companies Act, 1956 has not been furnished. Information under paragraph 4(D) have been provided to the extent applicable.
4. (a) No provision for current tax / deferred tax has been made since the Company does not have any income.  
(b) The Company does not have taxable wealth and hence, no provision has been made for wealth tax under the provisions of Wealth Tax Act, 1957.
5. Disclosure of Related Parties / related party transactions
  - A. List of parties who exercise control over the Company  
Larsen and Toubro Limited - Holding Company
  - B. Names of the related parties with whom transactions were carried out during the year and description of relationship  
Larsen and Toubro Limited - Holding Company  
L&T Infrastructure Finance Limited – Fellow Subsidiary Company  
L&T Urban Infrastructure Limited – Fellow Subsidiary Company  
L&T Finance Ltd – Fellow Subsidiary Company  
L&T Ramboll Consulting Engineers Ltd - Associate Company
  - C. Disclosure of related party transactions :

Sl. No	Nature of Transaction	2010-2011 Rs.	2009-2010 Rs.
<b>1</b>	<b>Larsen and Toubro Limited</b>		
	i) Purchase of goods and services	1,99,64,620	21,04,82,854
	ii) Deputation of employees	36,43,023	31,30,553
	iii) Receipt of services	2,12,717	77,34,848
	iv) Purchase of fixed assets	25,297	Nil
	v) Advance against Equity (including conversion of unsecured loan)	22,80,00,000	608,25,00,000
	vi) Due to : • Under current account • Under construction contract	30,07,25,203 50,51,798	30,31,78,080 5,88,75,876
<b>2</b>	<b>L&amp;T Ramboll Consulting Engineers Ltd.</b>		
	Receipt of services	3,60,000	1,20,000
<b>3</b>	<b>L&amp;T Finance Limited</b>		
	Purchase of goods and services	15,710	Nil
	Account payable	15,710	Nil
<b>4</b>	<b>L&amp;T Infrastructure Finance Limited</b>		
	Receipt of services	Nil	25,00,000
<b>5</b>	<b>L&amp;T Infotech Limited</b>		
	Deputation of employees	4,72,613	10,13,603
	Account payable	Nil	2,60,800
<b>6</b>	<b>L&amp;T Urban Infrastructure Ltd</b>		
	Receipt of services	49,311	Nil

- D. No amounts pertaining to the related parties have been written off or written back during the year.



**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

6. Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20 'Earnings per share':

Particulars	2010-2011	2009-2010
	Rupees	Rupees
<b>Basic and Diluted earnings per share</b>		
PAT as per Accounts (Rs.)	<b>(82,10,053)</b>	(1,75,27,858)
Weighted average number of shares	<b>10,000</b>	10,000
Basic / Diluted EPS (Rs.)	<b>(821.01)</b>	(1,752.79)

7. Auditors' remuneration (excluding service tax) and expenses charged to the accounts :

Audit fees	– Rs. 25,000 (FY 2009-10 Rs. 25,000)
Certification work	– Rs. 31,500 (FY 2009-10 Rs. 24,500)
Expenses reimbursed	– Rs. Nil (FY 2009-10 Rs. Nil.)

8. Expenditure in foreign currency :

Professional fees and reimbursements	– Rs. 4,07,33,795 (FY 2009-10 Rs. 5,16,30,597)
--------------------------------------	--

9. Pursuant to conferment of developmental-cum-leasehold rights by the City and Industrial Development Corporation of Maharashtra (CIDCO), the Company has recognised Rs. 1860,59,87,699 as Intangible –Capital work-in Progress . The said amount represents cost of developmental-cum-leasehold rights ("rights") being the total lease premium payable of Rs. 1809,00,00,000, applicable registration costs and borrowing costs of Rs. 51,59,87,699. The Company has already paid Rs. 724,00,00,000 towards the lease premium obligation. The future installments of Rs. 1085,00,00,000 lease premium payable to CIDCO has been disclosed in Balance Sheet under a separate head.

The cost of construction of the railway facilities being a pre-condition to acquire the rights will be accounted as part of the cost of intangible asset as and when the cost for the same can be reliably estimated.

The Company has obtained deferment of financial commitments and extension of time for completion of railway facility and commercial facility from CIDCO.

10. The Company operates in only one segment i.e. property development and from one geographical location i.e. India. Accordingly, no segment reporting is required.

11. Consequent to change in the depreciation rates (refer Schedule 7, Note 7 of Significant Accounting Policies) the increase in depreciation is Rs. 3,32,623 for the financial year ended March 31, 2011.

12. Employee benefits

Contribution to provident fund is made to the regional provident fund office and provision for leave encashment is made on actuarial basis.

Provision for gratuity is made on actuarial basis as summarised below

**TABLE 1**

Amount to be recognised in Balance Sheet

	Year ended 31.03.2011 (Rupees)	Year ended 31.03.2010 (Rupees)
Present Value of Funded Obligations	Nil	Nil
Fair value of Plan Assets	Nil	Nil
Present Value of Unfunded Obligations	<b>5,86,677</b>	3,79,485
Unrecognised past service cost	Nil	Nil
Amount not recognized as an Asset	Nil	Nil
Net Liability	<b>5,86,677</b>	3,79,485
Amounts in Balance Sheet		
- Liability	<b>5,86,677</b>	3,79,485
- Assets	Nil	Nil
Net Liability	<b>5,86,677</b>	3,79,485

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****TABLE 2**

Expense to be recognised in Profit and Loss Account

	<b>Year ended 31.03.2011 (Rupees)</b>	<i>Year ended 31.03.2010 (Rupees)</i>
Current Service Cost	<b>2,02,956</b>	<i>2,00,974</i>
Interest on Defined Benefit Obligation	<b>47,378</b>	<i>28,162</i>
Expected Return on Plan Assets	<b>Nil</b>	<i>Nil</i>
Net Actuarial Losses / ( Gains ) recognized in the year	<b>(43,142)</b>	<i>(51,628)</i>
Past service cost	<b>Nil</b>	<i>Nil</i>
Losses / ( Gains ) on Curtailments and Settlements	<b>Nil</b>	<i>Nil</i>
Losses / ( Gains ) on Acquisition / Divestiture	<b>Nil</b>	<i>Nil</i>
<b>TOTAL</b>	<b>2,07,192</b>	<i>1,77,508</i>
Total included in construction staff expense in schedule 5	<b>2,07,192</b>	<i>1,77,508</i>

**TABLE 3**

Summary of Principal Actuarial Assumptions

	<b>Year ended 31.03.2011 (Rupees)</b>	<i>Year ended 31.03.2010 (Rupees)</i>
Discount Rate (p.a.)	<b>7%</b>	<i>7%</i>
Salary escalation rate (p.a.)	<b>6%</b>	<i>6%</i>

## a) Discount rate

The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligations.

## b) Salary escalation rate

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

## c) Retirement age

The employees of the Company are assumed to retire at the age of 58 years.

## d) Mortality

As per published rates under the LIC (1994-96) mortality tables.

## e) Leaving service

Rates of leaving service at specimen ages are as shown below

Age	Rates
21-30	5 %
31-40	3 %
41-57	2 %

## f) Disability

Leaving service due to disability is included in the provision made for all causes of leaving service as per (e) above.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 13. Staff expenses

## Under Construction Expenses – Schedule 5

<b>Particulars</b>	<b>2010-2011</b>	<b>2009-2010</b>
Salaries	<b>1,88,90,027</b>	1,68,60,834
Contribution to and provision for :		
Provident fund and pension fund	<b>7,46,181</b>	7,54,016
Provision for Gratuity	<b>2,07,192</b>	1,77,508
Compensated absences	<b>3,78,989</b>	6,45,181
<b>SUB - TOTAL (A)</b>	<b>2,02,22,389</b>	1,84,37,539

## Under Administrative and Other Expenses – Schedule 6

<b>Particulars</b>	<b>2010-2011</b>	<b>2009-2010</b>
Salaries	<b>31,85,229</b>	62,84,066
Contribution to and provision for :		
Provident fund and pension fund	<b>99,378</b>	2,25,879
Welfare and other expenses	<b>6,44,794</b>	5,53,338
<b>SUB - TOTAL (B)</b>	<b>39,29,401</b>	70,63,283
<b>GRAND TOTAL (A) + (B)</b>	<b>2,41,51,790</b>	2,55,00,822

14. Figures for the previous year have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 15. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	U45203MH2008PTC180029										State Code					1	8
Balance Sheet Date	3	1		0	3		2	0	1	1							
	Date			Month			Year										

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue							N	I	L	Rights Issue							N	I	L		
Bonus Issue							N	I	L	Private Placement*	2						2	8	0	0	0

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	1							9	6	6	0	6	0	0	Total Assets	1							9	6	6	0	6	0	0	
Sources of Fund															Reserves & Surplus							N	I	L						
Paid-up Capital (Incl. advance towards share capital)							8	8	1	0	5	0	0	Unsecured Loans							N	I	L							
Secured Loans							N	I	L	Lease Premium Payable	1						0	8	5	0	0	0	0							

#### Application of Funds

Net Fixed Assets	1							8	6	4	7	2	7	4	Investments							N	I	L		
Net Current Assets / (Liabilities)							9	6	9	8	8	8	Misc. Expenditure													
Accumulated Losses							4	3	4	3	7															

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)							5	9	8	Total Expenditure							8	8	0	8	
Profit / Loss Before Tax							8	2	1	0	Profit / Loss After Tax							8	2	1	0
Basic Earning per Share (in Rs.)							8	2	1	0	1	Dividend Rate %							N	A	

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)											N	A
Product Descriptions	COMMERCIAL PROPERTY DEVELOPMENT											

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**D. B. RAJU**  
Director

**P. S. BANERJEE**  
Director

**VIVEK MEHTA**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: Mumbai  
Date : May 12, 2011

## DIRECTORS' REPORT

Your Directors present the Fifth Annual Report and Balance Sheet for the year ended March 31, 2011.

### 1. FINANCIAL RESULTS

The Summarized Financial Results of your Company for the year ended:

<b>Particulars</b>	<b>2010-2011</b> <b>Rs.</b>	<b>2009-2010</b> <b>Rs.</b>
Gross Income	<b>68,746,758</b>	–
<b>Profit / (Loss) before tax</b>	<b>64,672,233</b>	<b>(7,381,787)</b>
Less : Provision for taxation	<b>3,914,821</b>	–
<b>Profit after Taxation</b>	<b>60,757,412</b>	<b>(7,381,787)</b>
Add : Profit / (Loss) b/f from previous year	<b>(12,792,161)</b>	<b>(5,410,374)</b>
<b>Balance carried to Balance Sheet</b>	<b>47,965,251</b>	<b>(12,792,161)</b>

### 2. APPROPRIATIONS

During the year under review, no appropriation is done.

### 3. DIVIDEND

During the year under review, no dividend is recommended on equity shares.

### 4. CAPITAL EXPENDITURE

During the period under review, the Company did not incur any capital expenditure.

### 5. AUDITORS' REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### 6. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between the Balance Sheet date and date of Directors' report.

### 7. DISCLOSURE OF PARTICULARS

The Company did not commence any commercial production and hence there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### 8. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### 9. SUBSIDIARY COMPANIES

During the year under review, the Company sold the following equity shares of its subsidiary companies to parent company Larsen & Toubro Limited -

- 76,551,000 equity shares of Rs. 10/- each in L&T-MHI Boilers Private Limited at face value of the equity share.
- 76,551,000 equity shares of Rs. 10/- each in L&T MHI-Turbine Generators Private Limited at face value of the equity share.

### 10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors based on the representation received from the Management and after due enquiry, confirms that :

- in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- they have, in the selection of the accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for March 31, 2011;
- 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;
- the annual accounts have been prepared on a going concern basis;
- proper systems are in place to ensure compliance of all laws applicable to the Company;

VI. as required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions as required under Accounting Standard 18 forms part of the Annual Report.

#### 11. DIRECTORS

During the year Mr. A. M. Naik, Mr. K. Venkataramanan, Mr. A. K. Chhatwani resigned from the Board with effect from October 18, 2010. Mr. Y. V. S. Sravankumar, Mr. N. Hariharan, Mr. S. N. Roy were respectively appointed for the casual vacancy caused by the resignation of the former Directors.

Mr. P. S. Banerjee and Mr. N. Hariharan resigned from the Board with effect from December 20, 2010.

At present the Board comprises of Mr. Ravi Uppal, Mr. S. N. Roy and Mr. Y. V. S. Sravankumar.

Mr. Y. V. S. Sravankumar retires by rotation at the forthcoming Annual General Meeting of the Company and is eligible for re-appointment.

#### 12. AUDITORS

The Auditors, M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

#### 13. AUDIT COMMITTEE

The audit committee consists of Mr. Ravi Uppal, Mr. S. N. Roy and Mr. Y. V. S. Sravankumar, all being the non-executive directors of the Company.

The role, terms of reference, the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

The committee met periodically during the year.

#### 14. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below –

##### a) Independent / Associate Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.

##### b) Number of Companies in which an Individual may become a Director

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

##### c) Responsibilities of the Board

Presentations to the Board in areas such as financial results, budgets, business prospects etc, give the Directors, an opportunity to interact with Senior Management and other Functional Heads of L&T Power Limited. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

##### d) Terms of reference of Audit Committee of Board

As mentioned above, the Company has an Audit Committee comprising of majority of Independent Directors, including its Chairman.

The terms of reference of the Audit Committee is given below –

1. to monitor the integrity of the financial statements of the Company;
2. to review the internal control systems;
3. to review the related party transactions forming part of the Annual Report.

##### e) Statutory Auditors

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these Guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

**f) Internal Auditors**

The Secretarial Audit is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**g) Internal Control**

The Board ensures the effectiveness of the Company's internal control system commensurate with its size and nature of the business.

**15. ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

*Place : Mumbai  
Date : May 2, 2011*

**RAVI UPPAL**  
*Director*

**S. N. ROY**  
*Director*

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T POWER LIMITED

We have audited the attached balance sheet of L&T Power Limited as at March 31, 2011 and also the Profit and Loss Account and Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the 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:
    - (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- (i) The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- (iii) We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (iv) The Company has not commenced commercial operations and accordingly we are unable to comment on the adequacy of the internal control procedures.
- (v) We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) The Company has not yet commenced commercial operations and accordingly, has no internal audit system at present.
- (viii) The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company had no liability towards statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and accordingly, reporting under paragraph 4(ix)(a) and (b) is not applicable.
- (x) The Company is in existence for a period of less than five years, hence reporting under paragraph 4(x) is not applicable.
- (xi) The Company has not raised any loans from financial institutions or banks during the year.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares or securities.
- (xv) The Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loans.
- (xvii) According to the information and explanations given to us, the Company has not raised any loans during the year and accordingly no reporting is required under clause 4(xvii) of the Order.
- (xviii) We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order is not applicable.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		1,534,920,000		1,534,920,000
(The entire shares are held by Larsen & Toubro Limited, the holding Company and its nominees)					
<b>Reserves and Surplus</b>					
Profit and Loss account			47,965,251		-
<b>TOTAL</b>			<b>1,582,885,251</b>		<b>1,534,920,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block			-		-
Less: Depreciation			-		-
Net Block			-		-
<b>Investments</b>	2		1,585,380,361		1,531,020,000
<b>Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Cash & Bank Balances			55,094		219,632
Loans & Advances			1,345,933		2,661
			1,401,027		222,293
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	4		3,896,137		9,114,454
Provisions			-		-
			3,896,137		9,114,454
Net Current Assets			(2,495,110)		(8,892,161)
<b>Profit and Loss Account</b>			-		12,792,161
<b>TOTAL</b>			<b>1,582,885,251</b>		<b>1,534,920,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	7				
<b>NOTES FORMING PART OF ACCOUNTS</b>	8				

The schedules referred to above and notes attached form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**Y. V. S. SRAVANKUMAR**  
Company Secretary

**RAVI UPPAL**  
Director

**S. N. ROY**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedule</u>	<u>2010-2011 Rupees</u>	<u>2009-2010 Rupees</u>
<b>INCOME</b>			
Other Income	5	68,746,758	–
<b>TOTAL</b>		<u>68,746,758</u>	<u>–</u>
<b>EXPENDITURE</b>			
Administration and Other Expenses	6	4,074,525	7,381,787
<b>TOTAL</b>		<u>4,074,525</u>	<u>7,381,787</u>
Profit / (Loss) before taxes		64,672,233	(7,381,787)
Provision for current taxes		3,914,821	–
Profit / (Loss) after taxes		60,757,412	(7,381,787)
Add: Balance brought forward from previous year		(12,792,161)	(5,410,374)
<b>Balance carried to Balance Sheet</b>		<u>47,965,251</u>	<u>(12,792,161)</u>
Earnings per Share			
Basic		0.40	(0.13)
Diluted		0.40	(0.13)
Nominal value per Equity Share		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	7		
<b>NOTES FORMING PART OF ACCOUNTS</b>	8		

The schedules referred to above and notes attached form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

**Y. V. S. SRVANKUMAR**

Company Secretary

**RAVI UPPAL**

Director

**S. N. ROY**

Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before tax &amp; extraordinary items</b>	<b>64,672,233</b>	<b>(7,381,787)</b>
<b>Adjustment for</b>		
Dividend received	(51,139,004)	-
Interest Income	(17,607,754)	-
Stamp Duty Expenses	<b>3,827,550</b>	<b>7,140,000</b>
<b>Operating Profit before working capital changes</b>	<b>(246,975)</b>	<b>(241,787)</b>
<b>Adjustments for</b>		
(Increase) / Decrease in loans and advances	-	49,204
Increase / (Decrease) in trade payables	<b>(5,218,317)</b>	<b>7,341,687</b>
<b>Cash generated from operations</b>	<b>(5,465,292)</b>	<b>7,149,104</b>
Direct taxes refund / (paid) - [net of refund]	<b>(5,258,093)</b>	-
<b>Net Cash from / (used in) Operating Activities (A)</b>	<b>(10,723,385)</b>	<b>7,149,104</b>
<b>B. Cash Flow from Investing Activities</b>		
(Purchase) / Sale of current investments (net)	<b>(1,585,380,362)</b>	
Investments in subsidiary companies	-	<b>(510,000,000)</b>
Divestment of Investments in subsidiary companies	<b>1,531,020,000</b>	-
Interest received	<b>17,607,754</b>	-
Dividend received from other investments	<b>51,139,004</b>	-
<b>Net Cash from / (used in) Investing Activities (B)</b>	<b>14,386,397</b>	<b>(510,000,000)</b>
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity shares	-	<b>510,000,000</b>
Stamp Duty Expenses	<b>(3,827,550)</b>	<b>(7,140,000)</b>
Interest Paid	-	-
<b>Net cash from / (used in) Financing Activities (C)</b>	<b>(3,827,550)</b>	<b>502,860,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(164,538)</b>	<b>9,104</b>
<b>Cash and Cash equivalents as at the beginning of the year</b>	<b>219,632</b>	<b>210,528</b>
<b>Cash and Cash equivalents as at the end of the year</b>	<b>55,094</b>	<b>219,632</b>

**Notes :**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**Y. V. S. SRAVANKUMAR**  
Company Secretary

**RAVI UPPAL**  
Director

**S. N. ROY**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,54,000,000 Equity Shares of Rs. 10 each (Previous Year 1,54,000,000 equity shares of Rs. 10 each)	1,540,000,000	1,540,000,000
<b>Issued,Subscribed &amp; Paid-up</b>		
1,53,492,000 equity shares of Rs. 10 each fully paid-up (Previous year 1,53,492,000 equity shares of Rs. 10 each)	1,534,920,000	1,534,920,000
(The entire shares are held by Larsen & Toubro Limited, the holding company and its nominees)		
<b>TOTAL</b>	<b>1,534,920,000</b>	<b>1,534,920,000</b>

**SCHEDULE - 2****INVESTMENTS (at cost unless otherwise specified)****(A) Long Term Investments****(i) Subsidiary Companies**

(a) Fully paid equity shares	-	1,531,020,000
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**(B) Current Investments**

(a) Mutual Funds	1,585,380,361	-
------------------	---------------	---

**TOTAL**

<b>1,585,380,361</b>	<b>1,531,020,000</b>
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**Details of quoted / unquoted investments**

## Quoted investments

Book Value	1,585,380,361	-
Market Value	1,585,380,361	-

## Unquoted investments

Book Value	-	1,531,020,000
------------	---	---------------

## Details of Investments

Particulars	Number of Units / Shares					As at 31.03.2011	As at 31.03.2010
	Face value per unit	As at 01.04.2010	Purchased/ subscribed during the year	Sold / deduction during the year	As at 31.03.2011		
	Rupees	Rupees	Rupees	Rupees	Rupees		
<b>(A) Long Term Investments</b>							
<b>(i) Subsidiary Companies</b>							
L&T - MHI Boilers Private Limited	10	76,551,000	-	76,551,000	-	-	765,510,000
L&T - MHI Turbine Generators Private Limited	10	76,551,000	-	76,551,000	-	-	765,510,000
<b>(B) Current Investments</b>							
<b>(i) Mutual Funds</b>							
L&T - Fixed Maturity Plan	10	-	110,744,861	100,744,861	10,000,000	100,000,000	-
L&T - Liquid Fund - Institutional Plan Plus-Daily Dividend Reinvestment	10	-	206,140,621	59,310,222	146,830,399	1,485,380,361	-
<b>TOTAL</b>					156,830,399	1,585,380,361	1,531,020,000

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Details of Investments purchased and sold during the year**

<b>Particulars</b>	<b>Face Value Rs. per unit</b>	<b>Nos</b>	<b>Cost Rupees</b>
<b>Mutual Funds</b>			
L&T - Fixed Maturity Plan	10	50,000,000	500,000,000
L&T - Fixed Maturity Plan	10	50,744,861	507,448,609
L&T - Liquid Fund - Institutional Plan Plus-Daily Dividend Reinvestment	10	59,310,222	593,102,221

**As at 31.03.2011****As at 31.03.2010**

<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
---------------	---------------	---------------	---------------

**SCHEDULE - 3****CURRENT ASSETS, LOANS & ADVANCES****Cash And Bank Balances**

Cash on hand	-	-	
Balances with scheduled banks on current account	<u>55,094</u>	<u>219,632</u>	
		<b>55,094</b>	<b>219,632</b>

**Loans and Advances****Unsecured****Considered good**

Advance Tax (A.Y. 2011-12)	<u>3,500,000</u>		
Tax Deducted at Source (A.Y. 2011-12)	<u>1,760,754</u>	<u>2,661</u>	
	<b>5,260,754</b>	<b>2,661</b>	
Less: Provision for tax	<u>(3,914,821)</u>	<u>-</u>	

**1,345,933****2,661****TOTAL****1,401,027****222,293****SCHEDULE - 4****CURRENT LIABILITIES & PROVISIONS****Current Liabilities****Sundry Creditors**

Due to Larsen & Toubro Limited (holding Company)	<u>3,883,452</u>	<u>9,108,939</u>	
Others	<u>12,685</u>	<u>5,515</u>	

**3,896,137****9,114,454****Provisions****-****-****TOTAL****3,896,137****9,114,454**

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - 5</b>				
<b>OTHER INCOME</b>				
<b>Interest Income</b>				
Interest received on inter -corporate deposits from parent Company (Tax deducted at source Rs. 17,60,754, previous year Rs. Nil)	<b>17,607,534</b>		–	
		<b>17,607,534</b>		–
<b>Dividend Income</b>				
From current investments	<b>51,139,004</b>		–	
		<b>51,139,004</b>		
<b>Others</b>				
Interest on Income Tax refund for AY 2008-09		<b>220</b>		–
<b>TOTAL</b>		<b>68,746,758</b>		–
<b>SCHEDULE - 6</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
<b>Auditors Remuneration</b>				
Audit Fees	<b>8,000</b>		5,000	
Tax Audit Fees	<b>3,500</b>		–	
Certification Fees	<b>3,500</b>		3,251	
		<b>15,000</b>		8,251
Fees for increase in Share capital		–		7,140,000
Subscription charges - Others		<b>55,150</b>		40,000
Rates & Taxes		<b>1,547</b>		515
Stamp Duty		<b>3,827,550</b>		–
Miscellaneous Expenses		<b>175,278</b>		193,021
<b>TOTAL</b>		<b>4,074,525</b>		7,381,787

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - 7****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the accounting standards referred to in Section 211 (3C) and other requirements of the Companies Act, 1956.

**2. Investments**

Long term investments are carried at cost, after providing for any diminution in value, if such diminution is of permanent nature.

Current investments are carried at lower of cost or market value.

**SCHEDULE - 8****NOTES FORMING PART OF ACCOUNTS**

1. There are no amounts due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

2. Disclosure of related parties/related party transactions:

2.1 List of related parties over which control exists:

SI No.	Nature of the related party	Relationship
1	L&T MHI-Boilers Private Limited	Subsidiary
2	L&T MHI-Turbine Generators Private Limited	Subsidiary

2.2 Names of related parties with whom transactions were carried out during the year and description of relationship:

**Holding Company**

Larsen & Toubro Limited

2.3 Disclosure of related party transactions:

SI No.	Nature of the transaction/relationship/major parties	2010-2011	2009-2010
1	Reimbursement of expenses to Holding Company		
	Larsen & Toubro Limited	<b>4,057,978</b>	7,341,687
2	Interest on ICD to Larsen & Toubro Limited	<b>17,607,534</b>	-
3	Purchase of Investments from		
	Subsidiary:		
	L&T MHI-Boilers Private Limited	-	255,000,000
	L&T MHI-Turbine Generators Private Limited	-	255,000,000
4	Sale of Investments to		
	Holding Company:		
	Larsen & Toubro Limited	<b>1,531,020,000</b>	-

2.4 Amount due to / from related parties:

SI No.	Nature of the transaction/relationship/major parties	2010-2011	2009-2010
1	Due to Holding Company:		
	Larsen & Toubro Limited	<b>3,883,452</b>	9,108,939



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

3. Basic and Diluted Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share":

<b>Particulars</b>		<b>2010-2011</b>	<b>2009-2010</b>
<b>Basic</b>			
Profit / (Loss) after tax as per Accounts	A	<b>60,757,412</b>	<i>(7,381,787)</i>
Weighted average number of shares outstanding	B	<b>153,492,000</b>	<i>58,860,334</i>
<b>Basic EPS (Rupees)</b>	<b>A/B</b>	<b>0.40</b>	<i>(0.13)</i>
<b>Diluted</b>			
Profit / (Loss) after tax as per Accounts	A	<b>60,757,412</b>	<i>(7,381,787)</i>
Weighted average number of shares outstanding	B	<b>153,492,000</b>	<i>58,860,334</i>
Add : Weighted Average number of Potential Equity Shares arising out of Advance against Equity	C	–	– **
Weighted average number of shares outstanding for Diluted EPS	D (B + C)	<b>153,492,000</b>	<i>58,860,334</i>
<b>Diluted EPS (Rupees)</b>	<b>A/D</b>	<b>0.40</b>	<i>(0.13)</i>

\*\* Potential equity shares arising out of advance against equity are anti-dilutive, hence not considered in working of diluted EPS.

- 4 Estimated amount of contracts remaining to be executed on capital account (net of advances):- Rs. NIL.
- 5 The Company had the NIL foreign currency exposures that were unhedged as at March 31, 2011.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 6. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
 Date Month Year

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

##### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

##### Application of Funds

Net Fixed Assets (Including Preoperative Expenses)

Investments

+ - Net Current Assets/(Liabilities)

Misc. Expenditure

Accumulated Losses

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning per Share (in Rs.)

Dividend Rate %

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No.

(ITC Code)  
 Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI registration No. 109982W)  
 By the hand of

**FIRDOSH D. BUCHIA**  
 Partner  
 Membership No. 38332

**Y. V. S. SRAVANKUMAR**  
 Company Secretary

**RAVI UPPAL**  
 Director

**S. N. ROY**  
 Director

Place : Mumbai  
 Date : May 2, 2011

Place : Mumbai  
 Date : May 2, 2011

## DIRECTORS' REPORT

The Directors are pleased to present the report on the business and operations of the Company together with the Audited Statements of Accounts and the Auditor's Report for the ended March 31, 2011.

### FINANCIALS & PERFORMANCE OF THE COMPANY

Particulars	2010-2011 Rs. Lakhs	2009-2010 Rs. Lakhs
<b>Gross Revenue</b>	<b>114,108.84</b>	42,760.23
<b>Profit before depreciation &amp; taxes</b>	<b>(1,910.77)</b>	(6,374.29)
Less: Depreciation	<b>941.19</b>	115.34
<b>Profit Before Tax</b>	<b>(2,851.96)</b>	(6,489.63)
Less: Provision for Tax	<b>Nil</b>	0.48
<b>Profit After Tax</b>	<b>(2,851.96)</b>	(6,490.11)
<b>Balance Carried Forward</b>	<b>(9,788.37)</b>	(6,936.41)

During the year, the Company has reported a substantial growth in the revenue by 167% to Rs. 114,108.84 lakhs as against Rs. 42,760.23 lakhs in the previous year. This reflects a good progress achieved in completion of the customers projects. The sustained effort from the Management to remain competitive in the market has resulted in bringing down the loss significantly.

The Company has commenced the manufacturing facility during the year at Hazira, Surat. The Company has received the ISO 9001:2008 certification for quality management system and implemented SAP module in order to have a seamless integration with different functions with a focus on improving the business processes. Further, the Company has increased the talent pool and trained the employees to absorb the manufacturing technology at a faster pace. The current order book position is healthy and the Company is confident of improving the performance in the coming years.

### APPROPRIATIONS

There are no appropriations to the Company's earnings.

### DIVIDEND

Considering the initial phase of operations, the Company has not declared any dividend for the financial year under review.

### DEPOSITS

During the year under review, the Company has not accepted any deposit from the public.

### CAPITAL EXPENDITURE

As at March 31, 2011, the gross tangible and intangible assets, including capital work in progress, stood at Rs. 72,942.40 lakhs and the net tangible and intangible assets, including capital work in progress, at Rs. 71,795.34 lakhs. Additions during the year amounted to Rs. 44,494.86 lakhs including capital work-in-progress.

### SHARE CAPITAL

During the year Rs. 10,000.00 Lakhs has been infused as Share Capital of the Company. The total Equity Share Capital as on March 31, 2011 is Rs. 25,010.00 lakhs.

### AUDITOR'S REPORT

The Auditors' Report to the Shareholders does not contain any qualification.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

#### A. Conservation of Energy

The operations of the Company are energy intensive. Company has taken various measures to procure energy efficient equipments. We have taken utmost care in building the state-of-the-art manufacturing facility to conserve the energy. The new concept of Green Building is initiated and the administrative building is classified in Gold Category by Indian Green Building Council. The Company is in the process of introducing advanced ultra-supercritical turbines which are environment friendly. As an on-going manufacturing facility, the Company continuously adopts new technologies and techniques to make infrastructure more energy efficient.

##### (a) Energy Conservation measures taken:

- 1) Improving energy effectiveness / efficiency of equipment and systems
  - Use of GLS incandescent / conventional FTL lamps in various offices, workshops
  - Energy savings by installing real time clocks to control operation of centralized A/C plant compressors.

## L&T-MHI TURBINE GENERATORS PRIVATE LIMITED

- Installation of Auto-operations (Timer control) for HRU Ventilation System & A/c plant.
  - Thermo conductive booster for improvement in split & package AC performance.
  - Close monitoring of AC plants- setting optimum temperatures, controlled usage, etc.
  - Use of energy saving devices like time switches, zone controlled AC, auto hibernation for PC's, etc. to reduce energy consumption
  - Installation of energy efficient star rated ACs.
  - Use of Variable Frequency Drive (VFD) for various applications such as welding positioners, EOT cranes, etc. to improve the motor efficiency and enhance energy saving.
  - Stopping air leakages, installing new air solenoid valves in air line to control air combustion, etc.
  - Operating computers in Power saver mode.
  - Installation of APFC (automatic power factor controller) panels in the power circuit thus improving its power factor and enabling to claim rebate in energy bills.
  - Installation of VVVF Drives in new cranes and Transfer trolleys installed in shops. (VVVF Drives present in Long travel and hoist operation in all EOT cranes and motorized transfer trolley).
- 2) Improving energy effectiveness / efficiency of Manufacturing Processes
- Fitment of VFD's for EOT cranes.
  - Optimization of the operation of higher CFM compressors resulting in energy saving.
  - Centralized on / off control for compressors which will operate the compressors based on air consumption.
  - Use of Turbo ventilators to extract heat in the non air-conditioned areas of factory buildings.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**
- Use of lighting energy saver
  - Use of additional Inverter based welding machines for production shops
  - Use of Autoclave machine cooling system
  - Use of timer in welding machine to avoid continuous idle running
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**
- The measures taken have resulted in savings in cost of production, power consumption, reduction in carbon dioxide emissions & processing time.
- (d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries Specified in the Schedule is not applicable.**

### B. Technology

The Company continues to implement new technologies to meet the market needs. Since the manufacturing is in the initial stage, all the efforts are in absorbing the technology from parent company, hence there are no specific R&D activities during the year. No separate record of the expenditure incurred is maintained by the Company.

#### Technology Absorption, adaptation and innovation

- 1) Efforts in brief made towards technology absorption, adaptation and innovation:
- Evaluated imported equipment designs / technologies and implemented the state-of-the-art technology through indigenous developments along with alternative materials / components.
  - Interaction with external agencies / internal customers / suppliers for exposure to the latest products / designs.
  - Participating in national / international conferences, seminars and exhibitions.
  - Valuation, adaptation and / or modification of imported designs / technologies to suit indigenous requirements, alternative materials / components.
  - Use of state-of-the-art equipment, instrument and software.
  - Analyzing feedback from users to improve processes and services.
- 2) Benefits derived as a result of the above efforts are not quantifiable.

- 3) Information regarding technology imported during the last 5 years.

Technology Imported	Year of Import	Status
Knowhow and technical information for design, engineering and manufacture of supercritical Turbine from MHI, Japan and Generators from MELCO, Japan.	Nov 2007 onwards	Under Absorption

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is supplying Supercritical Steam Turbines and Generators to mega power plants which are classified as deemed exports.

Particulars	2010-2011 Rs. Lakhs	2009-2010 Rs. Lakhs
Foreign Exchange Earnings	Nil	8.36
Foreign Exchange saved / deemed exports	71,048.88	Nil
Foreign Exchange Outgo		
Capital Expenditure	17,412.72	3,605.65
Materials & Components	60,104.44	5,212.76
Others	2,067.52	104.25

#### DISCLOSURE OF PARTICULARS OF EMPLOYEES U/S 217(2A)

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended:

There was no employee –

- Employed through out the year, who has drawn aggregate remuneration of Rs. 60 lakhs per annum;
- Employed for part of the financial year, who has drawn remuneration at the rate of Rs 5 lakhs per month;
- Who holds 2% or more of the Equity shares of the Company and has been employed throughout or part of the financial year for remuneration.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profits of the Company for the year ended on that date;
- that 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;
- that the annual accounts have been prepared on a going concern basis;
- that proper system is in place to ensure compliance of all laws applicable to the Company; and
- as required under the Voluntary Corporate Governance Guidelines, 2009, the details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI

#### DIRECTORS

Mr. K. Ravi Kumar was appointed as Nominee Director on May 10, 2010 based on the nomination received from Larsen & Toubro Limited (L&T). L&T withdrew the nomination of Mr. K. Ravi Kumar as Director on the Board with effect from July 15, 2010 and accordingly Mr. K. Ravi Kumar ceased to be a Director of the Company.

Mr. Yasuo Nagashima submitted his resignation from the Board with effect from July 15, 2010. Mr. Yoshiyuki Hanasawa has been appointed as Director to fill up the said casual vacancy, with effect from the said date.

Mr. Hirokazu Nakagawa submitted his resignation from the Board with effect from April 1, 2011. Mr. Masayuki Kubo has been appointed as Director to fill up the said casual vacancy, with effect from the said date.

The Board of Directors places on record their appreciation for the contribution made by Mr. K. Ravi Kumar, Mr. Yasuo Nagashima and Mr. Hirokazu Nakagawa during their tenure as Director and welcome Mr. Yoshiyuki Hanasawa and Mr. Masayuki Kubo to the Board.

Mr. Ravi Uppal and Mr. Masayuki Kubo retire by rotation in the forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. They are senior and experienced business executives in the Industry and the Board considers their appointment to be beneficial to the Company.

## L&T-MHI TURBINE GENERATORS PRIVATE LIMITED

### AUDITORS

The Auditors M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. Certificate from the auditors has been received to the effect that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Company does not advocate rotation of Auditors as envisaged in Corporate Governance Voluntary Guidelines, 2009 in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partner shall be rotated every three years.

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below.

#### a) Separation of Offices of Chairman & Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. Ravi Uppal has been the Chairman of the Board whereas Mr. Subrat Das designated as Manager is the Chief Executive Officer of the Company.

#### b) Remuneration of Directors

The Directors are not paid any remuneration.

#### c) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

#### d) Number of Companies in which an Individual may become a Director

The Company has appraised its board members about the restriction on number of other directorships and the same is being complied with.

#### e) Responsibilities of the Board

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

#### f) Internal Auditors

Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services.

#### g) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

#### h) Secretarial Audit

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

#### i) Related Party Transactions

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

### ACKNOWLEDGEMENTS

The Directors wish to thank the Customers, Vendors and business associates for their continued support and valuable co-operation during the year. The Directors also wish to place on record their appreciation of the contribution made by employees at all levels. Our progress in setting up of world class hi-tech manufacturing facility was made possible by their hard work, commitment, co-operation and support. The Directors thank the Reserve Bank of India, Financial Institutions, Japan Bank for International Co-operation, Banks, Central & State Governments authorities and the stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : May 2, 2011

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF L&T-MHI TURBINE GENERATORS PRIVATE LIMITED**

We have audited the attached Balance Sheet of L&T-MHI Turbine Generators Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule M and notes appearing in Schedule N, 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:
    - 1) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - 2) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - 3) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*by the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

*Place : Mumbai*  
*Date : May 2, 2011*

## **ANNEXURE TO THE AUDITORS' REPORT**

(referred to in paragraph (1) of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets 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. Accordingly, the physical verification of the fixed assets have been carried out by management during the year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year and, in our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size and of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noted on such verification between physical stocks and book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of plant and machinery, equipment, other assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits from the public in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there were no disputed amounts in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2011.
- (x) The Company has not been registered for more than five years, hence paragraph (x) is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.



L&T-MHI TURBINE GENERATORS PRIVATE LIMITED

- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has not issued any secured debentures during the year and accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the year.
- (xi) 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*by the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

*Place : Mumbai*  
*Date : May 2, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A		2,501,000,000		1,501,000,000
<b>Reserves and Surplus</b>					
Hedge Reserve	B (i)		22,847,238		(66,743,453)
<b>Unsecured Loans</b>	B (ii)		<b>5,268,407,500</b>		<b>1,386,625,860</b>
<b>TOTAL</b>			<b><u>7,792,254,738</u></b>		<b><u>2,820,882,407</u></b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
<b>Tangible assets</b>					
Gross block	C (i)		5,039,449,309		177,152,366
Less: Depreciation			<u>69,796,457</u>		<u>4,155,561</u>
Net block			4,969,652,852		172,996,805
Capital work in progress			<u>1,647,025,388</u>		<u>2,336,124,891</u>
Total tangible assets			<b>6,616,678,240</b>		<b>2,509,121,696</b>
<b>Intangible assets</b>					
Gross block	C (ii)		202,217,999		152,545,977
Less: Amortization			<u>44,909,970</u>		<u>16,431,658</u>
Net block			157,308,029		136,114,319
Capital work in progress			<u>405,548,082</u>		<u>178,931,830</u>
Total intangible assets			<b>562,856,111</b>		<b>315,046,149</b>
			<b>7,179,534,351</b>		<b>2,824,167,845</b>
<b>Investments</b>	D		<b>312,159,243</b>		<b>1,120,354,616</b>
<b>Current assets, loans and advances</b>					
Inventories	E		51,207,630		12,858,403
Debtors			1,447,209,847		-
Cash and bank balances			129,056,140		130,920,588
Other Current Assets			7,910,864,665		3,359,182,928
Loans and advances			<u>4,355,817,672</u>		<u>2,102,517,127</u>
			<b>13,894,155,954</b>		<b>5,605,479,046</b>
<b>Less: Current liabilities and provisions</b>					
Current liabilities	F		14,558,819,902		7,416,301,425
Provisions			<u>13,612,067</u>		<u>6,458,441</u>
			<b>14,572,431,969</b>		<b>7,422,759,866</b>
<b>Net current assets / (liabilities)</b>			<b>(678,276,015)</b>		<b>(1,817,280,820)</b>
<b>Debit balance in Profit and Loss Account</b>			<b>978,837,159</b>		<b>693,640,765</b>
<b>TOTAL</b>			<b><u>7,792,254,738</u></b>		<b><u>2,820,882,407</u></b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES FORMING PARTS OF ACCOUNTS</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**S. K. DAS**  
Manager

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Hazira, Surat  
Date : May 2, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	2010-2011		2009-2010	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Sales and service	<b>G</b>	<b>11,256,513,865</b>		4,223,932,819	
Other income	<b>H</b>	<b>154,369,692</b>		52,090,325	
			<b>11,410,883,557</b>		4,276,023,144
<b>EXPENDITURE</b>					
Manufacturing and Operating expenses	<b>I</b>	<b>10,947,459,296</b>		4,273,249,005	
Staff expenses	<b>J</b>	<b>256,092,851</b>		107,564,822	
Sales, administration and other expenses	<b>K</b>	<b>358,703,800</b>		532,565,244	
Interest and brokerage expenses		<b>39,704,793</b>		73,124	
Depreciation and obsolescence of tangible assets		<b>65,640,898</b>		3,603,312	
Amortization of intangible assets		<b>28,478,312</b>		7,930,573	
			<b>11,696,079,950</b>		4,924,986,080
<b>Profit / (Loss) for the year</b>			<b>(285,196,393)</b>		(648,962,936)
Short provision of FBT for earlier year			-		(38,016)
Wealth tax for current year			-		(9,600)
Loss for the year after tax			<b>(285,196,393)</b>		(649,010,552)
Pre-operative expenses written off			-		-
<b>Profit / (Loss) brought forward</b>			<b>(693,640,766)</b>		(44,630,213)
<b>Balance carried to Balance Sheet</b>			<b>(978,837,159)</b>		(693,640,765)
Earnings per share (Note no. 7)			<b>(1.80)</b>		(4.88)
Face value per share			<b>10</b>		10
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>L</b>				
<b>NOTES FORMING PARTS OF ACCOUNTS</b>	<b>M</b>				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**S. K. DAS**  
Manager

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Hazira, Surat  
Date : May 2, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before tax &amp; extraordinary items</b>	<b>(285,196,393)</b>	<b>(648,962,938)</b>
<b>Adjustment for</b>		
Depreciation and Amortisation	94,119,210	11,533,885
(Profit) / Loss on Sale of Investment	(73,444,539)	(26,924,716)
Preliminary Expense Written Off	-	-
Pre-Operative Expense Written Off	-	-
Dividend from Investment	-	(1,304,593)
Interest from investments	(19,646,157)	(960,658)
Interest on term loan	39,232,422	64,386
Unrealised gains / losses on translation	(61,278,996)	(42,811,250)
<b>Operating Profit before working capital changes</b>	<b>(306,214,453)</b>	<b>(709,365,883)</b>
<b>Adjustments for</b>		
(Increase) / Decrease in loans and advances	(2,700,510,392)	(1,013,377,570)
(Increase) / Decrease in Inventory	(4,590,030,964)	(3,778,474,222)
Increase / (Decrease) in trade payables	7,239,262,794	6,545,399,927
<b>Cash generated from operations</b>	<b>(357,493,015)</b>	<b>1,044,182,252</b>
Direct taxes paid (net of refund)	-	47,943
<b>Net Cash from Operating Activities (A)</b>	<b>(357,493,015)</b>	<b>1,044,134,309</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets and Intangible Assets	(4,449,485,715)	(1,936,341,462)
Purchase of Investment	(1,312,159,243)	(1,105,004,289)
Sale of Investment	1,193,799,155	196,148,599
Pre-operative Expenses	-	-
Dividend Received from Investments	-	1,304,593
Interest received from investments	19,646,157	960,658
<b>Net Cash / (used in) from Investing Activities (B)</b>	<b>(4,548,199,646)</b>	<b>(2,842,931,902)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	1,000,000,000	500,000,000
Application money received	-	-
Proceeds from UnSecured loan	3,943,060,636	1,429,437,110
Interest on term loan	(39,232,422)	(64,386)
Expenses incurred for increase in Authorised Capital	-	-
<b>Net cash / (used in) from Financing Activities (C)</b>	<b>4,903,828,214</b>	<b>1,929,372,724</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(1,864,447)</b>	<b>130,575,131</b>
<b>Cash and Cash equivalents as at the beginning (including cash credit from banks)</b>	<b>130,920,588</b>	<b>345,457</b>
<b>Cash and Cash equivalents as at the end</b>	<b>129,056,140</b>	<b>130,920,588</b>

**Notes:**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances including Fixed Deposits Under lien for Bank Guarantees Rs. 5,04,58,396.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**S. K. DAS**  
Manager

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Hazira, Surat  
Date : May 2, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
26,50,00,000 Equity Shares of Rs. 10 each (Previous Year: 16,50,00,000 Equity Shares of Rs. 10 each)	<u>2,650,000,000</u>	<u>1,650,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
12,75,51,000 Equity shares of Rs. 10 each fully paid held by Larsen & Toubro Limited (Previous Year: 7,65,51,000 Equity shares of Rs. 10 each fully paid)	<u>1,275,510,000</u>	<u>765,510,000</u>
10,75,39,000 Equity shares of Rs. 10 each fully paid held by Mitsubishi Heavy Industries Limited (Previous Year: 5,85,39,000 Equity shares of Rs. 10 each fully paid)	<u>1,075,390,000</u>	<u>585,390,000</u>
1,50,10,000 Equity shares of Rs. 10 each fully paid held by Mitsubishi Electric Corporation (Previous Year: 1,50,10,000 Equity shares of Rs. 10 each fully paid)	<u>150,100,000</u>	<u>150,100,000</u>
<b>TOTAL</b>	<u><u>2,501,000,000</u></u>	<u><u>1,501,000,000</u></u>

**SCHEDULE - B (i)****RESERVES AND SURPLUS****Hedge Reserve**

Opening Balance	(66,743,453)	-
Add: Additions / (Deductions)	<u>89,590,691</u>	<u>(66,743,453)</u>
<b>TOTAL</b>	<u><u>22,847,238</u></u>	<u><u>(66,743,453)</u></u>

**SCHEDULE - B (ii)****UNSECURED LOANS**

Loan from Financial Institution (Japan Bank for International Co-operation)	<u>2,631,105,000</u>	<u>1,386,625,860</u>
Loan from Financial Institution (The Bank Of Tokyo-Mitsubishi UFJ Ltd. - External Commerical Borrowing)	<u>2,637,302,500</u>	<u>-</u>
<b>TOTAL</b>	<u><u>5,268,407,500</u></u>	<u><u>1,386,625,860</u></u>

**SCHEDULE - C (i)****FIXED ASSETS - TANGIBLE**

TANGIBLE ASSET	COST / VALUATION				DEPRECIATION			BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Building	-	1,103,873,860	-	1,103,873,860	-	8,532,775	-	8,532,775	1,095,341,085	-
Plant & Machinery	146,813,015	3,478,064,931	-	3,624,877,946	1,046,317	48,275,639	-	49,321,956	3,575,555,990	145,766,697
Furniture & Fixtures	8,508,455	39,522,382	-	48,030,837	282,595	1,838,905	-	2,121,500	45,909,337	8,225,859
Motor Vehicles	5,156,184	1,506,187	-	6,662,371	722,736	811,433	-	1,534,169	5,128,202	4,433,448
Electrical Equipments	258,982	206,569,429	-	206,828,411	5,172	2,465,314	-	2,470,486	204,357,925	253,810
Air Conditioners	1,154,513	2,783,750	-	3,938,263	44,727	154,143	-	198,870	3,739,393	1,109,786
Tools, Jigs & Fixtures	3,257,380	-	-	3,257,380	633,317	368,410	-	1,001,727	2,255,653	2,624,063
Office Equipments	2,041,920	1,789,256	-	3,831,176	122,913	233,409	-	356,322	3,474,854	1,919,007
Computers	9,961,916	28,187,149	-	38,149,065	1,297,782	2,960,870	-	4,258,652	33,890,413	8,664,134
<b>TOTAL</b>	<b>177,152,365</b>	<b>4,862,296,944</b>	<b>-</b>	<b>5,039,449,309</b>	<b>4,155,559</b>	<b>65,640,898</b>	<b>-</b>	<b>69,796,457</b>	<b>4,969,652,853</b>	<b>172,996,804</b>
Capital Work In Progress									1,647,025,388	2,336,124,891
<b>TOTAL</b>	<b>177,152,365</b>	<b>4,862,296,944</b>	<b>-</b>	<b>5,039,449,309</b>	<b>4,155,559</b>	<b>65,640,898</b>	<b>-</b>	<b>69,796,457</b>	<b>6,616,678,241</b>	<b>2,509,121,696</b>
Previous Year	9,190,512	167,961,854	-	177,152,366	552,249	3,603,312	-	4,155,561	2,509,121,696	

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)****SCHEDULE - C (ii)****FIXED ASSETS - INTANGIBLE**

INTANGIBLE ASSET	COST / VALUATION				DEPRECIATION				BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Computer Software	3,511,470	10,612,897	–	14,124,367	843,602	2,222,226	–	3,065,828	11,058,539	2,667,868	
Engineering & Technical Know-how Fees	149,034,507	39,059,125	–	188,093,632	15,588,056	26,256,086	–	41,844,142	146,249,490	133,446,451	
<b>TOTAL</b>	<b>152,545,977</b>	<b>49,672,022</b>	<b>–</b>	<b>202,217,999</b>	<b>16,431,658</b>	<b>28,478,312</b>	<b>–</b>	<b>44,909,970</b>	<b>157,308,029</b>	<b>136,114,319</b>	
Capital Work in Progress									405,548,082	178,931,830	
<b>TOTAL</b>	<b>152,545,977</b>	<b>49,672,022</b>	<b>–</b>	<b>202,217,999.00</b>	<b>16,431,658</b>	<b>28,478,312</b>	<b>–</b>	<b>44,909,970</b>	<b>562,856,111</b>	<b>315,046,149</b>	
Previous Year	43,412,654	109,133,323	–	152,545,977.00	8,501,085	7,930,573	–	16,431,658	315,046,149		

As at 31.03.2011    As at 31.03.2010  
                    Rupees                                            Rupees                    

**SCHEDULE - D****INVESTMENT****Current Investments - unquoted****Investment in Mutual Funds**

L&amp;T Mutual Fund - FMP-II (November 91 D A Growth)

312,159,243

–

(3,06,09,249 units purchased during the year and Nil units sold during the year)

HDFC Cash Management Fund (Treasury Advantege Plan - Wholesale)

–

15,350,327

ICICI Prudential Flexible Income Plan Premium - Growth

–

90,773,699

ICICI Prudential Ultra Short Term Plan Premium Plus Growth

–

1,014,230,590

**TOTAL****312,159,243****1,120,354,616****Particulars of Investments Purchased and Sold during the year****Particulars**

Particulars	Units
HDFC Cash Management Fund (Saving Plan - Growth)	44,253,386
HDFC FMP 90D July 2008(VIII)(I) - Whole Sale Plan Growth	20,000,000
ICICI Prudential Ultra Short Term Plan Premium Growth	36,661,125
ICICI Prudential Blended Plan B Institutional Growth	20,609,551
L&T Freedom Income Short Term Plan - Inst.-Cum growth	12,278,185
L&T Liquid Sup. Institutional Plan - Cumulative	147,999,686
L&T FMP - I (August 91 DA) - Growth	30,096,703
L&T FMP - I (August 125 DA) - Growth	5,000,000
L&T FMP - II (December 91 DA) - Growth	1,859,444
L&T FMP - II (December 91 DB) - Growth	5,122,400
IDFC Money Manager Fund -Treasury Plan - C - Growth	17,445,918
Birla Sun Life Cash Plus - Instl. - Growth	13,873,083
Birla Sun Life Cash Manager - Inst. - Growth	22,952,691

As at 31.03.2011

As at 31.03.2010

                    Rupees  Rupees  Rupees  Rupees                    **SCHEDULE - E****CURRENT ASSET, LOANS & ADVANCES****Current Assets**

Inventories: (At cost or market value whichever is lower)

Raw material

718,674

1,557,932

Components

1,500,988

4,287,711

Stores - Tools, Jigs &amp; Fixtures

18,564,705

7,012,760

Consumables

30,423,263

–

**51,207,630****12,858,403**

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Sundry Debtors				
Considered Good		1,447,209,847		–
Cash and bank balances				
Cash on hand	41,822		32,249	
Balance with scheduled banks:				
On current account	74,116,512		27,273,732	
Fixed deposits including Interest Accrued thereon (Fixed deposits are under lien)	50,538,230		103,614,607	
Balance with Non scheduled banks:				
On current account	4,359,576		–	
		129,056,140		130,920,588
Other Current Assets				
Due from Customers (Project related activity)		7,910,864,665		3,359,182,928
<b>Loans and advances</b>				
Unsecured considered good				
Advances recoverable in cash or in kind or for value to be received	2,787,270,628		1,966,023,684	
Receivable from				
Larsen & Toubro Ltd.	81,152,519		–	
Mitsubishi Heavy Industries Ltd	11,385,900		3,171,310	
Others	–		–	
Forward Contract Receivable	28,922,824		–	
ICD To Larsen & Toubro Ltd.	1,000,000,000		–	
Deposits	40,654,523		5,387,097	
Current Taxes (Net of provision : Rs. Nil; Previous Year : Rs. Nil)	6,918,769		1,603,289	
Balance with Customs, Central Excise Authorities etc.	399,512,509		126,331,747	
		4,355,817,672		2,102,517,127
<b>TOTAL</b>		<b>13,894,155,954</b>		<b>5,605,479,046</b>

**SCHEDULE - F****CURRENT LIABILITIES & PROVISIONS****Current Liabilities**

## Sundry Creditors

## Liability to -

Holding Company & its Group Companies	236,811,305		220,895,519	
Mitsubishi Heavy Industries Limited	453,243,274		109,969,383	
Mitsubishi Electric Corporation	131,300,745		54,711,612	
Others	9,181,752,923		3,846,108,861	
Forward Contract Payable	937,550		–	
Tax Deducted at source	36,335,813		26,399,741	
Taxes & Duties Payable	26,506,706		23,807,502	
Deposit Received	822,769		780,531	
Advance from customer				
Larsen & Toubro Limited	4,491,108,817		3,133,628,276	
		14,558,819,902		7,416,301,425
<b>Provisions for</b>				
Compensated Absences		13,612,067		6,458,441
<b>TOTAL</b>		<b>14,572,431,969</b>		<b>7,422,759,866</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>SALES</b>				
Project related activity		<b>11,256,513,865</b>		<b>4,223,932,819</b>
<b>TOTAL</b>		<b>11,256,513,865</b>		<b>4,223,932,819</b>
<b>SCHEDULE - H</b>				
<b>OTHER INCOME</b>				
Profit on sale of investment		<b>73,444,539</b>		<b>26,924,716</b>
Dividend income		–		<b>1,304,593</b>
Interest on fixed deposits (TDS: Rs. 14,71,845)		<b>19,646,157</b>		<b>960,658</b>
Profit on revaluation of Loans		<b>61,278,996</b>		–
Other income		–		<b>22,900,358</b>
<b>TOTAL</b>		<b>154,369,692</b>		<b>52,090,325</b>
<b>SCHEDULE - I</b>				
<b>MANUFACTURING EXPENSES</b>				
Material consumed:				
Raw Materials		<b>1,263,603,588</b>		<b>4,134,639,684</b>
Components		<b>9,234,431,226</b>		–
		<b>10,498,034,814</b>		<b>4,134,639,684</b>
Less: Scrap sale		<b>4,103,838</b>		<b>235,500</b>
		<b>10,493,930,976</b>		<b>4,134,404,184</b>
Tools, jigs and fixtures		<b>94,023,152</b>		<b>22,423,672</b>
Consumables		<b>51,585,328</b>		<b>23,958,627</b>
Power and fuel expenses		<b>31,632,278</b>		<b>16,534,357</b>
Engineering, Technical & Consultancy Fees		<b>204,804,726</b>		<b>68,915,184</b>
Clearing & Forwarding Charges		<b>3,244,498</b>		–
Packing & Forwarding Charges		<b>18,418,982</b>		–
Repairs to Plant & Machinery		<b>8,994,880</b>		<b>7,012,981</b>
General Repair & Maintenance		<b>1,369,244</b>		–
Other Expenses		<b>39,455,232</b>		–
<b>TOTAL</b>		<b>10,947,459,296</b>		<b>4,273,249,005</b>



**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - J</b>				
<b>STAFF EXPENSES</b>				
Salaries & Wages		228,674,774		99,312,435
Contribution to & Provision for				
Employee Provident Fund & Pension Scheme	5,319,658		2,186,279	
Superannuation Scheme	–		1,272,922	
Gratuity Fund	1,670,596		2,189,490	
		<b>6,990,254</b>		<b>5,648,691</b>
Welfare & Other Expenses		20,427,823		2,603,696
<b>TOTAL</b>		<b>256,092,851</b>		<b>107,564,822</b>
<b>SCHEDULE - K</b>				
<b>SALES, ADMINISTRATION &amp; OTHER EXPENSES</b>				
Power & Fuel		206,149		–
Professional fees		20,770,284		7,665,690
Insurance		1,120,779		102,185
Rent		5,820,885		8,654,217
Rates and taxes		136,250		588,478
Travelling and conveyance		54,939,836		32,886,926
Repairs & Maintenance		38,317,474		3,387,162
Telephone, Postage and Telegram		2,783,608		2,047,096
Advertising & Publicity		16,877,607		699,192
Printing and stationery		2,929,826		1,204,291
Bank charges		56,393,859		995,901
Recruitment expenses		4,338,214		1,830,582
Training Expense		7,000,912		5,317,243
Health, safety and environment		5,885,283		915,667
Security Charges		7,467,127		2,888,821
Provision for foreseeable losses		58,261,335		458,317,000
Royalty		2,582,506		–
Foreign Exchange Gain / (Loss)		52,729,865		–
Computer Softwares		7,322,973		1,813,734
Other expenses		12,819,028		3,251,059
<b>TOTAL</b>		<b>358,703,800</b>		<b>532,565,244</b>

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE - L

#### SIGNIFICANT ACCOUNTING POLICIES

##### COMPANY OVERVIEW

L&T-MHI Turbine Generators Private Limited (the Company) is a joint venture Company between Larsen & Toubro Limited & Mitsubishi Heavy Industries Limited, Japan. The Company has commenced the commercial production at the state-of-the-art Supercritical Steam Turbines and Generators manufacturing facility at Hazira, Surat.

#### A. Significant accounting policies

##### 1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention and on an accrual basis. GAAP comprises the applicable provisions of the Companies Act, 1956 and mandatory Accounting Standards as prescribed under Companies (Accounting Standards) Rules, 2006.

##### 2. Use of estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for operating expenses and useful lives of fixed assets.

##### 3. Revenue recognition

Contract revenue from construction related activity is recognized by adding the aggregate cost and proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date (including work performed by major suppliers) to the total estimated contract cost. Full provision is made for any loss in the period in which it is foreseen.

##### 4. Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Cost comprises purchase price (net of discounts and taxes / duties where credits are availed) plus directly attributable costs of bringing the asset to its location and working condition.

Depreciation on assets has been provided on straight line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. However, in respect of the following asset categories, the depreciation is provided at higher rates in line with their estimated useful life.

Category of Asset	Rate of Depreciation (% p.a.)
Furniture and Fixtures	10.00
Office Equipments	6.67
Air conditioning and refrigeration equipments	8.33
Computer under company's PC Scheme policy	25.00
Motor Cars	14.14

##### Intangible assets and amortization

Intangible assets are recognized as per the criteria specified in Accounting Standard 26 – Intangible assets prescribed under the Companies (Accounting Standards) Rules, 2006. Intangible assets are amortized as under:

- i. Specialized software over a period of three years
- ii. Engineering Fees and Lump sum fee for technical know-how over a period of 6 years

##### 5. Employee benefits

###### Short term employee benefit

- i. All employee benefits payable within one year like salaries, wages, accumulating short term compensated absences ("leave entitlements"), etc. are recognized in the period in which the employee renders the related service which entitles him to avail such benefits.
- ii. The expected cost of profit sharing and bonus payments are recognized when (i) there is a present obligation to make such payments as a result of past events and (ii) a reliable estimate of the liability can be made.

###### Post employment benefits

- i. Defined contribution plans: State administered pension scheme is classified as defined contribution plan. The contribution paid / payable under defined contribution plan is recognized during the period in which the employee renders related service.
- ii. Defined benefit plans: The Employees' Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India, Provident Fund Scheme managed by the Holding Company (Larsen & Toubro Limited), and the Employee's Superannuation Scheme and Pension Scheme are the Company's defined benefit plans. Wherever applicable, the present value of obligation under such defined benefit plans are determined based on actuarial valuation. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plan to recognize the obligation on the net basis.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****6. Foreign currency transactions**

- i. The reporting currency of the Company is Indian Rupee.
- ii. Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rate at the date of the transaction. Exchange differences arising on subsequent settlement / year end re-statement are recognized in the Profit and Loss Account.
- iii. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard 11-The Effects of Changes in Foreign Exchange Rates. Exchange differences arising on such contracts are recognized in the period in which they arise. Gains and losses arising on account of roll over / cancellation of forward contracts are recognized as income / expense of the period in which such roll over / cancellation takes place.

**7. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying asset are capitalized as part of costs of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

**8. Investments**

Investments intended to be held for one year or more are classified as long term investments and are carried at cost less permanent diminution in value. Current investments are carried at lower of cost or market value. The determination of carrying cost of such investments is done on the basis of specific identification.

**9. Inventories**

- a) Inventories of raw materials, components, stores, tools, jigs and fixtures are valued, after providing for obsolescence, at the lower of weighted average cost and net realizable value.
- b) Project related work in progress is valued at cost till such time as the outcome of the job cannot be ascertained reliably and at net realizable value thereafter.

**10. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses, losses under the head 'capital gains' are recognized and carried forward to the extent that there is virtual certainty that sufficient further taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**11. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated. Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a probable obligation arising from a past event, when it is probable that an outflow of resources will be required to settle the obligation or
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**SCHEDULE - M****NOTES FORMING PART OF ACCOUNTS**

1. Employee Benefits – Provision for / contributions to retirement benefit schemes are made in accordance with Accounting Standard – 15 Employee Benefits as follows –

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****General description of Defined Benefit Plans**

The Company makes contributions to the Employees Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to employees at retirement, death while in employment or termination of employment, of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

## a. Amount recognized in the Balance Sheet

<b>Particulars</b>	<b>Gratuity Plan (wholly funded) 2010-2011 Amount (Rs.)</b>	<b>Gratuity Plan (wholly funded) 2009-2010 Amount (Rs.)</b>
A) i) Present value of defined benefit obligation	<b>37,86,345</b>	18,83,256
ii) Fair value of plan assets	<b>29,25,916</b>	5,77,044
Amount to be recognized as liability or (asset) (i-ii)	<b>8,60,429</b>	13,06,212
B) Amount reflected in Balance Sheet		
Liabilities	<b>8,60,429</b>	13,06,212
Assets	<b>Nil</b>	Nil
Net liability / (asset)	<b>8,60,429</b>	13,06,212

## b. The amounts recognized in the Profit &amp; Loss Account

<b>Particulars</b>	<b>Gratuity Plan 2010-2011 Amount (Rs.)</b>	<b>Gratuity Plan 2009-2010 Amount (Rs.)</b>
1. Current Service Cost	<b>8,10,869</b>	3,36,217
2. Interest Cost	<b>1,50,660</b>	15,624
3. Actual Return on Plan Assets	<b>(2,32,493)</b>	(47,646)
4. Actuarial Losses / (Gains)	<b>9,41,560</b>	13,36,112
<b>Total Expenses for the year</b>	<b>16,70,596</b>	16,40,307
5. Total Included in Staff Expenses (1 to 4)	<b>16,70,596</b>	16,40,307

## c. The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof as follows.

<b>Particulars</b>	<b>Gratuity Plan 2010-2011 Amount (Rs.)</b>	<b>Gratuity Plan 2009-2010 Amount (Rs.)</b>
Opening balance of the present value of defined benefit obligation	<b>18,83,256</b>	1,95,303
Add: Current Service Cost	<b>8,10,869</b>	3,36,217
Add: Interest Cost	<b>1,50,660</b>	15,624
Add: Contribution by Plan participants	<b>Nil</b>	Nil
Add / (Less): actuarial (Gains) / Losses	<b>9,41,560</b>	13,36,112
Less: Benefit paid	<b>Nil</b>	Nil
Closing Balance of the present value of defined benefit obligation	<b>37,86,345</b>	18,83,256

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- d. Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

<b>Particulars</b>	<b>Gratuity Plan 2010-2011 Amount (Rs.)</b>	<i>Gratuity Plan 2009-2010 Amount (Rs.)</i>
Opening balance of fair value of the Plan Assets	<b>5,77,044</b>	5,29,398
Add: Expected Return of Plan Assets	<b>2,32,493</b>	47,646
Less: Actuarial Gains / (Loss)	<b>Nil</b>	Nil
Add: Contribution by the Employer	<b>21,16,379</b>	Nil
Add: Contribution by Plan Participants	<b>Nil</b>	Nil
Less: Benefit paid	<b>Nil</b>	Nil
Closing Balance of fair value of defined benefit obligation	<b>29,25,916</b>	5,77,044

The Company expects to Contribute Rs. 31,12,036 towards its Gratuity Plan during the FY 2011-12.

- e. The major categories of Plan Assets as a percentage of total plan assets are as follows:

	<b>Gratuity Plan</b>
Govt. of India Securities	Scheme with Life Insurance Corporation
State Govt. Securities	
Corporate Bonds	
Public Sector Bonds	

- f. Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages)

<b>Particulars</b>	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
Discount rate	<b>8%</b>	8%
Attrition Rate	<b>6%</b>	6%
Salary Growth Rate	<b>7%</b>	7%

The estimates of future salary increases considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- g. The amount pertaining to defined benefit plans for the current year are as follows:

<b>Particulars</b>	<b>2010-2011 Amount (Rs.)</b>	<i>2009-2010 Amount (Rs.)</i>
Defined Benefit Obligation	<b>37,86,345</b>	18,83,256
Plan assets	<b>29,25,916</b>	5,77,044
Surplus / (Deficit)	<b>(8,60,429)</b>	(13,06,212)

- h. The Company has contributed Rs. 17,09,708 towards employees pension scheme during the year, which is included in Schedule K Staff Expenses
- i. The Provident Fund is managed by the holding company – Larsen & Toubro Limited. The said fund is a defined benefit plan but as the fund is consolidated for the holding company and certain of its subsidiaries and associates, information regarding plan assets and defined benefit obligations and other matters of the company is not separately available. However, the said fund has sufficient assets to pay its liabilities in the normal course of operations and no liability is expected to devolve on the Company.

2. Auditors remuneration / expenses (excluding service tax) charged to Accounts

<b>Particulars</b>	<b>2010-2011 Amount (Rs.)</b>	<i>2009-2010 Amount (Rs.)</i>
Audit Fees	<b>100,000</b>	100,000
Transfer Pricing	<b>20,000</b>	20,000
Tax Audit	<b>40,000</b>	40,000
Certification work	<b>57,400</b>	21,500

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3. a) Expenditure in Foreign Currency

Particulars	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
Travelling Expenses	1,08,07,195	67,45,238
Supervision / Deputation Charges	19,60,06,213	6,89,15,184
Engineering Fees	3,90,59,125	10,67,16,875
Technical Know-how	Nil	Nil
Capital Expenditure	1,82,18,00,283	35,54,85,489

## b) Expenditure in Foreign Currency

Particulars	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
Deemed Export	7,10,48,87,792	Nil

4. There are no amounts due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006, as at March 31, 2011. (Previous Year : Rs. Nil)

## 5. Disclosure pursuant to Accounting Standard (AS) 7 (Revised):

Sr. No.	Particulars	Amount (Rs.)
i)	Contract revenue recognized for the year ended March 31, 2011	11,25,65,13,865
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses)	7,91,08,64,665
iii)	Amount of customer advances outstanding for contracts in progress as at March 31, 2011	4,49,07,35,244
iv)	Retention amounts due from customers for contracts in progress as at March 31, 2011	1,44,81,69,887

## 6. Related party disclosure

## a) List of related parties over whom control exists and who exercise control:

Sr. No.	Related Party
1	Larsen & Toubro Limited
2	Mitsubishi Heavy Industries Limited, Japan

## b) Names of related parties with whom transactions were carried out during the year and description of relationship:

Sr. No.	Related Party	Relationship
1	Larsen & Toubro Limited	Holding Company
2	L&T-Valdel Engineering Limited	Fellow subsidiary
3	L&T-MHI Boilers Private Limited	Fellow subsidiary
4	Larsen & Toubro Infotech Limited	Fellow subsidiary
5	L&T-Sargent & Lundy Limited	Fellow subsidiary
6	L&T Power Limited	Fellow subsidiary
7	EWAC Alloys Limited	Fellow subsidiary
8	Mitsubishi Heavy Industries Limited	Joint Venture Partner
9	Mitsubishi Electric Corporation	Joint Venture Partner

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

c) Disclosure of related party transactions:

Sr. No.	Particulars	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
1	Deputation Fees - Mitsubishi Heavy Industries Limited	2,85,64,455	2,11,41,128
2	Consultancy Charges to Mitsubishi Heavy Industries Limited	10,67,39,114	3,38,60,796
3	Consultancy Charges to Mitsubishi Electric Corporation	6,07,02,644	1,39,13,260
4	Engineering Fees - Mitsubishi Heavy Industries Limited	1,56,46,750	6,74,29,375
5	Engineering Fees - Mitsubishi Electric Corporation	2,34,12,375	3,92,87,500
6	Software License & Services from L&T- Valdel Engineering Limited	10,72,065	10,07,075
7	Supply of tools from Ewac Alloys Limited	15,98,278	Nil
8	Software Support - Larsen & Toubro Infotech Limited	19,57,656	9,43,065
9	Services & other charges		
	from L&T-MHI Boilers Private Limited	59,17,843	Nil
	from Larsen & Toubro Limited		
	On Revenue Account	34,58,33,251	10,41,25,402
	On Capital Account	1,00,14,18,010	1,10,05,95,992
	(Also refer note no. 15)		
10	Interest received from Larsen & Toubro Limited	52,60,274	Nil
11	Inter Company Deposit with Larsen & Toubro Limited	1,00,00,00,000	Nil
12	Revenue & Services to Larsen & Toubro Limited	11,25,65,13,864	422,39,32,819

d) Amount due to / from related parties:

Sr. No.	Particulars	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
	<b>Amount due to related parties:</b>		
1	Larsen & Toubro Limited	4,72,08,43,520	22,05,33,811
2	L&T-MHI Boiler Private Limited	57,84,496	1,45,882
3	L&T-Valdel Engineering Limited	139,291	2,15,826
4	Larsen & Toubro Infotech Limited	433,686	Nil
5	Ewac Alloys Limited	143,149	Nil
6	Mitsubishi Heavy Industries Limited	7,59,90,829	10,99,69,383
7	Mitsubishi Electric Corporation	16,12,91,644	5,47,11,612
	<b>Amount due from related parties:</b>		
1	Larsen & Toubro Limited	1,52,93,22,405	Nil
2	Mitsubishi Heavy Industries Limited	1,18,09,672	31,71,310
3	Mitsubishi Electric Corporation	8,95,002	Nil

7. Basic Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per share".

Particulars	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
Loss after tax as per Accounts	28,51,96,393	64,90,10,554
Weighted average number of shares outstanding	15,85,93,151	13,29,76,712
Basic EPS	(1.80)	(4.88)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

8. The Company has firm commitments payable denominated in foreign currency at the Balance Sheet date aggregating to Rs. 20,76,76,56,754 as under:-

Currency	2010-2011 Amount (Rs.)	2009-2010 Amount (Rs.)
US Dollar	19,55,56,756	5,07,80,957
Euro	3,56,10,23,362	65,82,31,061
Japanese Yen	17,01,07,11,030	11,74,62,13,224
GBP	Nil	8,51,000
CHF	3,65,606	16,74,78,332

The particulars of derivative contracts entered into for hedging purposes outstanding as on March 31, 2011 are as under:

- Forward contract for payables including firm commitments and highly probable transactions is Rs. 3,38,23,630.
  - Forward contract for receivables including firm commitments and highly probable transactions is Rs. 1,18,40,95,000.
- An amount of Rs. 5,27,29,865 (net loss) (*previous year: Rs. 2,29,00,358 net profit*) has been accounted under respective revenue heads in the Profit and Loss Account towards exchange differences arising on foreign currency transactions and forward contracts covered under Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates".
  - Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 245,39,40,437 (*Previous Year - Rs. 317,85,24,797*).
  - Intangible assets includes a sum of Rs. 40,55,48,082 (as Capital Work-in-progress) towards land and land development cost paid to Larsen & Toubro Limited for which Lease Deed is yet to be executed.
  - An amount of Rs. 5,20,68,198 towards borrowing costs for qualifying asset is debited to Capital Work in Progress during FY 2010-11.
  - Advances received in the capacity of supplier of goods / services classified as "advances from customer" in the balance sheet include such advance of Rs. 4,490,735,244 received from Larsen & Toubro Limited.
  - Capital work in progress includes advances for Rs. 43,20,84,798.
  - Pursuant to the Employees Stock Options Scheme established by the holding company, i.e. Larsen & Toubro Limited, stock options were granted to the employees of the Company. Total cost incurred by the holding company, in respect of the same is Rs. 11,45,68,854. The same is being recovered over the period of vesting by the holding company. Accordingly, cost of Rs. 5,54,80,568 (*Previous Year Rs. 2,15,26,561*) has been recovered by the holding company upto current year, out of which, Rs. 3,39,54,007 (*Previous Year Rs. 1,65,53,374*) was recovered during the year. Balance Rs. 5,90,88,286 will be recovered in future periods.
  - Details of raw materials, components consumed and inventories:
    - Raw Materials and Components consumed

Particulars	Unit	Quantity	Value (Rs.)
Raw material	Kg	23,63,395.18	9,47,78,033
	Meter	4,717.43	20,55,388
	Nos.	33,776.00	43,38,586
	Others		1,16,24,31,581
Components	Meter	11.00	1,79,412
	Nos.	8353.77	5,27,30,61,702
	Set	39.00	53,77,66,690
	Others		3,42,34,23,421
Tools, Jigs & Fixtures	Kg	5230.00	1,87,285
	Nos.	14736.00	1,84,90,488
	Others		7,53,45,378
Others			5,15,85,328
<b>TOTAL</b>			<b>10,64,36,43,294</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## b) Inventories

Particulars	Unit	Quantity	Value
Raw material	Kg	59,665.46	1,46,726
	Meter	990.363	4,45,692
	Nos.	6,707.00	1,26,256
Components	Nos.	946.00	15,00,988
Tools, Jigs & Fixtures	Kg	113.40	68,374
	Meter	494.00	22,500
	Nos.	24043.96	1,84,73,830
Consumables	Kg	23,501.92	30,46,616
	Liter	8,598.00	23,69,691
	Meter	3,758.00	14,89,837
	Nos.	4,51,664.20	2,35,17,120
<b>TOTAL</b>			<b>5,12,07,630</b>

17. There are no Contingent liabilities as at March 31, 2011 (*Previous Year : Rs. Nil*)

18. Previous years figures have been re-grouped wherever necessary.



## DIRECTORS' REPORT

The Directors are pleased to present the report on the business and operations of the Company together with the Audited Statements of Accounts and the Auditor's Report for the year ended March 31, 2011.

### FINANCIAL RESULTS

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rs. Lakhs</b>	<i>Rs. Lakhs</i>
Total income	<b>104,658</b>	<i>3380</i>
Profit / (Loss) before Tax	<b>(5,235)</b>	<i>(2,828)</i>
Less: Provision for Tax	-	-
Profit / (Loss) after Tax	<b>(5,236)</b>	<i>(2,828)</i>

### PERFORMANCE OF THE COMPANY

The Company has completed setting up the first phase of its manufacturing facilities at Hazira, Surat and has also increased its talent pool to meet the challenges of its growing business opportunities. The continuous focus on training of people and adopting best manufacturing processes are expected to add significantly to its ability to meet the requirements of complex jobs. The Quality Management System of the Company has been certified to ISO 9001:2008 by M/s. Lloyd's Register Quality Assurance Limited. The current order book position is healthy.

### APPROPRIATIONS

There are no appropriations to the Company's earnings.

### DIVIDEND

Considering the initial phase of operations and in the absence of distributable surplus, the Company has not declared any dividend for the financial year under review.

### CAPITAL EXPENDITURE

The Board had approved a total capital expenditure of Rs. 50,820 Lakhs for the setting up of the factory at Hazira and for the Faridabad Office. As against the same, during the year under review, a sum total of Rs. 19,061 Lakhs was incurred towards Capital Expenditure. Cumulative Capital Expenditure incurred up to March 31, 2011 (including other operational capital expenditure) is Rs. 39,920 Lakhs.

### SHARE CAPITAL

During the year total sum of Rs. 7,000 Lakhs have been infused as Share Capital of the Company.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualification.

### DISCLOSURE OF PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009

**a) Separation of Offices of Chairman & Chief Executive Officer**

The roles and offices of Chairman and Chief Executive are separated. Mr. Ravi Uppal is elected as a Chairman of the Board whereas Mr. A. S. Lamba is designated as Manager under Companies Act, 1956.

**b) Remuneration of Directors**

The Directors are not paid any remuneration by way of sitting fees or otherwise.

**c) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

**d) Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

**e) Responsibilities of the Board**

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

## L&T-MHI BOILERS PRIVATE LIMITED

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**f) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**g) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**h) Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**i) Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

### Director's Responsibility Statement

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profits of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis; and
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### DIRECTORS

Mr. K. Ravi Kumar was appointed as nominee Director on May 10, 2010 based on the nomination received from Larsen & Toubro Limited (L&T).

L&T withdrew the nomination of Mr. K. Ravi Kumar as Director on the Board with effect from July 14, 2010, accordingly Mr. K. Ravi Kumar ceased to be a Director of the Company.

Mr. Hirokazu Nakagawa, submitted his resignation from the Board with effect from April 1, 2011. Mr. Yoshiyuki Hanasawa, has been appointed as Director to fill up the said casual vacancy, with effect from the said date.

The Board of Directors places on record its appreciation for the contribution made by Mr. K. Ravi Kumar and Mr. Hirokazu Nakagawa during their tenure as Director and welcomes Mr. Yoshiyuki Hanasawa to the Board.

Mr. Yozaburo Mabuchi and Mr. Masayuki Kubo retire by rotation in the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. They are senior and experienced business executives in the Industry and the Board considers their appointment to be beneficial to the Company.

### AUDITORS

M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Company does not advocate rotation of Auditors as envisaged in Corporate Governance Voluntary Guidelines, 2009 in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partner shall be rotated every three years.

### DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure "A" forming part of this Report.

**ACKNOWLEDGEMENTS**

The Directors wish to thank the Customers, Vendors and business associates for their continued support and valuable co-operation during the year. The Directors also wish to place on record their appreciation of the contribution made by employees at all levels. The progress in setting up of world class hi-tech manufacturing facility was made possible by their hard work, commitment, cooperation and support. The Directors thank the Reserve Bank of India, Financial Institutions, Japan Bank for International Co-operation, Banks, Central & State Government authorities and the stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board of Directors

Place : Mumbai / Yokohama

Date : May 2, 2011

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

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## **ANNEXURE "A" TO THE DIRECTORS' REPORT**

**A. Conservation of Energy****(a) Energy Conservation measures taken:**

- 1) Improving energy effectiveness / efficiency of equipment and systems-
  - Use of GLS incandescent / conventional FTL lamps in various offices, workshops.
  - Use of high rating induction motors to conserve energy.
  - Energy savings by installing real time clocks to control operation of centralized A/C plant compressors.
  - Installations of Auto-operations (Timer control) for HRU Ventilation System & A/c plant.
  - Thermo conductive booster for improvement in split & package AC performance.
  - Close monitoring of AC plants- setting optimum temperatures, controlled usage etc.
  - Use of energy saving devices like time switches, zone controlled AC, auto hibernation for PC's, etc. to reduce energy consumption.
  - Installation of energy efficient star rated ACs.
  - Use of Variable Frequency Drive (VFD) for various applications such as welding positioned, tank rotators, EOT cranes, etc. to improve the motor efficiency and enhance energy saving.
  - Stopping air leakages, installing new air solenoid valves in air line to control air combustion, etc.
  - Use of Chuck drives with the latest energy efficient drives, procurement of new high efficiency welding inverter based welding machines.
  - Use of preheating burners with new designed burners resulting in reduction of Gas consumption.
  - Procurement of energy efficient Fronious welding machine & Pre-heat & Post heat panels for PNG gas control.
  - Use of portable electrical ovens with digital temperature controller to reduce power consumption.
  - Operating computers in Power saver mode.
  - Installation of APFC (automatic power factor controller) panels in the power circuit thus improving its power factor and enabling to claim rebate in energy bills.
  - Use of VFD's in operating large winches.
  - Installation of VVVF Drives in new cranes and Transfer trolleys installed in new galvanizing plant. (VVVF Drives present in Long travel and hoist operation in all 5 EOT cranes and in all the four motorized transfer trolley).
  - Use of Slip ring Motor - Rotor resistance starter system to squirrel cage induction motor in existing cranes.
- 2) Improving energy effectiveness / efficiency of Manufacturing Processes.
  - Fitment of VFD's for EOT cranes.
  - Optimization of the operation of higher CFM compressors resulting in energy saving.
  - Automatic switch off facility for dust extraction systems and connected equipment when idle for more than 10 minutes.
  - Centralized on / off control for compressors which will operate the compressors based on air consumption.
  - Use of Turbo ventilators to extract heat in the non air-conditioned areas of factory buildings.
  - Electrode in vacuum sealed packing to eliminate baking.
  - Design & Development of 40 MT Tank Rotator with Anti drift Mechanism.
  - Development of Portable plasma cutting machine for Nozzle Cutout.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**

- Use of lighting energy saver.
- Use of additional Inverter based welding machines for production shops.
- Use of Autoclave machine cooling system.
- Use of timer in welding machine to avoid continuous idle running.

**(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

- The measures taken have resulted in savings in cost of production, power consumption, reduction in carbon dioxide emissions & processing time.

**(d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries Specified in the Schedule:**

NOT APPLICABLE

**[B] Technology Absorption**

Efforts made in technology absorption are as per appended Form B of this Annexure.

**[C] Foreign exchange earnings and outgo****Total foreign exchange used and earned:**

Particulars	Rs. Crore	
	2010-11	2009-10
Foreign Exchange earned	Nil	Nil
Foreign Exchange saved / Deemed exports	12.98	Nil
Total	12.98	Nil
Foreign Exchange used	313.19	44.24

**Form B****Research & Development (R&D)**

The Company continues to implement new technologies to meet the market needs. Since the manufacturing is in the initial stage, there are no specific R&D activities during the year. Hence no separate record of the expenditure incurred is maintained.

**Technology Absorption, adaptation and innovation**

## 1. Efforts in brief made towards technology absorption, adaptation and innovation:

- Evaluated imported equipment designs / technologies and implemented the state-of-the-art technology through indigenous developments along with alternative materials / components.
- Interaction with external agencies / internal customers / suppliers for exposure to the latest products / designs.
- Participating in national / international conferences, seminars and exhibitions.
- Valuation, adaptation and / or modification of imported designs / technologies to suit indigenous requirements, alternative materials / components.
- Use of state-of-the-art equipment, instrument and software.
- Analyzing feedback from users to improve processes and services.

## 2. Benefits derived as a result of the above efforts:

Not quantifiable

## 3. Information regarding technology imported during the last 5 years

Technology Imported	Year of Import	Status
Knowhow and technical information for design, engineering and manufacture of supercritical boilers from MHI, Japan	May 2007 onwards	Under Absorption

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T-MHI BOILERS PRIVATE LIMITED

We have audited the attached Balance Sheet of L&T-MHI Boilers Private Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-Section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books; and
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account; and
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule N and notes appearing 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:

- 1) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- 2) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- 3) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011

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## ANNEXURE TO THE AUDITORS' REPORT

(referred to paragraph (1) of our report of even date)

- (i)
  - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - (b) The Company has physically verified fixed assets during the year and no material discrepancies were noted on such verification.
  - (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- (ii)
  - (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year and, in our opinion, the frequency of such verification is reasonable.
  - (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size and of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. The discrepancies noted on such verification between physical stocks and book records were not material.

## L&T-MHI BOILERS PRIVATE LIMITED

- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of plant and machinery, equipment, other assets and for sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits from the public in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (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 undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there were no undisputed amounts in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2011.
- (x) The Company has not been registered for more than five years, hence paragraph (x) is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has not issued any secured debentures during the year and accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 109982W  
By the hand of

Place : Mumbai  
Date : May 2, 2011

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholder's funds</b>					
Share capital	A		2,201,000,000		1,501,000,000
<b>Reserves and Surplus</b>	B		(27,014,122)		(69,404,360)
<b>Loan Funds</b>					
Unsecured Loans	C		2,107,554,665		392,551,425
<b>TOTAL</b>			<b>4,281,540,543</b>		<b>1,824,147,065</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
<b>Tangible assets</b>					
Gross block	D(i)		2,724,866,066		1,216,127,763
Less: Depreciation			108,834,320		15,200,101
<b>Net block</b>			<b>2,616,031,746</b>		<b>1,200,927,662</b>
Capital work-in-progress			614,529,984		478,790,684
<b>Total tangible assets</b>			<b>3,230,561,730</b>		<b>1,679,718,346</b>
<b>Intangible assets</b>					
Gross block	D(ii)		118,011,002		94,280,168
Less: Amortisation			58,896,885		40,974,693
<b>Net block (intangible asset)</b>			<b>59,114,117</b>		<b>53,305,475</b>
Capital work-in-progress			534,569,216		296,758,675
<b>Total intangible assets</b>			<b>593,683,333</b>		<b>350,064,150</b>
<b>Investments</b>	E		<b>3,298,325,427</b>		<b>2,845,882,915</b>
<b>Current Assets, loans and advances</b>					
Inventories	F		2,157,079,610		7,147,450
Sundry Debtors			2,778,237,486		418,634,684
Cash and bank balances			1,435,834,843		1,407,262,539
Other Current Assets			5,565,590,733		-
Loans and advances			3,866,411,663		691,283,178
			<b>15,803,154,335</b>		<b>2,524,327,851</b>
<b>Less: Current liabilities and provisions</b>					
Liabilities	G		19,630,897,471		6,053,766,247
Provisions			31,656,424		16,891,599
			<b>19,662,553,895</b>		<b>6,070,657,846</b>
<b>Net current assets / (liabilities)</b>			<b>(3,859,399,560)</b>		<b>(3,546,329,995)</b>
<b>Debit Balance in Profit &amp; Loss Account</b>			<b>1,018,369,613</b>		<b>494,811,649</b>
<b>TOTAL</b>			<b>4,281,540,543</b>		<b>1,824,147,065</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
(For notes forming part of the accounts see page nos. S-362 to S-368)					
N					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI registration no. 109982W  
by the hand of**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332**A. S. LAMBA**  
Manager**RAVI UPPAL**  
Director**MASAYUKI KUBO**  
DirectorPlace : Mumbai  
Date : May 2, 2011Place : Mumbai / Yokohama  
Date : May 2, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11		2009-10	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and service	H	10,113,293,086		296,685,926	
Less:- Excise Duty		28,090,496		–	
			10,085,202,590		296,685,926
Other operational income	I(i)	947,378		868,657	
Other income	I(ii)	379,681,974		40,415,528	
			380,629,352		41,284,185
			10,465,831,942		337,970,111
<b>EXPENDITURE</b>					
Manufacturing, Construction and Operating Expenses	J	9,383,977,130		114,367,105	
Staff expenses	K	555,370,301		206,722,412	
Sales, administration and other expenses	L	895,900,928		250,058,314	
Interest expenses and brokerage	M	42,483,822		22,829,800	
Preliminary Expense Written off		–		–	
Depreciation, obsolescence, impairment and amortisation					
Depreciation		93,653,333		13,783,651	
Amortisation of intangible assets		17,922,192		12,994,098	
			10,989,307,706		620,755,380
<b>Loss for the year before tax</b>			(523,475,764)		(282,785,269)
Provision for Income Tax Including Wealth Tax & FBT			65,200		–
<b>Loss after tax</b>			(523,540,964)		(282,785,269)
Provision for Fringe Benefit Tax for earlier year			–		33,639
Wealth Tax of Earlier Year Paid			17,000.00		–
Loss of Earlier Years			(494,811,649)		(211,992,741)
<b>Balance carried to Balance Sheet</b>			(1,018,369,613)		(494,811,649)
Face value per share			10		10
<b>Earnings per share (see note 8)</b>					
Basic & Diluted EPS			(3.39)		(2.29)

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011

**A. S. LAMBA**  
Manager

Place : Mumbai / Yokohama  
Date : May 2, 2011

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from Operating Activities:</b>		
<b>Net Profit before tax (excluding extraordinary item)</b>	<b>(523,475,764)</b>	<b>(282,785,269)</b>
Depreciation (including obsolescence), amortisation and impairment	111,575,525	26,777,749
(Gain) / Loss on Foreign Exchange Transactions	11,402,986	(15,374,911)
Expenditure Incurred for Increase in Authorised Capital	5,600,000	-
Interest Expense	42,440,216	22,829,800
Interest (Income)	(124,529,803)	(20,274,792)
(Profit) / Loss on sale of fixed assets (net)	(2,614)	(1,417)
(Profit) / Loss on sale of investments (net)	(254,990,799)	-
Dividend Received	(161,372)	-
<b>Operating profit before working capital changes</b>	<b>(732,141,625)</b>	<b>(268,828,840)</b>
(Increase) / Decrease in trade and other receivables	(11,100,322,020)	(1,092,305,376)
(Increase) / Decrease in inventories	(2,149,932,160)	(7,147,450)
Increase / (Decrease) in trade payables	13,634,286,287	5,882,832,780
<b>Cash generated from operations</b>	<b>(348,109,518)</b>	<b>4,514,551,114</b>
Direct taxes refund / (paid) - net	(82,200)	(33,639)
<b>Net Cash from Operating Activities</b>	<b>(348,191,718)</b>	<b>4,514,517,475</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of fixed assets	(1,906,113,978)	(1,397,408,321)
Sale of fixed assets	78,500	115,484
Purchase of investments	(16,593,370,181)	(3,568,186,142)
Sale of investments	16,395,918,468	952,545,406
Interest received	124,529,803	20,274,792
Dividend received from other investments	161,372	-
<b>Net Cash (used in) / from Investing Activities</b>	<b>(1,978,796,016)</b>	<b>(3,992,658,781)</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from issue of share capital	700,000,000	500,000,000
Proceeds from issue of share Application Money	-	-
Expenditure Incurred for Increase in Authorised Capital	(5,600,000)	-
Proceeds from long term borrowings	1,703,600,254	407,926,335
Interest paid	(42,440,216)	(22,829,800)
<b>Net Cash (used in) / from Financing Activities</b>	<b>2,355,560,038</b>	<b>885,096,535</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>28,572,304</b>	<b>1,406,955,229</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,407,262,539</b>	<b>307,310</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,435,834,843</b>	<b>1,407,262,539</b>

**Notes**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 : "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets includes movement of Capital Work-in-Progress during the year.
- Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised (Loss) Profit of Rs. 678432 [previous year Rs. (14,66,620)] on account of translation of foreign currency bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI registration no. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011

**A. S. LAMBA**

Manager

Place : Mumbai / Yokohama  
Date : May 2, 2011

**RAVI UPPAL**

Director

**MASAYUKI KUBO**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011 <u>Rupees</u>	As at 31.03.2010 <u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
235,000,000 Equity Shares of Rs. 10 each (Previous Year 165,000,000 Equity shares of Rs. 10 each)	<b>2,350,000,000</b>	1,650,000,000
<b>Issued Subscribed &amp; Paid-up</b>		
112,251,000 Equity shares of Rs. 10 each fully paid held by Larsen & Toubro Limited (Previous Year 76,551,000 Equity shares of Rs. 10 each held by L&T Power Limited)	<b>1,122,510,000</b>	765,510,000
107,849,000 Equity shares of Rs. 10 each fully paid held by Mitsubishi Heavy Industries Limited (Previous Year 73,549,000 Equity shares of Rs. 10 each)	<b>1,078,490,000</b>	735,490,000
<b>TOTAL</b>	<b><u>2,201,000,000</u></b>	<b><u>1,501,000,000</u></b>
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Hedging reserve</b>		
Opening Balance	<b>(69,404,360)</b>	-
Created during the year	<b>42,390,238</b>	(69,404,360)
<b>TOTAL</b>	<b><u>(27,014,122)</u></b>	<b><u>(69,404,360)</u></b>
<b>SCHEDULE - C</b>		
<b>UNSECURED LOANS</b>		
Japan Bank for International Cooperation (JBIC), Tokyo, Japan	<b>1,345,966,290</b>	392,551,425
The Bank of Tokyo - Mitsubishi UFJ Limited, Singapore	<b>761,588,375</b>	-
<b>TOTAL</b>	<b><u>2,107,554,665</u></b>	<b><u>392,551,425</u></b>

**SCHEDULE - D (i)****FIXED ASSETS: TANGIBLE**

	COST / VALUATION				DEPRECIATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For the Year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Building	449,216,954	551,880,467	-	1,001,097,421	5,831,572	20,919,514	-	26,751,086	974,346,335	443,385,382
Plant & Machinery	738,763,735	865,493,456	95,000	1,604,162,191	7,947,294	61,825,324	19,114	69,753,504	1,534,408,687	730,816,441
Furniture & Fixtures	21,123,478	86,555,817	-	107,679,295	794,004	9,656,615	-	10,450,619	97,228,676	20,329,474
Vehicles	7,023,596	4,903,563	-	11,927,159	627,231	1,251,880	-	1,879,111	10,048,048	6,396,365
<b>Sub Total</b>	<b>1,216,127,763</b>	<b>1,508,833,303</b>	<b>95,000</b>	<b>2,724,866,066</b>	<b>15,200,101</b>	<b>93,653,333</b>	<b>19,114</b>	<b>108,834,320</b>	<b>2,616,031,746</b>	<b>1,200,927,662</b>
Previous year	16,649,616	1,199,598,453	120,306	1,216,127,763	1,422,689	13,783,651	6,239	15,200,101		-
Capital Work In Progress									614,529,984	478,790,684
<b>Total Tangible Asset</b>									<b>3,230,561,730</b>	<b>1,679,718,346</b>

**SCHEDULE - D (ii)****FIXED ASSETS: INTANGIBLE**

	COST / VALUATION				AMORTISATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For the Year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Software	24,649,093	23,730,834	-	48,379,927	10,848,619	6,634,994	-	17,483,613	30,896,314	13,800,474
Technical Know-how Fees	69,631,075	-	-	69,631,075	30,126,074	11,287,198	-	41,413,272	28,217,803	39,505,001
<b>Sub Total</b>	<b>94,280,168</b>	<b>23,730,834</b>	<b>-</b>	<b>118,011,002</b>	<b>40,974,693</b>	<b>17,922,192</b>	<b>-</b>	<b>58,896,885</b>	<b>59,114,117</b>	<b>53,305,475</b>
Previous year	83,942,979	10,337,189	-	94,280,168	27,980,595	12,994,098	-	40,974,693		
Capital Work In Progress									534,569,216	296,758,675
<b>Total Intangible Asset</b>									<b>593,683,333</b>	<b>350,064,150</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - E****INVESTMENTS****Current Investments (Unquoted)****Mutual Funds**

Particulars of Mutual Fund	Face Value Per Unit Rupees	Number of Units				Rupees	
		As at 01.04.2010	Purchased / subscribed during the year	Sold during the year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	10	39,078,479	8,050,543	47,129,021	0	-	771,112,659
HDFC QIF Plan B Wholesale Growth	10		39,665,669	-	39,665,669	402,908,000	-
HDFC QIF Plan C Wholesale Growth	10		24,120,564		24,120,564	250,000,000	-
Reliance Quarterly Interval Fund Series III Institutional Growth Plan	10		19,689,690		19,689,690	250,000,000	-
Reliance Interval Fund Quarterly Plan Series I Institutional Growth Plan	10		19,420,304		19,420,304	200,000,000	-
Reliance Fixed Horizon Fund XVII Series 2 Growth Plan	10		15,000,000		15,000,000	150,000,000	-
Reliance Liquidity Growth	10		6,980,038	5,094,562	1,885,476	27,737,045	-
Reliance Money Manager Fund - Institutional Option - Growth Plan	1000	235,939	401,279	637,218	-	-	290,117,897
Reliance Quarterly Interval Fund - Series II - Institutional Growth Plan	10	40,044,530		40,044,530	-	-	500,000,000
Birla Sun Life Short Term FMP Series 4 Growth	10		3,500,000		3,500,000	35,000,000	-
Birla Sun Life Savings Fund Instl. - Growth	10	39,709,950		39,709,950	-	-	684,582,739
ICICI Prudential Liquid Super Institutional Plan Growth	100		5,431,166	4,413,023	1,018,143	147,388,897	-
ICICI Prudential Mutual Fund Blended Plan-Plan B	10		28,667,828		28,667,828	300,000,000	-
ICICI Prudential Interval Fund Quarterly Interval Plan I Institutional Growth	10		14,706,733		14,706,733	152,500,000	-
ICICI Prudential Institutional Short Term Plan - Cumulative option	10	31,430,422		31,430,422	-	-	600,069,620
DSP Black Rock Money FMP 3M Series 28 Growth	10		15,291,150		15,291,150	152,911,500	-
DSP Black Rock Money FMP 3M Series 29 Growth	10		30,000,000		30,000,000	300,000,000	-
UTI Fixed Income Interval Fund Monthly Interval Plan II Institutional Growth Plan	10		24,551,152	9,820,461	14,730,691	150,434,240	-
SBI Magum Insta Cash Fund Cash Option	10		16,682,697	16,682,696	0	9	-
SBI Debt Fund Series 90 Days 38 Growth	10		10,189,989		10,189,989	101,899,890	-
L&T Liquid Super Institutional Plan Cumulative	10		81,563,708	50,517,718	31,045,990	417,015,642	-
L&T FMP II (February 91 D A) Growth	10		26,053,020		26,053,020	260,530,204	-
<b>TOTAL</b>						<b>3,298,325,427</b>	<b>2,845,882,915</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Details of investment purchased and sold during the year**

<b>Mutual Funds</b>	<b>Face Value (Rs. per unit)</b>	<b>Number of Units</b>	<b>Cost (Rs. Lakhs)</b>
HDFC Cash Management Fund - Savings Plan Growth	10	47,793,642	8,950.00
HDFC FMP 100 Sep 10(5) Growth	10	25,000,000	2,500.00
HDFC FMP 100D Oct 10(1) Growth	10	9,991,184	999.12
HDFC Short Term Opportunities Fund	10	50,000,000	5,000.00
HDFC FMP 90D	10	25,000,000	2,500.00
HDFC FMP Sep 10(1) G Series XIV	10	25,377,000	2,537.70
HDFC FMP 35D August 2010 (3) Growth XIV	10	40,000,000	4,000.00
Reliance Monthly Interval Fund Series II Institutional Growth Plan	10	39,913,468	5,000.00
Reliance Monthly Interval Fund Series I Institutional Growth Plan	10	7,749,107	994.38
Reliance Liquidity Growth	10	53,615,039	7,590.23
Reliance Liquid Fund Treasury Plan	10	21,941,373	5,000.00
ICICI Prudential Interval Fund IV Quarterly Interval Plan B Institutional Growth	10	38,821,383	4,000.00
ICICI Prudential Interval Fund I Monthly Interval Plan A Institutional Growth	10	19,491,848	2,000.00
DSP Black Rock Liquidity Fund Institutional Plan Growth.	1000	856,192	11,749.88
DSP Black Rock Money Manager Fund Institutional Plan Growth	1000	190,418	2,503.06
DSP Black Rock Money FMP 3M Series 22 Growth	10	15,000,000	1,500.00
DSP Black Rock Money FMP Series 24 Growth	10	25,000,000	2,500.00
UTI Liquid Cash Plan Institutional Growth Option	1000	448,788	7,040.86
UTI Fixed Income Interval Fund Quarterly Plan Series III Institutional Growth Plan	10	15,680,003	2,000.00
SBI Short Term Debt Fund Institutional Plan Growth	10	23,010,340	2,507.48
SBI Debt Fund Series 90 Days 35 Growth	10	10,001,756	1,000.18
SBI Debt Fund Series 90 Days 37 Growth	10	10,001,756	1,000.18
L&T FMP I (August 125 D A) Growth	10	10,000,000	1,000.00
L&T FMP I (September 91 D A) Growth	10	30,000,000	3,000.00
L&T FMP II (November 91 D A) Growth	10	25,546,685	2,554.67
L&T FMP II (December 91 D A) Growth	10	30,546,000	3,054.60
L&T FMP II (December 91 D B) Growth	10	10,244,800	1,024.48

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>Current Assets</b>				
Inventories				
Stock in trade, at cost or net realisable value, whichever is lower				
Stores, spare parts and loose tools		2,157,079,610		7,147,450
Sundry Debtors				
Unsecured, Considered Good				
Debts Outstanding for more than six months	10,225,800		-	
Other Debts	2,768,011,686		418,634,684	
		<u>2,778,237,486</u>		418,634,684
Cash and Bank Balances				
Cash on hand	131,084		25,321	
Balances with scheduled banks				
on current accounts	17,401,200		457,155,629	
on fixed deposits (including interest accrued)	1,373,141,450		935,482,545	
Balances with non-scheduled banks	45,161,109		14,599,044	
		<u>1,435,834,843</u>		1,407,262,539
Other Current Assets				
Due from Customers (Construction & Project Related Activity)		5,565,590,733		-
<b>Loans &amp; Advances</b>				
Unsecured, considered good				
Advance to Vendors	2,681,659,721		405,195,415	
Advance to Employees	5,084,857		1,543,244	
Other Advances recoverable in cash or in kind or for value to be received	971,780,076		231,930,120	
Balance with Excise, Sales Tax etc.	207,887,009		52,614,399	
		<u>3,866,411,663</u>		691,283,178
<b>TOTAL</b>		<u><u>15,803,154,335</u></u>		<u><u>2,524,327,851</u></u>
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry Creditors				
Due to				
Micro and Small Enterprise	56,839,954		18,481,913	
Larsen & Toubro Limited & its Subsidiaries	523,674,045		263,875,091	
Mitsubishi Heavy Industries Limited	236,414,824		93,873,118	
Others	9,217,070,314		385,022,323	
		<u>10,033,999,137</u>		761,252,445
Due to Customers (Construction & Project Related Activity)		2,448,939,113		1,670,647,589
Advances from Customers		7,143,386,918		3,621,404,668
Interest Accrued but not due on Term loans		4,572,303		461,545
		<u>19,630,897,471</u>		6,053,766,247
<b>Provisions for</b>				
Compensated absences		31,656,424		16,891,599
<b>TOTAL</b>		<u><u>19,662,553,895</u></u>		<u><u>6,070,657,846</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>				
<b>SALES &amp; SERVICE</b>				
Construction and project related activity		10,113,293,086		296,685,926
<b>TOTAL</b>		<b>10,113,293,086</b>		<b>296,685,926</b>
<b>SCHEDULE - I (i)</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Profit on Sale of fixed assets (net)		2,614		1,417
Income from services to other Group companies		–		565,000
Other Income		944,764		302,240
<b>TOTAL</b>		<b>947,378</b>		<b>868,657</b>
<b>SCHEDULE - I (ii)</b>				
<b>OTHER INCOME</b>				
Interest income				
Interest received on intercorporate deposits	77,513,425		11,833,973	
Interest received on bank deposits	47,004,138		8,440,819	
Interest received from others	12,240		–	
		124,529,803		20,274,792
Dividend Income				
From current investments		161,372		–
Profit on Sale of current investments (net)		254,990,799		20,140,736
<b>TOTAL</b>		<b>379,681,974</b>		<b>40,415,528</b>
<b>SCHEDULE - J</b>				
<b>MANUFACTURING AND OPERATING EXPENSES</b>				
Material Consumed				
Raw material and components, tools, consumables	8,183,849,373		17,357,457	
Less: Scrap Sale	5,871,957		917,204	
		8,177,977,416		16,440,253
Sub Contracting charges		81,596,849		–
Stores Spares and Tools		578,392,494		–
Royalty & Technical Knowhow, Engineering Fees		240,389,692		35,982,717
Power & fuel		42,982,933		3,033,469
Hire Charges - Plant & Machinery		10,991,397		–
Repairs & Maintenance - Building, Plant & Machinery		4,383,589		3,660,949
Travelling & Conveyance		63,400,274		–
Insurance		64,377,917		–
Rent		35,581,612		55,249,717
Other Expense		83,902,957		–
<b>TOTAL</b>		<b>9,383,977,130</b>		<b>114,367,105</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - K</b>				
<b>STAFF EXPENSE</b>				
Salaries & Wages		480,635,508		144,036,828
Contribution to and provision for				
Provident Fund & Pension fund	17,803,728		4,588,858	
Gratuity Fund	3,231,499		1,551,378	
Compensated absense / leave Encashment	14,764,825		13,996,402	
		35,800,052		20,136,638
Welfare and Other Expenses		38,934,741		42,548,946
<b>TOTAL</b>		<b>555,370,301</b>		<b>206,722,412</b>
<b>SCHEDULE - L</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Electricity Charges		-		655,943
Professional Fees		47,543,255		7,683,373
Insurance		243,549		119,849
Rent		19,743,008		133,049
Rates & Taxes		2,114,303		126,364
Packing & Forwarding		15,938,456		-
Travelling and Conveyance		12,304,147		30,719,471
Repairs & Maintenance		71,692,844		112,481
Telephone, Postage		6,493,650		1,186,886
Advertisement Expense		16,008,783		940,246
Stationery & Printing		5,434,579		1,506,338
Bank Charges		134,767,007		67,021,956
Provision for foreseeable Losses on construction contracts		450,000,000		-
Software Fees & Maintenance Costs		27,298,802		12,381,091
Deputation Fees		75,098,291		40,010,906
Miscellaneous Expense		11,220,254		87,460,361
		895,900,928		250,058,314
<b>SCHEDULE - M</b>				
<b>INTEREST EXPENSES &amp; BROKERAGE</b>				
Fixed Loans				
Loan from L&T		-		18,835,763
Interest Paid on Term Loan from Banks		42,440,216		3,994,037
Others		43,606		-
		42,483,822		22,829,800
<b>SCHEDULE - N</b>				
<b>SIGNIFICANT ACCOUNTING POLICIES</b>				
<b>1. Basis of preparation of financial statements</b>				
The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention and on an accrual basis. GAAP comprises the applicable provisions of the Companies Act, 1956 and mandatory Accounting Standards as prescribed under Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.				
The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provisions for operating expenses, future obligations under Income Tax and useful lives of fixed assets. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.				

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **2. Revenue recognition**

Contract revenue from construction related activity is recognized by adding the aggregate cost and proportionate margin using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date (including work performed by major suppliers) to the total estimated contract cost. Full provision is made for any loss in the period in which it is foreseen.

### **3. Employee benefits**

#### **Short term employee benefit**

- i. All employee benefits payable within one year like salaries, wages, accumulated short term compensated absences ("leave entitlements"), etc. are recognized in the period in which the employee renders the related service which entitles him to avail such benefits.
- ii. The expected cost of profit sharing and bonus payments are recognized when (i) there is a present obligation to make such payments as a result of past events and (ii) a reliable estimate of the liability can be made.

#### **Post employment benefits**

- i. Defined contribution plans: State administered pension scheme is classified as defined contribution plan. The contribution paid / payable under defined contribution plan is recognized during the period in which the employee renders related service.
- ii. Defined benefit plans: The Employees' Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India and Provident Fund Scheme managed by the ultimate Holding Company (Larsen & Toubro Limited) are the Company's defined benefit plan. The Employee's Gratuity Fund, Pension Scheme and Provident Fund Scheme managed by Trust are the Company's defined benefit plans. Wherever applicable, the present value of obligation under such defined benefit plans are determined based on actuarial valuation. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plan to recognize the obligation on the net basis.

### **4. Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation. Cost comprises purchase price (net of discounts and taxes / duties where credits are availed) plus directly attributable costs of bringing the asset to its location and working condition.

Administrative and other general overhead expenses that are specifically attributable to acquisition of fixed assets or bringing the fixed assets to working condition are allocated and capitalized as a part of the cost of the fixed assets.

Depreciation on assets has been provided on straight line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for given below class of assets.

<b>Asset Class</b>	<b>Depreciation Rate based on Useful Life</b>
Furniture & Fixture	10.00%
Office Equipment	6.67%
Motor Car	14.14%
Computer for Employees Under Company's Scheme	33.33%
Laptop	25.00%
Printer	25.00%
Welding Machine	8.33%
DG Set	8.33%

Depreciation for, additions to / deductions from, owned assets is calculated pro rata from / to the month of additions / deductions.

#### **Intangible assets and amortization**

Intangible assets are recognized as per the criteria specified in Accounting Standard 26 – Intangible assets prescribed under the Companies (Accounting Standards) Rules, 2006. Intangible assets are amortized as under:

- i. Specialized software over a period of six years
- ii. Engineering Fees and Lump sum fee for technical know-how over a period of six years

### **5. Investments**

Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification.

### **6. Inventories**

Stores, spares and loose tools are valued at lower of weighted average cost or net realizable value.

Project and construction-related work-in-progress are valued at cost till such time the outcome of the job cannot be ascertained reliably and at realizable value thereafter.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **7. Borrowing costs**

Borrowing costs that are attributable to the acquisition of the qualifying asset are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### **8. Foreign currency transactions, Forward Contracts**

- i. The reporting currency of the Company is the Indian Rupee.
- ii. Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rate at the date of the transaction. Exchange differences arising on subsequent settlement / year end re-statement are recognized in the Profit and Loss Account.
- iii. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 ["The Effects of Changes in Foreign Exchange Rates]. Exchange differences arising on such contracts are recognized in the period in which they arise.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognized as income / expense of the period in which such roll over / cancellation takes place.

The premium paid / received on a foreign currency forward contract is accounted as expense / income over the period of the contract.

### **9. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessments.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses, losses under the head 'capital gains' are recognized and carried forward to the extent that there is virtual certainty that sufficient further taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **10. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a probable obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation or
- b) a possible obligation, unless the probability of outflow of resources is not remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**NOTES FORMING PART OF ACCOUNTS****NOTES FORMING PART OF THE ACCOUNTS**

1. (a) Balances with non-scheduled banks represent the balances with overseas branches of foreign banks. The balances with non-scheduled banks are given below:

Particulars	As at 31.03.2011	As at 31.03.2010	Maximum amount outstanding at any time during (Rs.)	
			2010-11	2009-10
Current Account				
The Bank of Tokyo-Mitsubishi UFJ Ltd., Singapore (US\$ Account)	45,158,859	14,599,044	376,238,431	155,356,836
The Bank of Tokyo-Mitsubishi UFJ Ltd., Singapore (Yen Account)	2,244	Nil	192,328,811	Nil

2. Disclosure pursuant to Accounting Standard (AS) 7 (Revised):

	Particulars	Amount (Rs.)
i)	Contract revenue recognized for the year ended March 31, 2011	10,085,202,590
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses)	9,957,262,101
iii)	Amount of customer advances outstanding for contracts in progress as at March 31, 2011	7,143,386,918
iv)	Retention amounts due from customers for contracts in progress as at March 31, 2011	Nil

3. Employee Benefits – Provision for / contributions to retirement benefit schemes are made in accordance with Accounting Standard – 15 Employee Benefits as follows –

General Description of Defined Benefit Plans

The Company makes contributions to the Employees Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to employees at the time of retirement, death while in employment or termination of employment, of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

- a. Amount recognized in the Balance Sheet

(Wholly Funded)

Particulars	Gratuity Plan Amount (Rs.)	
	As at 31.3.2011	As at 31.3.2010
1. a) Present value of defined benefit obligation	13,321,895	4,173,728
TOTAL	13,321,895	4,173,728
b) Fair value of plan assets	6,526,238	1,360,569
Amount to be recognized as liability or (asset) (a-b)	6,795,657	2,813,159
2. Amount reflected in the Balance Sheet		
Liabilities		
Assets	6,795,657	2,813,159
Net liability / (asset)	Nil	Nil

- b. The amounts recognized in the Profit & Loss Account

Particulars	Gratuity Plan Amount (Rs.)	
	2010-11	2009-10
1. Current Service Cost	5,151,921	516,131
2. Interest Cost	739,208	58,628
3. Actual Return on Plan Assets	(341,331)	(112,341)
4. Actuarial Losses / (Gains)	(307,125)	2,866,115
5. Liabilities booked in previous year	(2,011,174)	Nil
Total Expenses for the year	Nil	Nil
6. Total Included in Staff Expenses (1 to 4)	32,31,499	3,328,533

**NOTES FORMING PART OF ACCOUNTS (Contd.)**

- c. The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows.

Particulars	Gratuity Plan Amount (Rs.)	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the present value of defined benefit obligation	4,173,728	732,854
Add: Current Service Cost	5,151,921	516,131
Add: Interest Cost	739,208	58,628
Add: Liabilities assumed on transfer of employees	3,735,250	Nil
Add / (Less): actuarial (Gains) / Losses	(307,125)	2,866,115
Less: Benefit paid	(171,087)	Nil
Closing Balance of the present value of defined benefit obligation	13,321,895	4,173,728

- d. Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Gratuity Plan Amount (Rs.)	
	As at 31.03.2011	As at 31.03.2010
Opening balance of fair value of the Plan Assets	1,360,569	1,248,228
Add: Expected Return of Plan Assets	341,331	112,340
Less: Actuarial Gains / (Loss)	Nil	Nil
Add: Contribution by the Employer	4,995,425	Nil
Add: Contribution by Plan Participants	Nil	Nil
Less: Benefit paid	(171,087)	Nil
Closing Balance of fair value of defined benefit obligation	6,526,238	1,360,569

The Company expects to Contribute Rs. 6,795,657 (*previous year Rs. 4,824,333*) towards its Gratuity Plan during the FY 2011-12.

- e. The major categories of Plan Assets as a percentage of total plan assets are as follows:

Particulars	Gratuity Plan	
	As at 31.03.2011	As at 31.03.2010
Govt. of India Securities	Nil	Nil
State Govt. Securities	Nil	Nil
Corporate Bonds	Nil	Nil
Public Sector Bonds	Nil	Nil
Insurer Managed Fund (LIC)	100%	100%

- f. Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages)

Particulars	As at 31.03.2011	As at 31.03.2010
Discount rate as at March 31	8%	8%
Expected Return on Plan Assets as at March 31	7.50%	7.50%
Attrition Rate	2% to 4%	1% to 3%
Salary Growth Rate	6%	7%

The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

- g. The amount pertaining to defined benefit plans for the current year are as follows:

Particulars	As at 31.03.2011	As at 31.03.2010
Defined Benefit Obligation	13,321,895	4,173,728
Plan assets	6,526,238	1,360,569
Surplus / (Deficit)	(6,795,657)	(2,813,159)

**NOTES FORMING PART OF ACCOUNTS (Contd.)**

- h. The Company has contributed Rs. 4,153,899 (*previous year Rs. 1,518,312*) towards employees pension scheme during the year, which is included in Schedule K (Staff Expenses)
- i. The Provident Fund is managed by the ultimate holding company – Larsen & Toubro Limited. The said fund is a defined benefit plan but as the fund is consolidated for the ultimate holding Company and certain of its subsidiaries and associate companies, information regarding plan assets and defined benefit obligations and other matters of the Company is not separately available. However, the said fund has sufficient assets to pay its liabilities in the normal course of operations and no liability is expected to devolve on the Company.
4. Auditors remuneration and expenses charged to Accounts

Particulars	2010-11 Amount (Rs.)	2009-10 Amount (Rs.)
Audit Fees	100,000	35,000
Tax Audit Fees	40,000	7,000
Transfer Pricing	10,000	8,000
Certification Work	29,950	20,750
Others	4,000	–
Expenses reimbursed	1,274	620

5. Expenditure in Foreign Currency

Particulars	2010-11 Amount (Rs.)	2009-10 Amount (Rs.)
Travelling Expenses	7,288,149	4,724,515
Supervision / Deputation Charges	85,097,329	53,946,128
Engineering Support Fees	156,688,292	27,806,166
Capital Expenditure	555,913,655	36,455,769
Interest	33,295,610	1,215,568

6. During the year Company has revised estimated useful life of certain class of assets. Revision in estimated life of assets resulted in additional depreciation of Rs. 2,639,204.
7. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSME) as at March 31, 2011. The disclosure pursuant to the said Act is as under

Particulars	2010-11 Amount (Rs.)	2009-10 Amount (Rs.)
Principal Amount due to suppliers under MSMED Act, 2006	56,796,348	1,84,81,913
Interest accrued, due to suppliers under MSMED Act on above amount and unpaid	43,606	Nil
Payment made to suppliers (other than interest) beyond the appointed day during the year	Nil	Nil
Interest paid to suppliers under MSMED Act (Other than Section 16)	Nil	Nil
Interest paid to suppliers under MSMED Act (Section 16)	Nil	Nil
Interest due and payable towards suppliers under MSMED Act for payment already made	Nil	Nil
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	Nil	Nil

**Note:** The information has been given in respect of such vendors to the extent they could be identified as “Micro and Small” enterprises on the basis of information available with the Company. Provision of Interest is made based on principle of prudence.

8. Related party disclosure
- a. List of related parties over whom control exists and who exercise control:
- Larsen & Toubro Limited
  - Mitsubishi Heavy Industries Limited

**NOTES FORMING PART OF ACCOUNTS (Contd.)**

b. Names of related parties with whom transactions were carried out during the year and description of relationship:

Sr. No	Related Party	Relationship
1.	Larsen & Toubro Limited	Parent Company
2.	Mitsubishi Heavy Industries Limited	Share Holder
3.	L&T-MHI Turbine Generators Private Limited	Fellow Subsidiary
4.	L&T-Sargent & Lundy Limited	Fellow Subsidiary
5.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary
6.	L&T Howden Private Limited	Fellow Subsidiary
7.	Larsen & Toubro Infotech Limited	Fellow Subsidiary
8.	L&T Special Steel and Heavy Forgings Pvt. Limited	Fellow Subsidiary

c. Disclosure of related party transactions:

Sr. No.	Particulars	2010-11 Amount (Rs.)	2009-10 Amount (Rs.)
1	Deputation Fees - Larsen & Toubro Limited	33,357,844	11,948,826
2	Engineering Fees- Larsen & Toubro Limited	1,926,500	Nil
3	Deputation Fees - Mitsubishi Heavy Industries Limited	85,097,329	53,946,128
4	Engineering Support Fees - Mitsubishi Heavy Industries Limited	156,688,292	72,706,166
5	Revenue Expenses and purchases - Larsen & Toubro Limited	149,753,189	111,541,017
6	Land Development Charges - Larsen & Toubro Limited	195,094,475	Nil
7	Engineering Fees – L&T-Sargent & Lundy Ltd.	20,522,138	9,105,796
8	Common Services & Other Charges - L&T-Sargent & Lundy Ltd.	105,056	Nil
9	Deputation Fees – L&T Infrastructure Finance Company Limited	1,491,349	1,035,578
10	Lease Rent for motor car – L&T-Komatsu Limited	Nil	123,840
11	Common Service & other charges - L&T-MHI Turbine Generators Private Ltd (Net)	5,808,761	145,882
12	L&T Power Development Ltd	Nil	16,545
13	Common Service & Other Charges (net) - L&T Howden Private Ltd	172,012	Nil
14	Sales (Project related activity) to Larsen & Toubro Limited	3,818,367,715	Nil
15	Purchase of Assets (Office Equipments, Computers) from Larsen & Toubro Limited	3,924,392	Nil
16	SAP Consultancy Charges to Larsen & Toubro Infotech Limited	918,375	Nil
17	Interest received on deposit with Larsen & Toubro Limited	77,513,425	11,833,973
18	Balance of Inter Corporate Deposit [Maximum amount in ICD during the year is Rs. 1,945,000,000 (previous year 1,350,000,000)]	900,000,000	200,000,000

Note: Also refer note no. 15

d. Amount due to / from related parties:

Sr. No.	Particulars	As at 31.03.2011 Amount (Rs.)	As at 31.03.2010 Amount (Rs.)
	Amount due from related parties:		
1	Larsen & Toubro Limited	917,656,398	263,875,091
2	Mitsubishi Heavy Industries Limited	236,414,824	93,873,118
3	L&T Special Steels & Heavy Forgings Pvt. Ltd.	10,000	Nil
4	L&T-Sargent & Lundy Limited	Nil	2,945,628
5	L&T Infrastructure Finance Limited	Nil	262,038
6	L&T Infotech Limited	4,46,715	Nil



**NOTES FORMING PART OF ACCOUNTS (Contd.)**

Sr. No.	Particulars	As at 31.03.2011 Amount (Rs.)	As at 31.03.2010 Amount (Rs.)
	Amount due from related parties:		
1	L&T-MHI Turbine Generators Private Limited	5,784,496	145,882
2	Mitsubishi Heavy Industries Limited	26,361,954	9,811,375
3	L&T Power Limited	Nil	14,890
4	L&T Howden Pvt Ltd	110,934,538	Nil
5	L&T-Sargent & Lundy Limited	4,701,669	Nil

9. Basic Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per share".

Particulars	2010-11	2009-10
Loss after tax as per Accounts (Rs.)	523,421,991	287,450,192
No. of Shares	220,100,000	150,100,000
Weighted average number of shares outstanding	155,469,863	141,360,274
Basic & Diluted EPS (Rs.)	(3.39)	(2.29)

10. In line with the Company's risk management policy, the various financial risks mainly relating to changes in the exchange rates, interest rates are hedged by using a combination of forward contracts and other derivative contracts, besides the natural hedges.

- a. The particulars of derivative contracts entered into for hedging for foreign currency risks and outstanding as at March 31, 2011 are as under:

Category of Derivative Instruments	Amount of exposures hedged	
	As at 31.03.2011 Amounts (Rs.)	As at 31.03.2010 Amounts (Rs.)
Forward Contracts for receivables including firm commitments and highly probable forecasted transactions	Nil	Nil
Forward Contracts for payables including firm commitments and highly probable forecasted transactions	14,269,687	156,525,000

- b. Unhedged foreign currency exposures as at March 31, 2011 are as under:

Unhedged foreign currency exposures	As at 31.03.2011 Amounts (Rs.)	As at 31.03.2010 Amounts (Rs.)
Receivables including firm commitments and highly probable forecasted transactions	19,300,274,917	8,131,875,073
Payables including firm commitments and highly probable forecasted transactions	26,785,896,933	470,579,680

11. An amount of Rs. 55,849,667 (net loss) (*previous year net profit Rs. 145,791,137*) has been accounted under respective revenue heads in Profit and Loss Account towards exchange differences arising on foreign currency transactions and forward contracts covered under Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates".
12. The Company has firm commitments payable denominated in foreign currency at the Balance Sheet date aggregating to Rs. 16,206,356,571 (*previous year Rs. 470,576,369*) as under:-

Currency	As at 31.03.2011 Amounts (Rs.)	As at 31.03.2010 Amounts (Rs.)
US Dollar	2,901,101,526	443,333,755
Euro	3,176,705,356	11,878,735
Japanese Yen	10,066,368,205	15,367,190
Canadian Dollar	62,086,500	Nil
Great Britain Pound	94,984	Nil

The Company has receivables denominated in foreign currency at the Balance Sheet date aggregating to Rs. 19,300,274,917 (*previous year Rs. 8,131,875,073*) that are not hedged by a derivative instrument or otherwise.



**NOTES FORMING PART OF ACCOUNTS (Contd.)**

The Company has payables denominated in foreign currency at the Balance Sheet date aggregating to Rs. 26,785,896,933 that are not hedged by a derivative instrument or otherwise.

13. Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 1,261,750,895 (*Previous Year - Rs. 827,815,959*)
14. Capital work-in-progress includes a sum of Rs. 391,423,166 (*previous year Rs. 200,253,083*) partly paid to Larsen & Toubro Limited towards premium on land acquisition and Land Development charges, for which Lease / sub-lease deeds are yet to be executed.
15. Pursuant to the Employees Stock Options Scheme established by the holding Company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding Company, in respect of the same is Rs. 245,236,253. The same is being recovered over the period of vesting by the holding Company. Accordingly, cost of Rs. 152,524,148 (*previous year Rs. 101,886,087*) has been recovered by the holding Company upto current year, out of which, Rs. 50,638,061 (*previous year Rs. 31,073,251*) was recovered during the year. Balance Rs. 143,350,166 will be recovered in future periods.
16. Details of sales, raw material and component consumed, capacities & production, inventories and purchase of trading goods:

## a) Sales:

Class of Goods	Unit	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Pressure Parts for Superheated Water Boiler	Tons	832.03	306,830,037	Nil	Nil
Structure for Supercritical Boilers	Tons	8581.86	991,857,515	Nil	Nil

## b) Raw Materials and Components Consumed:

## i. Class of Goods

Class of Goods	Unit	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Steel & Structure	Meter	1496.68	4,978,479	Nil	Nil
	Number	1142813.89	706,800,756	Nil	Nil
	Tons	8586.48	544,686,849	Nil	Nil
Others			6,927,383,289		17,357,457

## ii. Classification of Goods

Particulars	2010-11		2009-10	
	% of total consumption	Value	% of total consumption	Value
Imported	92%	7,512,872,193	100%	17,357,457
Indigenous	8%	670,977,180	Nil	Nil

## c) Capacities &amp; Production:

Class of Goods	Unit	Installed Capacity	Actual Production
Pressure Parts for Super Heated Water Boilers	Metric Tonnes	6875	832.03

## d) Inventories:

Class of Goods	Unit	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Steel & Structure	Tons	732.60	82,997,787	Nil	Nil
	Meter	191.40	111,280	Nil	Nil
	Nos	311265	838,957,942	Nil	Nil
	Lot	5	111,425,762	Nil	Nil
Others			1123,586,839		7,147,450

17. There are no Contingent Liabilities as at Balance Sheet date.
18. Previous Years figures have been re-grouped / reclassified wherever necessary.

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### 19. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No.	<input type="text" value="U29119MH2006PTC165102"/>	State Code	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="1"/>	
Balance Sheet Date	<input type="text" value="3"/>	<input type="text" value="1"/>	<input type="text" value=""/>	<input type="text" value="0"/>	<input type="text" value="3"/>	<input type="text" value=""/>	<input type="text" value="2"/>	<input type="text" value="0"/>	<input type="text" value="1"/>	<input type="text" value="1"/>
	Date		Month		Year					

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Rights Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Private Placement	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="7"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value=""/>	<input type="text" value="4"/>	<input type="text" value="2"/>	<input type="text" value="8"/>	<input type="text" value="1"/>	<input type="text" value="5"/>	<input type="text" value="4"/>	<input type="text" value="0"/>
Sources of Fund								
Paid-up Capital	<input type="text" value=""/>	<input type="text" value="2"/>	<input type="text" value="2"/>	<input type="text" value="0"/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Secured Loans	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	
Application of Funds								
Net Fixed Assets	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="8"/>	<input type="text" value="2"/>	<input type="text" value="4"/>	<input type="text" value="2"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Net Current Assets / (Liabilities)	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="8"/>	<input type="text" value="5"/>	<input type="text" value="9"/>	<input type="text" value="3"/>	<input type="text" value="9"/>	<input type="text" value="9"/>
Accumulated Losses	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="1"/>	<input type="text" value="8"/>	<input type="text" value="3"/>	<input type="text" value="6"/>	<input type="text" value="9"/>
Total Assets	<input type="text" value=""/>	<input type="text" value="4"/>	<input type="text" value="2"/>	<input type="text" value="8"/>	<input type="text" value="1"/>	<input type="text" value="5"/>	<input type="text" value="4"/>	<input type="text" value="0"/>
Reserves & Surplus	<input type="text" value=""/>	<input type="text" value="2"/>	<input type="text" value="7"/>	<input type="text" value="0"/>	<input type="text" value="1"/>	<input type="text" value="4"/>		
Unsecured Loans	<input type="text" value=""/>	<input type="text" value="2"/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="7"/>	<input type="text" value="5"/>	<input type="text" value="5"/>	<input type="text" value="4"/>
Investments	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="2"/>	<input type="text" value="9"/>	<input type="text" value="8"/>	<input type="text" value="3"/>	<input type="text" value="2"/>	<input type="text" value="5"/>
Misc. Expenditure	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="4"/>	<input type="text" value="6"/>	<input type="text" value="5"/>	<input type="text" value="8"/>	<input type="text" value="3"/>	<input type="text" value="1"/>
Profit / Loss Before Tax	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="7"/>	<input type="text" value="5"/>		
Earning per Share (in Rs.)	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="."/>	<input type="text" value="3"/>	<input type="text" value="9"/>				
Total Expenditure	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="9"/>	<input type="text" value="8"/>	<input type="text" value="9"/>	<input type="text" value="3"/>	<input type="text" value="0"/>	<input type="text" value="7"/>
Profit / Loss After Tax	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="5"/>	<input type="text" value="5"/>	<input type="text" value="7"/>		
Dividend Rate %	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>		

#### V. Generic Names of Principal Products / Services of the Company (as per monetary items)

Item Code No. (ITC Code)	<input type="text" value="8"/>	<input type="text" value="4"/>	<input type="text" value="0"/>	<input type="text" value="2"/>	<input type="text" value="2"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Product Descriptions	<input type="text" value="SUPER HEATED WATER BOILERS"/>							
Item Code No. (ITC Code)	<input type="text" value="8"/>	<input type="text" value="4"/>	<input type="text" value="0"/>	<input type="text" value="4"/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Product Descriptions	<input type="text" value="BOILER AUXILIARY PLANT FOR USE WITH BOILERS"/>							

#### Signatures to Schedules A to N

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 2, 2011

For and on behalf of the Board

**A. S. LAMBA**  
Manager

**RAVI UPPAL**  
Director

**MASAYUKI KUBO**  
Director

Place : Mumbai / Yokohama  
Date : May 2, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and accounts for the year ended 31st March 2011

### 1. FINANCIAL RESULTS

Particulars	2010-11 (Rupees)	2009-2010 (Rupees)
<b>Profit before Depreciation &amp; Tax (PBDT)</b>	<b>2,40,22,817</b>	<b>2,61,99,012</b>
Depreciation	<b>9,46,566</b>	<b>67,112</b>
<b>Profit / (Loss) before tax (PBT)</b>	<b>2,30,76,251</b>	<b>2,61,31,900</b>
Provision for taxes	-	-
<b>Profit / (Loss) after tax (PAT)</b>	<b>2,30,76,251</b>	<b>2,61,31,900</b>
Balance brought forward from PY	<b>(3,31,62,424)</b>	<b>(5,92,94,324)</b>
<b>Balance carried to Balance Sheet</b>	<b>(1,00,86,173)</b>	<b>(3,31,62,424)</b>

### 2. APPROPRIATIONS

The Directors wish to inform that there were no appropriations to any kind of specific or General Reserves of the Company during the year under review.

### 3. DIVIDEND

During the period under review, no dividend has been proposed or paid.

### 4. PERFORMANCE OF THE COMPANY

The total income for the financial year under review was Rs. 14.44 crores by way of fees earned from Project facilitation and support services and other income as against Rs. 6.53 crores for the previous financial year. The profit after tax was Rs. 2.31 crores for the financial year under review as against Rs. 2.61 crores for the previous financial year.

During the year 2010-11, the Company has been awarded 420 MW Reoli-Dugli hydro electric project in Himachal Pradesh.

In addition to this, the Company is developing the following projects:

- 1) 1400 MW (Phase I) Rajpura thermal power project in Punjab through a wholly owned subsidiary, Nabha Power Limited (NPL)
- 2) 700 MW (Phase II) Rajpura thermal power project in Punjab through NPL
- 3) 99 MW Singoli-Bhatwari hydro electric project in Uttarakhand through a wholly owned subsidiary, L&T Uttaranchal Hydropower Limited (L&T UHPL)
- 4) 60 MW Tagurshit hydro electric project in Arunachal Pradesh through a wholly owned subsidiary, L&T Arunachal Hydropower Limited (L&T AHPL).
- 5) 149 MW Sach-Khas hydro electric project in Himachal Pradesh through a wholly owned subsidiary, L&T Himachal Hydropower Limited (L&T HHPL).

Besides the above, the Company is actively pursuing opportunities to develop thermal and hydro electric projects in India and abroad.

### 5. CAPITAL EXPENDITURE

As at March 31, 2011, while the gross fixed assets of the Company is Rs. 1,58,81,242, the net fixed asset value is Rs. 1,48,67,564. Additions to fixed assets during the year amounted to Rs. 1,49,85,938.

### 6. AUDITOR'S REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### 7. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between Balance Sheet date and date of Directors' Report.

### 8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

- a. The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in Reporting Board of Directors) Rules, 1988.
- b. No technology has been developed and / or imported by way of foreign collaboration.
- c. During the year, the Company has had "nil" foreign exchange earnings and outgo.

## L&T POWER DEVELOPMENT LIMITED

### 9. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### 10. DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### 11. SUBSIDIARY COMPANIES

L&T Uttaranchal Hydropower Limited (L&T UHPL), Nabha Power Limited (NPL), L&T Himachal Hydropower Limited (L&T HHPL) and L&T Arunachal Hydropower Limited (L&T AHPL); wholly owned subsidiaries of the Company are developing the 99 MW Singoli-Bhatwari hydro electric project in Uttarakhand, the 1400 MW (Phase I) & 700 MW (Phase II) Rajpura thermal project in Punjab, 149 MW Sach Khas hydro electric project & 420 MW Reoli-Dugli in Himachal Pradesh, 60 MW Tagurshit hydro electric project in Arunachal Pradesh respectively.

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiary of the Company, forms part of the Annual Report.

As required under Section 212 of the Companies Act, 1956, the audited Statement of Accounts, the Reports of the Board of Directors & Auditors of L&T UHPL, NPL, L&T HHPL and L&T AHPL are annexed.

### 12. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for the period ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### 13. DIRECTORS

The present directors of the Company are Mr. A. M. Naik, Mr. R. Shankar Raman, Mr. Shailendra N. Roy and Mr. James Abraham.

Mr. Y. M. Deosthalee, Mr. K. Venkatesh and Mr. A. K. Chhatwani resigned as Directors of the Company w.e.f. November 11, 2010. The Directors record their appreciation of the contribution made by them to the Company during their tenure as Directors of the Company.

Mr. A. M. Naik joined the Board with effect from November 11, 2010 as a Director appointed in casual vacancy caused by the resignation of Mr. Y. M. Deosthalee.

Mr. James Abraham joined the Board with effect from March 23, 2011 as an additional director who shall hold office of profit upto the forthcoming Annual General Meeting and is eligible for re-appointment.

Pursuant to the Companies Act, 1956, Mr. Shailendra N. Roy is liable to retire by rotation and being eligible offers himself for re-appointment.

The proposals for appointment / re-appointment of Mr. James Abraham and Mr. Shailendra N. Roy are being placed before the ensuing Annual General Meeting for approval.

### 14. AUDIT COMMITTEE

Consequent to the resignations of Mr. Y. M. Deosthalee, Mr. A. K. Chhatwani and Mr. K. Venkatesh, Audit Committee has been reconstituted.

The Audit Committee comprises of three Directors. The members of Audit Committee are: Mr. A. M. Naik, Mr. R. Shankar Raman and Mr. Shailendra N. Roy.

### 15. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Company does not advocate rotation of Auditors as envisaged in Corporate Governance Voluntary Guidelines, 2009 in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners shall be rotated every three years.

**16. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009****a) Separation of Offices of Chairman & Chief Executive**

The roles and offices of Chairman and Chief Executive are separated. Mr. A. M. Naik is elected as a Chairman of the Board whereas Mr. Chandrashekhar Damle designated as Manager under Companies Act, is the Chief Executive of the Company.

**b) Remuneration of Directors**

The Directors are not paid any remuneration by way of sitting fees, etc. except Mr. James Abraham who is to be paid sitting fees as prescribed under the Act, for attending meeting of the Board of Directors or committee thereof and remuneration not exceeding Rs. 5,00,000 per annum for providing professional services in the field of his expertise.

**c) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

**d) Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

**e) Responsibilities of the Board**

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**f) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**g) Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**h) Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

**17. ACKNOWLEDGMENTS**

The Directors acknowledge the invaluable support extended to the Company by the employees of the Company, staff and management of the parent company and other fellow subsidiaries.

For and on behalf of the Board

Place: Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**R. SHANKAR RAMAN**  
Director

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T POWER DEVELOPMENT LIMITED

We have audited the attached Balance Sheet of L&T Power Development Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Cash Flow Statement read together with the 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year then ended.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 109982W  
by the hand of

**R. D. KARE**  
*Partner*  
Membership no. 8820

Place : Mumbai  
Date : April 27, 2011

**ANNEXURE TO AUDITOR' S REPORT**

(Referred to in paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets 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.
- (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii. The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- iii. We are informed by Management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v. According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. The Company is in the process of instituting internal audit system.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- x. The Company is in existence for a period of less than five years, hence reporting under paragraph 4(x) is not applicable.
- xi. The Company has not raised any loans from financial institutions or banks during the year.
- xii. According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares or securities.
- xv. The Company has not given guarantees for loans taken by others from banks or financial institutions except as disclosed in the Notes to Accounts.
- xvi. The Company has not taken any term loans.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
 Chartered Accountants  
 ICAI registration no. 109982W  
 by the hand of

**R. D. KARE**  
 Partner  
 Membership no. 8820

Place : Mumbai  
 Date : April 27, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share capital	A		13,300,000,000		1,810,000,000
Share application money			–		7,390,000,000
<b>TOTAL</b>			<b>13,300,000,000</b>		<b>9,200,000,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block	B		7,945,321		895,304
Less: Depreciation			1,013,678		67,112
Net Block			6,931,643		828,192
Capital work-in-progress (incl. capital advances)			7,935,921		–
			14,867,564		828,192
<b>Investments</b>	C		11,122,026,190		1,541,751,190
<b>Current assets, loans and advances</b>					
Sundry Debtors	D		90,360,000		64,800,000
Cash and bank balances			8,569,812		10,773,410
Loans and advances			2,131,505,643		7,681,929,401
			2,230,435,455		7,757,502,810
<b>Less: Current liabilities and provisions</b>					
Liabilities	E		77,415,382		133,037,402
Provisions			–		207,215
			77,415,382		133,244,617
<b>Net current assets</b>			<b>2,153,020,073</b>		<b>7,624,258,194</b>
<b>Profit and loss account</b>			<b>10,086,173</b>		<b>33,162,424</b>
<b>TOTAL</b>			<b>13,300,000,000</b>		<b>9,200,000,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	I				
<b>NOTES FORMING PART OF ACCOUNTS</b>	J				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI registration no. 109982W  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**C. S. DAMLE**  
Manager

**S. N. ROY**  
Director

**R. SHANKAR RAMAN**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>Income</b>					
Project Facilitation and Advisory Service Fees			134,542,158		65,276,519
Other income	F		9,808,277		–
<b>TOTAL</b>			<b>144,350,435</b>		<b>65,276,519</b>
<b>EXPENDITURE</b>					
Staff expenses	G		3,514,442		4,944,442
Sales, administration and other expenses	H		116,813,176		34,133,065
Interest and brokerage			–		–
Depreciation			946,566		67,112
<b>TOTAL</b>			<b>121,274,184</b>		<b>39,144,619</b>
<b>Profit / (loss) for the year</b>			<b>23,076,251</b>		<b>26,131,900</b>
Provision for current taxes		4,750,000		4,442,000	
MAT Credit Entitlement		(4,750,000)		(4,442,000)	
			–		–
<b>Profit / (loss) after tax for the year</b>			<b>23,076,251</b>		<b>26,131,900</b>
<b>Balance brought forward from previous year</b>			<b>(33,162,424)</b>		<b>(59,294,324)</b>
<b>Balance carried to Balance Sheet</b>			<b>(10,086,173)</b>		<b>(33,162,424)</b>
<b>Basic earnings per share (Rupees)</b>	} (see Schedule "J" note no. 15)		<b>0.03</b>		<b>0.21</b>
<b>Diluted earnings per share (Rupees)</b>			<b>0.03</b>		<b>0.11</b>
<b>Face value per equity share (Rupees)</b>			<b>10.00</b>		<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	I				
<b>NOTES FORMING PART OF ACCOUNTS</b>	J				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

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**R. SHANKAR RAMAN**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net profit / (loss) before tax (after extraordinary item)</b>	23,076,251	26,131,900
Adjustments for		
Depreciation (including obsolescence), amortisation and impairment	946,566	67,112
Interest (net)	(33,277)	-
(Profit) / loss on sale of investments (net)	(9,775,000)	-
<b>Operating profit before working capital changes</b>	14,214,540	26,199,012
(Increase) / decrease in trade and other receivables	265,173,998	(52,218,872)
Increase / (decrease) in trade payables	54,170,765	(17,297,987)
<b>Cash generated from operations</b>	333,559,303	(43,317,846)
Direct taxes paid	-	-
<b>Net cash (used in) from operating activities</b>	333,559,303	(43,317,846)
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets (including CWIP)	(14,985,938)	(895,304)
Purchase of investments	(9,680,500,000)	(750,500,000)
Loans / deposits made with subsidiaries / associates and third parties (net)	(1,592,647,253)	(338,482,418)
Advance towards equity commitment	6,852,337,013	(7,071,597,253)
Interest received	33,277	-
<b>Net cash (used in) from investing activities</b>	(4,435,762,901)	(8,161,474,975)
<b>C. Cash flow from financing activities:</b>		
Issue of equity shares	4,100,000,000	800,000,000
Share application money	-	7,390,000,000
<b>Net Cash (used in) / from Financing Activities</b>	4,100,000,000	8,190,000,000
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	(2,203,598)	(14,792,821)
<b>Cash and cash equivalents at beginning of the year</b>	10,773,410	25,566,231
<b>Cash and cash equivalents at end of the year</b>	8,569,812	10,773,410

**Notes**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" issued under the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent bank balance.
- Previous Year figures have been regrouped / reclassified where necessary.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration no. 109982W

by the hand of

**R. D. KARE**

Partner

Membership No. 8820

**C. S. DAMLE**

Manager

**S. N. ROY**

Director

**R. SHANKAR RAMAN**

Director

Place : Mumbai

Date : April 27, 2011

Place : Mumbai

Date : April 27, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
200,00,00,000 Equity shares of Rs. 10 each (Previous year 100,00,00,000 Equity shares of Rs. 10 each)	<b>20,000,000,000</b>		10,000,000,000	
<b>Issued, Subscribed and Paid up:</b>				
133,00,00,000 Equity shares of Rs. 10 each (Previous year 18,10,00,000 Equity shares of Rs. 10 each) (114,90,00,000 Equity shares of Rs. 10 each issued in the current year) (All the above equity shares are held by Larsen & Toubro Limited, the Holding Company)	<b>13,300,000,000</b>		1,810,000,000	
<b>TOTAL</b>	<b>13,300,000,000</b>		1,810,000,000	

**SCHEDULE - B****FIXED ASSETS - Tangible**

Particulars	COST				DEPRECIATION				BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
Furniture & Fixtures	196,460	1,019,139	–	<b>1,215,599</b>	35,355	152,287	–	<b>187,642</b>	<b>1,027,957</b>	161,105	
Office Equipments	323,572	870,845	–	<b>1,194,417</b>	14,610	102,882	–	<b>117,492</b>	<b>1,076,925</b>	308,962	
Computers & Printers	315,537	4,417,677	–	<b>4,733,214</b>	14,244	648,479	–	<b>662,723</b>	<b>4,070,491</b>	301,293	
Air Conditioning and Refrigeration Equipment	59,735	35,000	–	<b>94,735</b>	2,903	6,069	–	<b>8,972</b>	<b>85,763</b>	56,832	
Plant & Machinery	–	–	–	–	–	–	–	–	–	–	
Site Equipments	–	707,356	–	<b>707,356</b>	–	36,849	–	<b>36,849</b>	<b>670,507</b>	–	
<b>Total</b>	<b>895,304</b>	<b>7,050,017</b>	–	<b>7,945,321</b>	<b>67,112</b>	<b>946,566</b>	–	<b>1,013,678</b>	<b>6,931,643</b>		
<i>Previous year</i>	–	895,304	–	<b>895,304</b>	–	67,112	–	<b>67,112</b>		828,192	
“ Capital work in progress (incl. capital advances) “									<b>7,935,921</b>	–	
<b>Grand Total</b>									<b>14,867,564</b>	828,192	

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
<b>SCHEDULE - C</b>				
<b>INVESTMENTS</b>				
<b>Long term investments at cost:</b>				
<b>Subsidiary companies:</b>				
<b>Fully paid equity shares</b>				
<b>L&amp;T Utranchal Hydropower Limited (L&amp;T UHPL)</b> 13,10,50,000 shares of Rs. 10 each (8,00,00,000 shares of Rs. 10 each subscribed during the year)	<b>1,310,501,190</b>		1,230,501,190	
<b>Nabha Power Limited</b> 96,00,00,000 shares of Rs. 10 each (95,99,50,000 shares of Rs. 10 each subscribed during the year)	<b>9,600,000,000</b>		500,000	
<b>L&amp;T Himachal Hydropower Limited</b> 50,000 shares of Rs. 10 each (50,000 shares of Rs. 10 each subscribed during the year)	<b>500,000</b>		–	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>L&amp;T Arunachal Hydropower Limited</b>		500,000		-
50,000 shares of Rs. 10 each (50,000 shares of Rs. 10 each subscribed during the year)				
<b>Others (equity shares)</b>				
<b>Everest Power Private Limited</b>		-		100,225,000
(10,00,000 shares of Rs. 100 each sold during the year) [See Note No. 5 in Schedule I]				
<b>Konaseema Gas Power Limited</b>		210,525,000		210,525,000
2,10,00,000 shares of Rs. 10 each				
<b>TOTAL</b>		<b>11,122,026,190</b>		<b>1,541,751,190</b>
<b>SCHEDULE - D</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Sundry Debtors:</b>				
Unsecured:				
Considered good:				
Outstanding for more than 6 months		-		-
Others		90,360,000		64,800,000
		<b>90,360,000</b>		<b>64,800,000</b>
<b>Cash and bank balances:</b>				
Cash on hand		-		-
Balances with scheduled banks:				
Current account		8,569,812		10,773,410
<b>Loans and advances:</b>				
Unsecured:				
Considered good:				
Subsidiary companies				
Due from L&T Himachal Hydropower Limited		850,976,185		-
Due from L&T Arunachal Hydropower Limited		2,734,646		-
Due from Nabha Power Limited		11,172,037		-
ICD to Nabha Power Limited		752,647,253		-
Advances towards equity commitment:				
Subsidiary companies				
Nabha Power Limited		-		7,321,597,253
L&T Himachal Hydropower Limited		390,042,860		-
L&T Arunachal Hydropower Limited		79,217,380		-
Advance Tax (incl TDS, MAT credit entitlement net of provisions) - Current Year		18,147,310		7,200,000
Advance Tax (incl TDS, MAT credit entitlement net of provisions) - Previous Year		7,200,000		-
Advances recoverable in cash or in kind or for value to be received		19,367,972		353,132,148
		<b>2,131,505,643</b>		<b>7,681,929,401</b>
<b>TOTAL</b>		<b>2,230,435,455</b>		<b>7,757,502,810</b>
<b>SCHEDULE - E</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities:</b>				
Sundry creditors				
Due to Larsen & Toubro Ltd (Holding Company)		73,255,038		17,423,675
Due to L&T UHPL (Subsidiary Company)		-		1,157,180
Due to Fellow subsidiaries		236,889		381,500
Security deposit received		-		110,000,000
[See Note No. 5 in Schedule I]				
TDS Payable		3,070,195		2,989,369
Others		853,260		1,085,678
		<b>77,415,382</b>		<b>133,037,402</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>Provisions for:</b>				
Gratuity	-		62,351	
Compensated absences	-		144,864	
		-		207,215
<b>TOTAL</b>		<b>77,415,382</b>		<b>133,244,617</b>

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>OTHER INCOME</b>				
Interest on Fixed Deposits (Tax deducted at source: Rs. 3,328; previous year: Rs. NIL)		33,277		-
Profit on sale of long term investments (net) [See Note No. 5 in Schedule I]		9,775,000		-
		<b>9,808,277</b>		<b>-</b>

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>STAFF EXPENSES</b>				
Salaries		75,000		4,180,691
Contribution to and provision for:				
Provident fund and pension fund	8,823		218,605	
Gratuity	(62,351)		62,351	
Compensated absences / leave encashment	(144,864)		144,864	
		(198,392)		425,820
Welfare and other expenses		3,637,834		337,931
<b>TOTAL</b>		<b>3,514,442</b>		<b>4,944,442</b>

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Tender expenses		-		2,632,590
Business auxiliary and support fees		70,063,993		18,923,366
Professional charges		26,670,552		5,409,937
Auditor's remuneration (excluding service tax)		89,750		60,500
Bank charges (including Bank Guarantee charges)		1,101,359		39,874
Travelling and conveyance		2,593,677		3,169,919
Communication expenses		495,378		195,266
Business promotion expenses		1,499,623		764,012
Lease rent		11,332,640		1,274,812
Printing and stationery		373,735		31,776
Rates and taxes		258,501		1,111,009
Power and fuel		390,517		88,264
General repairs & maintenance		1,571,636		262,314
Subscription charges		225,352		22,069
Security charges		57,411		64,281
Sundries		89,053		83,075
<b>TOTAL</b>		<b>116,813,176</b>		<b>34,133,065</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - I**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible fixed assets, future obligation in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

##### **2. Revenue Recognition**

Revenue from Project facilitation and advisory service fees is recognized following completed contract method in the period in which the performance of related service is completed and there is no uncertainty regarding the amount of the consideration or there is reasonable certainty of ultimate collection.

##### **3. Employee Benefits**

The following are the accounting policies of the Company with regard to Employee Benefits

###### **i) Short term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences, etc. are recognized in the period in which the employee renders the related service.

###### **ii) Post-employment benefits**

###### **a) Defined contribution plan:**

State Government Recognized Provident Fund and Employee Pension Scheme are Defined contribution plan. The contribution paid / payable under the scheme is recognized in the period in which the employee renders the related service.

###### **b) Defined benefit plan:**

The employees gratuity fund scheme is the Company's defined benefit plan. The present value of the obligation under the defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under the defined benefit plan is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the profit and loss account.

###### **iii) Long term employee benefits**

The obligation for long term employee benefits such as long term compensated expenses, etc. is recognized in the same manner as in the case of defined benefit plan as mentioned in (ii)(b) above.

##### **4. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation and cumulative impairment.

##### **5. Operating leases**

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

##### **6. Depreciation**

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of the following asset categories, the depreciation is provided at the higher rates in line with their estimated useful life:

<b>Category of Asset</b>	<b>Rate of Depreciation (% p.a.)</b>
Furniture & Fixtures	10.00
Office Equipments	10.00
Air Conditioning and refrigeration equipment	8.33
Computers & Printers	25.00

Depreciation for additions / deductions is calculated pro rata from / to the month of additions / deductions.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **7. Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any, required; or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- a) in the case of an individual asset, at the higher of the net selling price and the value in use;
- b) in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

### **8. Investments**

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of a permanent nature.

### **9. Taxes on income**

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head "capital gains" are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **10. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event.
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a present obligation when no reliable estimate is possible; and
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## **SCHEDULE - J**

### **NOTES FORMING PART OF ACCOUNTS**

1. The Company's management is of the opinion that the Company is a service company and accordingly furnishing of information required under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
2. There are no amounts due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
3. Segmental reporting:

The Company is engaged in the business of developing, acquiring, investing in, operating a) power generation projects of all types namely thermal, hydel, nuclear and other renewable form of energy, b) electrical transmission lines for transportation of power and c) electricity distribution networks / companies in a single segment. Hence requirement of reporting on primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary / geographical segment information does not arise.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 4. Leases:

The Company has taken various residential / commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry.

5. The Company has sold its investment of 10,00,000 equity shares of Rs. 100/- each in Everest Power Limited and the security deposit of Rs. 11,00,00,000/- has been adjusted as full value of consideration for the sale. The Company has reported a profit of Rs. 97,75,000/- on account of this transaction.
6. The Company has pledged its investment in the equity shares of the following subsidiary companies to the lenders of term loan of the respective companies.

Sl. No.	Name of the Subsidiary Company	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
I	L&T Uttaranchal Hydropower Limited	66,83,55,000	—
II	Nabha Power Limited	489,60,00,000	—

7. The Company has given the following undertakings to the lenders of term loan of L&T Uttaranchal Hydropower Limited (L&T UHPL)

- a) not to reduce its shareholding below
- 51% upto a period of 3 years from Commercial Operations Date
  - 26% until 25% of the term loan is paid by L&T UHPL
  - 19.5% until 50% of the term loan is paid by L&T UHPL
  - 13% until the term loan is repaid in full by L&T UHPL
- b) to meet the cost overrun to the extent of 5% of the project cost.

8. The Company has given the following undertakings to the lenders of term loan of Nabha Power Limited (NPL)

- a) not to reduce its shareholding below 51% until the term loan received from the lenders is repaid in full by NPL.
- b) to meet the cost overrun to the extent of 5% of the project cost.

9. Auditors' remuneration (excluding service tax):

Particulars	2010-2011 Rupees	2009-2010 Rupees
Audit Fees	25,000	15,000
Certification Fees	54,750	35,500
Tax Audit Fees	10,000	10,000
Expenses Re-imbursed	—	—

10. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits":

- 10.1 Defined contribution plan: [refer accounting policy no. 3 ii)a)]

Amount of Rs. 8,823 (*previous year: Rs. 2,18,605*) is recognized as an expense and included in 'staff expenses' (Schedule F) in the Profit and Loss Account.

- 10.2 Defined benefit plan: [refer accounting policy no. 3 ii)b)]

Provision for Gratuity as per the provisions of the Payment of Gratuity Act, 1972 is made on actuarial basis as summarized below:

- a) The amount recognized in Balance Sheet is as follows:

Particulars	2010-2011 Rupees	2009-2010 Rupees
Present Value of Funded Obligations	—	—
Fair Value of Plan Assets	—	—
Present Value of Unfunded Obligations	—	62351
Unrecognized Past Service Cost	—	—
<b>Net Liability</b>	—	62,351
Amounts recognized in Balance Sheet	—	—
Liabilities	—	62,351
Assets	—	—
<b>Net Liability / (asset)</b>	—	62,351



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) The amount recognized in Profit & Loss Account is as follows:

<b>Particulars</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Current Service Cost	-	62,351
Interest on Defined Benefit Obligation	-	-
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) Recognized in Year	-	-
Past Service Cost	<b>(62,351)</b>	-
Losses/(Gains) on "Curtailements & Settlements"	-	-
Losses/(Gains) on "Acquisition/Divestiture"	-	-
Adjustment for earlier years	-	-
Total recognized in Profit & Loss Account	<b>(62,351)</b>	62,351
Actual Return on Plan Assets	-	-

As at March 31, 2011, the Company does not have any employee on its payroll; hence amount of Rs. 62,351 lying as Provision for Gratuity has been reversed during the current year.

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

<b>Particulars</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
<b>Opening Defined Benefit Obligation</b>	<b>62,351</b>	-
Current Service Cost	-	62,351
Interest Cost	-	-
Actuarial Losses / (Gains)	-	-
Past Service Cost	<b>(62,351)</b>	-
Actuarial Losses / (Gains) due to Curtailment	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed on Acquisition /( Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
<b>Closing Defined Benefit Obligation</b>	-	<i>62,351</i>

d) The changes in the fair value plan assets representing reconciliation of opening and closing balances thereof are as follows:

<b>Particulars</b>	<b>2010-2011 Rupees</b>	<i>2009-2010 Rupees</i>
Opening Fair Value of Plan Assets	-	-
Expected Return on Plan Assets	-	-
Actuarial Gains / (Losses)	-	-
Assets Distributed on Settlements	-	-
Contributions by Employer	-	-
Assets Acquired on Acquisition/(Distributed on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
<b>Closing Fair Value of Plan Assets</b>	-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

e) Principal actuarial assumptions at the Balance Sheet date:

Particulars	2010-2011 Rupees	2009-2010 Rupees
<b>Financial Assumptions</b>		
Discount Rate (p.a.)	N.A.	8.00%
Expected Rate of Return on Assets (p.a.)	N.A.	0.00%
Salary Escalation Rate (p.a.)	N.A.	6.00%
<b>Demographic Assumptions</b>		
Mortality Rate	N.A.	LIC 94-96 Rates
Attrition Rate	N.A.	Varies from 1.00% to 7.00% for various age groups
Retirement Age	N.A.	58 years (as per the rule of the Company)

10.3 Provision for Leave Encashment is made on actuarial basis as summarized below:

Particulars	2010-2011 Rupees	2009-2010 Rupees
<b>Financial Assumptions</b>		
Discount Rate (p.a.)	N.A.	8.00%
Salary Escalation Rate (p.a.)	N.A.	6.00%
<b>Demographic Assumptions</b>		
Mortality Rate	N.A.	LIC 94-96 Rates
Attrition Rate	N.A.	Varies from 1.00% to 7.00% for various age groups
Retirement Age	N.A.	58 years (as per the rule of the Company)

As at March 31, 2011, the Company does not have any employee on its payroll; hence amount of Rs. 1,44,864 lying as Provision for Leave Encashment has been reversed during the current year.

## 11. Related party disclosures:

11.1 List of related parties who exercise control and over which control exists

Name of the Related Party	Relationship
Larsen & Toubro Limited	Holding company
L&T Uttaranchal Hydropower Limited (L&T UHPL)	Wholly owned subsidiary
Nabha Power Limited	Wholly owned subsidiary
L&T Himachal Hydropower Limited (L&T HHPL)	Wholly owned subsidiary
L&T Arunachal Hydropower Limited (L&T AHPL)	Wholly owned subsidiary

11.2 Name of related party with whom transactions were carried out during the year and description of relationship:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Holding company
L&T Uttaranchal Hydropower Limited (L&T UHPL)	Wholly owned subsidiary
Nabha Power Limited	Wholly owned subsidiary
L&T Himachal Hydropower Limited (L&T HHPL)	Wholly owned subsidiary
L&T Arunachal Hydropower Limited (L&T AHPL)	Wholly owned subsidiary
L&T Infrastructure Development Projects Limited	Fellow subsidiary

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

L&T Urban Infrastructure Limited	Fellow subsidiary
L&T-MHI Boilers Private Limited	Fellow subsidiary
L&T Infrastructure Finance Company Limited	Fellow subsidiary

## 11.3 Disclosure of related party transaction:

Sl. No.	Name/Relationship/Nature of transaction	2010-2011 Rupees	2009-2010 Rupees
I	Holding company <b>Larsen &amp; Toubro Limited</b> Payroll Processing Fee Business Support Services (incl. service tax) Reimbursement of expenses to	  33,090 6,98,25,361 45,67,982	  1,65,450 4,14,16,706 68,05,304
II	Subsidiaries <b>L&amp;T UHPL</b> Investment in equity shares Project facilitation and advisory service fee (incl. service tax) Reimbursement of expenses from Reimbursement of expenses to <b>Nabha Power Limited</b> Investment in equity shares Advance against equity commitment ICD Business auxiliary and support services (incl. service tax) Reimbursement of expenses from <b>L&amp;T HHPL</b> Investment in equity shares Advance against equity commitment Business auxiliary and support services (incl. service tax) Project facilitation and advisory service fee (incl. service tax) Reimbursement of expenses from Reimbursement of expenses to <b>L&amp;T AHPL</b> Investment in equity shares Advance against equity commitment Business auxiliary and support services (incl. service tax) Project facilitation and advisory service fee (incl. service tax) Reimbursement of expenses from	  8,00,00,000 4,80,00,000 5,529 21,01,112  959,95,00,000 – 281,10,50,000 1,06,56,379 20,58,530  5,00,000 39,00,42,860 28,86,811 7,94,00,000 85,13,94,608 90,72,172  5,00,000 7,92,17,380 1,84,16,517 2,10,00,000 1,06,95,880	  50,00,00,000 7,20,00,000 2,45,672 54,82,563  5,00,000 732,15,97,253 – – 12,42,057  – – – – – –  – – – – –
III	Fellow subsidiaries <b>L&amp;T Infrastructure Development Projects Limited (L&amp;T IDPL)</b> Reimbursement of expenses to <b>L&amp;T Urban Infrastructure Limited (L&amp;T UIL)</b> Reimbursement of expenses to <b>L&amp;T-MHI Boilers Private Limited</b> Reimbursement of expenses to <b>L&amp;T Infrastructure Finance Company Limited (L&amp;T Infra)</b> Business auxiliary and support services (incl. service tax)	  23,53,328 6,000 – 2,63,211	  16,09,430 28,840 16,545 –

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 11.4 Amount due to and due from related parties:

Sl. No.	Particulars	2010-2011 Rupees		2009-2010 Rupees	
		Due to	Due from	Due to	Due from
I	Holding Company <b>Larsen &amp; Toubro Limited</b>	<b>7,32,55,038</b>	-	1,74,23,675	-
II	Subsidiaries				
	<b>L&amp;T UHPL</b>	-	-	-	6,36,42,820
	<b>Nabha Power Limited</b>	-	<b>1,11,72,037</b>	-	12,42,057
	<b>L&amp;T HHPL</b>	-	<b>92,24,36,185</b>	-	-
	<b>L&amp;T AHPL</b>	-	<b>2,16,34,646</b>	-	-
III	Fellow subsidiaries				
	<b>L&amp;T IDPL</b>	-	-	3,37,770	-
	<b>L&amp;T UIL</b>	-	-	28,840	-
	<b>L&amp;T-MHI Boilers Private Limited</b>	-	-	14,890	-
	<b>L&amp;T Infra</b>	<b>2,36,889</b>	-	-	-

## 12. Deferred Tax:

Taxes on Income have been accounted for in accordance with the provisions of Accounting Standard 22, as per the details given below:

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>Deferred tax liabilities:</b>		
Difference between book and tax depreciation	<b>4,76,338</b>	28,347
<b>Total</b>	<b>4,76,338</b>	28,347
<b>Deferred tax assets:</b>		
Unabsorbed c/f Business losses	<b>20,02,631</b>	54,45,148
Unabsorbed c/f Long Term Capital losses	<b>60,49,309</b>	-
Miscellaneous yet to be written off	<b>9,63,308</b>	19,71,421
Unpaid statutory liabilities / provision for compensated absences debited to P&L Account	-	70,432
<b>Total</b>	<b>90,15,247</b>	74,87,001
<b>Net deferred tax liability / (asset)</b>	<b>(85,38,909)</b>	(74,58,654)

The Company has not accounted for Deferred tax asset of Rs. 85,38,909 (*Previous Year Rs. 74,58,654*) on the basis of prudence.

13. The Company, having inadequate taxable income in the current financial year, is required to pay minimum alternate tax (MAT) under Section 115JB of the Income Tax Act, 1961. The provisions of the said Act permits the Company to recover MAT paid out of future taxable profits of the Company (arising from those other than under Section 115JB) within a period of the following ten years. The Company's future profitability as projected by management shows that the MAT paid will be recovered within the period and the manner permitted by the said Act. In accordance with the guidance issued by the Institute of Chartered Accountants of India in its "Guidance note on accounting for credit available in respect of minimum alternate tax under the Income-tax Act, 1961" the Company has carried forward MAT payable of Rs. 91,92,000 as an asset that will be recovered out of future tax payable (other than under Section 115JB).
14. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is Rs. 23,22,091 (*Previous year: Rs. NIL*).
15. Basic and diluted earnings per share (EPS):

Particulars	2010-2011	2009-2010
<b>Basic</b>		
Profit / (Loss) as per profit and loss account (Rs.)	<b>2,30,76,251</b>	2,61,31,900
Weighted average number of equity shares outstanding	<b>79,13,45,205</b>	12,19,86,301
<b>Basic EPS (Rs.)</b>	<b>0.03</b>	0.21
<b>Diluted</b>		
Profit / (Loss) as per profit and loss account (Rs.)	<b>2,30,76,251</b>	2,61,31,900
Weighted average number of equity shares outstanding	<b>79,13,45,205</b>	12,19,86,301
Weighted average number of equity shares to be allotted on conversion of share application money to equity	<b>9,91,17,808</b>	11,70,27,397
Weighted average number of equity shares outstanding after conversion	<b>89,04,63,014</b>	23,90,13,699
<b>Diluted EPS (Rs.)</b>	<b>0.03</b>	0.11

16. Figures for the previous year have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 17. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue  
Rights Issue  
Bonus Issue  
Private Placement  
**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Sources of Fund  
Total Liabilities  
Total Assets  
Paid-Up Capital  
Reserves & Surplus  
Secured Loans  
Unsecured Loans  
Deferred tax liabilities  

## Application of Funds

Net Fixed Assets  
Investments  
@ includes capital work-in-progress  
Net Current Assets  
Miscellaneous Expenditure  
Accumulated Losses  
Deferred Tax Asset  
**IV. Performance of Company** (Amount in Rs. Thousands)Turnover  
Total Expenditure  
Profit / Loss Before Tax  
 Profit / Loss After Tax  
Earnings Per Share in Rs. (Basic)  
Dividend Rate %  
**V. Generic Names of Principal Products/Services of the Company** (as per monetary items)Item Code No. 

(ITC Code)

Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI registration no. 109982W  
by the hand of**R. D. KARE**  
Partner  
Membership No. 8820**C. S. DAMLE**  
Manager**S. N. ROY**  
Director**R. SHANKAR RAMAN**  
DirectorPlace : Mumbai  
Date : April 27, 2011Place : Mumbai  
Date : April 27, 2011

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956****RELATING TO SUBSIDIARY COMPANIES**

Name of the Subsidiary company	L&T UHPL	L&T HHPL	L&T AHPL	Nabha Power Limited
<b>Financial year of the Subsidiary company ended on</b>	<b>31.03.2011</b>	<b>31.03.2011</b>	<b>31.03.2011</b>	<b>31.03.2011</b>
<b>Number of shares in the subsidiary company held by L&amp;T Power Development Limited at the above date</b>				
- Equity Shares	131,050,000	50,000	50,000	960,000,000
- Preference Shares	NIL	NIL	NIL	NIL
<b>Holding Company's interest in subsidiary company</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&amp;T Power Development Limited</b>				
(i) Dealt with in the accounts of L&T Power Development Limited amounted to				
(a) for the subsidiary's financial year ended March 31, 2011	NIL	NIL	NIL	NIL
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Power Development Limited	NIL	NIL	NIL	NIL
(ii) Not dealt with in the accounts of L&T Power Development Limited amounted to				
(a) for the subsidiary's financial year ended March 31, 2011	925,328	(3,466,313)	(694,799)	13,666,219
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Power Development Limited	(6,544,765)	NA	NA	1,270,588
<b>Changes in the interest of L&amp;T Power Development Limited between the end of the subsidiary's financial year and March 31, 2011</b>				
<b>Number of shares acquired</b>	NA	NA	NA	NA
<b>Material changes between the end of subsidiary's financial year and March 31, 2011</b>				
(i) Fixed assets (net additions)	NA	NA	NA	NA
(ii) Investments	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	NA	NA	NA
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	NA	NA	NA	NA
Note: L&T UHPL, L&T HHPL, L&T AHPL and Nabha Power Limited are yet to achieve commercial operations.				

For and on behalf of the Board

Place : Mumbai  
Date : April 27, 2011**S. N. ROY**  
Director**R. SHANKAR RAMAN**  
Director

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and accounts for the year ended March 31, 2011.

### I. FINANCIAL RESULTS

Particulars	2010-11 Rupees	2009-10 Rupees
<b>Profit / (Loss) before Depreciation &amp; Tax (PBDT)</b>	<b>14,37,552</b>	<b>33,47,512</b>
Depreciation	-	-
<b>Profit / (Loss) before tax (PBT)</b>	<b>14,37,552</b>	<b>33,47,512</b>
Provision for taxes	<b>5,12,224</b>	<b>22,58,903</b>
<b>Profit / (Loss) after tax (PAT)</b>	<b>9,25,328</b>	<b>10,88,609</b>
Balance brought forward from previous year	<b>(65,44,765)</b>	<b>(76,33,374)</b>
<b>Balance carried to Balance Sheet</b>	<b>(56,19,437)</b>	<b>(65,44,765)</b>

### 2. APPROPRIATIONS

The Directors wish to inform that there were no appropriations to any kind of specific or General Reserves of the Company during the year under review as the Company is yet to commence its operations.

### 3. DIVIDEND

The Company is yet to commence its operations and hence the Directors are unable to consider dividend to the shareholders of the Company.

### 4. PERFORMANCE OF THE COMPANY

The Directors wish to inform that the project is under implementation stage and your Company is satisfied with the progress that has been made so far in implementing the project.

### 5. CAPITAL EXPENDITURE

As at March 31, 2011, the Company has gross block of fixed assets of Rs. 26,82,03,356. Depreciation and Amortization of Rs. 1,15,40,865 is charged on the fixed assets of the Company. In addition to this, the Company has incurred capital work-in-progress and pre-operative expenses to the tune of Rs. 107,08,63,314 and Rs. 70,31,16,400 respectively.

### 6. AUDITOR'S REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### 7. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between Balance Sheet date and date of Directors' Report.

### 8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

- The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.
- No technology has been developed and / or imported by way of foreign collaboration.
- During the year, the Company has had "nil" foreign exchange earnings and outgo.

### 9. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### 10. DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### 11. SUBSIDIARY COMPANIES

The Company does not have any subsidiary companies under its purview.

## 12. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for the period ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

## 13. DIRECTORS

The present Directors of the Company are Mr. Chandrashekhar S. Damle, Mr. Suneet Maheshwari and Mr. N. Hariharan.

Mr. Ramesh Bhujang, Mr. Manoj Dave and Mrs. Naina Desai resigned as Directors of the Company with effect from November 25, 2010.

Mr. Suneet Maheshwari has been appointed as a Director in casual vacancy caused by the resignation of Mr. Ramesh Bhujang.

Mr. N. Hariharan has been appointed as a Director in casual vacancy caused by the resignation of Mrs. Naina R. Desai.

Mr. Suneet Maheshwari, Director who retires by rotation at this Annual General Meeting, being eligible, offers himself for re-appointment.

## 14. AUDIT COMMITTEE

Consequent to the resignations of Mr. Ramesh Bhujang, Mr. Manoj Dave and Mrs. Naina R. Desai, Audit Committee has been reconstituted.

The Audit Committee comprises of three Directors. The members of Audit Committee are Mr. Chandrashekhar S. Damle, Mr. Suneet Maheshwari and Mr. N. Hariharan.

## 15. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

## 16. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

### a) Separation of Offices of Chairman & Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. The Chairman is elected at the Meeting of the Board of Directors whereas Mr. V. K. Nagyan designated as Manager under Companies Act is not a Director of the Company.

### b) Remuneration of Directors

The Directors are not paid any remuneration by way of sitting fees, etc.

### c) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

### d) Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

### e) Responsibilities of the Board:

Presentations to the Board are made in the areas such as financial results, budgets, business prospects etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### f) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.



**g) Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**h) Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

**17. ACKNOWLEDGMENTS**

The Directors acknowledge the invaluable support extended to the Company by the Department of Energy & Irrigation, Government of Uttarakhand, employees of the Company and management staff of the parent Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : April 27, 2011*

**C. S. DAMLE**  
*Director*

**N. HARIHARAN**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T UTTARANCHAL HYDROPOWER LIMITED

We have audited the attached Balance Sheet of L&T Uttaranchal Hydropower Limited as at March 31, 2011, Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, 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 the audit;
  - (b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of those books;
  - (c) the Balance Sheet and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) on the basis of the written representations received from the Directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - ii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 000452N  
by the hand of

**PAVAN K. AGGARWAL**  
*Partner*  
Membership No. 91466

Place : Mumbai  
Date : April 27, 2011

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## ANNEXURE TO THE AUDITORS REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditor's to the Members of L&T Uttaranchal Hydropower Limited on the accounts, we report that:

- (i)
  - a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) We are informed that the management of the Company has physically verified during the year all its fixed assets and no material discrepancies were noticed on such verification.
  - c) The Company has not disposed off any substantial part of its fixed assets so as to affect the going concern status.
- (ii) The Company is engaged in the business of development and operating of Hydro Power Plant, and has not commenced commercial operations, hence reporting on clauses relating to inventory 4(ii)(a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 does not arise.

- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956. Hence reporting under clause 4(iii)(a) to (g) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (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 nature of its business, for purchase of fixed assets. In our opinion and according to the information and explanations given to us there is no 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 that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956. Hence reporting on clause 4(v)(b) of the Companies (Auditor's report) order 2003 does not arise.
- (vi) The Company has not accepted deposits from the public with in the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act 1956. Hence Clause 4(vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (vii) We are informed that, being in a pre-operative stage, the Company is in the process of instituting an internal audit system.
- (viii) The Central Government has prescribed maintenance of cost records under clause (d) of sub Section (1) of Section 209 of the Companies Act, 1956 (G.S.R. No. 913(E) dt. December 21, 2001, as amended vide G.S.R. 709 (E) Dated December 7, 2005 & G.S.R. 387(E) dated June 27, 2006). The Company will generate electricity from Hydro power and the plant is under construction therefore cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 are not maintained by the Company.
- (ix) a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues, income tax, and other statutory dues during the year with the appropriate authorities. As at March 31, 2011, there are no undisputed statutory dues payable for a period of more than six months from the date they became payable.  
b) According to the information and explanations given to us, there are no dues which have not been deposited on account of any dispute of income tax and cess.
- (x) The Company has been registered for a period less than five years and is yet to commence its commercial operations and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003, regarding accumulated losses & cash losses does not arise.
- (xi) According to the information and explanations given to us, the Company has not availed any loan from bank or debenture holders. Hence reporting on default in repayment of dues under clause 4(xi) of the Companies (Auditor's Report) Order, 2003 does not arise. The Company has not availed any loans from financial institutions.
- (xii) According to the information and explanations given 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 and hence reporting under clause 4(xiii)(a), (b), (c) & (d) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not availed term loan and hence reporting on the purpose for which they were raised under clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xvii) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been applied for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties & companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debenture during the year and accordingly no securities or charge has been created, hence reporting under clause 4(xix) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and the 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 000452N  
by the hand of

**PAVAN K. AGGARWAL**  
*Partner*  
Membership No. 91466

Place : Mumbai  
Date : April 27, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		1,310,500,000		1,230,500,000
Unsecured Loans	B		500,000,000		—
<b>TOTAL</b>			<b>1,810,500,000</b>		<b>1,230,500,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block		80,015,490		49,053,776	
Less: Depreciation		4,159,038		1,080,994	
Net Block			75,856,452		47,972,782
<b>Intangible Assets</b>					
Gross Block		188,187,866		12,428,587	
Less: Depreciation		7,381,827		556,866	
Net Block			180,806,039		11,871,721
<b>Capital work-in-progress</b>	D		1,070,863,314		849,732,879
<b>Pre-operative Expenses</b>	E		703,116,400		541,140,091
<b>Current assets, loans and advances</b>					
Cash and bank balances		59,699,437		112,199,172	
Loans and advances		4,537,743		3,556,460	
		64,237,180		115,755,632	
<b>Less: current liabilities and provisions</b>					
<b>Current Liabilities</b>					
Current Liabilities		289,998,822		342,170,339	
Provisions		—		347,531	
		289,998,822		342,517,870	
<b>Net current assets</b>			(225,761,642)		(226,762,238)
<b>Profit and Loss Account</b>			5,619,437		6,544,765
<b>TOTAL</b>			<b>1,810,500,000</b>		<b>1,230,500,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	J				
<b>NOTES TO ACCOUNTS</b>	K				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466

**MITHILA U.**  
Secretary

**C. S. DAMLE**  
Director

**N. HARIHARAN**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedule</u>	<u>2010-11 Rupees</u>	<u>2009-10 Rupees</u>
<b>INCOME</b>			
Income from operations		-	-
Other income	<b>H</b>	<b>1,547,852</b>	<b>3,457,812</b>
<b>TOTAL</b>		<b>1,547,852</b>	<b>3,457,812</b>
<b>EXPENDITURE</b>			
Sales, administration and other expenses	<b>I</b>	<b>110,300</b>	<b>110,300</b>
<b>TOTAL</b>		<b>110,300</b>	<b>110,300</b>
<b>Profit / (loss) for the year</b>		<b>1,437,552</b>	<b>3,347,512</b>
<b>Provision for tax</b>			
Current Year		<b>500,000</b>	<b>1,087,000</b>
Previous Year		<b>12,224</b>	<b>1,171,903</b>
<b>Profit / (loss) after tax for the year</b>		<b>925,328</b>	<b>1,088,609</b>
<b>Balance brought forward from previous year</b>		<b>(6,544,765)</b>	<b>(7,633,374)</b>
<b>Balance carried to Balance Sheet</b>		<b>(5,619,437)</b>	<b>(6,544,765)</b>
<b>Basic earnings per share (Rupees)</b>	} (see Schedule "K" note no. 12)	<b>0.01</b>	<b>0.02</b>
<b>Diluted earnings per share (Rupees)</b>		<b>0.01</b>	<b>0.02</b>
<b>Face value per equity share (Rupees)</b>		<b>10.00</b>	<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>J</b>		
<b>NOTES TO ACCOUNTS</b>	<b>K</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466

**MITHILA U.**  
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Director

**N. HARIHARAN**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from operating activities:</b>		
Net profit / (loss) before tax (after extraordinary item)	1,437,552	3,347,512
Adjustments for :		
Interest (net)	(1,547,852)	(3,457,812)
<b>Operating profit before working capital changes</b>	<b>(110,300)</b>	<b>(110,300)</b>
Adjustments for :		
(Increase) / decrease in trade and other receivables	(1,009,303)	1,070,063
<b>Cash generated from operations</b>	<b>(1,119,603)</b>	<b>959,763</b>
Direct taxes paid	(585,000)	(31,152)
<b>Net cash (used in) from operating activities</b>	<b>(1,704,603)</b>	<b>928,611</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets (includes CWIP, pre-operative and preliminary expenses)	(568,900,760)	(257,212,052)
Increase / (decrease) in liability for purchase of fixed asset	(52,418,252)	(363,387,400)
Interest received	1,547,852	3,457,812
<b>Net cash (used in) from investing activities</b>	<b>(619,771,160)</b>	<b>(617,141,640)</b>
<b>C. Cash flow from financing activities:</b>		
Issue of equity shares	80,000,000	500,000,000
Proceeds from long term borrowings	500,000,000	-
Interest paid	(11,023,972)	-
<b>Net cash (used in) from financing activities</b>	<b>568,976,028</b>	<b>500,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>(52,499,735)</b>	<b>(116,213,029)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>112,199,172</b>	<b>228,412,201</b>
<b>Cash and cash equivalents at end of the year</b>	<b>59,699,437</b>	<b>112,199,172</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent bank balance.
- Previous Year figures have been regrouped / reclassified where necessary.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of

**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466

**MITHILA U.**  
Secretary

**C. S. DAMLE**  
Director

**N. HARIHARAN**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

For and on behalf of the Board

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
25,00,00,000 Equity shares of Rs. 10 each (Previous year 25,00,00,000 Equity shares of Rs. 10 each)		<b>2,500,000,000</b>		2,500,000,000
<b>Issued, Subscribed and Paid up:</b>				
13,10,50,000 Equity shares of Rs. 10 each (Previous year 12,30,50,000 Equity shares of Rs. 10 each) (80,00,000 Equity shares of Rs. 10 each issued in the current year) (All the above equity shares are held by L&T Power Development Limited, the Holding Company and its nominees)		<b>1,310,500,000</b>		1,230,500,000
<b>TOTAL</b>		<b>1,310,500,000</b>		1,230,500,000

**SCHEDULE - B****UNSECURED LOANS**

Unsecured Loan from Larsen & Toubro Ltd.		<b>500,000,000</b>		-
<b>TOTAL</b>		<b>500,000,000</b>		-

**SCHEDULE - C****FIXED ASSETS**

PARTICULARS	COST				DEPRECIATION / AMORTIZATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>										
Freehold Land	34,278,078	-	-	<b>34,278,078</b>	-	-	-	-	<b>34,278,078</b>	34,278,078
Building - Approach Roads	11,934,484	25,433,500	-	<b>37,367,984</b>	351,479	2,454,790	-	<b>2,806,269</b>	<b>34,561,715</b>	11,583,005
Office Equipment	411,107	893,708	-	<b>1,304,815</b>	40,054	87,481	-	<b>127,535</b>	<b>1,177,280</b>	371,053
Computers	1,138,119	655,857	54,000	<b>1,739,976</b>	378,203	216,006	21,884	<b>572,325</b>	<b>1,167,651</b>	759,916
Plant & Machinery	539,380	2,254,562	-	<b>2,793,942</b>	25,577	97,222	-	<b>122,799</b>	<b>2,671,143</b>	513,803
Furniture & Fixtures	752,608	1,778,087	-	<b>2,530,695</b>	285,681	244,429	-	<b>530,110</b>	<b>2,000,585</b>	466,927
<b>Tangible Assets (Sub total - A)</b>	<b>49,053,776</b>	<b>31,015,714</b>	<b>54,000</b>	<b>80,015,490</b>	<b>1,080,994</b>	<b>3,099,928</b>	<b>21,884</b>	<b>4,159,038</b>	<b>75,856,452</b>	<b>47,972,782</b>
<b>Intangible Assets</b>										
Leasehold Land	12,428,587	175,759,279	-	<b>188,187,866</b>	556,866	6,824,961	-	<b>7,381,827</b>	<b>180,806,039</b>	11,871,721
<b>Intangible Assets (Sub total - B)</b>	<b>12,428,587</b>	<b>175,759,279</b>	<b>-</b>	<b>188,187,866</b>	<b>556,866</b>	<b>6,824,961</b>	<b>-</b>	<b>7,381,827</b>	<b>180,806,039</b>	<b>11,871,721</b>
<b>Total</b>	<b>61,482,363</b>	<b>206,774,993</b>	<b>54,000</b>	<b>268,203,356</b>	<b>1,637,860</b>	<b>9,924,889</b>	<b>21,884</b>	<b>11,540,865</b>	<b>256,662,491</b>	
Previous year	52,654,507	8,851,362	23,506	61,482,363	729,097	926,596	17,833	1,637,860		59,844,503

**Note :**

- 1) Leasehold land represents:-
  - i) 4.728 hectares of forest land in dist. Rudryaprayag, State of Uttarakhand amounting Rs. 47,28,000 taken on lease for 30 years w.e.f. 10.09.2007.
  - ii) 34.341 hectares of forest land in dist. Rudryaprayag, State of Uttarakhand, amounting Rs. 77,00,587 taken on lease for 30 years w.e.f. 24.09.2009.
  - iii) Rs. 17,57,59,279 paid towards Compensatory Afforestation fund of Govt. of Uttarakhand for Leasehold Land. This amount was paid prior to current year and was shown under Capital work-in-progress.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2010	Addition (Net)	As at 31.03.2011
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>			
<b>CAPITAL WORK-IN-PROGRESS</b>			
Compensatory Afforestation	175,759,279	(175,759,279)	-
Buildings	-	10,612,466	<b>10,612,466</b>
Plant & Machinery	-	51,174,424	<b>51,174,424</b>
Dam / Barrage & Tunnel	278,843,124	266,864,300	<b>545,707,424</b>
Powerhouse, Tailrace Channel & Associated Structure	171,241,650	27,330,851	<b>198,572,501</b>
Project Roads and Bridges	192,160,094	20,760,781	<b>212,920,875</b>
Land (Transfer Under Process Pending Registration)	2,233,470	6,219,066	<b>8,452,536</b>
Site Development Works	29,495,262	13,927,826	<b>43,423,088</b>
<b>TOTAL</b>	<u>849,732,879</u>	<u>221,130,435</u>	<u>1,070,863,314</u>

Note : 1) Capital work-in-progress includes advances Rs. 5,96,26,960 (Previous Year : Rs. 22,33,470).

	As at 31.03.2010		During 01.04.2010 to 31.03.2011		As at 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - E</b>						
<b>PRE-OPERATIVE EXPENSES</b>						
Salaries	5,855,784		-			<b>5,855,784</b>
Cost of services	7,750,304		1,845,442			<b>9,595,746</b>
Staff Welfare and other expenses	1,604,889		-			<b>1,604,889</b>
Contribution to & Provisions for:						
Provident Fund	358,705		-		<b>358,705</b>	
Gratuity	75,836		(75,836)		-	
Leave Encashment	170,899	605,440	(170,899)	(246,735)	-	<b>358,705</b>
Rent		9,500,387		2,606,684		<b>12,107,071</b>
Rates & Taxes		181,795		201,657		<b>383,452</b>
Premium paid for award of contract		329,340,000		-		<b>329,340,000</b>
Compensation for trees and structures		1,942,955		1,340,791		<b>3,283,746</b>
Project Development Expenses		-		8,385,130		<b>8,385,130</b>
Travelling & Conveyance		6,015,402		4,876,226		<b>10,891,628</b>
Electricity charges		500,171		562,972		<b>1,063,143</b>
Communication Expenses		582,590		127,719		<b>710,309</b>
Professional charges		153,715,998		111,539,646		<b>265,255,644</b>
Printing & Stationery		629,028		190,840		<b>819,868</b>
Project Insurance		13,196,653		5,281,519		<b>18,478,172</b>
Interest paid during construction		-		11,023,972		<b>11,023,972</b>
Repairs & Maintenance						
R & M Office Equipment		114,666		63,026		<b>177,692</b>
R & M Buildings (including approach roads)		2,114,481		107,076		<b>2,221,557</b>
General repairs and maintenance		589,562	2,818,709	2,334,910	2,505,012	<b>2,924,472</b>
Miscellaneous Expenses		4,966,297		1,797,265		<b>6,763,562</b>
Depreciation / Amortisation		1,655,693		9,924,889		<b>11,580,582</b>
Loss on obsolesce of asset		5,673		9,500		<b>15,173</b>
Fringe benefit tax		272,323		3,780		<b>276,103</b>
<b>TOTAL</b>		<u>541,140,091</u>		<u>161,976,309</u>		<u>703,116,400</u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and bank balances:</b>				
Cash on hand		77,775		5,255
Balances with scheduled banks:				
Current account	12,312,973		20,601,255	
Fixed Deposits (including interest accrued thereon Rs. 8,505; <i>previous year Rs. 11,959</i> )	47,308,689		91,592,662	
		59,621,662		112,193,917
<b>Loans and advances:</b>				
Unsecured, Considered good:				
Advances recoverable in cash or in kind or for value to be received		4,409,767		3,367,940
Advance tax (net of provisions)		127,976		–
Due from Fellow Subsidiaries:				
L&T Infrastructure Development Projects Limited		–		188,520
<b>TOTAL</b>		<b>64,237,180</b>		<b>115,755,632</b>

<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities:</b>				
Sundry creditors - Capital				
Larsen & Toubro Limited - Retention (Ultimate Holding Company)	42,285,822		96,132,844	
Due to L&T Power Development Limited (Holding Company)	–		63,642,820	
Others	247,713,000		182,394,675	
		289,998,822		342,170,339
<b>Provisions for:</b>				
Current tax	–		100,796	
Leave encashment	–		170,899	
Gratuity	–		75,836	
		–		347,531
<b>TOTAL</b>		<b>289,998,822</b>		<b>342,517,870</b>

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>				
<b>OTHER INCOME</b>				
Interest on Fixed Deposits (Tax deducted at source: Rs. 1,44,037; <i>previous year: Rs. 5,64,590</i> )		1,547,852		3,457,812
<b>TOTAL</b>		<b>1,547,852</b>		<b>3,457,812</b>
<b>SCHEDULE - I</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Audit fee		110,300		110,300
<b>TOTAL</b>		<b>110,300</b>		<b>110,300</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - J**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **Brief description of the Project**

The Company has been formed to undertake the development, construction and operation of 99 MW Singoli Bhatwari Hydro Electric Project on Build-own-operate-transfer (BOOT) basis for a period of 45 years including the construction period. The Project is located in the Garhwal region of the state of Uttarakhand, District Rudraprayag, on Mandakini River, the right bank tributary of Alaknanda.

The Company executed the financing agreements for the project in the current year. The total cost of the project is estimated to be Rs. 1,044 crores. The project is currently in implementation phase.

##### **Significant Accounting Policies**

###### **a. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, future obligation in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

###### **b. Revenue Recognition**

Interest income is accounted at applicable rates on the respective investments.

###### **c. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation. Pre-operative expenses incurred upto the date of commencement of commercial operation are to be capitalized on the date of commencement of commercial operation.

###### **d. Depreciation**

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Depreciation for, additions / deductions is calculated pro rata from / to the month of additions / deductions.

###### **e. Intangible Assets**

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standard) Rules, 2006.

Leasehold land is amortized over the period of lease.

###### **g. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying asset are capitalized as part of such asset till such time as the asset is ready for the intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

###### **h. Foreign Currency Transactions and Derivatives**

(i) The reporting currency of the Company is the Indian Rupee.

(ii) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate on the date of the transaction.

(iii) The exchange differences on conversion are charged to preoperative expenses.

###### **f. Taxes on income**

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments/appeals.

###### **g. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event.

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Contingent Liability is disclosed in case of

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- a present obligation arising from past events when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULE - K****NOTES TO ACCOUNTS**

- The Profit and Loss Account has been drawn to comply with the provision of the Companies Act, 1956; though the commercial operations have not commenced.
- The Company has not yet commenced the generation of power and hence, disclosure of information under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
- There are no amounts due to Micro and Small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
- During the year, the Company has taken unsecured financial assistance of Rs. 50 crores (*Previous Year Rs. NIL*) from Larsen & Toubro Limited at the interest rate of 9.25% per annum. Entire amount will be repaid in financial year 2012.
- Segmental reporting:

The Company is engaged in the business of developing and implementing hydro electric projects. Hence reporting on primary segment does not arise. The Company does not have any exports; hence, disclosure of secondary / geographical segment information does not arise.

- Leases:

The Company has taken various residential / commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry.

- Auditors' remuneration (including service tax):

Particulars	2010-11	2009-10
	Rupees	Rupees
Audit Fees	1,10,300	1,10,300
Certification Fees	5,515	28,126
Expenses Re-imbursed	6,133	3,635

- Employee Benefits:

8.1 Contribution to Recognized Provident Fund and Employee Pension Scheme is made on actual basis. An amount of Rs. NIL (*previous year: Rs. 2,29,823*) is recognized as an expense towards the same and included in Pre-operative expenses.

8.2 Since the Company did not have any employee on its payroll during the financial year 2010-11 and full and final settlement of all its earlier employees was made till March 31, 2010, the Company is of the opinion that there will not be any liability in respect of terminal benefit and accordingly actuarial valuation is not carried out for the year. Hence, no provision has been made for employee benefits.

8.3 Provision for Gratuity as per the provisions of the Payment of Gratuity Act, 1972 is summarized below:

- The amount recognized in Balance Sheet is as follows:

Particulars	2010-11	2009-10
	Rupees	Rupees
Present Value of Funded Obligations	-	-
Fair Value of Plan Assets	-	-
Present Value of Unfunded Obligations	-	75,836
Unrecognized Past Service Cost	-	-
<b>Net Liability</b>	-	75,836
Amounts recognized in Balance Sheet	-	-
Liabilities	-	75,836
Assets	-	-
<b>Net Liability / (asset)</b>	-	75,836

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) The amount recognized in Pre-operative Expenses is as follows:

Particulars	2010-11	2009-10
	Rupees	Rupees
Current Service Cost	-	44,280
Interest on Defined Benefit Obligation	-	3,763
Expected Return on Plan Assets	-	-
Net Actuarial Losses / (Gains) Recognized in Year	-	18,256
Past Service Cost	(75,836)	(2,273)
Losses / (Gains) on "Curtailments & Settlements"	-	-
Losses / (Gains) on "Acquisition / Divestiture"	-	-
Adjustment for earlier years	-	-
Total recognized in Preoperative Expense	(75,836)	64,026
Actual Return on Plan Assets	-	-

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	2010-11	2009-10
	Rupees	Rupees
Opening Defined Benefit Obligation	75,836	11,810
Current Service Cost	-	44,280
Interest Cost	-	3,763
Actuarial Losses / (Gains)	-	18,256
Past Service Cost	(75,836)	(2,273)
Actuarial Losses / (Gains) due to Curtailment	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed on Acquisition / (Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
Closing Defined Benefit Obligation	-	75,836

d) The changes in the fair value plan assets representing reconciliation of opening and closing balances thereof are as follows:

Particulars	2010-11	2009-10
	Rupees	Rupees
Opening Fair Value of Plan Assets	-	-
Expected Return on Plan Assets	-	-
Actuarial Gains / (Losses)	-	-
Assets Distributed on Settlements	-	-
Contributions by Employer	-	-
Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
Closing Fair Value of Plan Assets	-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

e) Principal actuarial assumptions at the Balance Sheet date:

Particulars	Gratuity		Leave Encashment	
	2010-11	2009-10	2010-11	2009-10
<b>Financial Assumptions</b>				
Discount Rate (p.a.)	N.A.	8.00%	N.A.	8.00%
Expected Rate of Return on Assets (p.a.)	N.A.	0.00%	N.A.	0.00%
Salary Escalation Rate (p.a.)	N.A.	6.00%	N.A.	6.00%
<b>Demographic Assumptions</b>				
Mortality Rate	N.A.	LIC 94-96 Rates	N.A.	LIC 94-96 Rates
Attrition Rate	N.A.	Varies from 1.00% to 7.00% for various age groups	N.A.	Varies from 1.00% to 7.00% for various age groups
Retirement Age	N.A.	58 years (as per the rule of the Company)	N.A.	58 years (as per the rule of the Company)

The Defined Benefit Obligation of compensated absence in respect of the employees of the Company as at March 31, 2011 is Rs. NIL.  
(Previous Year : Rs. 170,899)

9. Related party disclosures:

9.1 List of related parties who can exercise control:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
L&T Power Development Limited	Holding Company

9.2 Name of related party with whom transactions were carried out during the year and description of relationship:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
L&T Power Development Limited	Holding Company
L&T Himachal Hydropower Limited	Fellow subsidiary
L&T Infrastructure Development Projects Limited	Fellow subsidiary
L&T Infrastructure Finance Company Limited	Fellow subsidiary
L&T Urban Infrastructure Limited	Fellow subsidiary

9.3 Disclosure of related party transaction:

Sl. No.	Name/Relationship/Nature of transaction	2010-11	2009-10
		Rupees	Rupees
I	<b>Ultimate Holding Company - Larsen &amp; Toubro Limited</b>		
	• Business auxiliary and support services (incl. service tax)	99,270	14,61,356
	• Payroll processing fee (incl. service tax)	-	1,65,450
	• Construction contract	30,07,05,631	9,02,28,357
	• Unsecured loan from	50,00,00,000	-
	• Interest on unsecured loan	1,10,23,972	-
	• Reimbursement of expenses to	5,75,364	52,18,832
II	<b>Holding Company - L&amp;T Power Development Limited</b>		
	• Issue of equity shares	8,00,00,000	75,00,00,000
	• Reimbursement of expenses from	21,01,112	54,82,563
	• Reimbursement of expenses to	5,529	2,45,672
	• Project supervision, facilitation and support services (incl. service tax)	4,80,00,000	7,20,00,000

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sl. No.	Name/Relationship/Nature of transaction	2010-11	2009-10
		Rupees	Rupees
III	<b>Fellow Subsidiary - L&amp;T Himachal Hydropower Limited</b> • Reimbursement of expenses from	16,48,573	–
IV	<b>Fellow Subsidiary - L&amp;T Infrastructure Development Projects Limited</b> • Reimbursement of expenses from • Reimbursement of expenses to	– 11,240	10,06,000 21,34,556
V	<b>Fellow subsidiary - L&amp;T Infrastructure Finance Company Limited</b> • Reimbursement of expenses from • Reimbursement of expense to • Professional fees (incl. service tax)	– 3,286 1,94,32,467	8,31,726 – 9,92,700
VI	<b>Fellow subsidiary - L&amp;T Urban Infrastructure Limited</b> • Reimbursement of expenses to	6,000	–

## 9.4 Amount due to and due from related parties:

Sl. No.	Particulars	2010-11		2009-10	
		Rupees		Rupees	
		Due to	Due from	Due to	Due from
I	Ultimate Holding Company: Larsen & Toubro Limited	4,22,85,822	–	9,61,32,844	–
II	Holding Company: L&T Power Development Limited	–	–	6,36,42,820	–
III	Fellow Subsidiary Company: L&T Infrastructure Development Projects Limited	–	–	–	1,88,520

10. Sundry Creditors includes Rs. 13,81,20,000 (Rupees Thirteen crores eighty one lakhs twenty thousand) representing amount due to Government of Uttarakhand towards balance premium payable for award of the project.
11. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is as follows:
- Construction Contracts including Capital advance: Rs. 452.91 crores (*Previous year: Rs. 484.00 crores*)
  - Project Facilitation, Supervision and Support Services: Rs. 18.00 crores (*Previous year: Rs. 22.80 crores*)
12. Basic and diluted earnings per share (EPS):

Particulars	2010-11	2009-10
<b>Basic</b>		
Profit after tax as per Accounts (Rupees)		
Weighted average number of equity shares	9,25,328	10,88,609
Basic EPS (Rupees)	12,57,45,890	6,85,97,945
<b>Diluted</b>	0.01	0.02
Profit after tax as per Accounts (Rupees)	9,25,328	10,88,609
Weighted average number of equity shares	12,57,45,890	6,85,97,945
Diluted EPS (Rupees)	0.01	0.02

13. Un-hedged foreign currency exposures as at March 31, 2011 is as under :

Particulars	Amount (Rs.)
Receivables	NIL
Payables	55,65,120

14. Expenditure in Foreign Currency: Rs. NIL

15. Figures for the previous year have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 16. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments + -  
Net Current Assets Misc. Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover Total Expenditure + -  
Profit / Loss Before Tax + -  
Profit / Loss After Tax + -  
Earnings per Share (Basic) in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
By the hand of**PAVAN K. AGGARWAL**  
Partner  
Membership No. 91466**MITHILA U.**  
Secretary**C. S. DAMLE**  
Director**N. HARIHARAN**  
DirectorPlace : Mumbai  
Date : April 27, 2011Place : Mumbai  
Date : April 27, 2011

## ***DIRECTORS' REPORT***

The Directors have pleasure in presenting their Annual report and Accounts for the year ended March 31, 2011.

### **FINANCIAL RESULTS**

Your Company's project is under implementation and accordingly the Company carried forward the project expenditure as Construction Work in Progress (at cost) Rs. 4,74,07,10,187. The Company earned income of Rs. 2,03,45,362 being interest on Fixed Deposit and Mutual Fund dividend.

### **DIVIDENDS / APPROPRIATIONS**

There were no appropriations to any reserve during the year, nor any declaration of dividend.

### **CAPITAL EXPENDITURE**

The Company has gross block of Rs. 27,54,806. Depreciation & Amortization of Rs. 376,398 is charged upto March 31, 2011.

### **AUDITORS' REPORT**

The Auditors Report to the Shareholders does not contain any qualifications.

### **PERFORMANCE OF THE COMPANY**

The Directors are satisfied with the progress so far in implementing the project.

### **DEPOSITS**

The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

### **MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT**

There are no material changes that have taken place in the Company between the date of the Balance Sheet and the date of the Directors' Report.

### **DISCLOSURE OF PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO AS PER THE COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

#### **Conservation of Energy**

As the commercial operations of the Company for generation of power are yet to commence, there are no particulars required to be disclosed under this head.

#### **Technology Absorption & Foreign Exchange Earnings and Outgo**

There was no Technology Absorption and no earnings or outgo of any foreign currency during the year 2010-11.

### **PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, read with the Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary company.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm :

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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, 2011 .
- iii. that 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
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

During the year under review, Mr. R. K. Sharma and Mr. Y. V. S. Sravankumar resigned from the Board with effect from October 7, 2010 and Mr. A. K. Chhatwani resigned from the Board from October 15, 2010.

Mr. K. Venkataramanan, Mr. S. N. Roy and Mr. P. S. Kapoor were appointed as Additional Directors with effect from October 7, 2010 of the Company. Members' approval is sought to appoint Mr. K. Venkataramanan, Mr. S. N. Roy and Mr. P. S. Kapoor as the Directors of the Company in the ensuing Annual General Meeting.



**COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

Our compliance with the guidelines is given below –

**A] INDEPENDENT DIRECTORS**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. Directors are updated about their role, responsibilities and liabilities.

Number of Companies in which an Individual may become a Director

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

**B] STATUTORY AUDITORS**

The statutory auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from Auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**C] INTERNAL AUDITORS**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to all its group companies.

**D] INTERNAL CONTROL**

The Board ensures the effectiveness of the Company's system of internal controls.

**E] SECRETARIAL AUDIT**

The Secretarial Audit of the Company is handled by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**F] RELATED PARTIES TRANSACTION**

As required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions form part of the accounts as required under Accounting Standard 18 and the same forms part of this Annual Report.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the employees of the Company and management of the parent company.

For and on behalf of the Board

Place : Mumbai

Date : April 27, 2011

**S. N. ROY**

Director

**P. S. KAPOOR**

Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF NABHA POWER LIMITED**

We have audited the attached Balance Sheet of Nabha Power Limited as at March 31, 2011, the Profit & Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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.

We report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to on Paragraph (1) above, 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, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - (e) On the basis of the written representations received from directors of the Company as on March 31, 2011, & taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule K and note no. 6 regarding treatment of Power Purchase Agreement as Leases and other notes forming part of accounts in Schedule L, give in the prescribed manner the information required by the Companies Act, 1956, 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 March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Mumbai  
Date: April 27, 2011

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 000452N  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of all fixed assets.
  - (b) As explained to us, fixed assets have been physically verified by the management. In our opinion, the physical verification is reasonable and no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off any substantial part of its fixed assets during the year, so as to affect its going concern status.
- ii. (a) As explained to us, the inventories have been physically verified by the management during the period. In our opinion, the frequency of such verification is reasonable.
  - (b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- iii. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable to the Company.
  - (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable to the Company.
- 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, for the purchase of inventory and fixed assets. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control systems.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of the contracts or arrangements that need to be entered in the register maintained under Sec. 301 of the Companies Act, 1956, have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contract or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- vii. We are informed that, being in a pre-operative stage, the Company is in the process of instituting an internal audit system.
- viii. The Central Government has prescribed maintenance of cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 (G.S.R. No. 913(E) dt. 21.12.2001, as amended vide G.S.R. 709 (E) Dated 7th December 2005 & G.S.R. 387(E) dated 27th June 2006). The Company will generate electricity from thermal power and the plant is under construction therefore cost records under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956 are not maintained by the Company.
- ix. (a) According to the information and explanations given to us, in our opinion, the Company has been generally regular in depositing undisputed statutory dues like Income Tax, Wealth Tax, Service Tax and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts were in arrears as at March 31, 2011, for a period of more than six months from the date they became payable.
  - (b) As per information and explanations furnished to us and the records of the Company examined by us there were no dues of Income Tax, Wealth Tax, Service Tax & Cess which have not been deposited on account of any dispute.
- x. The Company has been registered for a period less than 5 years and is yet to commence its commercial operations and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003, regarding accumulated losses and cash losses does not arise.
- xi. According to the records of the Company examined by us and the informations / explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or Bank as at the Balance Sheet date.
- 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 any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. 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.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in mutual funds have been held by the Company in its own name.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by associates and others, from banks or financial institutions during the year.

NABHA POWER LIMITED

- xvi. In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- xvii. According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been applied for long term investments.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year under audit, hence reporting under clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 does not arise.
- xix. The Company has not issued any debentures during the year. Hence, reporting on paragraph 4(xix) of the Order pertaining to creation of security or charge for debentures does not arise.
- xx. The Company has not raised any money through a public issue during the year; accordingly, paragraph 4(xx) of the Order is not applicable to the Company.
- xxi. During the course of our examination of 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*ICAI Registration No. 000452N*  
*by the hand of*

*Place: Mumbai*  
*Date: April 27, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

**BALANCE SHEET AS AT MARCH 31, 2011**

Schedules	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	A	9,600,000,000		500,000
Advance towards Equity		–		7,321,597,253
Reserves & Surplus		14,936,807		1,270,588
<b>Loan Funds</b>				
Secured Loans	B	6,687,025,206		–
Unsecured Loans	C	752,647,253		–
<b>TOTAL</b>		<b>17,054,609,266</b>		<b>7,323,367,841</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
<b>Tangible Assets</b>				
Gross Block		2,754,805		571,130
Less: Depreciation		376,398		104,894
Net Block		2,378,407		466,236
<b>Intangible Assets</b>				
Gross Block		–		–
Less: Amortization		–		–
Net Block		–		–
Capital Work-in-Progress		4,618,240		–
		6,996,647		466,236
<b>Investments</b>	E	27,151,170		20,002,312
<b>Current Assets, Loans &amp; Advances</b>				
Cash and Bank Balances	F	350,087,866		332,561,856
Inventory		9,837,228,665		5,096,518,478
Loans & Advances		11,149,071,148		1,887,049,872
		21,336,387,679		7,316,130,206
Less: Current Liabilities & Provisions				
<b>Current Liabilities</b>				
Current Liabilities	G	4,315,926,230		13,230,913
Provisions		–		–
		4,315,926,230		13,230,913
<b>Net Current Assets</b>		<b>17,020,461,449</b>		<b>7,302,899,293</b>
<b>TOTAL</b>		<b>17,054,609,266</b>		<b>7,323,367,841</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>				
<b>NOTES ON ACCOUNTS</b>				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>			
<b>Sales &amp; Services</b>			
Construction WIP at Cost		4,740,710,187	5,096,518,478
Other Income	H	20,345,362	6,962,012
<b>TOTAL</b>		<b>4,761,055,549</b>	<b>5,103,480,490</b>
<b>EXPENDITURE</b>			
Construction expenses	I	4,740,710,187	5,096,518,478
Selling, Administration and Other Expenses	J	469,143	5,050,000
<b>TOTAL</b>		<b>4,741,179,330</b>	<b>5,101,568,478</b>
Profit / (Loss) for the period		19,876,219	1,912,012
Provision for Taxes			
Current Tax		6,210,000	600,000
Profit / (Loss) after Tax		13,666,219	1,312,012
Prior period adjustment			
Preliminary Expenses written off		-	41,424
<b>Balance Brought forward from Previous Year</b>		<b>1,270,588</b>	<b>-</b>
<b>Balance carried to Balance Sheet</b>		<b>14,936,807</b>	<b>1,270,588</b>
Basic Earning per share		0.03	25.41
Diluted Earning per share		0.03	0.01
Face Value per Share		10	10
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	K		
<b>NOTES ON ACCOUNTS</b>	L		

The schedules referred to above form part of Profit & Loss Account.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 000452N)  
 by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
 Partner  
 Membership No. 33013  
 Place : Mumbai  
 Date : April 27, 2011

**S. N. ROY**  
 Director

**P. S. KAPOOR**  
 Director

Place : Mumbai  
 Date : April 27, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A Cash Flow from Operating activities</b>		
<b>Net Profit / (Loss) before tax &amp; extraordinary items</b>	<b>19,876,219</b>	<b>1,912,012</b>
<b>Adjustment for :</b>		
Dividend Received	(2,053,398)	-
Depreciation and Amortization	-	-
Translation reserve	-	-
Unrealized foreign exchange difference - net (gain) / loss	-	-
Interest Expenses	-	-
Interest Income	(18,291,964)	-
(Profit) / Loss on sale of investments (net)	-	-
(Profit) / Loss on sale of fixed assets (net)	-	-
Provision for diminution of value of investments	-	-
<b>Operating Profit before working capital changes</b>	<b>(469,143)</b>	<b>1,912,012</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in Other receivables	-	-
(Increase) / Decrease in Inventories	(4,453,544,801)	(810,365,244)
(Increase) / Decrease in Loans and Advances	(9,262,021,275)	(1,882,792,828)
Increase / (Decrease) in Other payables	4,302,695,318	(4,921,418)
<b>Cash generated from operations</b>	<b>(9,413,339,902)</b>	<b>(2,696,167,478)</b>
Direct taxes paid	(6,210,000)	-
<b>Net Cash inflow from Operating Activities (A)</b>	<b>(9,419,549,902)</b>	<b>(2,696,167,478)</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(6,801,916)	(41,640)
Interest received	18,291,964	-
Purchase of investments	(7,148,858)	(20,002,312)
Sale of Fixed Assets	-	-
Dividend received from other investments	2,053,398	-
<b>Net Cash used in Investing Activities (B)</b>	<b>6,394,588</b>	<b>(20,043,952)</b>
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity shares and advance against share capital	2,277,902,747	7,321,597,253
(Repayment) / Proceeds from other borrowings	7,439,672,459	(4,595,866,192)
Interest paid	(286,893,882)	-
<b>Net cash from Financing Activities (C)</b>	<b>9,430,681,324</b>	<b>2,725,731,061</b>
Net increase in cash and cash equivalents (A+B+C)	17,526,010	9,519,632
Cash and Cash equivalents as at the beginning	332,561,856	323,042,224
Cash and Cash equivalents as at the end	<b>350,087,866</b>	<b>332,561,856</b>

**Notes:**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard AS (3): 'Cash Flow Statements issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous period's figures have been regrouped / reclassified wherever applicable.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
Current Year: 2,40,00,00,000 Equity Shares of Rs. 10/- each (Previous Year: 1,00,000 Equity Shares of Rs. 10/- each)	<b>24,000,000,000</b>	<b>1,000,000</b>
<b>Issued, Subscribed &amp; Paid-up</b>		
960,000,000 Equity Shares of Rs. 10/- each fully paid up. (Previous Year: 50,000 equity shares of Rs.10/- each) (959,950,000 Equity shares of Rs. 10 each issued in the current year)	<b>9,600,000,000</b>	<b>500,000</b>
(All the shares are held by L&T Power Development Limited-the holding company and its nominees as on March 31, 2011)		
<b>TOTAL</b>	<b>9,600,000,000</b>	<b>500,000</b>

<b>SCHEDULE B</b>		
<b>SECURED LOANS</b>		
Axis Bank Limited	<b>2,987,025,206</b>	-
Punjab National Bank	<b>1,850,000,000</b>	-
ICICI Bank Limited	<b>1,850,000,000</b>	-
<b>TOTAL</b>	<b>6,687,025,206</b>	-

<b>SCHEDULE C</b>		
<b>UNSECURED LOANS</b>		
Inter Corporate Borrowings from L&T Power Development Limited	<b>752,647,253</b>	-
<b>TOTAL</b>	<b>752,647,253</b>	-

**SCHEDULE - D**

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deductions/ Adjustment for the year	As at 31.03.2011	Upto 31.03.2010	Depreciation for the year	Deductions/ Adjustment for the year	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Tangible Assets -										
Furniture & Fixtures	227,612	108,297	-	335,909	46,809	49,195	-	96,005	239,904	180,803
Office Equipment	103,052	49,130	-	152,182	15,193	14,716	-	29,909	122,273	87,859
Computers	123,322	726,372	-	849,694	25,417	71,331	-	96,747	752,946	97,905
Electrical Equipment	23,328	1,144,137	-	1,167,465	3,798	110,084	-	113,881	1,053,583	19,530
Air conditioner	93,816	155,740	-	249,556	13,677	26,179	-	39,855	209,700	80,139
<b>Total</b>	<b>571,130</b>	<b>2,183,676</b>	<b>-</b>	<b>2,754,805</b>	<b>104,894</b>	<b>271,504</b>	<b>-</b>	<b>376,398</b>	<b>2,378,407</b>	<b>466,236</b>
Previous Year	745,033	41,640	(215,543)	571,130	212,396	57,591	(165,093)	104,894	466,236	-
Capital Work in Progress									-	-

	Gross Block				Amortisation				Book Value	
	As at 01.04.2010	Additions during the year	Deduction / Adjustment for the year	As at 31.03.2011	Up to 31.03.2010	Depreciation for the year	Deduction / Adjustment for the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets									-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Previous Year										
Capital Work in Progress									4,618,240	-



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>INVESTMENTS</b>				
<b>Current Investments</b>				
Mutual Funds				
L&T Liquid Inst Daily Dividend Reinvestment Plan		18,429,026		–
ICICI Prudential Flexible Income Plan Premium - Daily Div.		8,722,144		10,001,531
LIC Nomura MF Savings Plus Fund Daily Dividend Plan		–		10,000,781
<b>TOTAL</b>		<b>27,151,170</b>		<b>20,002,312</b>

**Details of Investment Purchased and Sold during the Year**

Particulars	As at 31.03.2011		As at 31.03.2010	
	Units	Rs.	Units	Rs.
ICICI Prudential Liquid Super Institutional Plan - Daily Div.	74,992	7,500,874	99,993	10,001,531
ICICI Prudential Flexible Income Plan Premium - Daily Div.	89,847	9,500,000	–	–
LIC Nomura MF Liquid Fund - Dividend Plan	637,572	7,000,599	910,810	10,000,781
LIC Nomura MF Savings Plus Fund Daily Dividend Plan	1,738,485	17,384,848	–	–
HDFC Cash Management Fund - Savings Plan - Daily Div. Reinv.	987,314	10,501,464	–	–
HDFC Floating Rate Income fund - Short term plan - Div. Reinv.	753,644	7,597,409	–	–
L&T Liquid Inst Daily Dividend Reinvestment Plan	17,728,186	179,343,647	–	–
Axis Liquid Fund - Daily Dividend Reinvestment	11,077	11,077,519	–	–

**SCHEDULE - F****CURRENT ASSETS, LOANS & ADVANCES****Cash and Bank Balances**

Cash on hand	–	–	–	–
Balances with scheduled banks				
In Current Account	28,472,588		8,489,449	
In Fixed Deposits (including interest accrued thereon Rs. 52,65,277, Previous year Rs. 77,22,407) (Pledged with HDFC Bank as security for Bank Guarantee)	321,615,277		324,072,407	
		<b>350,087,866</b>		<b>332,561,856</b>

**Inventory**

Due from customer :

Work in Progress:

Construction related work in progress				
At Cost		9,837,228,665		5,096,518,478

**Loans and Advances**

Unsecured				
Considered good				
Advances recoverable in cash or in kind or for value to be received from				
Ultimate Parent	10,659,965,416		1,878,786,571	
Others	489,105,732		8,263,301	

		<b>11,149,071,148</b>		<b>1,887,049,872</b>
<b>TOTAL</b>		<b>21,336,387,679</b>		<b>7,316,130,206</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011	As at 31.03.2010
	<u>Rupees</u>	<u>Rupees</u>
<b>Advances recoverable in cash or in kind</b>		
Unamortised Financial closure expenses	480,572,687	–
Deposits	2,149,250	2,500
TDS on FD interest (Net of Provision for tax Rs. 62,10,000, <i>Previous Year - 6,00,000</i> )	5,775,982	7,734,801
Imprest with PSEB	500,000	500,000
Advance Tax	26,000	26,000
Others	81,813	–
<b>TOTAL</b>	<b>489,105,732</b>	<b>8,263,301</b>
<b>SCHEDULE - G</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
Due from Micro Small and Medium Enterprises	–	–
Due to Ultimate Holding Company - Larsen & Toubro Limited	4,294,316,921	8,187,051
Due to Holding Company - L&T Power Development Limited	11,172,037	1,242,057
Due to Fellow subsidiaries	688,584	–
Others	9,748,688	3,801,805
	<u>4,315,926,230</u>	<u>13,230,913</u>
<b>TOTAL</b>	<b>4,315,926,230</b>	<b>13,230,913</b>
<b>Sundry Creditors -Others</b>		
Liabilities for expenses	6,737,764	178,555
TDS Payable	3,010,924	3,623,250
	<u>9,748,688</u>	<u>3,801,805</u>
	2010-2011	2009-2010
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE H</b>		
<b>OTHER INCOME</b>		
Interest Income	18,291,964	6,959,700
Dividend Income	2,053,398	2,312
<b>TOTAL</b>	<b>20,345,362</b>	<b>6,962,012</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE I</b>				
<b>CONSTRUCTION EXPENSES</b>				
Construction expenses incurred		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>TOTAL</b>		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>CONSTRUCTION EXPENSES</b>				
Land		–		4,116,731,045
Construction Cost		<b>4,367,512,674</b>		–
Interest - Net of Interest Income		<b>286,893,882</b>		528,238,234
Pre operative Expenses		–		386,045,194
Professional Fees		<b>37,912,968</b>		33,869,670
Rates & Taxes including statutory fees		<b>24,905,008</b>		3,000,000
Deputation Cost		<b>10,760,295</b>		–
Travelling & Vehicle Hiring Expenses		<b>2,956,377</b>		1,298,984
Bank Charges		<b>2,600,970</b>		1,996,223
Sundry Expenses		<b>2,264,008</b>		–
Office Administration & General Expenses		<b>1,489,592</b>		9,459,502
Security Expenses		<b>1,378,822</b>		712,324
Rent		<b>748,975</b>		409,740
Repairs & Maintainance		<b>455,943</b>		215,543
Depreciation		<b>271,504</b>		(107,502)
Electricity Charges		<b>224,094</b>		50,301
Books & Periodicals		<b>181,044</b>		101,455
Telephone & Communication Expenses		<b>93,730</b>		63,813
Audit Fees		<b>60,300</b>		50,000
Employees Cost		–		12,837,678
Advertisement Expenses		–		1,546,274
<b>TOTAL</b>		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>SCHEDULE J</b>				
<b>SELLING ADMINISTRATIVE AND OTHER EXPENSES</b>				
Community Welfare Expenses		<b>469,143</b>		<b>5,050,000</b>
<b>TOTAL</b>		<b>469,143</b>		<b>5,050,000</b>

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE K

#### Brief description of the Company:

Nabha Power Limited (NPL) is setting up a 1400 MW Coal based Thermal Power Plant at Rajpura, Punjab. NPL has signed a Power Purchase Agreement with Punjab State Power Corporation Limited (Formerly, Punjab State Electricity Board) for 100% of power sale from 1400 MW Power Plant.

#### Significant accounting policies:

##### a. Basis of accounting

The Company maintains accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

##### b. Revenue Recognition

Contract revenue comprising the total value of construction work performed during the year is recognized on a percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined.

##### c. Fixed Assets

Fixed assets are stated at original cost, net of tax / duty credits availed, if any, less accumulated depreciation.

##### d. Depreciation

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of furniture and fixtures, office equipment, electrical equipment and air conditioner, the depreciation is provided at higher rates in line with their estimated useful life. The rates considered for current year are as follows :

Asset Category	%
Furniture & Fixtures	10.00%
Office Equipment	6.67%
Computers	16.21%
Electrical Equipment	6.67%
Air Conditioner	8.33%

Depreciation for, additions / deductions is calculated pro rata from / to the month of additions / deductions.

##### e. Investments

Current investments are carried at lower of cost or market value.

##### f. Taxes on income

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

##### g. Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event.
- a probable outflow of resources is expected to settle the obligation and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- a present obligation when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Contingent Assets are neither recognized nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### h. Borrowing cost

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of such asset till such time as the asset is ready for the intended use. In addition to Interest charges, borrowing costs also include amortised ancillary costs incurred in connection with the arrangement of borrowings. A qualifying asset is an asset that necessarily required substantial period of time to get ready for its intended use.

### i. Leases:

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception

#### Finance leases:

- i) Assets given under leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Where under a contract, the Company has agreed to manufacture / construct an asset and convey, in substance, a right to the beneficiary to use the asset over a major part of its economic life, for a pre-determined consideration, such arrangement is also accounted as finance lease.
- ii) Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Wherever the asset is manufactured / constructed by the Company, the fair value of the asset, representing the net investment in the lease, is recognised as sales revenue in accordance with the company's revenue recognition policy. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

## SCHEDULE L

### Notes forming part of accounts

1. The Company has not yet commenced the generation of power and hence, disclosure of information under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
2. The Company has drawn a Profit & Loss Account to comply with the provisions of Companies Act, 1956, though commercial operations of generation and sale of power have not commenced.
3. During the year, the Company has got sanctioned secured loan of Rs. 7,200 Crores through syndication of 23 Banks against the security of mortgage & hypothecation of its assets & receivables over the period of loan.
4. During the financial year, the Company has taken interest free Inter Corporate Borrowing of Rs. 281.11 crores (*Previous Year Rs. NIL*) from its holding company - L&T Power Development Limited out of which during the year, borrowing of Rs. 124 crores was extinguished while Rs. 81.84 crores was converted into equity.
5. During the financial year, the Company has given surplus funds on short term basis accruing interest as Inter Corporate Deposit of Rs. 167.18 Crores (*Previous Year Rs. NIL*) to its Ultimate Holding Company - Larsen & Toubro Limited. The outstanding amount as on March 31, 2011 is Nil.
6. The Company has entered into Power Purchase Agreement (PPA) with PSEB for supply of electricity for 25 years. PSEB has undertaken to purchase the available net capacity of the power generation facilities for a period of 25 years with various agreed terms and conditions as specified in the PPA. Since the fulfillment of this arrangement is dependent on use of power generation and PSEB will take more than insignificant amount of the output that will be produced, the provision of such power generating facilities would constitute finance lease transaction upon commencement of power generation. The activity of construction of power generating facilities (to be given on finance lease) by the Company constitutes a "construction contract" which has been accounted in accordance with Accounting Standard (AS) 7 "Construction Contracts". Accordingly, the costs incurred (net) for construction of power generation facilities for the year of Rs. 474.06 Crore has been reflected as construction expenses and corresponding revenue has been recognized as "Construction WIP".
7. An amount of Rs. 28,68,93,882 towards borrowing costs for the qualifying asset is inventorised during the year.
8. As on March 31, 2011, Contingent Liabilities Rs. Nil.
9. The Company does not have taxable wealth under the provisions of Wealth Tax Act, 1952.
10. Disclosures pursuant to Accounting Standard (AS7) (Revised) "Construction Contracts"

Particulars	2010-11	2009-10
i. Contract Revenue recognized for the Financial year	4,740,710,187	5,09,65,18,478
ii. Aggregate amount of Contract costs incurred as at end of Financial year for all contracts in progress as at that date	9,83,72,28,665	5,09,65,18,478
iii. Amount of customer advances outstanding for contracts in progress as at end of the Financial year	-	-
iv. Retention amounts due from customers for the contracts in progress as at end of the Financial year	-	-

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

11. There are no amounts due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

12. Auditors' remuneration (excluding service tax) :

Particulars	2010-11 Rupees	2009-10 Rupees
Audit Fees	50,000	50,000
Other Matters	16,682	1,50,000
Reimbursement of expenses	6,295	45,206
<b>TOTAL</b>	<b>72,977</b>	<b>2,45,206</b>

13. Since the Company did not have any employee on its payroll during the financial year 2010-11, no provision has been made for employee benefits.

14.1 Related party disclosures:

List of related parties who can exercise control:-

S.No.	Name of the Related party	Relationship
1.	Larsen & Toubro Limited (L&T)	Ultimate Holding company
2.	L&T Power Development Limited (L&T PDL)	Holding company

14.2 Name of related party with whom transactions were carried out during the year and description of relationship:

S.No.	Name of the Related party	Relationship
1.	Larsen & Toubro Limited (L&T)	Ultimate Holding company
2.	L&T Power Development Limited (L&T PDL)	Holding company
3.	L&T Sargent & Lundy Limited	Fellow Subsidiary Company
4.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company

14.3 Disclosure of related party transactions:

S. No.	Name/Relationship/Nature of transaction	2010-11 Rupees	2009-10 Rupees
I	Ultimate Holding company <b>Larsen &amp; Toubro Limited</b>		
	Advance - EPC contract	8,78,11,78,845	1,87,87,86,571
	Retention Money – EPC Contract	1,81,77,813	–
	Expenses reimbursed	1,78,61,094	72,34,137
	Construction Work in Progress	13,56,60,658	–
	Inter Company Deposit	1,67,17,94,980	–
	Interest Income on ICD	1,32,34,268	–
II	Holding company <b>L&amp;T Power Development Limited</b>		
	Professional Fees & Business Support Services	1,06,56,379	–
	Inter Company Borrowing	2,81,10,50,000	–
	Investment in Equity Shares	959,95,00,000	5,00,000
	Advance against equity commitment	–	732,15,97,253
Expenses reimbursed	20,58,530	12,42,057	
III	Fellow Subsidiary company <b>L&amp;T-Sargent &amp; Lundy Limited</b>		
	Professional Fees	7,15,726	9,52,914
	Expenses Reimbursement	49,368	–
	<b>L&amp;T Infrastructure Finance Company Limited</b>		
	Advisory Fees for Financial Closure	7,94,16,000	–
Expenses Reimbursement	2,16,293	–	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 14.4 Amount due to and due from related parties:

S. No.	Particulars	As at 31.03.2011 (Rupees)		As at 31.03.2010 (Rupees)	
		Due to	Due from	Due to	Due from
I	Due to ultimate holding company: <b>Larsen &amp; Toubro Limited</b>	<b>6,43,16,921</b>	<b>10,65,99,65,432</b>	<i>81,87,051</i>	–
ii	Due to holding company: <b>L&amp;T Power Development Limited</b>	<b>1,11,72,037</b>	–	<i>12,42,057</i>	–
III	Due to fellow subsidiary company: <b>L&amp;T-Sargent &amp; Lundy Limited</b>	<b>6,88,584</b>	–	–	–

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is Rs. Nil (*Previous year: Rs. Nil*).

16. Basic and diluted earnings per share (EPS):

Particulars	2010-11	2009-10
<b>Basic</b>		
Profit as per Profit and Loss Account (Rupees)	<b>13,666,219</b>	12,70,588
Average number of equity shares outstanding	<b>44,18,90,000</b>	50,000
<b>Basic EPS (Rupees)</b>	<b>0.03</b>	25.41
<b>Diluted</b>		
Profit as per Profit and Loss Account (Rupees)	<b>13,666,219</b>	12,70,588
Average number of equity shares outstanding	<b>44,18,90,000</b>	50,000
Average number of equity shares to be allotted on conversion of advance towards equity to equity	–	11,51,93,315
Average number of equity shares to be outstanding	–	11,52,43,315
<b>Diluted EPS (Rupees)</b>	<b>0.03</b>	0.01

17. The Company is in the process of appointing a whole-time company secretary in accordance with Section 383A of the Companies Act.

18. The Company has firm commitments payable denominated in foreign currency at the Balance Sheet date aggregating to Rs. 13,62,98,00,342 (*Previous year – Rs. 14,28,97,31,238*).

19. Figures for the previous year have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Statement pursuant to part IV of Schedule VI to the Companies Act, 1956  
Balance Sheet abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets (Including Preoperative Expenses)

Investments

Net Current Assets/(Liabilities)

Misc. Expenditure

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

Total Expenditure

+ -  
+

Profit / Loss Before Tax

+ -  
+

Profit / Loss After Tax

+ -  
+

Earnings Per Share in Rs.

Dividend Rate %

### V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.

Product Descriptions

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011



## DIRECTORS' REPORT

The Directors have pleasure in presenting their first report and accounts for the period from June 22, 2010 to March 31, 2011.

### 1. FINANCIAL RESULTS

Particulars	June 22, 2010 to March 31, 2011 (Rupees)
Profit / (Loss) before Depreciation & Tax (PBDT)	(34,01,773)
Depreciation	-
<b>Profit / (Loss) before tax (PBT)</b>	<b>(34,01,773)</b>
Provision for taxes	64,540
<b>Profit / (Loss) after tax (PAT)</b>	<b>(34,66,313)</b>
<b>Balance carried to Balance Sheet</b>	<b>(34,66,313)</b>

### 2. APPROPRIATIONS

The Directors wish to inform that there were no appropriations to any kind of specific or General Reserves of the Company during the year under review as the Company is yet to commence its operations.

### 3. DIVIDEND

The Company is yet to commence its operations and hence the directors are unable to consider dividend to the Shareholders of the Company.

### 4. PERFORMANCE OF THE COMPANY

The Directors wish to inform that the projects are under development stage and your Company is satisfied with the progress that has been made so far in implementing the project.

### 5. CAPITAL EXPENDITURE

As at March 31, 2011, the Company has gross block of fixed assets of Rs. 53,67,797. Depreciation of Rs. 2,49,058 is charged on the fixed assets of the Company. In addition to this, the Company has incurred pre-operative expenses to the tune of Rs. 15,59,06,055.

### 6. AUDITOR'S REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### 7. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between Balance Sheet date and date of Directors' Report.

### 8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

- The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in Reporting Board of Directors) Rules, 1988.
- No technology has been developed and / or imported by way of foreign collaboration.
- During the year, the Company has had "nil" foreign exchange earnings and outgo.

### 9. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### 10. DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988.

### 11. SUBSIDIARY COMPANIES

The Company does not have any subsidiary companies under its purview.

### 12. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the loss of the Company for the period ended on that date;
- that 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;

## L&T HIMACHAL HYDROPOWER LIMITED

- IV. that the annual accounts have been prepared on a going concern basis;
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### 13. DIRECTORS

The present directors of the Company are Mr. Chandrashekhar S. Damle, Mr. Shailendra N. Roy and Mr. Suneet K. Maheshwari.

Mr. K. Venkatesh, Mr. Chandrashekhar S. Damle, Mr. Ramesh Bhujang and Mrs. Naina R. Desai were first directors of the Company.

Mr. Ramesh Bhujang and Mrs. Naina R. Desai resigned as Directors of the Company with effect from December 20, 2010. Mr. Suneet K. Maheshwari has been appointed as a Director in casual vacancy caused by the resignation of Mr. Ramesh Bhujang.

Mr. K. Venkatesh resigned as a Director of the Company with effect from March 24, 2011. Mr. Shailendra N. Roy has been appointed as a Director in casual vacancy caused by the resignation of Mr. K. Venkatesh.

Pursuant to the Companies Act, 1956, Mr. Chandrashekhar S. Damle is liable to retire by rotation and being eligible offers himself for re-appointment.

### 14. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### 15. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

#### a) Separation of Offices of Chairman & Chief Executive

The roles and offices of Chairman and Chief Executive are separated. The Chairman is elected at the meeting of the Board of Directors whereas Mr. Devendra K. Sharma designated as Manager under Companies Act is not a Director of the Company.

#### b) Remuneration of Directors

The Directors are not paid any remuneration by way of sitting fees, etc.

#### c) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

#### d) Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

#### e) Responsibilities of the Board

Presentations to the Board are made in the areas such as financial results, budgets, business prospects etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

#### f) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

#### g) Secretarial Audit

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

#### H) Related Party Transactions

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

### 16. ACKNOWLEDGMENTS

The Directors acknowledge the invaluable support extended to the Company by the employees of the Company, staff and management of the parent Company and other fellow subsidiaries.

For and on behalf of the Board

Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**C. S. DAMLE**  
Director

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T HIMACHAL HYDROPOWER LIMITED

We have audited the attached Balance Sheet of L&T Himachal Hydropower Limited as at March 31, 2011 and also the Statement of Income and Expenditure account during the pre-operational period from June 22, 2010 (date of incorporation) to March 31, 2011 and the Cash Flow Statement for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during the pre-operational period 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 Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, statement of income and expenditure and Cash Flow Statement read together with the 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:
    - (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
    - (ii) in the case of Statement of Income and Expenditure during the pre-operational period, of excess of expenditure over income for the period ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the period then ended.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : April 27, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

1. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets 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.  
(c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
2. The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
3. We are informed by Management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
5. According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
6. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
7. The Company has been formed recently and has not commenced commercial operations. The Company is in the process of instituting an internal audit system.
8. The Central Government has prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 (G.S.R. No. 913(E) dated December 21, 2001, as amended vide G.S.R. 709 (E) Dated December 7, 2005 and G.S.R. 387(E) dated June 27, 2006). The Company will generate electricity from hydro power and the plant is under construction, therefore cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 are not maintained by the Company.
9. (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 undisputed statutory dues including income tax, and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
10. The Company is in existence for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
11. The Company has not raised any loans from financial institutions or banks during the year.
12. According to the information and explanations given 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.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. The Company is not dealing or trading in shares or securities.
15. The Company has not given guarantees for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loans.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
18. The Company has not made any preferential allotment of shares during the reporting period.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : April 27, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	<b>A</b>		500,000
Advance towards Equity Commitment			390,042,860
<b>TOTAL</b>			<b>390,542,860</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
<b>Tangible Assets</b>			
Gross Block	<b>B</b>	5,367,797	
Less: Depreciation		249,058	
Net Block			5,118,739
Pre-operative Expenses	<b>C</b>		155,906,055
<b>Current assets, loans and advances</b>			
Cash and bank balances	<b>D</b>	19,976,992	
Loans and advances		1,138,627,332	
		1,158,604,324	
<b>Less: Current liabilities and provisions</b>			
Current Liabilities	<b>E</b>	932,508,177	
Provisions		44,394	
		932,552,571	
<b>Net current assets</b>			226,051,753
<b>Excess of expenditure over income during pre-operational period</b>			3,466,313
<b>TOTAL</b>			<b>390,542,860</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>G</b>		
<b>NOTES TO ACCOUNTS</b>	<b>H</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**D. K. SHARMA**  
Manager

**S. N. ROY**  
Director

**C. S. DAMLE**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

## STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD FOR THE PERIOD FROM JUNE 22, 2010 TO MARCH 31, 2011

	Schedule	22.06.2010 to 31.03.2011	
		Rupees	Rupees
<b>INCOME</b>			
Income from operations			-
Other income	F		208,869
<b>TOTAL</b>			208,869
<b>EXPENDITURE</b>			
Preliminary expenses written off			3,610,642
<b>TOTAL</b>			3,610,642
<b>Excess of expenditure over income for the year before tax</b>			<b>(3,401,773)</b>
Provision for tax			
Current Year			64,540
<b>Excess of expenditure over income for the year after tax</b>			<b>(3,466,313)</b>
<b>Balance carried to Balance Sheet</b>			<b>(3,466,313)</b>
Basic earnings per share (Rupees)	}	(see schedule "H" note no. 10)	(89.18)
Diluted earnings per share (Rupees)			(89.18)
Face value per equity share (Rupees)			10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>G</b>		
<b>NOTES TO ACCOUNTS</b>	<b>H</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

*Chartered Accountants*

*(ICAI registration No. 109982W)*

*By the hand of*

**R. D. KARE**

*Partner*

*Membership No. 8820*

**D. K. SHARMA**

*Manager*

**S. N. ROY**

*Director*

**C. S. DAMLE**

*Director*

*Place : Mumbai*

*Date : April 27, 2011*

*Place : Mumbai*

*Date : April 27, 2011*

**CASH FLOW STATEMENT FOR THE PERIOD JUNE 22, 2010 TO MARCH 31, 2011**

	For the period 22.06.2010 to 31.03.2011 Rupees
<b>A. Cash Flow from Operating Activities</b>	
<b>Net profit / (loss) before tax (after extraordinary item)</b>	<b>(3,401,773)</b>
Adjustments for	
Dividend received	-
Depreciation and amortisation	-
Unrealised foreign exchange difference - net (gain) / loss	-
Interest (net)	<b>(208,869)</b>
(Profit) / loss on sale of fixed assets (net)	-
(Profit) / loss on sale of investments (net)	-
Provision / (reversal) for diminution in value of investments	-
<b>Operating profit before working capital changes</b>	<b>(3,610,642)</b>
Adjustments for	
(Increase) / decrease in trade and other receivables	<b>(1,138,627,332)</b>
(Increase) / decrease in inventories	-
(Increase) / decrease in miscellaneous expenditure	-
Increase / (decrease) in trade payables	<b>932,488,031</b>
<b>Cash generated from operations</b>	<b>(209,749,943)</b>
Direct taxes paid	-
<b>Net cash (used in) / from operating activities</b>	<b>(209,749,943)</b>
<b>B. Cash flow from investing activities</b>	
Purchase of fixed assets (incl. CWIP, pre-operative and preliminary expenses)	<b>(161,024,794)</b>
Sale of fixed assets (including monies received as advance)	-
Purchase of investments	-
Sale of investments	-
Interest received	<b>208,869</b>
Dividend received from other investments	-
<b>Net cash (used in) / from investing activities</b>	<b>(160,815,925)</b>
<b>C. Cash flow from financing activities</b>	
Issue of equity shares	<b>500,000</b>
Advance towards Equity Commitment	<b>390,042,860</b>
Proceeds from long term borrowings	-
Repayment of long term borrowings	-
(Repayments) / proceeds from other borrowings (net)	-
Interest paid	-
<b>Net cash (used in) / from financing activities</b>	<b>390,542,860</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>19,976,992</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>19,976,992</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the AS 3 "Cash Flow Statements" issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent bank balance.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**D. K. SHARMA**  
Manager

**S. N. ROY**  
Director

**C. S. DAMLE**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2011 Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
5,00,00,000 Equity shares of Rs. 10 each		<b>500,000,000</b>
<b>Issued Subscribed &amp; Paid-up</b>		
50,000 Equity shares of Rs. 10 each issued during the year (All the above equity shares are held by L&T Power Development Limited, the Holding Company and its nominees)		<b>500,000</b>
<b>TOTAL</b>		<b>500,000</b>

**SCHEDULE - B**  
**FIXED ASSETS - TANGIBLE**

Particulars	COST		DEPRECIATION		BOOK VALUE
	Additions during the period from 22.06.2010 to 31.03.2011	As at 31.03.2011	For the period from 22.06.2010 to 31.03.2011	As at 31.03.2011	As at 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>					
Furniture and Fixtures	418,211	418,211	51,040	51,040	367,171
Office Equipment	743,495	743,495	31,750	31,750	711,745
Computers	152,057	152,057	8,010	8,010	144,047
Ropeway Structures	770,744	770,744	25,385	25,385	745,359
Vehicles	588,460	588,460	27,736	27,736	560,724
Site Equipments	2,694,830	2,694,830	105,137	105,137	2,589,693
<b>TOTAL</b>	<b>5,367,797</b>	<b>5,367,797</b>	<b>249,058</b>	<b>249,058</b>	<b>5,118,739</b>

	As at 31.03.2011 Rupees	Rupees
<b>SCHEDULE - C</b>		
<b>PRE-OPERATIVE EXPENSES</b>		
Staff Welfare and other expenses		1,876
Rent		753,700
Rates & Taxes		8,400
Travelling & Conveyance		899,387
Power and Electricity		55,207
Communication Expenses		388,196
Professional Fees		83,775,942
Auditors' Remuneration		18,200
Books & Periodicals		243,709
Printing & Stationery		20,616
Project Development Expenses		68,398,028
Repairs & Maintenance		1,007,279
Miscellaneous Expenses		86,457
Depreciation		249,058
<b>TOTAL</b>		<b>155,906,055</b>



**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets</b>		
Cash and bank balances		
Cash on hand		-
Balances with scheduled banks:		
Current account	4,603,658	
Fixed Deposits (including interest accrued thereon Rs. 4,460)	<u>15,373,334</u>	
		19,976,992
<b>Loans and advances</b>		
Unsecured, Considered good		
Advances recoverable in cash or in kind or for value to be received		<u>1,138,627,332</u>
<b>TOTAL</b>		<u><u>1,158,604,324</u></u>
 <b>SCHEDULE - E</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Sundry creditors		
Due to Larsen & Toubro Limited (Ultimate Holding Company)	163,412	
Due to L&T Power Development Limited(Holding Company)	922,436,185	
Others	<u>9,908,580</u>	
		932,508,177
<b>Provisions for</b>		
Current tax (net of advance tax)		<u>44,394</u>
<b>TOTAL</b>		<u><u>932,552,571</u></u>
	For the period 22.06.2010 to 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>
 <b>SCHEDULE - F</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposits (Tax deducted at source: Rs. 20,146)		<u>208,869</u>
<b>TOTAL</b>		<u><u>208,869</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)****SCHEDULE - G****SIGNIFICANT ACCOUNTING POLICIES****Brief Description of the Company**

The Company has been formed to undertake the development, construction and operation of Hydro Electric Projects (HEPs) in the State of Himachal Pradesh. Currently, the Company is developing 149 MW Sach-Khas HEP and 420 MW Reoli-Dugli HEP on Build, Own, Operate and Transfer (BOOT) basis for a period of 40 years from the Scheduled Commercial Operation Date. Sach-Khas HEP and Reoli-Dugli HEP are located on the Chenab River in District Chamba and Lahaul & Spiti respectively in the State of Himachal Pradesh.

**Significant Accounting Policies****1. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, etc. Actual results could differ from these estimates.

**2. Revenue Recognition**

Interest income is accrued at applicable rates on the respective investments or other current assets.

**3. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

Pre-operative expenses incurred upto the date of commencement of commercial operation are capitalized on the date of commencement of commercial operation.

**4. Depreciation**

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of the following asset categories, the depreciation is provided at the higher rates in line with their estimated useful life:

Category of Asset	Rate of Depreciation (% p.a.)
Furniture and Fixtures	10.00
Office Equipment	10.00
Site Equipment	8.33
Motor Cars	14.14
Computers and Printers	25.00

Depreciation for additions / deductions is calculated pro rata from / to the month of additions / deductions.

**5. Taxes on income**

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head "capital gains" are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**6. Operating Leases**

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Profit and Loss Account on accrual basis.

## SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

### 7. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event,
- a probable outflow of resources is expected to settle the obligation, and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- a present obligation when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### SCHEDULE - H

#### NOTES FORMING PART OF ACCOUNTS

- The Company was incorporated on June 22, 2010 and hence the accounts are drawn for the period from June 22, 2010 to March 31, 2011.
- The Company has not yet commenced the generation of power and hence, disclosure of information under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
- There are no amounts due to Micro and Small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
- Segmental reporting:  
The Company is engaged in the business of developing and implementing hydro electric projects. Hence requirement of reporting on primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary/geographical segment information does not arise
- Leases:  
The Company has taken various residential / commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry.
- Auditors' remuneration (including service tax):

Particulars	2010-11
	Rupees
Audit Fees	16,545
Certification Fees	1,655
Expenses reimbursed	-

#### 7. Related party disclosures:

##### 7.1 List of related parties who exercise control and over which control exists:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding company
L&T Power Development Limited	Holding company

##### 7.2 Name of related party with whom transactions were carried out during the year and description of relationship:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding company
L&T Power Development Limited	Holding company
L&T Uttaranchal Hydropower Limited	Fellow subsidiary company

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

## 7.3 Disclosure of related party transaction:

Sl. No.	Name/Relationship/Nature of transaction	2010-11 Rupees
I	Ultimate Holding Company: <b>Larsen &amp; Toubro Limited</b> • Business auxiliary and support services (including service tax) • Reimbursement of expenses to	1,67,013 13,100
II	Holding Company: <b>L&amp;T Power Development Limited</b> • Issue of equity shares • Advance for share application • Business auxiliary and support services (including service tax) • Reimbursement of expenses to • Reimbursement of expenses from • Project supervision, facilitation and support services (including service tax)	5,00,000 39,00,42,860 28,86,811 85,10,91,503 90,82,172 7,94,00,000
III	Fellow Subsidiary Company: <b>L&amp;T Uttaranchal Hydropower Limited</b> • Reimbursement of expenses to	16,48,573

## 7.4 Amount due to and due from related parties:

Sl. No.	Particulars	2010-11 Rupees	
		Due to	Due from
I	Due to Ultimate Holding Company: <b>Larsen &amp; Toubro Limited</b>	1,63,412	-
II	Due to Holding company: <b>L&amp;T Power Development Limited</b>	92,24,36,185	-

## 8. Deferred Tax:

Taxes on Income have been accounted for in accordance with the provisions of Accounting Standard 22, as per the details given below:

Particulars	As at 31.03.2011 Rupees
<b>Deferred tax liabilities</b>	-
<b>TOTAL</b>	-
<b>Deferred tax assets:</b>	11,99,455
Miscellaneous Expenses written off but not yet claimed under Income Tax	
<b>TOTAL</b>	11,99,455
<b>Net deferred tax liability / (asset)</b>	(11,99,455)

The Company has not accounted for Deferred tax asset of Rs. 11,99,455 on the basis of prudence.

## 9. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is Rs. NIL.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

## 10. Basic and diluted earnings per share (EPS):

<b>Particulars</b>	<b>2010-2011</b>
<b>Basic</b>	
Excess of Expenditure over Income for the year after tax (Rupees)	<b>(34,66,313)</b>
Weighted average number of equity shares outstanding	<b>38,869</b>
Basic EPS (Rupees)	<b>(89.18)</b>
<b>Diluted</b>	
Excess of Expenditure over Income for the year after tax (Rupees)	<b>(34,66,313)</b>
Weighted average number of equity shares outstanding	<b>38,869</b>
Diluted EPS (Rupees)	<b>(89.18)</b>

11. Expenditure in Foreign Currency: Rs. NIL.
12. Preliminary expenses representing filing fees paid to the Registrar of Companies have been charged to Statement of Income and Expenditure during Pre-operational Period.
13. The Company does not have any contingent liabilities as at March 31, 2011.
14. This being the first accounting period, giving comparative figures for the previous year is not applicable.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

15. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)

Total Expenditure

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ -

Basic Earning per Share in Rs. (Basic)

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. (ITC Code)

Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**D. K. SHARMA**  
Manager

**S. N. ROY**  
Director

**C. S. DAMLE**  
Director

Place : Mumbai  
Date : April 27, 2011

Place : Mumbai  
Date : April 27, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their first report and accounts for the period from June 24, 2010 to March 31, 2011.

### 1. FINANCIAL RESULTS

<b>Particulars</b>	<b>June 24, 2010 to March 31, 2011 (Rupees)</b>
Profit / (Loss) before Depreciation & Tax (PBDT)	(6,42,907)
Depreciation	-
<b>Profit / (Loss) before tax (PBT)</b>	<b>(6,42,907)</b>
Provision for taxes	51,892
<b>Profit / (Loss) after tax (PAT)</b>	<b>(6,94,799)</b>
<b>Balance carried to Balance Sheet</b>	<b>(6,94,799)</b>

### 2. Appropriations

The Directors wish to inform that there were no appropriations to any kind of specific or General Reserves of the Company during the year under review as the Company is yet to commence its operations.

### 3. DIVIDEND

The Company is yet to commence its operations and hence the directors are unable to consider dividend to the Shareholders of the Company.

### 4. PERFORMANCE OF THE COMPANY

The Directors wish to inform that the projects are under development stage and your Company is satisfied with the progress that has been made so far in implementing the project.

### 5. CAPITAL EXPENDITURE

As at March 31, 2011, the Company has gross block of fixed assets of Rs. 18,59,311/-. Depreciation and Amortization of Rs. 2,71,304 is charged on the fixed assets of the Company. In addition to this, the Company has incurred pre-operative expenses to the tune of Rs. 7,04,03,156/-.

### 6. AUDITOR'S REPORT

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### 7. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between Balance Sheet date and date of Directors' Report.

### 8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

- The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in Reporting Board of Directors) Rules, 1988.
- No technology has been developed and / or imported by way of foreign collaboration.
- During the year, the Company has had "nil" foreign exchange earnings and outgo.

### 9. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### 10. DISCLOSURE OF PARTICULARS

There are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988.

### 11. SUBSIDIARY COMPANIES

The Company does not have any subsidiary companies under its purview.

### 12. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the loss of the Company for the period ended on that date;

## L&T ARUNACHAL HYDROPOWER LIMITED

- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis;
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### 13. DIRECTORS

The present directors of the Company are Mr. Chandrashekhar S. Damle, Mr. Shailendra N. Roy and Mr. Suneet K. Maheshwari.

Mr. K. Venkatesh, Mr. Chandrashekhar S. Damle, Mr. Ramesh Bhujang and Mrs. Naina R. Desai were first directors of the Company.

Mr. Ramesh Bhujang and Mrs. Naina R. Desai resigned as Directors of the Company with effect from December 20, 2010. Mr. Suneet K. Maheshwari has been appointed as a Director in casual vacancy caused by the resignation of Mr. Ramesh Bhujang.

Mr. K. Venkatesh resigned as a Director of the Company with effect from March 24, 2011. Mr. Shailendra N. Roy has been appointed as a Director in casual vacancy caused by the resignation of Mr. K. Venkatesh.

Pursuant to the Companies Act, 1956, Mr. Chandrashekhar S. Damle is liable to retire by rotation and being eligible offers himself for re-appointment.

### 14. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### 15. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

#### a) Remuneration of Directors

The Directors are not paid any remuneration by way of sitting fees, etc.

#### b) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

#### c) Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

#### d) Responsibilities of the Board

Presentations to the Board are made in the areas such as financial results, budgets, business prospects etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

#### e) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

#### f) Secretarial Audit

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

#### g) Related Party Transactions

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

### 16. ACKNOWLEDGMENTS

The Directors acknowledge the invaluable support extended to the Company by the employees of the Company, staff and management of the parent company and other fellow subsidiaries.

For and on behalf of the Board

Place : Mumbai

Date : April 27, 2011

**S. N. ROY**

Director

**C. S. DAMLE**

Director



**AUDITORS' REPORT****TO THE SHAREHOLDERS OF L&T ARUNACHAL HYDROPOWER LIMITED**

We have audited the attached Balance Sheet of L&T Arunachal Hydropower Limited as at March 31, 2011 and also the Statement of Income and Expenditure account during the pre-operational period from June 24, 2010 (date of incorporation) to March 31, 2011 and the Cash Flow Statement for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during the pre-operational period 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 Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Statement of Income and Expenditure and Cash Flow Statement read together with the 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of Statement of Income and Expenditure during the pre-operational period, of excess of expenditure over income for the period ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the period then ended.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : April 27, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets 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.  
(c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii. The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- iii. We are informed by Management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v. According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. The Company has been formed recently and has not commenced commercial operations. The Company is in the process of instituting an internal audit system.
- viii. The Central Government has prescribed maintenance of cost records under clause (d) of sub Section (1) of Section 209 of the Companies Act, 1956 (G.S.R. No. 913(E) dated December 21, 2001, as amended vide G.S.R. 709 (E) Dated December 7, 2005 and G.S.R. 387(E) dated June 27, 2006). The Company will generate electricity from hydro power and the plant is under construction, therefore cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 are not maintained by the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including income tax, and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- x. The Company is in existence for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
- xi. The Company has not raised any loans from financial institutions or banks during the year.
- xii. According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares or securities.
- xv. The Company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. The Company has not taken any term loans.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the reporting period.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration No. 109982W  
by the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : April 27, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	A		500,000
Advance towards Equity Commitment			79,217,380
<b>TOTAL</b>			<u>79,717,380</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
<b>Tangible Assetss</b>			
GROSS BLOCK	B	1,075,561	
Less: Depreciation		<u>265,745</u>	
Net Block			809,816
<b>Intangible Assets</b>			
Gross Block	C	783,750	
Less: Amortization		<u>5,559</u>	
Net Block			778,191
<b>Pre-operative Expenses</b>	D		70,403,156
<b>Current assets, loans and advances</b>			
Cash and bank balances	E	24,264,599	
Loans and advances		<u>6,818,521</u>	
		31,083,120	
<b>Less: current liabilities and provisions</b>			
Current Liabilities	F	24,016,492	
Provisions		<u>35,210</u>	
		24,051,702	
<b>Net current assets</b>			7,031,418
<b>Excess of expenditure over income during pre-operational period</b>			<u>694,799</u>
<b>TOTAL</b>			<u>79,717,380</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES TO ACCOUNTS</b>			
	H		
	I		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 ICAI registration no. 109982W  
 By the hand of

For and on behalf of the Board

**R. D. KARE**  
 Partner  
 Membership no. 8820  
 Place : Mumbai  
 Date : April 27, 2011

**S. N. ROY**  
 Director

**C. S. DAMLE**  
 Director

Place : Mumbai  
 Date : April 27, 2011

## **STATEMENT OF INCOME AND EXPENDITURE DURING THE PRE-OPERATIONAL PERIOD FROM JUNE 24, 2010 TO MARCH 31, 2011**

	Schedule	June 24, 2010 to March 31, 2011 Rupees
<b>Income</b>		
Income from operations		-
Other income	G	167,937
<b>TOTAL</b>		167,937
 <b>Expenditure</b>		
Preliminary expenses written off		810,844
<b>TOTAL</b>		810,844
<b>Excess of expenditure over income for the year before tax</b>		(642,907)
Provision for tax		
Current Year		51,892
<b>Excess of expenditure over income for the year after tax</b>		(694,799)
<b>Balance Carried to Balance Sheet</b>		(694,799)
<b>Basic earnings per share (Rupees)</b>	(see schedule "I" note no. 10)	(17.75)
<b>Diluted earnings per share (Rupees)</b>		(17.75)
<b>Face value per equity share (Rupees)</b>		10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	H	
<b>NOTES TO ACCOUNTS</b>	I	

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The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

*Chartered Accountants*

*ICAI registration no. 109982W*

*By the hand of*

**R. D. KARE**

*Partner*

*Membership no. 8820*

*Place : Mumbai*

*Date : April 27, 2011*

**S. N. ROY**

*Director*

*Place : Mumbai*

*Date : April 27, 2011*

**C. S. DAMLE**

*Director*

## CASH FLOW STATEMENT FOR THE PERIOD FROM JUNE 24, 2010 TO MARCH 31, 2011

Particulars	For the period June 24, 2010 to March 31, 2011 Rupees
<b>A. Cash flow from operating activities</b>	
Net profit / (loss) before tax (after extraordinary item)	(642,907)
Adjustments for :	-
Dividend received	-
Depreciation and amortisation	-
Unrealised foreign exchange difference - net (gain) / loss	-
Interest (net)	(167,937)
(Profit) / loss on sale of fixed assets (net)	-
(Profit) / loss on sale of investments (net)	-
Provision / (reversal) for diminution in value of investments	-
<b>Operating profit before working capital changes</b>	<b>(810,844)</b>
Adjustments for :	-
(Increase) / decrease in trade and other receivables	(6,818,521)
(Increase) / decrease in inventories	-
(Increase) / decrease in miscellaneous expenditure	-
Increase / (decrease) in trade payables	23,999,810
<b>Cash generated from operations</b>	<b>16,370,445</b>
Direct taxes paid	-
<b>Net cash (used in) / from operating activities</b>	<b>16,370,445</b>
<b>B. Cash flow from investing activities</b>	
Purchase of fixed assets (incl. CWIP, pre-operative and preliminary expenses)	(71,991,163)
Sale of fixed assets (including monies received as advance)	-
Purchase of investments	-
Sale of investments	-
Interest received	167,937
Dividend received from other investments	-
<b>Net cash (used in) / from investing activities</b>	<b>(71,823,226)</b>
<b>C. Cash flow from financing activities:</b>	
Issue of equity shares	500,000
Advance towards Equity Commitment	79,217,380
Proceeds from long term borrowings	-
Repayment of long term borrowings	-
(Repayments) / proceeds from other borrowings (net)	-
Interest paid	-
<b>Net cash (used in) / from financing activities</b>	<b>79,717,380</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>24,264,599</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>24,264,599</b>

**Notes:**

1. Cash Flow Statement has been prepared under the indirect method as set out in the AS 3 "Cash Flow Statements" issued under the Companies (Accounting Standard) Rules, 2006.
2. Cash and cash equivalents represent bank balance.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership no. 8820  
Place : Mumbai  
Date : April 27, 2011

For and on behalf of the Board

**S. N. ROY**  
Director

**C. S. DAMLE**  
Director

Place : Mumbai  
Date : April 27, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**As at 31.03.2011  
Rupees**SCHEDULE - A****SHARE CAPITAL****Authorised:**

1,00,00,000 Equity shares of Rs. 10 each

100,000,000

**Issued, Subscribed and Paid up:**

50,000 Equity shares of Rs. 10 each issued during the year

500,000

(All the above equity shares are held by L&amp;T Power Development Limited, the Holding Company and its nominees )

**TOTAL**

500,000

**SCHEDULE - B****FIXED ASSETS - TANGIBLE**

Particulars	COST		DEPRECIATION		BOOK VALUE
	Additions during the period from June 24, 2010 to March 31, 2011	As at 31.03.2011	For the period from June 24, 2010 to March 31, 2011	As at 31.03.2011	As at 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets:</b>					
Buildings	705,485	705,485	235,162	235,162	470,323
Office Equipment	161,680	161,680	9,801	9,801	151,879
Air Conditioning and Refrigeration Equipment	11,100	11,100	308	308	10,792
Furniture and Fixtures	197,296	197,296	20,474	20,474	176,822
<b>TOTAL</b>	<b>1,075,561</b>	<b>1,075,561</b>	<b>265,745</b>	<b>265,745</b>	<b>809,816</b>

**SCHEDULE - C****FIXED ASSETS - INTANGIBLE**

Particulars	COST		AMORTIZATION		BOOK VALUE
	Additions during the period from June 24, 2010 to March 31, 2011	As at 31.03.2011	For the period from June 24, 2010 to March 31, 2011	As at 31.03.2011	As at 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Intangible Assets:</b>					
Leasehold Land	783,750	783,750	5,559	5,559	778,191
<b>TOTAL</b>	<b>783,750</b>	<b>783,750</b>	<b>5,559</b>	<b>5,559</b>	<b>778,191</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>		
<b>PRE-OPERATIVE EXPENSES</b>		
Staff Welfare and other expenses		285,375
Rent		260,800
Rates & Taxes		11,510
Travelling & Conveyance		560,322
Electricity charges		18,588
Communication Expenses		168,991
Professional Fees		41,096,247
Auditors' Remuneration		14,891
Printing & Stationery		30,149
Project Development Expenses		27,139,326
Repairs & Maintenance		476,746
Miscellaneous Expenses		68,907
Depreciation and Amortisation		271,304
<b>TOTAL</b>		<u><u>70,403,156</u></u>
<b>SCHEDULE - E</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets:</b>		
Cash and bank balances:		
Cash on hand		-
Balances with scheduled banks:		
Current account	5,638,034	
Fixed Deposits (including interest accrued thereon Rs. 6,110/-)	18,626,565	
		24,264,599
<b>Loans and advances:</b>		
Unsecured:		
Considered good:		
Advances recoverable in cash or in kind or for value to be received		6,818,521
<b>TOTAL</b>		<u><u>31,083,120</u></u>
<b>SCHEDULE - F</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities:</b>		
Sundry creditors		
Due to Larsen & Toubro Limited (Ultimate Holding Company)	157,872	
Due to L&T Power Development Limited (Holding Company)	21,634,646	
Others	2,223,974	
		24,016,492
<b>Provisions for:</b>		
Current tax (net of advance tax)		35,210
<b>TOTAL</b>		<u><u>24,051,702</u></u>
	For the period 24.06.2010 to 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - G</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposits (Tax deducted at source: Rs. 16,682)		167,937
<b>TOTAL</b>		<u><u>167,937</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE – H****Brief Description of the Company:**

The Company has been formed to undertake the development, construction and operation of Hydro Electric Projects (HEPs) in the State of Arunachal Pradesh. Currently, the Company is developing 60 MW Tagurshit HEP on Build, Own, Operate and Transfer (BOOT) basis for a period of 40 years from the Commercial Operation Date. The Project is located on the Tagurshit River, a tributary Siyom River in West Siang District of Arunachal Pradesh.

**SIGNIFICANT ACCOUNTING POLICIES:****1. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, etc. Actual results could differ from these estimates.

**2. Revenue Recognition**

Interest income is accrued at applicable rates on the respective investments or other current assets.

**3. Fixed Assets**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

Pre-operative expenses incurred upto the date of commencement of commercial operation are capitalized on the date of commencement of commercial operation.

**4. Depreciation**

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of the following asset categories, the depreciation is provided at the higher rates in line with their estimated useful life:

Category of Asset	Rate of Depreciation (% p.a.)
Furniture and Fixtures	10.00
Office Equipment	10.00
Air Conditioning and refrigeration equipment	8.33
Computers and Printers	25.00

Depreciation for additions/deductions is calculated pro rata from/to the month of additions/deductions.

**5. Intangible Assets and Amortization**

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as specified in the Companies (Accounting Standard) Rules, 2006.

Leasehold land is amortized over the period of lease.

**6. Taxes on income**

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or subsequently enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head "capital gains" are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**7. Operating leases**

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Profit and Loss Account on accrual basis.

**8. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event.
- a probable outflow of resources is expected to settle the obligation and



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.  
 b) a present obligation when no reliable estimate is possible; and  
 c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULE - I****NOTES FORMING PART OF ACCOUNTS**

- The Company was incorporated on June 24, 2010 and hence the accounts are drawn for the period from June 24, 2010 to March 31, 2011.
- The Company has not yet commenced the generation of power and hence, disclosure of information under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
- There are no amounts due to Micro and Small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
- Segmental reporting:

The Company is engaged in the business of developing and implementing hydro electric projects. Hence requirement of reporting on primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary/geographical segment information does not arise

- Leases:

The Company has taken various residential / commercial premises under cancellable operating leases. These lease agreements are normally renewed on expiry.

- Auditors' remuneration (including service tax):

Particulars	2010-11 Rupees
Audit Fees	13,236
Certification Fees	1,655
Expenses Re-imbursed	-

- Related party disclosures:

- List of related parties who exercise control and over which control exists:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
L&T Power Development Limited	Holding Company

- Name of related party with whom transactions were carried out during the year and description of relationship:

Name of the Related Party	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
L&T Power Development Limited	Holding Company

- Disclosure of related party transaction:

Sl. No.	Name/Relationship/Nature of transaction	2010-11 Rupees
I	Ultimate Holding Company:	
	<b>Larsen &amp; Toubro Limited</b>	
	• Business auxiliary and support services (including service tax)	1,67,013
	• Reimbursement of expenses to	7,560
II	<b>Holding Company:</b>	
	L&T Power Development Limited	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sl. No.	Name/Relationship/Nature of transaction	2010-11 Rupees
	• Issue of equity shares	5,00,000
	• Advance for share application	7,92,17,380
	• Business auxiliary and support services (including service tax)	1,84,16,517
	• Reimbursement of expenses to	1,06,95,880
	• Project supervision, facilitation and support services (including service tax)	2,10,00,000

7.4 Amount due to and due from related parties:

Sl. No.	Particulars	2010-11 Rupees	
		Due to	Due from
I	Due to Ultimate Holding Company:		
	<b>Larsen &amp; Toubro Limited</b>	1,57,872	-
II	Due to Holding Company:		
	<b>L&amp;T Power Development Limited</b>	2,16,34,646	-

8. Deferred Tax:

Taxes on Income have been accounted for in accordance with the provisions of Accounting Standard 22, as per the details given below:

Particulars	As at 31.03.2011 Rupees
<b>Deferred tax liabilities:</b>	-
<b>Total</b>	-
<b>Deferred tax assets:</b>	
Miscellaneous yet to be written off	2,69,362
<b>TOTAL</b>	2,69,362
<b>Net deferred tax liability / (asset)</b>	<b>(2,69,362)</b>

The Company has not accounted for Deferred tax asset of Rs. 2,69,362/- on the basis of prudence.

9. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is Rs. NIL

10. Basic and diluted earnings per share (EPS):

Particulars	2010-11
<b>Basic</b>	
Excess of Expenditure over Income for the year after tax (Rupees)	(6,94,799)
Weighted average number of equity shares outstanding	39,146
<b>Basic EPS (Rupees)</b>	-17.75
<b>Diluted</b>	
Excess of Expenditure over Income for the year after tax (Rupees)	(6,94,799)
Weighted average number of equity shares outstanding	39,146
<b>Diluted EPS (Rupees)</b>	-17.75

11. Expenditure in Foreign Currency: NIL

12. Preliminary expenses representing filing fees paid to the Registrar of Companies have been charged to Statement of Income and Expenditure during Pre-operational Period.

13. The Company does not have any contingent liabilities as at March 31, 2011.

14. This being the first accounting period, giving comparative figures for the previous year is not applicable.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****15. Balance Sheet abstract and Company's general business profile****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments @ includes pre-operative expenses  
Net Current Assets Miscellaneous Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income) Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Principal Products/Services of the Company (as per monetary items)**Item Code Product Descriptions As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
By the hand of

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership no. 8820  
Place : Mumbai  
Date : April 27, 2011**S. N. ROY**  
Director**C. S. DAMLE**  
DirectorPlace : Mumbai  
Date : April 27, 2011

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended March 31, 2011.

**1. FINANCIAL RESULTS**

<b>Particulars</b>	<b>Year ended 31.03.11 Rs. Lakhs</b>	<i>Year ended 31.03.10 Rs. Lakhs</i>
Gross Income	<b>2,864.52</b>	2,010.79
Total Expenses	<b>250.33</b>	170.87
<b>Profit Before Tax</b>	<b>2,614.19</b>	1,839.93
Current Taxes	<b>482.25</b>	454.50
Adjustments (Deferred Tax)	<b>(1.63)</b>	(1.02)
<b>Profit After Tax</b>	<b>2,133.57</b>	1,386.46
Balance brought forward from previous year	<b>1,352.01</b>	1,177.12
Tax Adjustment of earlier years		13.99
Equity Dividend	<b>1,584.00</b>	880.00
Tax on Dividend	<b>263.08</b>	149.56
Transferred to Reserves		
<b>Surplus carried forward</b>	<b>1,423.51</b>	1,352.01

**2. DIVIDEND**

Considering the performance of the Company, three interim dividends aggregating Rs. 7.20 per share were declared and paid in the months of September 2010, December 2010 and March 2011. The Directors do not recommend payment of any final dividend for the year.

**3. PERFORMANCE OF THE COMPANY**

The Company's overall income recorded an increase of 42.5% over last financial year, at Rs. 2,864.52 lakhs. The expenditure registered an increase of 46.5%, compared to last year. The Profit After Tax, at Rs. 2,133.57 lakhs, recorded an increase of 55.5% over the last year.

**4. AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

**5. DISCLOSURE OF PARTICULARS**

As the Company is engaged in rendering non-banking financial services, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption.

The Foreign Exchange Earnings during the year was Nil while the Foreign Exchange outgo recorded for the year was Rs. 38,04,051 (US\$ 81,163).

**6. PERSONNEL**

In terms of provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to this report and forms part of this report. None of the employees listed in the said Annexure is related to any Director of your Company. The same will be furnished to the shareholders on request.

**7. DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

**8. DIRECTORS**

Mr. N. Sivaraman resigned as Director of the Company on December 23, 2010.

Mr. Vipin J. Shukla was appointed as an additional Director of the Company on December 23, 2010, who shall hold the office only up to the ensuing Annual General Meeting of the Company but shall be eligible for appointment by the Company at that meeting as Director.

Mr. Suneet K. Maheshwari, Mr. N. Hariharan and Mr. Vipin J. Shukla are currently Directors of the Company.

In terms of Section 256 of the Company's Act, 1956, Mr. Suneet K. Maheshwari retires by rotation and being eligible, offers himself for re-appointment.

**9. AUDIT COMMITTEE**

The Audit Committee was re-constituted with three non-executive directors, Mr. Suneet Maheshwari, Mr. N. Hariharan and Mr. Vipin J. Shukla. Mr. Vipin J. Shukla is the Chairman of the Audit Committee. The role, terms of reference, the authority and power of Chairman are in conformity with the requirements of the Companies Act, 1956. The Committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

**10. AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**11. FINANCE**

During the year, the Company did not raise any additional capital. It repaid its unsecured loan to the extent of Rs. 20.69 crores, to L&T.

**12. SUBSIDIARY COMPANIES**

During the year, the Company acquired three Mauritius based companies from Larsen & Toubro International FZE viz. Lotus Infrastructure Investments Ltd., Peacock Investments Ltd. and Mango Investments Ltd. With this acquisition, the Company has five fully owned subsidiaries in Mauritius. These subsidiaries are expected to be operational as and when the Company or any of its group companies launch private equity / offshore funds.

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiaries of the Company, forms part of this Annual Report. The Annual Reports of subsidiary companies form part of this Report.

**13. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below.

**a. Separation of Chairman and Chief Executive Officer**

There is no full time Chairman for the Company. Chairman of the Board is selected on each Board Meeting and Dr. M. Pushpangadan, designated also as Manager, is the Chief Executive.

**b. Remuneration to Directors**

Presently, no remuneration is paid to Directors.

**c. Number of companies in which an individual may be director.**

The Company has appraised its board members about the restriction on number of other directorships and expects in due course to comply with the same.

**d. Responsibilities of the Board.**

Presentations to the Board in areas such as financial results, budgets, business prospects, etc., give the directors an opportunity to interact with the senior management team. Non-Executive Directors give suggestions for improving overall effectiveness of the Board and its Committees. A system of risk management and compliance with statutory requirements is in place.

**e. Audit Committee of Board**

The Company has an Audit Committee, as mentioned in para 9 above.

**f. Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arms length relationship with the Company. The Company does not advocate rotation of auditors as envisaged in the guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, signing partners are rotated at regular frequency.

**g. Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**h. Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

L&T CAPITAL COMPANY LIMITED

**i. Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out such audits.

**14. ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, vendors, suppliers and customers. The Directors wish to record the valuable contributions made by Mr. Y M Deosthalee and Mr. N Sivaraman, during the period of their long association with the Company as its Directors. The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : April 25, 2011*

**VIPIN J. SHUKLA**  
*Director*

**N. HARIHARAN**  
*Director*

**SUNEET K. MAHESHWARI**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T CAPITAL COMPANY LIMITED

We have audited the attached Balance sheet of L&T Capital Company Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '12' and the Notes on the Financial Statements in Schedule '13' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : April 25, 2011

## ANNEXURE TO THE AUDITORS REPORT

(Referred to in paragraph 1 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) We have been informed that the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.  
(c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
2. The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
3. (a) According to the information and explanations given to us, 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, reporting under paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.

## L&T CAPITAL COMPANY LIMITED

- (b) According to the information and explanations given to us, 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, reporting under paragraph 4(iii)(f) and (g) of the Order is not applicable.
4. 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 and for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
  5. According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
  6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
  7. The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
  8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
  9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, wealth tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.
  - (b) According to the information and explanations given to us, and the records of the Company examined by us, the particulars of income tax which have not been deposited on account of dispute, are as under:

Name of the Statute	Nature of the disputed dues	Rupees*	Period to which the amount relates	Forum where disputes are pending
The Income Tax Act, 1961	Tax, interest and penalty	282,048	2005-06	ITAT, Mumbai

\* Net of pre-deposit paid in getting the stay / appeal admitted

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
14. The Company is dealing and trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and contracts and timely entries have been made therein and the shares, securities, debentures and other investments have been held by the Company, in its own name.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
16. The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
18. The Company has not made any preferential allotment of shares during the year. Accordingly, reporting under paragraph 4(xviii) of the Order is not applicable.
19. The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : April 25, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	220,000,000		220,000,000	
Reserves and Surplus	2	178,379,290		152,701,498	
			398,379,290		372,701,498
<b>Loan Funds</b>					
Unsecured loans	3	1,035,000,000		1,241,900,000	
			1,035,000,000		1,241,900,000
<b>Deferred tax liabilities</b>					
Less: Deferred tax assets		124,865		238,500	
		249,639		199,936	
(Refer Note 7 of Schedule 13)			(124,774)		38,564
<b>TOTAL</b>			<b>1,433,254,516</b>		<b>1,614,640,062</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible</b>					
Gross block		2,473,815		2,875,674	
Less : Depreciation		1,411,079		1,246,642	
Net block			1,062,736		1,629,032
<b>Intangible</b>					
Gross block		3,200,000		3,200,000	
Less : Amortisation		3,200,000		3,200,000	
Net block			-		-
<b>Investments</b>	5		1,360,181,908		1,582,564,939
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	6	10,423,987		10,465,710	
Cash and Bank Balances		3,523,054		27,146,017	
Loans and Advances		109,241,416		55,611,527	
		123,188,457		93,223,254	
<b>Less : Current Liabilities and Provisions</b>					
Liabilities	7	2,202,056		1,783,341	
Provisions		48,976,529		60,993,822	
		51,178,585		62,777,163	
<b>Net Current Assets</b>			<b>72,009,872</b>		<b>30,446,091</b>
<b>TOTAL</b>			<b>1,433,254,516</b>		<b>1,614,640,062</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	12				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	13				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**M. PUSHANGADAN**

Chief Executive

**N. HARIHARAN**

Director

**VIPIN SHUKLA**

Director

**SUNEET MAHESHWARI**

Director

Place : Mumbai  
Date : April 25, 2011

Place : Mumbai  
Date : April 25, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11		2009-10	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Income from operations	8	128,741,442		133,734,911	
Other income	9	157,710,634		67,344,512	
			<b>286,452,076</b>		<b>201,079,423</b>
<b>EXPENDITURE</b>					
Personnel Expenses	10	5,990,284		5,102,159	
Administration and Other Expenses	11	15,760,621		11,642,191	
Interest and Finance Charges		2,904,110		1,741	
Depreciation and Amortisation		377,903		340,460	
			<b>25,032,918</b>		<b>17,086,551</b>
<b>Profit before tax</b>			<b>261,419,158</b>		<b>183,992,872</b>
Current tax		48,225,000		45,450,000	
Deferred tax (Refer Note 7 of Schedule 13)		(163,338)		(101,734)	
Short provision for earlier years		2,971,444		1,399,281	
			<b>51,033,106</b>		<b>46,747,547</b>
<b>Profit after tax</b>			<b>210,386,052</b>		<b>137,245,325</b>
Balance brought forward from previous year			<b>135,201,498</b>		<b>117,711,773</b>
<b>Profit available for Appropriation</b>			<b>345,587,550</b>		<b>254,957,098</b>
Transfer to General Reserve			<b>21,500,000</b>		<b>16,800,000</b>
<b>Profit available for Distribution</b>			<b>324,087,550</b>		<b>238,157,098</b>
Interim dividend			<b>158,400,000</b>		<b>88,000,000</b>
Dividend distribution tax			<b>26,308,260</b>		<b>14,955,600</b>
<b>Balance carried to Balance Sheet</b>			<b>139,379,290</b>		<b>135,201,498</b>
<b>Earnings Per Share (Basic and Diluted)</b>			<b>9.56</b>		<b>6.24</b>
Nominal value of shares (Refer Note 6 of Schedule 13)			<b>10.00</b>		<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	12				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	13				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

Registration No. 109982W

by the hand of

**MILIND P. PHADKE**

Partner

Membership No. 33013

**M. PUSHPANGADAN**

Chief Executive

**N. HARIHARAN**

Director

**VIPIN SHUKLA**

Director

**SUNEET MAHESHWARI**

Director

Place : Mumbai

Date : April 25, 2011

Place : Mumbai

Date : April 25, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from operating activities</b>		
<b>Profit before tax as per Profit and Loss Account</b>	<b>261,419,158</b>	<b>183,992,872</b>
Add:		
Depreciation	377,903	340,460
Provision for leave encashment	39,660	28,122
Provision for gratuity	123,647	49,865
Interest	2,904,110	1,741
Profit on sale of investments	(132,641,737)	(29,495,189)
Dividend from investments	(20,059,708)	(27,742,496)
Sundry balances written back (net)	(25,000)	(2,276,554)
Loss on sale of assets	91,741	178,589
Investments written off	8,639,999	5,325,000
<b>Operating Profit before working capital changes</b>	<b>120,869,773</b>	<b>130,402,410</b>
Add / (Less):		
(Increase) / Decrease in sundry debtors	41,723	(8,322,408)
(Increase) / Decrease in loans and advances	(6,253,984)	67,891,804
Increase / (Decrease) in trade payables	(59,961,885)	(1,854,032)
<b>Cash generated from operations</b>	<b>54,695,626</b>	<b>188,117,774</b>
Direct tax paid	(50,347,349)	(45,423,546)
<b>Net cash from operating activities</b>	<b>4,348,278</b>	<b>142,694,228</b>
<b>B. Cash flow from investing activities</b>		
Sale of fixed assets	264,819	5,000
Purchase of fixed assets	(168,166)	(396,634)
Sale of investments	521,660,632	6,467,981,409
Purchase of investments	(174,115,172)	(44,968,751)
Investments in subsidiaries	(1,160,692)	(100,100)
Dividend from investments	20,059,708	27,742,495
<b>Net cash (used in) / from investing activities</b>	<b>366,541,129</b>	<b>6,450,263,420</b>
<b>C. Cash flow from financing activities</b>		
Repayment of unsecured loans	(206,900,000)	(6,466,200,000)
Interest paid	(2,904,110)	(1,741)
Dividend paid	(184,708,260)	(102,955,600)
<b>Net cash (used in) / from financing activities</b>	<b>(394,512,370)</b>	<b>(6,569,157,341)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(23,622,963)</b>	<b>23,800,307</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>27,146,017</b>	<b>3,345,710</b>
<b>Cash and cash equivalents at end of the year</b>	<b>3,523,054</b>	<b>27,146,017</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**M. PUSHANGADAN**

Chief Executive

**N. HARIHARAN**

Director

**VIPIN SHUKLA**

Director

**SUNEET MAHESHWARI**

Director

Place : Mumbai

Date : April 25, 2011

Place : Mumbai

Date : April 25, 2011

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
30,000,000 Equity shares of Rs. 10 each		<b>300,000,000</b>		<i>300,000,000</i>
<b>Issued and subscribed</b>				
22,000,000 Equity shares of Rs. 10 each fully paid		<b>220,000,000</b>		<i>220,000,000</i>
All the equity shares are held by Larsen & Toubro Limited, the holding company and its nominees				
<b>TOTAL</b>		<b>220,000,000</b>		<i>220,000,000</i>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>General Reserve</b>				
As per last Balance sheet	<b>17,500,000</b>		<i>700,000</i>	
Add: Transferred from profit and loss account	<b>21,500,000</b>		<i>16,800,000</i>	
		<b>39,000,000</b>		<i>17,500,000</i>
<b>Profit and Loss Account</b>		<b>139,379,290</b>		<i>135,201,498</i>
<b>TOTAL</b>		<b>178,379,290</b>		<i>152,701,498</i>
<b>SCHEDULE 3</b>				
<b>UNSECURED LOANS</b>				
From Larsen & Toubro Limited (Repayable on demand)		<b>1,035,000,000</b>		<i>1,241,900,000</i>
<b>TOTAL</b>		<b>1,035,000,000</b>		<i>1,241,900,000</i>

**SCHEDULE 4**  
**FIXED ASSETS**

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For the year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSET</b>										
Plant and equipment	1,175,760	90,000	449,625	<b>816,135</b>	240,180	116,014	133,378	<b>222,816</b>	<b>593,319</b>	<i>935,580</i>
Furniture and fixtures	14,400	-	14,400	-	6,011	630	6,641	-	-	<i>8,389</i>
Computers and peripherals	1,685,514	78,166	106,000	<b>1,657,680</b>	1,000,451	261,259	73,447	<b>1,188,263</b>	<b>469,417</b>	<i>685,063</i>
(A)	2,875,674	168,166	570,025	<b>2,473,815</b>	1,246,642	377,903	213,466	<b>1,411,079</b>	<b>1,062,736</b>	<i>1,629,032</i>
<b>Intangible Assets</b>										
Computer software	3,200,000	-	-	<b>3,200,000</b>	3,200,000	-	-	<b>3,200,000</b>	-	-
(B)	3,200,000	-	-	<b>3,200,000</b>	3,200,000	-	-	<b>3,200,000</b>	-	-
<b>TOTAL (A+B)</b>	<b>6,075,674</b>	<b>168,166</b>	<b>570,025</b>	<b>5,673,815</b>	<b>4,446,642</b>	<b>377,903</b>	<b>213,466</b>	<b>4,611,079</b>	<b>1,062,736</b>	<i>1,629,032</i>
<i>Previous year</i>	<i>6,873,329</i>	<i>396,634</i>	<i>1,194,289</i>	<i>6,075,674</i>	<i>5,116,882</i>	<i>340,460</i>	<i>1,010,700</i>	<i>4,446,642</i>	<i>1,629,032</i>	

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 5</b>				
<b>INVESTMENTS (At cost)</b>				
<b>Long term investments</b>				
Quoted				
Fully paid equity shares		523,195,473		590,788,087
Unquoted				
Fully paid equity shares		836,986,434		991,776,852
<b>Current investments</b>				
		–		–
		<u>1,360,181,908</u>		<u>1,582,564,939</u>
Less: Provision for diminution in value of investments		–		–
<b>TOTAL</b>		<u><u>1,360,181,908</u></u>		<u><u>1,582,564,939</u></u>
Note:				
Quoted Investments				
Book Value		523,195,473		590,788,087
Market Value		557,546,923		875,417,094
Unquoted Investments				
Book Value		836,986,434		991,776,852
<b>Particulars of investments:</b>				
<b>Fully paid equity shares:</b>				
<b>Subsidiary Companies</b>				
L&T Trustee Company Private Limited (10,000 shares of Rs. 10 each)		100,000		100,000
L&T Asset Management Company Limited (1 share of US \$1 each)		46		50
L&T Real Estate India Fund (1 share of US \$1 each)		46		50
Mango Investments Ltd. 8,548 shares of US \$1 each (Purchased during the year)		387,068		–
Peacock Investments Ltd. 8,548 shares of US \$1 each (Purchased during the year)		387,068		–
Lotus Infrastructure Investment Ltd. 8,548 shares of US \$1 each (Purchased during the year)		386,555		–
<b>TOTAL</b>		<u><u>1,260,783</u></u>		<u><u>100,100</u></u>
<b>Associate Companies</b>				
Salzer Electronics Limited (2,679,808 shares of Rs. 10 each)		163,313,376		163,313,376
TNJ Moduletech Private Limited (864,000 shares of Rs. 10 each) (Written off during the year)		1		8,640,000
Feedback Ventures Private Limited (3,790,000 shares of Rs. 100 each)		379,000,000		379,000,000
JSK Electricals Private Limited (21,20,040 shares of Rs. 10 each)		21,200,400		21,200,400

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Asia Alloys Precicasters Private Limited (1,378,000 shares of Rs. 10 each)		13,780,000		13,780,000
Rishi Consfab Private Limited (2,704,000 shares of Rs. 10 each)		27,040,000		27,040,000
Magtorq Private Limited 9,000 shares of Rs. 100 each (Purchased during the year)		44,249,250		–
<b>TOTAL</b>		<b>648,583,027</b>		<b>612,973,776</b>
<b>Others</b>				
Astra Microwave Products Limited 7,950,045 (53,00,030) shares of Rs.2 each (Bonus shares received during the year)		230,016,175		230,016,175
BSCPL Infrastructure Limited 611,616 (305,808) shares of Rs.10 each (formerly B Seenaiah & Company (Projects) Limited)		350,456,000		350,456,000
Kalindee Rail Nirman (Engineers) Limited Nil (16,72,496) shares of Rs.10 each (sold during the year)		–		197,458,536
Catholic Syrian Bank Limited. Nil (733,677) shares of Rs.10 each (sold during the year)		–		191,560,352
Areva T & D India Limited 4,78,534 (Nil) shares of Rs.2 each (purchased during the year)		128,209,490		–
Windsor Machines Limited 24,634 (Nil) shares of Rs.10 each (purchased during the year)		1,656,432		–
<b>TOTAL</b>		<b>710,338,097</b>		<b>969,491,063</b>
<b>Investment purchased and sold during the year</b>				
<b>Equity shares</b>				
Yes Bank Limited		10	1500	1,823,856
<b>Particulars</b>		Face Value Rs. Per Unit	Nos.	Value Rs.
<b>Money Market Mutual Fund</b>				
BNP Paribas Fixed Term Fund Series 20 A-Growth Option		10	2,000,000	20,334,860
DSP BlackRock FMP -13M-Series 2- Growth Option		10	2,000,000	21,541,581
DSP BlackRock FMP -12M -Series 12- Growth Option		10	2,000,000	20,246,564
HDFC FMP 20M Sep 09 -Growth		10	2,000,000	22,302,014
HDFC FMP 18M Oct 09 - Growth		10	2,000,000	22,199,502
HDFC FMP 370 D November 2010 (1)- Growth Option		10	2,000,000	20,443,780
ICICI Prudential FMP Series 52- 1 Year Plan C- Growth Option		10	1,000,000	10,319,497
ICICI Prudential FMP Series 53- 1 Year Plan E- Growth Option		10	2,000,000	20,289,411
ICICI Prudential Fixed Maturity Plan- Series 53- 1 Year Plan F - Growth Option		10	2,000,000	20,275,395
L&T Fixed Maturity Plan- Series 12- 15 M- March 10- I- Growth Option		10	2,000,000	21,430,059

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Particulars	Face Value Rs. Per Unit	Nos.	Value Rs.
L&T FMP-I (September 24M A)- Growth Option	10	2,000,000	20,390,121
L&T FMP-II (November 12M A)- Growth	10	2,000,000	20,409,142
L&T FMP II (December 370 D A)- Growth	10	2,000,000	20,355,683
Reliance Fixed Horizon Fund XV Series 7- Growth	10	1,000,000	10,362,043
Religare Fixed Maturity Plan-Series II-Plan B- 15 Months- Growth	10	2,000,000	21,508,745
Religare FMP Series IV- Plan E- Growth	10	2,000,000	20,391,122
Tata FMP Series 25 Scheme A-SHIP-Growth	10	2,000,000	22,413,936
Tata FMP Series 27 Scheme A Growth	10	1,000,000	10,346,026
UTI FTIF- Series VIII- IV-(369 Days)- IP Growth	10	3,000,454	31,275,864
UTI Fixed Term Income Fund Series VIII - V (366 days)- Growth Option	10	2,000,296	20,817,462
DSP Blackrock Mutual Fund FMP 13 Series 2- Growth	10	30,000,000	322,640,191
Deutsche Mutual Fund fixed term fund Series 67 Growth	10	59,999,999	639,315,842
ICICI Prudential Mutual Fund FMP Series 51 - 14 Months Plan Cumulative	10	30,000,000	321,120,528
ICICI Prudential Mutual Fund FMP Series 51 - 13 Months Plan Cumulative	10	30,000,000	320,384,722
L & T Mutual Fund FMP Series 12 Plan 15 Month I Growth	10	20,000,000	213,948,207
Religare Mutual Fund FMP Series i (13 m) Growth	10	50,003,770	536,878,149
Religare Mutual Fund FMP pl Series ii pl c (15months) gr	10	60,005,126	639,220,295
Tata Mutual Fund FMP Series 30 - debt fund - sch a -371d gr	10	50,000,000	506,864,860
HDFC Mutual Fund gold exchange traded fund - open ended	10	277,727	575,180,737
Kotak Mahindra Mutual Fund FMP 370d Series 2 Growth	10	30,000,000	319,489,742
Kotak Mahindra Mutual Fund FMP 370d Series 9 Growth	10	50,000,000	511,489,923
	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>	
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE 6</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>Sundry Debtors</b>			
Unsecured, considered good			
Debts outstanding for more than six months	1,258	-	
Other debts	10,422,729	10,465,710	
		<b>10,423,987</b>	10,465,710
<b>Cash and Bank Balances</b>			
Cash in hand	1,200	3,185	
Balance with scheduled bank			
in current account	2,167,441	25,862,332	
in deposit (including interest accrued thereon)	1,354,414	1,280,500	
		<b>3,523,054</b>	27,146,017
<b>Loans and Advances,</b>			
Unsecured, considered good			
Inter corporate deposits - (L&T Finance Limited)	54,276,232	7,776,232	
Advances recoverable in cash or in kind or for value to be received	54,965,184	47,835,295	
		<b>109,241,416</b>	55,611,527
<b>TOTAL</b>		<b>123,188,457</b>	<b>93,223,254</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 7</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to micro and small enterprises	–		–	
Due to other than micro and small enterprises	2,202,056		1,783,341	
		2,202,056		1,783,341
<b>Provisions</b>				
Provision for taxes	48,225,000		45,450,000	
Provision for gratuity	500,791		377,144	
Provision for leave encashment	250,738		211,078	
Dividend distribution tax	–		14,955,600	
		48,976,529		60,993,822
<b>TOTAL</b>		<b>51,178,585</b>		<b>62,777,163</b>
	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 8</b>				
<b>INCOME FROM OPERATIONS</b>				
Consultancy fees		38,521,102		11,088,223
{Tax deducted at source - Rs. 15,98,555; (Previous year Rs. 2,41,339)}				
Syndication fees - money markets		90,220,340		122,646,688
{Tax deducted at source - Rs. 85,670; (Previous year Rs. 53,499)}				
<b>TOTAL</b>		<b>128,741,442</b>		<b>133,734,911</b>
<b>SCHEDULE 9</b>				
<b>OTHER INCOME</b>				
Interest on:				
Inter corporate deposits	4,861,338		7,665,924	
{Tax deducted at source - Rs. 488,544; (Previous year Rs. 1,096,786)}				
Deposit account with banks	82,120		93,523	
{Tax deducted at source - Rs. 12,629; (Previous year Rs. 25,241)}				
		4,943,458		7,759,447
Dividend from investments		20,059,708		27,742,496
Profit on sale of investments		132,641,737		29,495,189
Sundry balances written back (net)		25,000		2,276,554
Others		40,730		70,826
<b>TOTAL</b>		<b>157,710,634</b>		<b>67,344,512</b>
<b>SCHEDULE 10</b>				
<b>PERSONNEL EXPENSES</b>				
Salaries		5,316,687		4,582,678
Contribution to and provision for:				
Provident fund and pension scheme	198,666		199,705	
Superannuation	144,000		135,000	
Gratuity	123,647		49,865	
Leave encashment	39,660		38,155	
		505,973		422,725
Staff welfare expenses		167,624		96,756
<b>TOTAL</b>		<b>5,990,284</b>		<b>5,102,159</b>



**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	2010-11 Rupees	Rupees	2009-10 Rupees	Rupees
<b>SCHEDULE 11</b>				
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>				
Rent (including lease rentals)		1,126,642		403,207
Rates and taxes		23,880		5,700
Repairs and maintenance				
Plant and equipment	683,476		830,680	
Others	27,238		29,239	
		710,714		859,919
Printing and stationery		70,402		36,763
Electricity charges		197,660		649,470
Telephone, postage and courier		488,836		577,533
Travelling and conveyance		1,441,808		794,353
Computer software expenses		3,900		4,000
Professional charges		1,873,581		1,866,316
Auditors' remuneration:				
Audit fees	125,000		125,000	
Tax audit fee	25,000		25,000	
Certifications	80,500		33,750	
Expenses reimbursed	1,553		-	
		232,053		183,750
Investments written off		8,639,999		5,325,000
Miscellaneous expenses		951,146		936,180
<b>TOTAL</b>		<b>157,60,621</b>		<b>116,42,191</b>

**SCHEDULE 12****SIGNIFICANT ACCOUNT POLICIES****1. Basis of Accounting:**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government and other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Any revisions to accounting estimates are recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the previous year are regrouped accordingly.

**2. Revenue Recognition**

- a. Fees are recognised as income on successful completion of assignments.
- b. Interest income is accrued at applicable interest rate.
- c. Other items of income are accounted as and when the right to receive arises.

**3. Employee Benefits**

- a. Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as, salaries, short-term compensated absences, etc., and expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

## **SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

- b. Post-employment benefits
  - i. Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme and employee pension scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service.
  - ii. Defined benefit plans: The employees' gratuity fund scheme is wholly funded. The present value of the obligation under defined benefit plan is based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.
  - iii. Long-term employee benefits: The obligation for long term employee benefits such as long-term compensated absences is recognised as defined benefits plans.
- 4. Fixed Assets**
  - a. Fixed assets are capitalised at acquisition cost (net of duty credits availed, if any), including directly attributable costs, such as, freight, insurance and specific installation charges for bringing the assets to working condition for use.
  - b. Expenditure relating to existing fixed assets is added to the cost of the assets, where it increases the performance / life of the assets as assessed earlier.
  - c. Fixed assets are eliminated from financial statements either on disposal or when retired from active use.
- 5. Intangible assets and Amortisation**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible Assets and is amortised as under:

Computer software - in the year of incurrence.

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible asset are allocated and capitalized as a part of the cost of the intangible assets.

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining period so as to allocate the asset's revised carrying amount over its remaining useful life.
- 6. Investments**
  - a. Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary.
  - b. Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification.
- 7. Leases**
  - a. Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
  - b. Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Profit and Loss Account on accrual basis.
  - c. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
  - d. Asset leased out under operating lease are capitalised. Rental income is recognised on accrual basis over the lease term.
  - e. Initial direct costs relating to assets given on finance lease are charged to Profit and Loss Account.
- 8. Depreciation**
  - a. Depreciation on assets has been provided on straight-line method at the rates and in the manner as provided in Schedule XIV to the Companies Act, 1956.
  - b. Depreciation for additions to / deductions from assets is calculated *pro-rata* from / to the date of additions / deductions.
  - c. As provided for in Accounting Standard (AS) 6, the useful life of certain assets have been reviewed and depreciation provided to comply with the Standard.
  - d. Depreciation on assets acquired and given to employees under the hard furnishing scheme has been provided @ 18% per annum on straight-line method.

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)****9. Taxes on income**

- a. Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income tax Act 1961, and based on expected outcome of assessments / appeals.
- b. Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
- c. Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head 'Capital gains' are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- d. Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**10. Provisions, Contingent liabilities and Contingent assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of a past event;
- b. a probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- b. a present obligation arising from past events when no reliable estimate is possible; and
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**SCHEDULE 13****NOTES ON THE FINANCIAL STATEMENTS**

1. Contingent liabilities Rs. Nil
2. The Manager's salary and perquisites charged to accounts

	<b>2010-11 Rs.</b>	<i>2009-10 Rs.</i>
Salary	<b>3,493,517</b>	<i>3,085,825</i>
Contribution to provident fund	<b>115,200</b>	<i>108,000</i>
Contribution to superannuation fund	<b>144,000</b>	<i>135,000</i>
Perquisites	<b>74,600</b>	<i>156,175</i>
<b>TOTAL</b>	<b>3,827,317</b>	<i>3,485,000</i>

**3. Segment Reporting**

The Company's business activities fall within a single segment. Viz. Portfolio Management, Mutual Fund Distribution and predominantly operates in domestic market. Accordingly, disclosure requirements under Accounting Standard (AS) 17 Segment Reporting, are not applicable.

**4. Related party disclosures**

- (a) Names of the related parties with whom transactions were carried out during the year and description of relationship

<b>Sr. No.</b>	<b>Name of the Related Party</b>	<b>Relationship</b>
1.	Larsen & Toubro Limited	Holding Company
2.	L&T Trustee Company Private Limited	Subsidiary Company
3.	L&T Asset Management Limited	Subsidiary Company
4.	L&T Real Estate India Fund.	Subsidiary Company
5.	Lotus Infrastructure Investments Limited	Subsidiary Company (w.e.f December 27, 2010)

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Sr. No.	Name of the Related Party	Relationship
6.	Peacock Investments Limited	Subsidiary Company (w.e.f December 27, 2010)
7.	Mango Investments Limited	Subsidiary Company (w.e.f December 27, 2010)
8.	L&T Finance Limited	Fellow Subsidiary
9.	L&T Finance Holdings Limited	Fellow Subsidiary
10.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary
11.	Larsen & Toubro Infotech Limited	Fellow Subsidiary
12.	Salzer Electronics Limited	Associate Company
13.	Salzer Cables Limited	Associate Company
14.	TNJ Moduletech Private Limited	Associate Company
15.	Feedback Ventures Private Limited	Associate Company
16.	JSK Electricals Private Limited.	Associate Company
17.	Asia Alloys Precasters Private Limited	Associate Company
18.	Rishi Consfab Private Limited	Associate Company
19.	Magtorq Private Limited	Associate Company

## (b) Disclosure of related party transactions

Sr. No.	Nature of transaction / relationship / major parties	2010-11 Rs.	2009-10 Rs.
1.	Services and other income (including interest)		
	Fellow Subsidiaries:		
	L&T Finance Limited	4,861,338	7,665,924
	Associates:		
	Feedback Ventures Private Limited	-	70,000
	<b>TOTAL</b>	<b>4,861,338</b>	<b>7,735,924</b>
2.	Dividend received		
	Associates:		
	Feedback Ventures Private Limited	6,822,000	5,685,000
	Salzer Electronics Limited	4,287,693	4,287,693
	Magtorq Private Limited	6,300,000	-
	<b>TOTAL</b>	<b>17,409,693</b>	<b>9,972,693</b>
3.	Rent paid, including lease rentals		
	Fellow Subsidiaries:		
	L&T Finance Limited	406,642	403,207
	L&T Infrastructure Finance Company Limited	794,160	-
	<b>TOTAL</b>	<b>1,200,802</b>	<b>403,207</b>
4.	Professional charges paid		
	Holding Company		
	Larsen & Toubro Limited	343,493	381,912
	Fellow Subsidiaries:		
	L&T Finance Limited	220,600	-
	<b>TOTAL</b>	<b>564,093</b>	<b>381,912</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Sr. No.	Nature of transaction / relationship / major parties	2010-11 Rs.	2009-10 Rs.
5.	Salary, cost of employees on deputation		
	Fellow Subsidiaries:		
	L&T Finance Limited	1,372,842	—
	<b>TOTAL</b>	<b>1,372,842</b>	<b>—</b>
6.	Other expenditure reimbursed		
	Holding Company		
	Larsen & Toubro Limited	489,707	840,095
	Fellow Subsidiaries:		
	L&T Finance Limited	144,000	135,000
	<b>TOTAL</b>	<b>633,707</b>	<b>975,095</b>
7.	Interest paid		
	Holding Company		
	Larsen & Toubro Limited	2,904,110	—
	<b>TOTAL</b>	<b>2,904,110</b>	<b>—</b>
8.	Dividend paid		
	Holding Company		
	Larsen & Toubro Limited	158,400,000	88,000,000
	<b>TOTAL</b>	<b>158,400,000</b>	<b>88,000,000</b>
9.	Unsecured loans		
	Loan repaid		
	Holding Company		
	Larsen & Toubro Limited	5,406,900,000	6,466,200,000
	<b>TOTAL</b>	<b>5,406,900,000</b>	<b>6,466,200,000</b>
	Loan outstanding		
	Holding Company		
	Larsen & Toubro Limited	1,035,000,000	1,241,900,000
	<b>TOTAL</b>	<b>1,035,000,000</b>	<b>1,241,900,000</b>
10.	Subscription / purchase of equity shares		
	Subsidiary:		
	L&T Trustee Company Private Limited	—	100,000
	L&T Asset Management Company Limited	—	50
	L&T Real Estate India Fund	—	50
	Lotus Infrastructure Investments Ltd.	387,068	—
	Peacock Investments Ltd	387,068	—
	Mango Investments Ltd.	386,555	—
	Associate:		
	TNJ Moduletech Private Limited	—	640,000
	Asia Alloys Precicasters Private Limited	—	13,780,000
	Rishi Consfab Private Limited	—	27,040,000
	Magtorq Private Limited	44,249,250	—
	<b>TOTAL</b>	<b>45,409,941</b>	<b>41,560,100</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Sr. No.	Nature of transaction / relationship / major parties	2010-11 Rs.	2009-10 Rs.
11.	Investments transferred to		
	Holding Company		
	Larsen & Toubro Limited	4,906,533,197	4,882,163,942
	Fellow Subsidiaries:		
	Larsen & Toubro Infotech Limited	397,652,807	-
	L&T Finance Holdings Limited	-	1,237,648,479
	<b>TOTAL</b>	<b>5,304,186,004</b>	<b>6,119,812,421</b>
12.	Investments transferred from		
	Holding Company		
	Larsen & Toubro Limited	4,901,162,060	-
	Fellow Subsidiaries:		
	Larsen & Toubro Infotech Limited	397,217,500	-
	<b>TOTAL</b>	<b>5,298,379,560</b>	<b>-</b>
13.	Advances given		
	Subsidiary:		
	L&T Asset Management Company Limited	519,993	514,809
	L&T Real Estate India Fund	693,729	1,182,700
	Lotus Infrastructure Investments Ltd.	396,315	-
	Peacock Investments Ltd	396,315	-
	Mango Investments Ltd.	396,315	-
	Fellow Subsidiaries:		
	Lotus Infrastructure Investments Ltd.	-	238,593
	Peacock Investments Ltd	-	238,593
	Mango Investments Ltd.	-	238,593
	<b>TOTAL</b>	<b>2,402,667</b>	<b>2,413,288</b>
14.	Sundry Debtors		
	Subsidiary:		
	L&T Trustee Company Private Limited	-	94
	<b>TOTAL</b>	<b>-</b>	<b>94</b>
15.	Sundry Creditors		
	Holding Company		
	Larsen & Toubro Limited	-	6,194
	Fellow Subsidiaries:		
	L&T Finance Limited	33,871	-
	<b>TOTAL</b>	<b>33,871</b>	<b>6,194</b>
16.	Loans and Advances (including Inter company deposits)		
	Fellow Subsidiaries:		
	L&T Finance Limited	54,276,232	7,776,232
	<b>TOTAL</b>	<b>54,276,232</b>	<b>7,776,232</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## 5. Leases

Operating Leases:

Particulars	Not later than 1 year	Later than 1 year not later than 5 years	Later than 5 years
Future minimum lease payments	Rs. 80,225	Nil	Nil

- a) Lease rental expenses in respect of operating leases for the year is Rs. 406,642.  
b) Contingent rents recognised as income / expense during the year - Rs. Nil.

## 6. Earnings Per Share

	Particulars	2010-11	2009-10
a)	Profit after taxes as per Profit and Loss Account	Rs. 210,386,052	Rs. 137,245,325
b)	Number of equity shares	22,000,000	22,000,000
c)	Nominal value per equity share	Rs. 10	Rs. 10
d)	Earnings Per Share (Basic and Diluted)	Rs. 9.56	Rs. 6.24

## 7. Deferred tax

The major components of deferred tax assets and deferred tax liabilities are as under:

Particulars	31.03.2011 Rupees	31.03.2010 Rupees
Deferred tax liabilities		
Difference between book value of depreciable assets as per books of account and written down value for tax purposes.	124,865	238,500
<b>Total</b>	<b>124,865</b>	<b>238,500</b>
Deferred tax assets		
Expenditure claimed on payment basis for tax purposes under Section 43B of the Income-tax Act, 1961 Provisions for gratuity Provisions for leave encashment	166,35083,289	128,19171,745
<b>Total</b>	<b>249,639</b>	<b>199,936</b>
Net deferred tax asset / (liability)	124,774	(38,564)
Net incremental deferred tax charged to Profit and Loss Account	(163,338)	(101,734)

8. The information in respect of suppliers, if any, under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are not presently identified / available with the Company. Accordingly, disclosure pursuant to the said Act has not been made.

## 9. Employee Benefits

- (a) Defined Contribution Plans:

An amount of Rs. 342,666 is recognised as an expense and included in 'Personnel Expenses' in the Profit and Loss Account.

- (b) Defined Benefit Plans:

The amounts recognised in Balance Sheet are as follows:

	Particulars	Gratuity Plan 31.03.2011	Gratuity Plan 31.03.2010
		Rs.	Rs.
A.	Amount to be recognised in Balance Sheet		
	Present Value of Defined Benefit Obligation		
	Wholly funded	-	-
	Wholly unfunded	500,791	377,144
	Less: Fair value of plan assets	-	-
	Unrecognised past service costs	-	-

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	<b>Particulars</b>	<b>Gratuity Plan 31.03.2011</b>	<i>Gratuity Plan 31.03.2010</i>
		<b>Rs.</b>	<i>Rs.</i>
	Amount to be recognised as liability or (asset)	<b>500,791</b>	<i>377,144</i>
B.	Amounts reflected in the Balance Sheet		
	Liability	<b>500,791</b>	<i>377,144</i>
	Assets	-	-
	Net liability / (asset)	<b>500,791</b>	<i>377,144</i>

The amount recognised in Profit and Loss Account as follows:

	<b>Particulars</b>	<b>Gratuity Plan 31.03.2011</b>	<i>Gratuity Plan 31.03.2010</i>
		<b>Rs.</b>	<i>Rs.</i>
1	Current service cost	<b>71,663</b>	<i>58,230</i>
2	Interest on Defined Benefit Obligation	<b>35,905</b>	<i>28,913</i>
3	Expected return on plan assets	-	
4	Past service cost (non-vested benefit) recognised	-	
5	Past service cost (vested benefit) recognised	-	
6	Recognition of transition liability	-	
7	Actuarial losses / (gains)	<b>16,079</b>	<i>(37,278)</i>
8	Expenses recognised in Profit and Loss Account	<b>123,647</b>	<i>49,865</i>

- (c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

<b>Particulars</b>	<b>Gratuity Plan 31.03.2011</b>	<i>Gratuity Plan 31.03.2010</i>
	<b>Rs.</b>	<i>Rs.</i>
Balance of the present value of		
Defined Benefit Obligation as at 1st April, 2010	<b>377,144</b>	<i>327,279</i>
Add: Current service cost	<b>71,663</b>	<i>58,230</i>
Add: Interest cost	<b>35,905</b>	<i>28,913</i>
Add / (Less): Actuarial losses / (gain)	<b>16,079</b>	<i>(37,278)</i>
Less: Employers contribution	-	-
Amount recognised in Balance Sheet as at March 31, 2011	<b>500,791</b>	<i>377,144</i>

- (d) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

1.	Discount rate as on 31.03.2010	8.00%
2.	Salary escalation on 31.03.2010	4.00%
3.	Discount rate as on 31.03.2011	8.25%
4.	Salary escalation on 31.03.2011	4.00%



**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

- (e) The estimates for future salary increased, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such, as supply and demand in the employment market.

The amounts pertaining to defined benefit plans are as follows:

Particulars	<b>Gratuity Plan 31.03.2011</b>	<i>Gratuity Plan 31.03.2010</i>
	<b>Rs.</b>	<i>Rs.</i>
1. Gratuity Plan		
Defined Benefit Obligation	<b>500,791</b>	<i>377,144</i>
Plan assets	-	-
Surplus / (Deficit)	<b>(500,791)</b>	<i>(377,144)</i>
2. Leave encashment	<b>250,738</b>	<i>211,078</i>

- (f) General description of defined benefit plans:

Gratuity plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days' salary last drawn for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favourable compared to the obligation under the Payment of Gratuity Act, 1972.

10. During the year, the Company has revised the estimates of useful life of fixed assets in the category of computers, w.e.f January 1, 2011. Consequently, the depreciation charge is higher by Rs. 3,684.
11. Previous years figures have been regrouped wherever necessary

**Signatures to Schedules 1 to 13**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**M. PUSHPANGADAN**  
Chief Executive

**N. HARIHARAN**  
Director

**VIPIN SHUKLA**  
Director

**SUNEET MAHESHWARI**  
Director

Place : Mumbai  
Date : April 25, 2011

Place : Mumbai  
Date : April 25, 2011

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.  State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities including paid up capital  Total Assets

#### Sources of Fund

Paid-Up Capital	<input type="text" value="220000"/>	Reserves & Surplus	<input type="text" value="178379"/>
Secured Loans	<input type="text" value="NIL"/>	Unsecured Loans	<input type="text" value="103500"/>
Deferred Tax Asset / (Liability)	<input type="text" value="124"/>		

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#### Application of Funds

Net Fixed Assets	<input type="text" value="1063"/>	Investments	<input type="text" value="1360182"/>
Net Current Assets	<input type="text" value="72010"/>	Accumulated Losses	<input type="text" value="NIL"/>

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover including Other Income	<input type="text" value="286452"/>	Total Expenditure	<input type="text" value="25033"/>
Profit / Loss Before Tax	<input type="text" value="261419"/>	Profit / Loss After Tax	<input type="text" value="210386"/>
Earning Per Share in Rs.	<input type="text" value="9.56"/>	Dividend Rate %	<input type="text" value="72"/>

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### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)   
Product Descriptions

For and on behalf of the Board

Place : Mumbai  
Date : April 25, 2011

**M. PUSHPANGADAN**  
Chief Executive

**N. HARIHARAN**  
Director

**VIPIN SHUKLA**  
Director

**SUNEET MAHESHWARI**  
Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary	L&T Trustee Company Private Limited	L&T Real Estate India Fund	L&T Asset Management Ltd.	Mango Investments Ltd.	Peacock Investments Ltd.	Lotus Infrastructure Investment Ltd.
Financial year of the subsidiary Company ended on	31-03-2011	31-12-2010	31-12-2010	31-12-2010	31-12-2010	31-12-2010
Number of Shares in the subsidiary Company held by L&T Capital Company at the above date - Equity shares	10,000	1	1	8,548	8,548	8,548
- Preference shares	NIL	NIL	NIL	NIL	NIL	NIL
The extent of interest in subsidiary companies of L&T Capital Company Limited as at the above dated	100%	100%	100%	100%	100%	100%
The net aggregate of profits, less losses, of the subsidiary Company so far as it concerns the members of Larsen & Toubro Limited:	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Dealt with in the accounts of L&T Capital Company amounted to						
(a) for the subsidiary's financial year ended March 31, 2011 and December 31, 2010	NIL	NIL	NIL	NIL	NIL	NIL
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Capital Company Limited	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Not dealt with in the accounts of L&T Capital Company amounted to:						
(a) for the subsidiary's financial year ended March 31, 2011 and December 31, 2010	(8,274)	(919,151)	(521,610)	(529,205)	(529,205)	(529,205)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Capital Company Limited	(16,783)	(1,081,964)	(597,864)	(622,844)	(622,844)	(622,844)
<b>Changes in the interest of L&amp;T Capital Company between the end of the subsidiary's financial year and March 31, 2011</b>						
Number of shares acquired	NA	NA	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2011						
(i) Fixed assets (net additions)	NA	NA	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	NA	NA	NA	NA	NA
(iv) Moneys borrowed by the subsidiary Company other than for meeting current liabilities	NA	NA	NA	NA	NA	NA

For and on behalf of the Board

Place : Mumbai  
Date : April 25, 2011

**M. PUSHANGADAN**  
Chief Executive

**N. HARIHARAN**  
Director

**VIPIN SHUKLA**  
Director

**SUNEET MAHESHWARI**  
Director

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended March 31, 2011.

**FINANCIAL RESULTS**

(Rupees in lakhs)

Particulars	Year Ended	
	31.03.2011	31.03.2010
Total Expenses	0.08	0.17
<b>Profit Before Tax</b>	<b>(0.08)</b>	<b>(0.17)</b>
Current Taxes	0.00	0.00
Adjustments (Deferred Tax)	—	—
<b>Profit After Tax</b>	<b>(0.08)</b>	<b>(0.17)</b>
Balance brought forward from previous year	(0.17)	0.00
Transferred to Reserves	—	—
<b>Surplus carried forward</b>	<b>(0.25)</b>	<b>(0.17)</b>

**DIVIDEND**

Since the Company is yet to be made operational, the Directors do not recommend payment of any final dividend for the year.

**PERFORMANCE OF THE COMPANY**

The Company is yet to record any income as it is yet to be made operational.

**AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

**DISCLOSURE OF PARTICULARS**

As the Company is engaged in rendering non-banking financial services, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption.

The Foreign Exchange Earnings during the year was Nil and the Foreign Exchange outgo recorded for the year was also Nil.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the loss of the Company for the year ended on that date;
- that 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;
- that the annual accounts have been prepared on a going concern basis.
- that proper systems are in place to ensure compliance of all laws applicable to the Company.

**DIRECTORS**

Mr. N. Sivaraman and Mr. Suneet K Maheshwari are currently Directors of the Company.

In terms of Section 256 of the Company's Act, 1956, Mr. N. Sivaraman retires by rotation and being eligible, offers himself for re-appointment.

**AUDIT COMMITTEE**

There is no Audit Committee currently, as the Company is yet to start its operations.

**AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

**FINANCE**

During the year, the Company did not raise any additional capital.

For and on behalf of the Board

Place : Mumbai  
Date : April 25, 2011

**N. SIVARAMAN**  
Director

**SUNEET K. MAHESHWARI**  
Director

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**AUDITORS' REPORT**

We have audited the attached Balance Sheet of L&T Trustee Company Private Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As the Company satisfies all the conditions mentioned in paragraph 2(iv) of the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, reporting under the said Order is not required.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable, being a private Company; and

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date: April 25, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>		<u>As at 31.03.2010</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	100,000		100,000	
Reserves and Surplus		–		–	
			100,000		100,000
<b>Loan Funds</b>			–		–
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash and bank balances	2	85,973		100,000	
		85,973		100,000	
<b>Less: Current liabilities and provisions</b>					
Current liabilities	3	11,030		16,783	
Provisions		–		–	
		11,030		16,783	
<b>Net Current Assets</b>			<b>74,943</b>		<b>83,217</b>
<b>Profit and loss account</b>			<b>25,057</b>		<b>16,783</b>
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	4				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	5				

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The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**N. SIVARAMAN**

Director

**SUNEET K. MAHESHWARI**

Director

Place: Mumbai  
Date : April 25, 2011

Place: Mumbai  
Date : April 25, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

<b>Schedule</b>	<b>2010-2011 Rupees</b>	<b>2009-2010 Rupees</b>
<b>INCOME</b>		
Income from operations	-	-
<b>EXPENDITURE</b>		
Audit fees	<b>5,515</b>	5,515
Filing fees, stamp duty and other registration expenses	<b>2,759</b>	11,268
<b>Profit before tax</b>	<b>(8,274)</b>	<b>(16,783)</b>
Provision for tax	-	-
<b>Profit after tax</b>	<b>(8,274)</b>	<b>(16,783)</b>
Balance brought forward from previous year	<b>(16,783)</b>	-
<b>Balance carried to Balance Sheet</b>	<b>(25,057)</b>	<b>(16,783)</b>
Earnings Per Share (Basic and Diluted)	<b>(0.83)</b>	<b>(1.68)</b>
Nominal value per equity share	<b>10.00</b>	<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>4</b>	
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	<b>5</b>	

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The Scheduled referred to above form an integral part of Profit & Loss Account.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**N. SIVARAMAN**

Director

**SUNEET K. MAHESHWARI**

Director

Place: Mumbai  
Date : April 25, 2011

Place: Mumbai  
Date : April 25, 2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per Profit and Loss Account	(8,274)	(16,783)
Add:		
Depreciation	-	-
<b>Operating Profit before working capital changes</b>	(8,274)	(16,783)
Add / (Less):		
(Increase) / decrease in sundry debtors	-	-
(Increase) / decrease in loans and advances	-	-
Increase / (decrease) in current liabilities and provisions	(5,753)	16,783
<b>Cash generated from operations</b>	(14,027)	-
Direct tax paid	-	-
<b>Net cash from operating activities</b>	(14,027)	-
<b>B. Cash flow from investing activities</b>		
<b>Net cash (used in) / from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of equity shares	-	100,000
<b>Net cash (used in) / from financing activities</b>	-	100,000
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(14,027)	100,000
<b>Cash and cash equivalents at beginning of the year</b>	100,000	-
<b>Cash and cash equivalents at end of the year</b>	85,973	100,000

**Notes :**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**N. SIVARAMAN**

Director

**SUNEET K. MAHESHWARI**

Director

Place: Mumbai  
Date : April 25, 2011

Place: Mumbai  
Date : April 25, 2011



**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
10,000 Equity shares of Rs. 10 each		100,000		100,000
<b>Issued and subscribed</b>				
10,000 Equity shares of Rs. 10 each fully paid		100,000		100,000
All the equity shares are held by L&T Capital Company Limited, the holding Company and its nominees.				
		100,000		100,000
<b>SCHEDULE - 2</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and Bank Balances</b>				
Balance with scheduled bank				
in current account		85,973		100,000
		85,973		100,000
<b>SCHEDULE - 3</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to micro and small enterprises		-		-
Other than micro and small enterprises	11,030		16,783	
		11,030		16,783
<b>Provisions</b>				
		-		-
		11,030		16,783

**SCHEDULE - 4****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ("GAAP") and in compliance with the Accounting Standards specified in Companies (Accounting Standards) Rules, 2006 notified by the Central Government and other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

**SCHEDULE - 5****NOTES ON THE FINANCIAL STATEMENTS**

- The Company is yet to commence its activities and does not have any fixed assets and has no employees.
- Contingent liabilities Rs. Nil.
- Related party disclosures: AS 18

(a) Names of the related parties with whom transactions were carried out during the year and description of relationship

S. No.	Name of related party	Relationship
1.	L&T Capital Company Limited	Holding Company
2.	Larsen & Toubro Limited	Ultimate Holding Company

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(b) Disclosure of related party transactions

Sr. No.	Nature of transaction/relationship	2010-2011 Rupees	2009-2010 Rupees
1.	Reimbursement of expenses Ultimate Holding Company: Larsen & Toubro Limited	11,782	–
	Holding Company: L&T Capital Company Limited	94	–
	<b>TOTAL</b>	<b>11,876</b>	–
2	Issue of Equity Shares Holding Company: L&T Capital Company Limited	–	100,000
	<b>TOTAL</b>	–	100,000

4. Earnings Per Share: AS 20

	Particulars	2010-2011	2009-2010
a)	Profit after tax as per Profit and Loss Account (Rs.)	(8,274)	(16,783)
b)	Number of equity shares outstanding	10,000	10,000
c)	Nominal value per equity share (Rs.)	10	10
d)	Earnings Per Share (Basic and Diluted) (Rs.)	(0.83)	(1.68)

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011.

**Signatures to Schedules 1 to 5**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**N. SIVARAMAN**  
Director

**SUNEET K. MAHESHWARI**  
Director

Place: Mumbai  
Date : April 25, 2011

Place: Mumbai  
Date : April 25, 2011

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 6. Balance Sheet abstract and Company's general business profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities (including paid up capital) Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred tax **Application of Funds**Net Fixed Assets Investments Net Current Assets Deferred Tax **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) Total Expenditure + - Profit Before Tax + - Profit After Tax + - Earning per Share (in Rs.) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. 

(ITC Code)

Product Descriptions N. SIVARAMAN  
DirectorSUNEET K. MAHESHWARI  
DirectorPlace : Mumbai  
Date : April 25, 2011

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended on December 31, 2010.

### **FINANCIAL RESULTS**

Since the Company is yet to commence its operations, the turnover for the year was Nil.

<b>Description</b>	<b>2010</b> <b>Rupees</b>	<b>2009</b> <b>Rupees</b>
Profit / (Loss) for the year	<b>(529,205)</b>	<b>(622,844)</b>

### **FINANCE**

During the year, the Company has raised a sum of Rs. 386,829 by way of issue of equity shares to L&T Capital Company Limited.

### **AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### **DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosure required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are not relevant and hence have not been furnished.

### **PERSONNEL**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are not relevant and hence have not been furnished.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit or loss of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

Mr. Kee Chong Li Kwong Wing and Mr. Amal Arpun Autar are the directors of the Company.

### **AUDITORS**

The auditors BDO & CO member of BDO International Limited continue to be the auditors of the Company for the financial year 2011.

### **ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by its Bankers.

For and on behalf of the Board

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : March 28, 2011

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

## AUDITORS' REPORT

The Financial Statements of Peacock Investments Limited, (the 'Company') for the period ended December 31, 2010, being a Company registered in the republic of Mauritius, are audited by BDO & Co., Mauritius and we have been furnished with their audit reports dated March 28, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements to comply with the requirements of Section 212 of the Indian Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Peacock Investments Limited as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the Company being registered outside India, reporting under Section 274 (1)(g) of the Indian Companies Act, 1956 concerning disqualification of Directors is not applicable; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : March 28, 2011

## **ANNEXURE TO AUDITOR' S REPORT**

(Referred to in paragraph 1 of our report of even date)

- (i) The Company did not hold any fixed assets as on date of the financial statements. Accordingly, the paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
- (iii) 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. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the aforesaid internal control system.
- (iv) The Company not being a listed Company and the paid-up capital and reserves as at the commencement of the financial period being below the prescribed limit, the paragraph 4(vii) is not applicable.
- (v) (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company is regular in depositing undisputed statutory dues towards income tax and any other statutory dues as applicable during the year with the appropriate authorities.  
(b) According to the information and explanations given to us, there are no dues of income tax and other statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.
- (vi) The Company is registered for a period of less than five years from the date of registration. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
- (vii) The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
- (viii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
- (ix) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
- (x) In our opinion, Company did not deal or trade in shares, securities, debentures and other investments during the period. Accordingly, reporting under paragraph 4(xiv) of the Order is not applicable
- (xi) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
- (xii) The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xiv) The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
- (xv) The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
- (xvi) During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.
- (xvii) The Company, being registered outside India, reporting on paragraphs 4(iii), (v), (vi), (viii) and (xviii) of the Order are not applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
*Partner*  
Membership No. 033013

Place : Mumbai  
Date : March 28, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	386,874		45	
Share application money		-		51,750	
Translation Reserve		53,706		18,970	
			440,580		70,765
<b>Loan Funds</b>					
Unsecured Loans			592,668		483,447
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash and Bank balances	2	40,180		46,577	
Loans and advances		101,454		105,809	
		141,634		152,386	
<b>Less: Current liabilities and provisions</b>					
Liabilities	3	260,435		221,018	
		260,435		221,018	
<b>Net current assets</b>			<b>(118,801)</b>		<b>(68,632)</b>
<b>Profit and loss account</b>			<b>1,152,049</b>		<b>622,844</b>
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>					
	5				

The Schedules referred to above form an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : March 28, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	Schedules	2010 Rupees	2009 Rupees
<b>INCOME</b>		—	—
<b>TOTAL</b>		—	—
<b>EXPENDITURE</b>			
Administration and other expenses	4	529,205	622,844
<b>TOTAL</b>		529,205	622,844
<b>Profit before tax</b>		(529,205)	(622,844)
Provision for tax		—	—
<b>Profit after tax</b>		(529,205)	(622,844)
Balance brought forward from previous period		(622,844)	—
<b>Balance carried to Balance Sheet</b>		(1,152,049)	(622,844)
Earnings Per Share (basic and diluted)		(61.91)	(622,844)
Nominal value per equity share		45	45
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>	5		

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The Schedules referred to above form an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : March 28, 2011



**CASH FLOW STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per profit and loss account	(529,205)	(622,844)
<b>Adjustment for</b>		
Unrealised exchange gain (net)	34,738	18,970
<b>Operating Profit before working capital changes</b>	(494,467)	(603,874)
Add / (Less):		
(Increase) / Decrease in loans and advances	4,355	(105,809)
Increase / (Decrease) in trade payables	39,417	221,018
<b>Net cash from operating activities</b>	(450,695)	(488,665)
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of Equity Shares	335,079	45
Share application money	-	51,750
Unsecured Loans	109,221	483,447
<b>Net cash (used in) / from financing activities</b>	444,300	535,242
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(6,395)	46,577
<b>Foreign Exchange difference in cash and cash equivalents</b>	(2)	-
<b>Cash and cash equivalents at beginning of year</b>	46,577	-
<b>Cash and cash equivalents at end of the year</b>	40,180	46,577

**NOTES**

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
- Cash and cash equivalents represent cash and bank balances.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : March 28, 2011

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.12.2010		As at 31.12.2009	
	Number	Rupees	Number	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
At end of year	8,548	386,874	1	45
<b>Issued, subscribed and paid up</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
<b>At end of year</b>	<b>8,548</b>	<b>386,874</b>	<b>1</b>	<b>45</b>
(The equity share is held by L&T Capital Company Limited and previously held by MITCO on behalf of Larsen & Toubro International FZE)				
<b>SCHEDULE - 2</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and bank balances</b>				
Cash in hand		45		47
Balance with non scheduled bank on current account		40,135		46,530
<b>Loans and advances</b>				
Advances recoverable in cash or in kind		101,454		105,809
<b>TOTAL</b>		<b>141,634</b>		<b>152,386</b>
<b>SCHEDULE - 3</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Other liabilities		260,435		221,018
<b>TOTAL</b>		<b>260,435</b>		<b>221,018</b>
<b>SCHEDULE - 4</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
Administrative expenses		229,037		223,461
Audit and accountancy fees		213,756		213,004
Professional and legal fees		–		24,205
Licence and legal fees		81,864		123,446
Bank charges		4,548		–
Processing fees		–		38,728
<b>TOTAL</b>		<b>529,205</b>		<b>622,844</b>

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)****SCHEDULE - 5****SIGNIFICANT ACCOUNTING POLICIES****1. LEGAL STATUS**

PEACOCK INVESTMENTS LTD is a Category 1 Global Business Licence Company incorporated on September 11, 2008 in Mauritius under the Companies Act, 2001 and is governed by the Financial Services Act, 2007.

**2. SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and in accordance with the provision of Section 211(3c) and other provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

**b. Foreign Currency Translations**

The reporting currency of the Company is US Dollar (USD). Accounts are translated in Indian Rupees as follows

- a. Share capital is retained at the initial contribution amount.
- b. Current Assets & Current Liabilities are translated at the year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. The resultant difference is accounted as Translation Reserve in the Balance Sheet.
- c. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of a past event;
- b. a probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- b. a present obligation arising from past events when no reliable estimates is possible; and
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**NOTES ON THE FINANCIAL STATEMENTS**

1. The Company is yet to commence commercial operations and does not have any fixed assets and has no employees.
2. Contingent liabilities Rs. Nil.
3. Related party disclosures: AS (18)

**(a) Names of the related parties who exercise control**

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	L&T Capital Company Limited	Holding Company

**(b) Name of related parties with whom transactions were made**

Sr. No.	Name of the Related Party	Relationship
1.	L&T Capital Company Limited	Holding Company

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## (c) Disclosure of transactions with related parties

Sr. No.	Nature of transaction/relationship	2010 Rupees	2009 Rupees
1	Unsecured loan Holding Company: L&T Capital Company Limited	592,668	178,675
	<b>TOTAL</b>	<b>592,668</b>	<b>178,675</b>
2	Issue of Equity Shares Holding Company: L&T Capital Company Limited (Rs. 45 transferred from previous shareholder)	386,874	–
	<b>TOTAL</b>	<b>386,874</b>	<b>–</b>

## 4. Earnings Per Share: AS (20)

	Particulars	2010	2009
a)	Profit after tax as per profit and loss account (Rs.)	(529,205)	(622,844)
b)	Number of equity shares	1	1
c)	Nominal value per equity share (Rs.)	50	50
d)	Earnings Per Share (Basic and Diluted) (Rs.)	(61.91)	(622,844)

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as on December 31, 2010.
6. Unsecured Loan represents interest free long term loan with no fixed repayment schedule.

**Signatures to Schedules 1 to 5****SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

Place : Mumbai  
Date : March 28, 2011

**KEE CHONG LI KWONG WING**

Director

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : March 28, 2011

**AMAL ARPUN AUTAR**

Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities including paid up capital Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred tax **Application of Funds**Net Fixed Assets Investments + -  
Net Current Assets/(Liabilities) Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover including other income Total Expenditure + -  
Profit / (Loss) Before Tax + -  
Profit / (Loss) After Tax + -  
Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Principal Products/Services of the Company** (as per monetary items)Item Code No. 

(ITC Code)

Product Descriptions 

For and on behalf of the Board

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended on December 31, 2010.

### **FINANCIAL RESULTS**

Since the Company is yet to commence its operations, the turnover for the year was Nil.

<b>Description</b>	<b>2010</b> <b>Rupees</b>	<i>2009</i> <i>Rupees</i>
Profit / (Loss) for the year	<b>(529,205)</b>	<i>(622,844)</i>

### **FINANCE**

During the year, the Company has raised a sum of Rs. 386,829 by way of issue of equity shares to L&T Capital Company Limited.

### **AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### **DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosure required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are not relevant and hence have not been furnished.

### **PERSONNEL**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are not relevant and hence have not been furnished.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit or loss of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

Mr. Kee Chong Li Kwong Wing and Mr. Amal Arpun Autar are the directors of the Company.

### **AUDITORS**

The auditors BDO & CO member of BDO International Limited continue to be the auditors of the Company for the financial year 2011.

### **ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by its Bankers.

For and on behalf of the Board

*Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius*  
*Date : March 28, 2011*

**KEE CHONG LI KWONG WING**  
*Director*

**AMAL ARPUN AUTAR**  
*Director*

## AUDITORS' REPORT

The Financial Statements of Mango Investments Limited, (the 'Company') for the period ended March 31, 2010, being a Company registered in the republic of Mauritius, are audited by BDO & Co., Mauritius and we have been furnished with their audit reports dated March 28, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements to comply with the requirements of Section 212 of the Indian Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Mango Investments Limited as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the Company being registered outside India, reporting under Section 274(1)(g) of the Indian Companies Act, 1956 concerning disqualification of Directors is not applicable; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No.033013

Place : Mumbai  
Date : March 28, 2011

## **ANNEXURE TO AUDITOR' S REPORT**

(Referred to in paragraph 1 of our report of even date)

- (i) The Company did not hold any fixed assets as on date of the financial statements. Accordingly, the paragraphs 4(i) (a), (b) and (c) of the Order are not applicable.
- (ii) The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
- (iii) 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. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the aforesaid internal control system.
- (iv) The Company not being a listed Company and the paid-up capital and reserves as at the commencement of the financial period being below the prescribed limit, the paragraph 4(vii) is not applicable.
- (v) (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company is regular in depositing undisputed statutory dues towards income tax and any other statutory dues as applicable during the year with the appropriate authorities.  
(b) According to the information and explanations given to us, there are no dues of income tax and other statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.
- (vi) The Company is registered for a period of less than five years from the date of registration. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
- (vii) The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
- (viii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
- (ix) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
- (x) In our opinion, Company did not deal or trade in shares, securities, debentures and other investments during the period. Accordingly, reporting under paragraph 4(xiv) of the Order is not applicable
- (xi) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
- (xii) The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xiv) The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
- (xv) The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
- (xvi) During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.
- (xvii) The Company, being registered outside India, reporting on paragraphs 4(iii), (v), (vi), (viii) and (xviii) of the Order are not applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
*Partner*  
Membership No.033013

Place : Mumbai  
Date : March 28, 2011



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	386,874		45	
Share application money		–		51,750	
Translation Reserve		53,706		18,970	
			440,580		70,765
<b>Loan Funds</b>					
Unsecured Loans			592,668		483,447
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash and Bank balances	2	40,180		46,577	
Loans and advances		101,454		105,809	
		141,634		152,386	
<b>Less: Current liabilities and provisions</b>					
Liabilities	3	260,435		221,018	
		260,435		221,018	
<b>Net current assets</b>			<b>(118,801)</b>		<b>(68,632)</b>
<b>Profit and loss account</b>			<b>1,152,049</b>		<b>622,844</b>
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>					
	5				

The Schedules referred to above form an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : April , 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : April , 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	Schedules	2010 Rupees	2009 Rupees
<b>INCOME</b>		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Administration and other expenses	4	529,205	622,844
<b>TOTAL</b>		529,205	622,844
<b>Profit before tax</b>		(529,205)	(622,844)
Provision for tax			-
<b>Profit after tax</b>		(529,205)	(622,844)
Balance brought forward from previous period		(622,844)	-
<b>Balance carried to Balance Sheet</b>		(1,152,049)	(622,844)
Earnings Per Share (basic and diluted)		(61.91)	(622,844)
Nominal value per equity share		45	45
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>	5		

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The Schedules referred to above form an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : April , 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : April , 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per profit and loss account	(529,205)	(622,844)
<b>Adjustment for</b>		
Unrealised exchange gain (net)	34,738	18,970
<b>Operating Profit before working capital changes</b>	(494,467)	(603,874)
Add/(Less):		
(Increase) / Decrease in loans and advances	4,355	(105,809)
Increase / (Decrease) in trade payables	39,417	221,018
<b>Net cash from operating activities</b>	(450,695)	(488,665)
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of Equity Shares	335,079	45
Share application money	-	51,750
Unsecured Loans	109,221	483,447
<b>Net cash (used in) / from financing activities</b>	444,300	535,242
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(6,395)	46,577
<b>Foreign Exchange difference in cash and cash equivalents</b>	(2)	-
<b>Cash and cash equivalents at beginning of year</b>	46,577	-
<b>Cash and cash equivalents at end of the year</b>	40,180	46,577

**NOTES**

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
- Cash and cash equivalents represent cash and bank balances.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : April , 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : April , 2011

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

	As at 31.12.2010		As at 31.12.2009	
	Number	Rupees	Number	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
At end of year	8,548	386,874	1	45
<b>Issued, subscribed and paid up</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
<b>At end of year</b>	<b>8,548</b>	<b>386,874</b>	<b>1</b>	<b>45</b>
(The equity share is held by L&T Capital Company Limited and previously held by MITCO on behalf of Larsen & Toubro International FZE)				
<b>SCHEDULE - 2</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and bank balances</b>				
Cash in hand		45		47
Balance with non scheduled bank on current account		40,135		46,530
<b>Loans and advances</b>				
Advances recoverable in cash or in kind		101,454		105,809
<b>TOTAL</b>		<b>141,634</b>		<b>152,386</b>
<b>SCHEDULE - 3</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Other liabilities		260,435		221,018
<b>TOTAL</b>		<b>260,435</b>		<b>221,018</b>
<b>SCHEDULE - 4</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
Administrative expenses		229,037		223,461
Audit and accountancy fees		213,756		213,004
Professional and legal fees		–		24,205
Licence and legal fees		81,864		123,446
Bank charges		4,548		–
Processing fees		–		38,728
<b>TOTAL</b>		<b>529,205</b>		<b>622,844</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

### SCHEDULE - 5

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. LEGAL STATUS

MANGO INVESTMENTS LTD is a Category 1 Global Business Licence Company incorporated on September 11, 2008 in Mauritius under the Companies Act 2001 and is governed by the Financial Services Act, 2007.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### a. Basis of Accounting

The accounts have been prepared using historical cost convention and on accrual basis and in accordance with the provision of Section 211(3c) and other provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

###### b. Foreign Currency Translations

The reporting currency of the Company is US Dollar (USD). Accounts are translated in Indian Rupees as follows

- Share capital is retained at the initial contribution amount.
- Current Assets & Current Liabilities are translated at the year-end rates.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as Translation Reserve in the Balance Sheet.

###### c. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- a present obligation arising from past events when no reliable estimates is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

#### NOTES ON THE FINANCIAL STATEMENTS

- The Company is yet to commence commercial operations and does not have any fixed assets and has no employees.
- Contingent liabilities Rs. Nil.
- Related party disclosures: AS (18)

##### (a) Names of the related parties who exercise control

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	L&T Capital Company Limited	Holding Company

##### (b) Name of related parties with whom transactions were made

Sr. No.	Name of the Related Party	Relationship
1.	L&T Capital Company Limited	Holding Company

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**

(c) Disclosure of transactions with related parties

Sr. No.	Nature of transaction/relationship	2010 Rupees	2009 Rupees
1	Unsecured loan Holding Company: L&T Capital Company Limited	592,668	178,675
	<b>TOTAL</b>	<b>592,668</b>	<b>178,675</b>
2	Issue of Equity Shares Holding Company: L&T Capital Company Limited (Rs. 45 transferred from previous shareholder)	386,874	-
	<b>TOTAL</b>	<b>386,874</b>	<b>-</b>

4. Earnings Per Share: AS (20)

	Particulars	2010	2009
a)	Profit after tax as per Profit and Loss Account (Rs.)	(529,205)	(622,844)
b)	Number of equity shares	1	1
c)	Nominal value per equity share (Rs.)	50	50
d)	Earnings Per Share (Basic and Diluted) (Rs.)	(61.91)	(622,844)

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as on December 31, 2010.
6. Unsecured Loan represents interest free long term loan with no fixed repayment schedule.

**Signatures to Schedules 1 to 5****SHARP & TANNAN**

Chartered Accountants  
Registration No.109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No.33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : April , 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene Mauritius  
Date : April , 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue

Bonus Issue

Rights Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities including paid up capital

**Sources of Fund**

Paid-Up Capital

Secured Loans

Deferred tax

**Application of Funds**

Net Fixed Assets

Net Current Assets/(Liabilities)

+ -  

Total Assets

Reserves &amp; Surplus

Unsecured Loans

Investments

Accumulated Losses

**IV. Performance of Company** (Amount in Rs. Thousands)

Turnover including other income

Profit / (Loss) Before Tax

+ -  

Earnings Per Share in Rs.

+ -  
+ -  

Total Expenditure

Profit / (Loss) After Tax

Dividend Rate %

**V. Generic Names of Principal Products/Services of the Company** (as per monetary items)Item Code No. 

(ITC Code)

Product Descriptions 

For and on behalf of the Board

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended on December 31, 2010.

### **1. FINANCIAL RESULTS**

Since the Company is yet to commence its operations, the turnover for the year was Nil.

	<b>2010</b>	<i>2009</i>
	<b>Rs.</b>	<i>Rs.</i>
Profit / (Loss) for the year	<b>(529,205)</b>	<i>(622,844)</i>

### **2. FINANCE**

During the year, the Company has raised a sum of ' 386,829 by way of issue of equity shares to L&T Capital Company Limited.

### **3. AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### **4. DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosure required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are not relevant and hence have not been furnished.

### **5. PERSONNEL**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are not relevant and hence have not been furnished.

### **6. DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit or loss of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **7. DIRECTORS**

Mr. Kee Chong Li Kwong Wing and Mr. Amal Arpun Autar are the directors of the Company.

### **8. AUDITORS**

The auditors BDO & CO member of BDO International Limited continue to be the auditors of the Company for the financial year 2011.

### **9. ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by its Bankers.

For and on behalf of the Board

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director



## AUDITORS' REPORT

### TO THE MEMBERS OF LOTUS INFRASTRUCTURE INVESTMENTS LIMITED

The Financial Statements of Lotus Infrastructure Investments Limited, (the 'Company') for the period ended December 31, 2010, being a Company registered in the republic of Mauritius, are audited by BDO & Co., Mauritius and we have been furnished with their audit reports dated March 28, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements to comply with the requirements of Section 212 of the Indian Companies Act, 1956. We give our report as under:

We have audited the attached Balance sheet of Lotus Infrastructure Investments Limited as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the Company being registered outside India, reporting under Section 274 (1)(g) of the Indian Companies Act, 1956 concerning disqualification of Directors is not applicable; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : March 28, 2011

## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph 1 of our report of even date)*

1. The Company did not hold any fixed assets as on date of the financial statements. Accordingly, the paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
2. The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
3. 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. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the aforesaid internal control system.
4. The Company not being a listed Company and the paid-up capital and reserves as at the commencement of the financial period being below the prescribed limit, the paragraph 4(vii) is not applicable.
5. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company is regular in depositing undisputed statutory dues towards income tax and any other statutory dues as applicable during the year with the appropriate authorities.  
(b) According to the information and explanations given to us, there are no dues of income tax and other statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.
6. The Company is registered for a period of less than five years from the date of registration. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
7. The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
8. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
9. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
10. In our opinion, Company did not deal or trade in shares, securities, debentures and other investments during the period. Accordingly, reporting under paragraph 4(xiv) of the Order is not applicable.
11. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
12. The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
13. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
14. The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
15. The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
16. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.
17. The Company, being registered outside India, reporting on paragraphs 4(iii), (v), (vi), (viii) and (xviii) of the Order are not applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(Registration No. 109982W)*  
*By the hand of*

*Place : Mumbai*  
*Date : March 28, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 033013*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	386,874		45	
Share application money		-		51,750	
Translation Reserve		53,706		18,970	
			440,580		70,765
<b>Loan Funds</b>					
Unsecured Loans			592,668		483,447
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash and Bank balances	2	40,180		46,577	
Loans and advances		101,454		105,809	
		141,634		152,386	
<b>Less: Current liabilities and provisions</b>					
Liabilities	3	260,435		221,018	
		260,435		221,018	
<b>Net current assets</b>			<b>(118,801)</b>		<b>(68,632)</b>
<b>Profit and loss account</b>			<b>1,152,049</b>		<b>622,844</b>
<b>TOTAL</b>			<b>1,033,248</b>		<b>554,212</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>					
	5				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	<u>2010 Rupees</u>	<u>2009 Rupees</u>
<b>INCOME</b>		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Administration and other expenses	4	529,205	622,844
<b>TOTAL</b>		529,205	622,844
<b>Profit before tax</b>		(529,205)	(622,844)
Provision for tax		-	-
<b>Profit after tax</b>		(529,205)	(622,844)
Balance brought forward from previous period		(622,844)	-
<b>Balance carried to Balance Sheet</b>		(1,152,049)	(622,844)
Earnings Per Share (basic and diluted)		(61.91)	(622,844)
Nominal value per equity share		45	45
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>	5		

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**CASH FLOW STATEMENT FOR YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per Profit and Loss Account	(529,205)	(622,844)
Adjustment for		
Unrealised exchange gain (net)	34,738	18,970
<b>Operating Profit before working capital changes</b>	<b>(494,467)</b>	<b>(603,874)</b>
Add / (Less):		
(Increase) / Decrease in loans and advances	4,355	(105,809)
Increase / (Decrease) in trade payables	39,417	221,018
<b>Net cash from operating activities</b>	<b>(450,695)</b>	<b>(488,665)</b>
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of Equity Shares	335,079	45
Share application money	-	51,750
Unsecured Loans	109,221	483,447
<b>Net cash (used in) / from financing activities</b>	<b>444,300</b>	<b>535,242</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(6,395)</b>	<b>46,577</b>
<b>Foreign Exchange difference in cash and cash equivalents</b>	<b>(2)</b>	-
<b>Cash and cash equivalents at beginning of year</b>	<b>46,577</b>	-
<b>Cash and cash equivalents at end of the year</b>	<b>40,180</b>	<b>46,577</b>

**Notes:**

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
At end of year	8,548	386,874	1	45
<b>Issued, subscribed and paid up</b>				
Equity shares of USD 1/- each (converted at historic rate)				
At beginning of year	1	45	–	–
Issue of shares	8,547	386,829	1	45
<b>At end of year</b>	<b>8,548</b>	<b>386,874</b>	<b>1</b>	<b>45</b>
(The equity share is held by L&T Capital Company Limited and previously held by MITCO on behalf of Larsen & Toubro International FZE)				
<b>SCHEDULE 2</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and bank balances</b>				
Cash in hand		45		47
Balance with non scheduled bank on current account		40,135		46,530
<b>Loans and advances</b>				
Advances recoverable in cash or in kind		101,454		105,809
<b>TOTAL</b>		<b>141,634</b>		<b>152,386</b>
<b>SCHEDULE 3</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Other liabilities		260,435		221,018
<b>TOTAL</b>		<b>260,435</b>		<b>221,018</b>
<b>SCHEDULE 4</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
Administrative expenses		229,037		223,461
Audit and accountancy fees		213,756		213,004
Professional and legal fees		–		24,205
Licence and legal fees		81,864		123,446
Bank charges		4,548		–
Processing fees		–		38,728
<b>TOTAL</b>		<b>529,205</b>		<b>622,844</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

### SCHEDULE 5

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. LEGAL STATUS

LOTUS INFRASTRUCTURE INVESTMENTS LTD is a Category 1 Global Business Licence Company incorporated on September 11, 2008 in Mauritius under the Companies Act, 2001 and is governed by the Financial Services Act, 2007.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### a. Basis of Accounting

The accounts have been prepared using historical cost convention and on accrual basis and in accordance with the provision of Section 211(3c) and other provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

###### b. Foreign Currency Translations

The reporting currency of the Company is US Dollar (USD). Accounts are translated in Indian Rupees as follows

- a. Share capital is retained at the initial contribution amount.
- b. Current Assets & Current Liabilities are translated at the year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. The resultant difference is accounted as Translation Reserve in the Balance Sheet.
- c. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of a past event;
- b. a probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- b. a present obligation arising from past events when no reliable estimates is possible; and
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

#### NOTES ON THE FINANCIAL STATEMENTS

1. The Company is yet to commence commercial operations and does not have any fixed assets and has no employees.
2. Contingent liabilities Rs. Nil.
3. Related party disclosures: AS (18)

##### (a) Names of the related parties who exercise control

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	L&T Capital Company Limited	Holding Company

##### (b) Name of related parties with whom transactions were made

Sr. No.	Name of the Related Party	Relationship
1.	L&T Capital Company Limited	Holding Company

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**

(c) Disclosure of transactions with related parties

Sr. No.	Nature of transaction / relationship	2010 Rupees	2009 Rupees
1.	Unsecured loan (balance) Holding Company: L&T Capital Company Limited	592,668	178,675
	<b>TOTAL</b>	<b>592,668</b>	<b>178,675</b>
2.	Issue of Equity Shares Holding Company: L&T Capital Company Limited (Rs. 45 transferred from previous shareholder)	386,874	–
	<b>TOTAL</b>	<b>386,874</b>	<b>–</b>

4. Earnings Per Share: AS (20)

	Particulars	2010	2009
a)	Profit after tax as per Profit and Loss Account (Rs.)	(529,205)	(622,844)
b)	Number of equity shares	1	1
c)	Nominal value per equity share (Rs.)	50	50
d)	Earnings Per Share (Basic and Diluted) (Rs.)	(61.91)	(622,844)

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as on December 31, 2010.
6. Unsecured Loan represents interest free long term loan with no fixed repayment schedule.

**Signatures to Schedules 1 to 5**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities including paid up capital

Total Assets

**Sources of Fund**

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax

**Application of Funds**

Net Fixed Assets

Investments

+ - Net Current Assets / (Liabilities)

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover including other income

Total Expenditure

+ - Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ - Earnings Per Share in Rs. (Basic)

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No.

(ITC Code)  
Product Descriptions

For and on behalf of the Board

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended on December 31, 2010.

**1. FINANCIAL RESULTS**

Since the Company is yet to commence its operations, the turnover for the year was Nil.

	<b>2010</b>	<i>2009</i>
	<b>Rs.</b>	<i>Rs.</i>
Profit / (Loss) for the year	<b>(919,151)</b>	<i>(1,081,964)</i>

**2. FINANCE**

During the year, the Company has not raised any capital.

**3. AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

**4. DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosure required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are not relevant and hence have not been furnished.

**5. PERSONNEL**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are not relevant and hence have not been furnished.

**6. DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit or loss of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

**7. DIRECTORS**

Mr. Kee Chong Li Kwong Wing and Mr. Amal Arpun Autar are directors of the Company.

**8. AUDITORS**

The auditors BDO & CO member of BDO International Limited continue to be the auditors of the Company for the financial year 2011.

For and on behalf of the Board

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T REAL ESTATE INDIA FUND

The Financial Statements of L&T Real Estate India Fund, (the 'Company') for the period ended December 31, 2010, being a Company registered in the republic of Mauritius, are audited by BDO & Co., Mauritius and we have been furnished with their audit reports dated March 28, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements to comply with the requirements of Section 212 of the Indian Companies Act, 1956. We give our report as under:

We have audited the attached Balance sheet of L&T Real Estate India Fund as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the Company being registered outside India, reporting under Section 274 (1)(g) of the Indian Companies Act, 1956 concerning disqualification of Directors is not applicable; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : March 28, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

*(Refer to in paragraph (1) of our report of even date)*

1. The Company did not hold any fixed assets as on date of the financial statements. Accordingly, the paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
2. The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
3. 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. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the aforesaid internal control system.
4. The Company not being a listed Company and the paid-up capital and reserves as at the commencement of the financial period being below the prescribed limit, the paragraph 4(vii) is not applicable.
5. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company is regular in depositing undisputed statutory dues towards income tax and any other statutory dues as applicable during the year with the appropriate authorities.  
(b) According to the information and explanations given to us, there are no dues of income tax and other statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.
6. The Company is registered for a period of less than five years from the date of registration. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
7. The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
8. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
9. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
10. In our opinion, Company did not deal or trade in shares, securities, debentures and other investments during the period. Accordingly, reporting under paragraph 4(xiv) of the Order is not applicable.
11. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
12. The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
13. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
14. The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
15. The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
16. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.
17. The Company, being registered outside India, reporting on paragraphs 4(iii), (v), (vi), (viii) and (xviii) of the Order are not applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(Registration No. 109982W)*  
*By the hand of*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 033013*

*Place : Mumbai*  
*Date : March 28, 2011*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	50		50	
Translation Reserve		95,429		42,015	
			95,479		42,065
<b>Loan Funds</b>					
Unsecured Loans			1,722,036		925,947
<b>TOTAL</b>			<b>1,817,515</b>		<b>968,012</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash in hand	2	45		47	
Loans and advances		212,941		107,019	
		212,986		107,066	
<b>Less: Current liabilities and provisions</b>					
Liabilities	3	396,586		221,018	
		396,586		221,018	
<b>Net Current Assets</b>			<b>(183,600)</b>		<b>(113,952)</b>
<b>Profit and Loss Account</b>			<b>2,001,115</b>		<b>1,081,964</b>
<b>TOTAL</b>			<b>1,817,515</b>		<b>968,012</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>					
	5				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	<u>Schedule</u>	<u>2010 Rupees</u>	<u>2009 Rupees</u>
<b>INCOME</b>		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Administration and other expenses	4	919,151	1,081,964
<b>TOTAL</b>		919,151	1,081,964
<b>Profit before tax</b>		(919,151)	(1,081,964)
Provision for tax		-	-
<b>Profit after tax</b>		(919,151)	(1,081,964)
Balance brought forward from previous period		(1,081,964)	-
<b>Balance carried to Balance Sheet</b>		(2,001,115)	(1,081,964)
Earnings Per Share (Basic and Diluted)		(919,151)	(1,081,964)
Nominal value per equity share		50	50
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>	5		

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The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per Profit and Loss Account	(919,151)	(1,081,964)
<b>Adjustment for</b>		
Translation Reserve	53,416	42,015
<b>Operating Profit before working capital changes</b>	<b>(865,735)</b>	<b>(1,039,949)</b>
Add / (Less):		
(Increase) / Decrease in loans and advances	(105,922)	(107,019)
Increase / (Decrease) in trade payables	175,568	221,018
<b>Net cash from operating activities</b>	<b>(796,089)</b>	<b>(925,950)</b>
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of Equity Shares		50
Unsecured Loans	796,089	925,947
<b>Net cash (used in) / from financing activities</b>	<b>796,089</b>	<b>925,997</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	-	47
<b>Cash and cash equivalents at beginning of year</b>	<b>47</b>	-
<b>Foreign Exchange difference in Cash and Cash Equivalents</b>	<b>(2)</b>	-
<b>Cash and cash equivalents at end of the year</b>	<b>45</b>	<b>47</b>

**Notes:**

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
- Cash and cash equivalents represent cash.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

	<b>As at 31.12.2010</b>	<i>As at 31.12.2009</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1 Equity share of USD 1/- each (converted at historic rate)	<b>50</b>	<i>50</i>
<b>Issued and subscribed</b>		
1 Equity share of USD 1/- each (converted at historic rate)	<b>50</b>	<i>50</i>
The equity share is held by L&T Capital Company Limited.		
<b>TOTAL</b>	<b>50</b>	<i>50</i>
<b>SCHEDULE 2</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and Bank Balances</b>		
Cash in hand	<b>45</b>	<i>47</i>
<b>Loans and advances</b>		
Advances recoverable in cash or in kind	<b>212,941</b>	<i>107,019</i>
<b>TOTAL</b>	<b>212,986</b>	<i>107,066</i>
<b>SCHEDULE 3</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Other liabilities	<b>396,586</b>	<i>221,018</i>
<b>TOTAL</b>	<b>396,586</b>	<i>221,018</i>
<b>SCHEDULE 4</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Administration fees	<b>236,951</b>	<i>263,835</i>
Audit and accountancy fees	<b>213,756</b>	<i>213,004</i>
Licence and registration fees	<b>195,564</b>	<i>193,640</i>
Professional and legal fees	<b>272,880</b>	<i>338,870</i>
Processing fees	<b>-</b>	<i>72,615</i>
<b>TOTAL</b>	<b>919,151</b>	<i>1,081,964</i>



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

### SCHEDULE 5

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. LEGAL STATUS

L&T REAL ESTATE INDIA FUND is a Category 1 Global Business Licence Company incorporated in Mauritius under the Companies Act, 2001 on March 24, 2009 as a private limited Company with a limited life ending seven years after the final closing date and is governed by the Financial Services Act 2007.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### a. Basis of Accounting

The accounts have been prepared using historical cost convention and on accrual basis and in accordance with the provision of Section 211 (3c) and other provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

###### b. Foreign Currency Translations

The reporting currency of the Company is US Dollar (USD). Accounts are translated in Indian Rupees as follows

- Share capital is retained at the initial contribution amount.
- Current Assets & Current Liabilities are translated at the year-end rates.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as Translation Reserve in the Balance Sheet.

###### c. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- a present obligation arising from past events when no reliable estimates is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

#### NOTES ON THE FINANCIAL STATEMENTS

- The Company is yet to commence commercial operations and does not have any fixed assets and has no employees.
- Contingent liabilities Rs. Nil.
- Related party disclosures: AS (18)
  - Names of the related parties who exercise control

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	L&T Capital Company Limited	Holding Company

- Name of related parties with whom transactions were made

Sr. No.	Name of the Related Party	Relationship
1.	L&T Capital Company Limited	Holding Company

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## (c) Disclosure of transactions with related parties

Sr. No.	Nature of transaction / relationship	2010 Rs.	2009 Rs.
1.	Unsecured loans (balance) Holding Company: L&T Capital Company Limited	1,722,036	925,947
	<b>TOTAL</b>	<b>1,722,036</b>	<b>925,947</b>
2.	Issue of Equity Shares Holding Company: L&T Capital Company Limited	-	50
	<b>TOTAL</b>	<b>-</b>	<b>50</b>

## 4. Earnings Per Share: AS (20)

	Particulars	2010	2009
a)	Profit after tax as per Profit and Loss Account (Rs.)	(919,151)	(1,081,964)
b)	Number of equity shares	1	1
c)	Nominal value per equity share (Rs.)	50	50
d)	Earnings Per Share (Basic and Diluted) (Rs.)	(919,151)	(1,081,964)

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as on December 31, 2010.
6. Unsecured Loan represents interest free long term loan with no fixed repayment schedule.

**Signatures to Schedules 1 to 5**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities including paid up capital Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax **Application of Funds**Net Fixed Assets Investments + -  
 Net Current Assets / (Liabilities) Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover including other income Total Expenditure + -  
 Profit / Loss Before Tax + -  
Profit / Loss After Tax + -  
 Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code No. (ITC Code) Product Descriptions 

For and on behalf of the Board

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended on December 31, 2010.

### **1. FINANCIAL RESULTS**

Since the Company is yet to commence its operations, the turnover for the year was Nil.

	<b>2010</b>	<b>2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Profit / (Loss) for the year	<b>(521,610)</b>	<b>(597,864)</b>

### **2. FINANCE**

During the year, the Company has not raised any capital.

### **3. AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications except for the requirement of having an unimpaired capital of Mauritian Rupees 600,000. The Company is taking steps to comply with the requirement. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### **4. DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosure required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 are not relevant and hence have not been furnished.

### **5. PERSONNEL**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are not relevant and hence have not been furnished.

### **6. DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit or loss of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **7. DIRECTORS**

Mr. Kee Chong Li Kwong Wing and Mr. Amal Arpun Autar are directors of the Company.

### **8. AUDITORS**

The auditors BDO & CO member of BDO International Limited continue to be the auditors of the Company for the financial year 2011.

### **9. ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by its Bankers.

For and on behalf of the Board

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

**AUDITORS' REPORT****TO THE MEMBERS OF L&T ASSET MANAGEMENT COMPANY LIMITED**

The Financial Statements of L&T Asset Management Company Limited, (the 'Company') for the period ended December 31, 2010, being a Company registered in the republic of Mauritius, are audited by BDO & Co., Mauritius and we have been furnished with their audit reports dated March 28, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements to comply with the requirements of Section 212 of the Indian Companies Act, 1956. We give our report as under:

We have audited the attached Balance sheet of L&T Asset Management Company Limited as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) the Company being registered outside India, reporting under Section 274 (1)(g) of the Indian Companies Act, 1956 concerning disqualification of Directors is not applicable; and

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '4' and the Notes on the Financial Statements in Schedule '5' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

Place : Mumbai  
Date : March 28, 2011

## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph (1) of our report of even date)*

1. The Company did not hold any fixed assets as on date of the financial statements. Accordingly, the paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
2. The Company does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order are not applicable.
3. 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. In our opinion and according to the information and explanation given to us, there is no continuing failure to correct major weakness in the aforesaid internal control system.
4. The Company not being a listed Company and the paid-up capital and reserves as at the commencement of the financial period being below the prescribed limit, the paragraph 4(vii) is not applicable.
5. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company is regular in depositing undisputed statutory dues towards income tax and any other statutory dues as applicable during the year with the appropriate authorities.  
(b) According to the information and explanations given to us, there are no dues of income tax and other statutory dues, which have not been deposited with the appropriate authorities on account of any dispute.
6. The Company is registered for a period of less than five years from the date of registration. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
7. The Company has not availed loans from financial institutions and banks. The Company has also not issued any debentures. Accordingly, reporting under paragraph 4(xi) of the Order is not applicable.
8. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
9. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
10. In our opinion, Company did not deal or trade in shares, securities, debentures and other investments during the period. Accordingly, reporting under paragraph 4(xiv) of the Order is not applicable.
11. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
12. The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
13. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
14. The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
15. The Company has not raised any money by public issues during the year. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
16. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.
17. The Company, being registered outside India, reporting on paragraphs 4(iii), (v), (vi), (viii) and (xviii) of the Order are not applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(Registration No. 109982W)*  
*By the hand of*

*Place : Mumbai*  
*Date : March 28, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 033013*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	50		50	
Translation Reserve		57,260		23,215	
			57,310		23,265
<b>Loan Funds</b>					
Unsecured Loans			956,563		437,382
<b>TOTAL</b>			<b>1,013,873</b>		<b>460,647</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash in hand	2	45		47	
Loans and advances		146,093		83,754	
		146,138		83,801	
<b>Less: Current liabilities and provisions</b>					
Liabilities	3	251,739		221,018	
		251,739		221,018	
<b>Net Current Assets</b>			<b>(105,601)</b>		<b>(137,217)</b>
<b>Profit and Loss Account</b>			<b>1,119,474</b>		<b>597,864</b>
<b>TOTAL</b>			<b>1,013,873</b>		<b>460,647</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>					
	5				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**

Director

**AMAL ARPUN AUTAR**

Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	<u>2010 Rupees</u>	<u>2009 Rupees</u>
<b>INCOME</b>		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Administration and other expenses	4	521,610	597,864
<b>TOTAL</b>		521,610	597,864
<b>Profit before tax</b>		(521,610)	(597,864)
Provision for tax		-	-
<b>Profit after tax</b>		(521,610)	(597,864)
Balance brought forward from previous period		(597,864)	-
<b>Balance carried to Balance Sheet</b>		(1,119,474)	(597,864)
Earnings Per Share (Basic and Diluted)		(521,610)	(597,864)
Nominal value per equity share		50	50
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS</b>	5		

**Signatures to Schedules 1 to 5**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011



**CASH FLOW STATEMENT FOR YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Profit before tax as per Profit and Loss Account	(521,610)	(597,864)
<b>Adjustment for</b>		
Unrealised exchange gain (Net)	34,047	23,215
<b>Operating Profit before working capital changes</b>	<b>(487,563)</b>	<b>(574,649)</b>
Add / (Less):		
(Increase) / Decrease in loans and advances	(62,339)	(83,754)
Increase / (Decrease) in trade payables	30,721	221,018
<b>Net cash from operating activities</b>	<b>(519,181)</b>	<b>(437,385)</b>
<b>B. Cash flow from investing activities</b>	-	-
<b>C. Cash flow from financing activities</b>		
Issue of Equity Shares	-	50
Unsecured Loans	519,181	437,382
<b>Net cash (used in) / from financing activities</b>	<b>519,181</b>	<b>437,432</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	-	47
<b>Cash and cash equivalents at beginning of year / period</b>	<b>47</b>	-
<b>Foreign Exchange difference in Cash and Cash Equivalents</b>	<b>(2)</b>	-
<b>Cash and cash equivalents at end of the year / period</b>	<b>45</b>	<b>47</b>

**Notes:**

- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
- Cash and cash equivalents represent cash.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1 Equity share of USD 1/- each (converted at historic rate)	50	50
<b>Issued and subscribed</b>		
1 Equity share of USD 1/- each (converted at historic rate)	50	50
The equity share is held by L&T Capital Company Limited.		
<b>TOTAL</b>	<b>50</b>	<b>50</b>
<b>SCHEDULE 2</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and Bank Balances</b>		
Cash in hand	45	47
<b>Loans and advances</b>		
Advances recoverable in cash or in kind	146,093	83,754
<b>TOTAL</b>	<b>10,872,110</b>	<b>10,872,110</b>
<b>SCHEDULE 3</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Other liabilities	251,739	221,018
<b>TOTAL</b>	<b>251,739</b>	<b>221,018</b>
<b>SCHEDULE 4</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Administration fees	157,770	167,015
Audit and accountancy fees	213,756	213,004
Licence and registration fees	150,084	145,230
Professional and legal fees	-	24,205
Processing fees	-	48,410
<b>TOTAL</b>	<b>521,610</b>	<b>597,864</b>

## SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

### SCHEDULE 5

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON THE FINANCIAL STATEMENTS

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. LEGAL STATUS

L&T ASSET MANAGEMENT COMPANY LIMITED is a Category 1 Global Business Licence Company incorporated in Mauritius on March 24, 2009 under the Companies Act 2001 and is governed by the Financial Services Act 2007.

##### 2. SIGNIFICANT ACCOUNTING POLICIES

###### a. Basis of Accounting

The accounts have been prepared using historical cost convention and on accrual basis and in accordance with the provision of Section 211(3c) and other provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

###### b. Foreign Currency Translations

The reporting currency of the Company is US Dollar (USD). Accounts are translated in Indian Rupees as follows

- Share capital is retained at the initial contribution amount.
- Current Assets & Current Liabilities are translated at the year-end rates.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as Translation Reserve in the Balance Sheet.
- Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Contingent liability is disclosed in case of

- a present obligation arising from past events, when it is possible that an outflow of resources will be required to settle the obligation.
- a present obligation arising from past events when no reliable estimates is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

#### NOTES ON THE FINANCIAL STATEMENTS

- The Company is yet to commence commercial operations and does not have any fixed assets and has no employees.
- Contingent liabilities Rs. Nil
- Related party disclosures: AS (18)
  - Names of the related parties who exercise control

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	L&T Capital Company Limited	Holding Company

- Name of related parties with whom transactions were made

Sr. No.	Name of the Related Party	Relationship
1.	L&T Capital Company Limited	Holding Company

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**

## (c) Disclosure of transactions with related parties

<b>Sr. No.</b>	<b>Nature of transaction / relationship</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
1.	Unsecured loan (balance) Holding Company: L&T Capital Company Limited	<b>956,563</b>	<b>437,382</b>
	<b>TOTAL</b>	<b>956,563</b>	<b>437,382</b>
2.	Issue of Equity Shares Holding Company: L&T Capital Company Limited	-	<b>50</b>
	<b>TOTAL</b>	<b>-</b>	<b>50</b>

## 4. Earnings Per Share: AS (20)

	<b>Particulars</b>	<b>2010</b>	<b>2009</b>
a)	Profit after tax as per Profit and Loss Account (Rs.)	<b>(521,610)</b>	<b>(597,864)</b>
b)	Number of equity shares	<b>1</b>	<b>1</b>
c)	Nominal value per equity share (Rs.)	<b>50</b>	<b>50</b>
d)	Earnings Per Share (Basic and Diluted) (Rs.)	<b>(521,610)</b>	<b>(597,864)</b>

5. The Company has no dues payable to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as on December 31, 2010.
6. Unsecured Loan represents interest free long term loan with no fixed repayment schedule.

**Signatures to Schedules 1 to 5**

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**KEE CHONG LI KWONG WING**  
Director

**AMAL ARPUN AUTAR**  
Director

Place : Mumbai  
Date : March 28, 2011

Place : 4th Floor, Ebene Skies, Rue de l'Institut, Ebene, Mauritius  
Date : March 28, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities including paid up capital Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax **Application of Funds**Net Fixed Assets Investments + - Net Current Assets / (Liabilities)   
Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover including other income Total Expenditure + - Profit / Loss Before Tax   
+ - Profit / Loss After Tax   
+ - Earnings Per Share in Rs. (Basic)   
Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. 

(ITC Code)

Product Descriptions 

For and on behalf of the Board

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting Third Annual Report and Accounts for the year ended March 31, 2011.

**FINANCIAL RESULTS**

During the year under review, the Company did not carry on any business activities.

Particulars	Rs. In Lakhs	
	2010-11	2009-10
Loss before depreciation & Tax	(92.44)	(356.40)
Depreciation	(1.08)	(0.52)
<b>Loss before tax</b>	<b>(93.53)</b>	<b>(356.92)</b>
Provision for taxes	-	-
<b>Loss after tax</b>	<b>(93.53)</b>	<b>(356.92)</b>
Balance brought forward from Previous Year	(532.67)	(175.75)
<b>Balance carried to Balance Sheet</b>	<b>(626.20)</b>	<b>(532.67)</b>

**DIVIDEND**

During the period under review, no dividend has been proposed or paid.

**PERFORMANCE OF THE COMPANY**

During the year, the Company has been active in Domestic market for linkage and bid for acquisition of mine and also explored the opportunity for acquisition of mine in overseas market. There is no operation during the year.

**CAPITAL EXPENDITURE**

As at March 31, 2011, the Gross Fixed Assets stood at Rs. 5.98 lakhs and Net Fixed Assets at Rs. 3.62 lakhs.

**AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

**DISCLOSURE OF PARTICULARS**

The Company did not carry on business activities and hence there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company;
- vi. as required under Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions as required under Accounting Standard 18 forms part of the Annual Report.

**DIRECTORS**

During the year, Mr. A. K. Chhatwani resigned as a Director with effect from October 9, 2010 and Mr. J. P. Nayak resigned as a Director with effect from December 6, 2010.

Mr. S. N. Roy was appointed as a Director in casual vacancy caused by the resignation of Mr. A. K. Chhatwani with effect from October 18, 2010.

Mr. R. A. Kudchadkar was appointed as a Director in casual vacancy caused by the resignation of Mr. J. P. Nayak with effect from December 6, 2010. Mr. P. S. Kapoor will retire by rotation and is eligible for re-appointment at this AGM.

**AUDITORS**

The Auditors, Sharp & Tannan, will hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

**COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

**a) Remuneration of Directors**

The directors are not paid any remuneration by way of sitting fees, etc.

**b) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in day to day management of the Company.

**c) Number of the companies in which an individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and same is being complied with.

**d) Responsibility of the Board**

Presentation to the Board are made in the areas such as financial results, budgets, business prospects etc. which give Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board.

**e) Internal Auditors**

The Corporate Audit Service Department of Larsen & Toubro Limited provides internal audit services to the Company.

**f) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls & risk management systems.

**g) Secretarial Audit**

The secretarial audit, at regular intervals, is conducted by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**h) Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard- 18 issued by ICAI.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 6, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T NATURAL RESOURCES LIMITED

We have audited the attached Balance Sheet of L&T Natural Resources Limited as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the 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:

- i. in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- ii. in the case of the Profit and Loss Account, of the loss for the year then ended; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year then ended.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership no. 38332

Place : Mumbai  
Date : May 6, 2011

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## ANNEXURE TO THE AUDITORS' REPORT

(Referred to paragraph (1) of our report of even date)

- i.
  - (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets 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.
  - (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- ii. The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- iii.
  - (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.



- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of fixed assets. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- v. According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. The Company is not a listed company and does not have paid up capital and reserves exceeding Rs. 50 lakhs at the commencement of the year and no turnover during the period. Accordingly, paragraph 4(vii) of the Order is not applicable.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- x. The Company is in existence for a period of less than five years, hence reporting under paragraph 4(x) is not applicable.
- xi. The Company has not raised any loans from financial institutions or banks during the year.
- xii. According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares or securities.
- xv. The Company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. The Company has not taken any term loans.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership no. 38332

Place : Mumbai  
Date : May 6, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31-03-2011</u>		<u>As at 31-03-2010</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	<b>A</b>		<b>500,000</b>		<b>500,000</b>
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	<b>B</b>	<b>597,945</b>		<b>597,945</b>	
Less Depreciation		<b>235,723</b>		<b>127,561</b>	
Net Block			<b>362,222</b>		<b>470,384</b>
<b>Current Assets, Loans and Advances</b>					
Cash and Bank Balance	<b>C</b>	<b>1,058,260</b>		<b>498,700</b>	
Loan & Advances		<b>-</b>		<b>-</b>	
		<b>1,058,260</b>		<b>498,700</b>	
<b>Less: Current Liabilities</b>					
Liabilities	<b>D</b>	<b>63,540,145</b>		<b>53,735,794</b>	
Net Current Assets / (Liabilities)			<b>(62,481,885)</b>		<b>(53,237,094)</b>
Profit and Loss Account			<b>62,619,663</b>		<b>53,266,710</b>
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES ON ACCOUNTS</b>					
	<b>H</b>				
	<b>I</b>				

The Schedules referred to above form an integral part of financial statements.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 6, 2011

Place : Mumbai  
Date : May 6, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	<u>2010-11 Rupees</u>	<u>2009-10 Rupees</u>
<b>INCOME</b>			
Other income - foreign exchange gain		-	1,113,290
<b>TOTAL</b>		<u>-</u>	<u>1,113,290</u>
<b>EXPENDITURE</b>			
Exploration and evaluation expenditure	<b>E</b>	-	2,966,526
Sales, administration and other expenses	<b>F</b>	<b>8,854,993</b>	15,223,547
Intangible Assets written off (See Schedule H note 3)		-	18,562,634
Interest Brokerage	<b>G</b>	<b>389,798</b>	-
Depreciation and Obsolescence		<b>108,162</b>	52,414
<b>TOTAL</b>		<u><b>9,352,953</b></u>	<u>36,805,121</u>
<b>Loss before taxes</b>		<b>(9,352,953)</b>	<b>(35,691,831)</b>
Provision for tax		-	-
<b>Loss after taxes</b>		<b>(9,352,953)</b>	<b>(35,691,831)</b>
Balance brought forward from previous year		<b>(53,266,710)</b>	<b>(17,574,879)</b>
<b>Balance carried to Balance Sheet</b>		<u><b>(62,619,663)</b></u>	<u><b>(53,266,710)</b></u>
Basic & Diluted Earnings Per Share		<b>(187.06)</b>	<b>(713.84)</b>
Nominal value per Equity Share		<b>10</b>	<b>10</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>H</b>		
<b>NOTES ON ACCOUNTS</b>	<b>I</b>		

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The Schedules referred to above form an integral part of financial statements.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 6, 2011

Place : Mumbai  
Date : May 6, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from Operating Activities</b>		
<b>Loss Before Tax</b>	<b>(9,352,953)</b>	<b>(35,691,831)</b>
Add : Non - Cash expenditure		
Depreciation and Obsolescence	<b>108,162</b>	52,414
Intangible Assets written off	-	8,213,047
Cash from Operations before working capital changes	<b>(9,244,791)</b>	<b>(27,426,370)</b>
Adjustments for :		
(Increase) / Decrease in trade and other receivables	-	3,182,052
<b>Increase / (Decrease) in trade payables</b>	<b>9,804,350</b>	<b>24,766,366</b>
<b>Cash generated from operations</b>	<b>559,559</b>	<b>522,048</b>
Direct taxes refund / (paid)- net	-	-
<b>Net Cash from Operating Activities</b>	<b>559,559</b>	<b>522,048</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	-	(522,798)
Exploration and Evaluation Expenditure	-	-
<b>Net Cash (used in) / from Investing Activities</b>	<b>-</b>	<b>(522,798)</b>
<b>C. Cash flow from Financing Activities</b>		
Issue of Equity Shares	-	-
<b>Net Cash (used in) / from Financing Activities</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents (A + B + C)	<b>559,559</b>	<b>(750)</b>
Cash and cash equivalents at the beginning of the period	<b>498,700</b>	<b>499,450</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,058,260</b>	<b>498,700</b>

**Notes**

- Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 "Cash Flow Statement" issued under the Companies (Accounting Standards) Amendment Rules, 2009.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 6, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 6, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity Shares of Rs. 10 each	<u>500,000</u>	<u>500,000</u>
<b>Issued and Subscribed</b>		
50,000 Equity Shares of Rs. 10 each fully paid up (The entire shares are held by Larsen & Toubro Limited, the Holding Company.)	<u>500,000</u>	<u>500,000</u>
<b>TOTAL</b>	<u><u>500,000</u></u>	<u><u>500,000</u></u>

**SCHEDULE - B****FIXED ASSETS**

Tangible Fixed Assets	COST				DEPRECIATION				IMPAIRMENT	BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	On addition	For the year	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Computers	530,586	-	-	530,586	122,581	-	104,571	-	227,152	-	303,434	408,005
Office Equipment	33,598	-	-	33,598	2,876	-	2,076	-	4,952	-	28,646	30,722
Plant & Machinery	33,761	-	-	33,761	2,104	-	1,515	-	3,619	-	30,142	31,657
<b>TOTAL</b>	<b>597,945</b>	<b>-</b>	<b>-</b>	<b>597,945</b>	<b>127,561</b>	<b>-</b>	<b>108,162</b>	<b>-</b>	<b>235,723</b>	<b>-</b>	<b>362,222</b>	<b>470,384</b>

	<u>As at 31.03.2011</u>		<u>As at 31.03.2010</u>	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - C</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Cash and Bank balances				
Balances with scheduled banks				
Current Account		<u>1,058,260</u>		<u>498,700</u>
Loans & Advances				
Service Tax Recoverable		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u><u>1,058,260</u></u>		<u><u>498,700</u></u>

**SCHEDULE - D****CURRENT LIABILITIES AND PROVISIONS**

Liabilities				
Sundry Creditors				
Due to Larsen & Toubro Limited (Holding Company)	<u>63,376,975</u>		<u>53,096,971</u>	
Others	<u>12,000</u>		<u>13,236</u>	
		<b>63,388,975</b>		<b>53,110,207</b>
TDS Payable		<u>151,170</u>		<u>625,587</u>
<b>TOTAL</b>		<u><u>63,540,145</u></u>		<u><u>53,735,794</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - E</b>		
<b>EXPLORATION AND EVALUATION EXPENDITURE</b>		
Engineering & Professional Fees	-	1,937,625
Testing Charges	-	26,401
Rates & Taxes	-	-
Miscellaneous Expenses	-	-
Application Fee	-	1,002,500
<b>TOTAL</b>	<b>-</b>	<b>2,966,526</b>

**SCHEDULE - F****SALES, ADMINISTRATION AND OTHER EXPENSES**

Professional Fees	<b>7,090,690</b>	8,199,759
Service Tax	<b>826,683</b>	5,444,226
Subscription	<b>351,338</b>	307,250
Travelling & Conveyance	<b>370,690</b>	763,410
Sundries	<b>163,350</b>	238,706
Printing & Stationary	<b>51,692</b>	74,638
Training & Tuition fee	-	98,990
Rates & Taxes	-	51,944
Overheads charged by the Holding Company for business support services rendered	-	36,715
Bank Charges	<b>550</b>	7,909
<b>TOTAL</b>	<b>8,854,993</b>	<b>15,223,547</b>

**SCHEDULE - G****INTEREST BROKERAGE**

Interest on late payment of TDS	<b>389,798</b>	-
<b>TOTAL</b>	<b>389,798</b>	-

**SIGNIFICANT ACCOUNTING POLICIES****SCHEDULE - H****1 Basis of Accounting**

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Amendment Rules, 2009, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Difference, if any, between actual results and estimates is recognized in the period in which the results are known.

**2 Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful exploration and development of the area of interest or alternatively, by its sale; or

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically available reserves and active and significant operations in relation to the area are continuing or are planned for the future.

Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development receives appropriate approvals.

### 3 Fixed Assets

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

### 4 Depreciation

Depreciation is provided on straight-line basis at the rates and in the manner provided in Schedule XIV to the Companies Act, 1956. However, in respect of the following asset category, the depreciation is provided at higher rates in line with their estimated useful life.

Category of asset	Rate of depreciation (% p.a.)
Office equipment	6.67%

### 5 Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of the assessment.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation / business losses are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### 6 Impairment

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- I. the provision for impairment loss, if any, required; and
- II. the reversal, if any, required for impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- I. in case of an individual asset, at the higher of the net selling price and the value in use;
- II. in case of cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

Exploration assets are re-assessed on a regular basis and these costs are carried forward provided that at least one of the conditions specified in paragraph 2 above is met.

### 7 Provisions, Contingent Liabilities and Contingent Assets

- a) Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if
  - I. the Company has a present obligation as a result of a past event.
  - II. a probable outflow of resources is expected to settle the obligation and
  - III. the amount of the obligation can be reliably estimated.
- b) Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that reimbursement will be received.
- c) Contingent Liability is disclosed in the case of
  - I. a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
  - II. a present obligation when no reliable estimate is possible.
  - III. a possible obligation arising from past events where the probability of outflow of resources is not remote.
- d) Contingent Assets are neither recognized, nor disclosed.
- e) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - I****NOTES ON ACCOUNTS**

- Estimated amount of capital purchases remaining to be executed and not provided for in the books of accounts is Rs. Nil (net of advances).
- There are no amounts due to Micro and Small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006
- Related party disclosures:

**4.1. List of related parties who exercise control**

Larsen &amp; Toubro Limited - Holding Company

**4.2. List of related parties with whom transactions were carried out during the year and description of relationship**

Larsen &amp; Toubro Limited - Holding Company

**4.3. Disclosure of transactions with related parties**

Related Party	Nature of relationship	Nature of transaction	Amount	
			2010-11 Rupees	2009-10 Rupees
Larsen & Toubro Limited	Holding Company	Reimbursement of expenditure incurred	8,839,134	2,36,17,981
Larsen & Toubro Limited	Holding Company	Purchase of capital items	-	5,22,798

**4.4. Amount due to related party**

Related Party	Nature of relationship	2010-11 Rupees	2009-10 Rupees
Larsen & Toubro Limited	Holding Company	63,376,975	5,30,96,971

**4. Basic Earnings per Share (EPS):**

	2010-11 Rupees	2009-10 Rupees
Loss as per statement of income & expenditure	(9,352,953)	(35,691,831)
Weighted average number of Equity shares outstanding	50,000	50,000
Basic EPS (Rupees)	(187.06)	(713.84)

**5. Auditors' Remuneration (excluding Tax) and expenses charged to the Accounts is as follows:**

Particulars	2010-11 Rupees	2009-10 Rupees
Audit fees	12,000	12,000
Certification work	6,500	NIL

- There are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.
- The Company has reviewed the useful life of certain categories of fixed assets during the year. Consequently, depreciation rates have been revised resulting in additional charge of depreciation of Rs. 49,526 and Profit before tax for the year is lower to that extent.
- Previous year figures have been regrouped / reclassified wherever necessary.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 9. Balance Sheet abstract and Company's general business profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Deferred Tax Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover (Including other income) Total Expenditure + -  
Profit Before Tax + -  
Profit After Tax Earning per Share (in Rs.) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code No. 

(ITC Code)

Product Descriptions 

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332**S. N. ROY**  
Director**P. S. KAPOOR**  
DirectorPlace : Mumbai  
Date : May 6, 2011Place : Mumbai  
Date : May 6, 2011

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Fourth Annual Report and Accounts for the year ended March 31, 2011.

### **FINANCIAL RESULTS**

During the year under review, the Company did not carry on any business activities. The net balance in the Statement of Income and Expenditure during Pre-operational Period represents preliminary / pre-operative expenses incurred by the Company, charged off as per the policy of the Company.

### **DIVIDEND**

There are no operations of the Company during the year. The Directors do not recommend any dividend for the current period.

### **CAPITAL EXPENDITURE**

During the year under review, the Company did not incur any capital expenditure.

### **AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes to the accounts referred to in the Auditors' report are self explanatory and do not call for any further comments of Directors.

### **DISCLOSURE OF PARTICULARS**

The Company did not carry on business activities and hence there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profit or loss of the Company for that period;
- iii. that 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;
- iv. that the accounts have been prepared on a going concern basis; and
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

### **DIRECTORS**

Mr. S. N. Roy, Mr. N. Hariharan and Mr. P. R. Kothari are the current Directors of the Company.

Mr. J. P. Nayak submitted his resignation as Director with effect from August 2, 2010 and Mr. S. N. Roy was appointed on the same date in the casual vacancy caused by the resignation of Mr. J. P. Nayak.

The Board of Directors places on record their appreciation for the contribution made by Mr. J. P. Nayak during his tenure as Director.

Mr. S. N. Roy, who was appointed in the casual vacancy caused by the resignation of Mr. J. P. Nayak, retires by rotation in the forthcoming Annual General Meeting and is eligible for re-appointment. Mr. S. N. Roy is a senior and experienced business executive in the Industry and the Board considers his appointment to be beneficial to the Company.

### **AUDITORS**

The Auditors, M/s Sharp and Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp and Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. Mr. R. D. Kare, partner of M/s Sharp & Tannan, has signed the Auditors' Report of the Company for the current year.

### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below.

#### **• INDEPENDENT DIRECTORS**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

L&T ELECTRICAL AND AUTOMATION LIMITED  
(Formerly known as L&T Strategic Management Limited)

- **NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR**

The Company has apprised its Board members about the restriction on number of other directorships and the same is being complied with.

- **RESPONSIBILITIES OF THE BOARD**

Directors are also updated about their role, responsibilities and liabilities. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

- **STATUTORY AUDITORS**

The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

- **INTERNAL AUDITORS**

Internal Audit will be conducted by the Corporate Audit Services department of Larsen & Toubro Limited.

- **INTERNAL CONTROL**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

- **SECRETARIAL AUDIT**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

- **RELATED PARTY TRANSACTIONS**

The Board hereby states that the details of all the related party transactions form part of accounts as required by AS-18 and the same are given in the Schedules & Notes to Accounts.

**ACKNOWLEDGEMENTS**

The Directors wish to thank the regulatory authorities and the stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board

*Place : Mumbai  
Date : May 2, 2011*

**S. N. ROY**  
*Director*

**N. HARIHARAN**  
*Director*

**P. R. KOTHARI**  
*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF L&T ELECTRICAL AND AUTOMATION LIMITED (Formerly known as L&T Strategic Management Limited)**

We have audited the attached Balance Sheet of L&T Electrical and Automation Limited (Formerly known as L&T Strategic Management Limited) as at March 31, 2011 and also statement of Income and Expenditure during pre-operational period and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, 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 the audit;
  - b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of these books;
  - c) the Balance Sheet, Statement of Income and Expenditure during the pre-operational period 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 Income and Expenditure during the pre-operational period and the Cash Flow Statement dealt with by this report complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of the written representations received from the Directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule F and notes appearing 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:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011.
- ii. in the case of Statement of Income and Expenditure during pre-operational period, of the excess of expenditure over income for the year ended March 31, 2011; and
- iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*By the hand of*

*Place : Mumbai*  
*Date : May 2, 2011*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph (1) of our report of even date)*

- (i) The Company has no fixed assets and hence reporting under paragraphs 4(i)(a), (b) and (c) is not applicable.
- (ii) The Company has no inventories and paragraph 4(ii)(a), (b) and (c) are not applicable.
- (iii) There are no loans secured or unsecured, either granted to or taken from companies, firm or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly paragraph 4(iii)(a) to (g) are not applicable.
- (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 nature of its business for expenses incurred during the year. In our opinion and according to the information and explanations given to us there is no 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 that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 and accordingly paragraph 4(v)(b) of the order is not applicable.
- (vi) The Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under.
- (vii) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for the period of more than six months from the date when they become payable.  
b) According to information and explanations given to us, there were no amounts in respect of statutory liabilities that were under dispute as at March 31, 2011.
- (x) The Company is in existence for a period of less than 5 years; hence reporting under paragraph 4(x) is not applicable.
- (xi) The Company has not raised any loans from financial institutions or banks during the year.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued any debenture during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and the records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanation given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 109982W)*  
*By the hand of*

*Place : Mumbai*  
*Date : May 2, 2011*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	500,000		500,000	
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans and Advances</b>					
Cash & Bank Balances	B	500,000		500,000	
		500,000		500,000	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	C	62,721		54,099	
		62,721		54,099	
<b>Net Current Assets</b>			<b>437,279</b>		<b>445,901</b>
<b>Excess of expenditure over income during pre-operational period</b>	D		<b>62,721</b>		<b>54,099</b>
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>NOTES TO ACCCOUNTS</b>					
	F				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**S. N. ROY**

Director

**N. HARIHARAN**

Director

**P. R. KOTHARI**

Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

## STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>			
Other income		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Sales administration and other expenses	E	8,622	10,288
<b>TOTAL</b>		8,622	10,288
<b>Excess of Expenditure over Income during the pre-operational period before tax</b>		<b>(8,622)</b>	<b>(10,288)</b>
Provision for tax		-	-
Excess of Expenditure over Income during the pre-operational period after tax		(8,622)	(10,288)
Excess of Expenditure over Income carried over to Balance sheet		(8,622)	(10,288)
Basic and Diluted Earnings per share (Refer Note no 7)		(0.17)	(0.21)
Face value per equity share		10.00	10.00
<b>NOTES TO ACCOUNTS</b>	F		

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. N. ROY**  
Director

**N. HARIHARAN**  
Director

**P. R. KOTHARI**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

## CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from Operating Activities</b>		
<b>Excess of Expenditure over Income before tax (after extraordinary item)</b>	<b>(8,622)</b>	<b>(10,288)</b>
Adjustments for :	-	-
Prior Period Items	-	-
Dividend Received	-	-
Depreciation (including obsolescence), amortisation and impairment	-	-
Unrealised foreign exchange difference - net (gain) / loss	-	-
Interest (net)	-	-
(Profit) / Loss on sale of fixed assets (net)	-	-
(Profit) / Loss on sale of investments (net)	-	-
Provision / (Reversal) for diminution in value of investments	-	-
<b>Operating profit before working capital changes</b>	<b>(8,622)</b>	<b>(10,288)</b>
Adjustments for :	-	-
(Increase) / Decrease in trade and other receivables	-	-
(Increase) / Decrease in inventories	-	-
(Increase) / Decrease in miscellaneous expenditure	-	-
Increase / (Decrease) in trade payables	<b>8,622</b>	<b>10,288</b>
<b>Cash generated from operations</b>	<b>-</b>	<b>-</b>
Direct taxes refund / (paid)- net	-	-
<b>Net Cash from Operating Activities</b>	<b>-</b>	<b>-</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	-	-
Sale of fixed assets (Including monies received as advance)	-	-
Purchase of investments	-	-
Sale of investments	-	-
Loans/Deposits made with subsidiaries / associates and third parties (net)	-	-
Advance towards equity commitment	-	-
Interest received	-	-
Dividend received from subsidiaries	-	-
Dividend received from other investments	-	-
Cash Received on Sale of Business	-	-
<b>Net Cash (used in)/ from Investing Activities</b>	<b>-</b>	<b>-</b>
<b>C. Cash flow from Financing Activities</b>		
Issue of Equity Shares	-	-
Net Proceeds to / From HO	-	-
Proceeds from long term borrowings	-	-
Repayment of long term borrowings	-	-
(Repayments) / Proceeds from other borrowings (net)	-	-
Loans (to) / from subsidiaries / associates (net)	-	-
Interest paid	-	-
<b>Net Cash (used in)/ from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>500,000</b>	<b>500,000</b>
<b>Cash and cash equivalents at end of the year</b>	<b>500,000</b>	<b>500,000</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3- "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent bank balance.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**S. N. ROY**

Director

**N. HARIHARAN**

Director

**P. R. KOTHARI**

Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011



## SCHEDULES FORMING PART OF ACCOUNTS

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
<b>Issued, Subscribed &amp; Paid-up</b>		
50,000 Equity Shares of Rs. 10/- each fully paid up (All the above Equity shares are held by Larsen & Toubro Limited, the Holding Company)	500,000	500,000
<b>TOTAL</b>	500,000	500,000
 <b>SCHEDULE - B</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and Bank balances</b>		
Balances with Scheduled banks		
Current Account	500,000	500,000
<b>TOTAL</b>	500,000	500,000
 <b>SCHEDULE - C</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
Due to Larsen & Toubro Limited (Holding Company)	57,206	48,584
Others	5,515	5,515
<b>TOTAL</b>	62,721	54,099
 <b>SCHEDULE - D</b>		
<b>EXCESS OF EXPENDITURE OVER INCOME DURING PRE-OPERATIONAL PERIOD</b>		
Opening Balance	54,099	43,811
Income & Expenditure A/c - Excess of Expenditure over Income for the period	8,622	10,288
<b>TOTAL</b>	62,721	54,099
 <b>SCHEDULE - E</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Professional Fees	-	2,758
Audit Fees	5,000	5,000
Sundries	2,952	2,015
Rates & Taxes	670	515
<b>TOTAL</b>	8,622	10288

## **SCHEDULES FORMING PART OF ACCOUNTS**

### **SCHEDULE - F**

1. The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

2. The Company has not yet commenced commercial operations.
3. Preliminary and Pre-operative expenditure incurred prior to commencement of commercial business operations have been charged to "Statement of Income & Expenditure during Pre-operational Period".
4. There are no amounts due to Micro and Small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006.
5. There are no Contingent Liabilities as on March 31, 2011.
6. Auditor's remuneration (excluding service tax) charged to the accounts:

<b>Particulars</b>	<b>2010-11 (Rs)</b>	<b>2009-10 (Rs)</b>
Audit fees	<b>5,000</b>	5,000

7. Basic and Diluted earning per share (EPS):

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Excess of Expenditure over Income, after tax as per accounts (Rs.)	<b>(8,622)</b>	(10,288)
Weighted average no of shares outstanding	<b>50,000</b>	50,000
EPS (Rs.)	<b>(0.17)</b>	(0.21)

8. Related party disclosures:

- 8.1. List of Related party who exercise control.

Larsen & Toubro Limited - Holding Company

- 8.2. Name of Related party with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited - Holding Company

Disclosure of Related party transactions:

- 8.3 Reimbursement of pre-operative expenses:

Larsen & Toubro Limited

<b>2010-11</b>	<b>2009-10</b>
<b>Rs. 8,622</b>	Rs. 10,288

- 8.4. Amount due to Related party:

Due to Holding Company:

Larsen & Toubro Limited

<b>2010-11</b>	<b>2009-10</b>
<b>Rs. 57,206</b>	Rs. 48,584

9. Figures for the previous period have been regrouped / reclassified wherever necessary.

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### 10. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date                      Month                      Year

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

##### Sources of Fund

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

##### Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning Per Share in Rs.

Dividend Rate %

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No.

Product Description

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. N. ROY**  
Director

**N. HARIHARAN**  
Director

**P. R. KOTHARI**  
Director

Place : Mumbai  
Date : May 2, 2011

Place : Mumbai  
Date : May 2, 2011

## ***DIRECTORS' REPORT***

Your Directors have pleasure in presenting the Second Annual Report and Accounts for the year ended March 31, 2011.

### **1. FINANCIAL RESULTS**

During the year under review, the Company did not carry any business activities. The net balance in the Statements of Income and Expenditure during pre-operational period represents preliminary/pre-operative expenses incurred by the Company, charged of during the year under review.

### **2. APPROPRIATIONS**

During the year under review, the Company did not carry on any business activities and accordingly no appropriation is done.

### **3. DIVIDEND**

During the year under review, no dividend has been declared and distributed.

### **4. CAPITAL EXPENDITURE**

During the year under review, the Company did not incur any capital expenditure.

### **5. AUDITOR'S REPORT**

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

### **6. MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT**

There are no material changes between Balance Sheet date and date of Directors' Report.

### **7. DISCLOSURE OF PARTICULARS**

The Company did not carry on business activities and hence there are no particulars to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **8. PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### **9. DIRECTOR'S RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis; and
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **10. DIRECTORS**

During the year under review Mr. N. Hariharan, Mr. A. Kelkar and Mr. V. K. Magapu resigned from the Board with effect from October 5, 2010. Mr. M. V. Kotwal, Mr. S. A. Gune and Mr. J. D. Patil were appointed as Additional Directors with effect from October 5, 2010 of the Company. Members' approval is sought to appoint Mr. M. V. Kotwal, Mr. S. A. Gune and Mr. J. D. Patil as the Directors of the Company in the ensuing Annual General Meeting.

### **11. AUDITORS**

The Auditors, M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### **12. COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

#### **a) Independent Directors:**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

**b) Number of Companies in which an Individual may become a Director:**

The Directors of the Company comply with the requirements of the maximum number of other directorship prescribed under the Guidelines.

**c) Internal Auditors:**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**d) Internal Control:**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**e) Secretarial Audit:**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**f) Related Party Transactions:**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

**13. ACKNOWLEDGMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 13, 2011*

**M. V. KOTWAL**  
*Director*

**S. A. GUNE**  
*Director*

**J. D. PATIL**  
*Director*

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T TECHNOLOGIES LIMITED

We have audited the attached Balance Sheet of L&T Technologies Limited as at March 31, 2011 and also the statement of income and expenditure for the pre-operational period from April 1, 2010 to March 31, 2011 and the Cash Flow Statement for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Income and Expenditure Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Income and Expenditure Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Cash Flow Statement read together with the 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of the Statement of Income and Expenditure during the pre-operational period, of the excess of expenditure over income 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.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

Place : Mumbai  
Date : May 13, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

**ANNEXURE TO THE AUDITORS REPORT**

(Refer to in paragraph (1) of our report of even date)

- 1 The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii)(a), (b) and (c) are not applicable.
- 3 (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.  
(b) The Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- 4 The Company has no inventories or fixed assets, hence reporting under paragraph 4(iv) is not applicable.
- 5 There are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- 6 The Company has not accepted deposits and hence, the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- 7 The Company is not a listed Company and does not have paid up capital and reserves exceeding Rs. 50 lakhs at the commencement of the year and also the Company has no turnover during the period. Accordingly, paragraph 4(vii) of the Order is not applicable.
- 8 The Company is not required to maintain cost records under Section 209(1) (d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- 9 (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 undisputed statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) There were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- 10 The Company is in existence for a period of less than 5 years and hence, reporting under paragraph 4(x) is not applicable.
- 11 The Company has not raised any loans from banks or financial institutions during the year.
- 12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 The Company is not dealing or trading in shares or securities.
- 15 The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- 16 The Company has not taken any term loans during the year.
- 17 According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares during the year.
- 19 The Company has not issued debentures during the period.
- 20 The Company has not raised any money by public issues during the period.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

Place : Mumbai  
Date : May 13, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		500,000		500,000
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans and Advances</b>					
Cash and Bank Balances	B	500,000		500,000	
Loans and Advances		786		-	
		<b>500,786</b>		<b>500,000</b>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Liabilities	C	45,286		34,458	
Provisions		-		-	
		<b>45,286</b>		<b>34,458</b>	
<b>Net Current Assets</b>			<b>455,500</b>		<b>465,542</b>
<b>Profit and Loss Account</b>			<b>44,500</b>		<b>34,458</b>
<b>TOTAL</b>			<b>500,000</b>		<b>500,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCCOUNTS</b>					
	E				

The schedules referred to above, form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**M. V. KOTWAL**

Director

**J. D. PATIL**

Director

**S. A. GUNE**

Director

Place : Mumbai  
Date : May 13, 2001

Place : Mumbai  
Date : May 13, 2001



**STATEMENT OF INCOME AND EXPENDITURE FOR THE PRE-OPERATIONAL PERIOD FROM APRIL TO MARCH 31, 2011**

	Schedule	2010-2011		02.04.2009 to 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>			-		-
<b>TOTAL</b>			-		-
<b>EXPENDITURE</b>					
Sales, administration and other expenses	D	10,042		34,458	
<b>TOTAL</b>			10,042		34,458
<b>Excess of Expenditure over Income for the year before tax</b>			(10,042)		(34,458)
Provision for tax			-		-
<b>Excess of Expenditure over Income for the year after tax</b>			(10,042)		(34,458)
Balance brought forward from previous year			(34,458)		-
<b>Balance carried to Balance sheet</b>			(44,500)		(34,458)
Basic and Diluted Earnings per share			(0.20)		(0.69)
Face value per share			10		10
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCCOUNTS</b>	E				

The schedules referred to above, form an integral part of the Statement of Income and Expenditure.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**M. V. KOTWAL**  
Director

**J. D. PATIL**  
Director

**S. A. GUNE**  
Director

Place : Mumbai  
Date : May 13, 2001

Place : Mumbai  
Date : May 13, 2001

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash flow from Operating Activities</b>		
<b>Net Loss before tax</b>	<b>(10,042)</b>	<b>(34,458)</b>
Adjustments for :		
Dividend Received	-	-
Depreciation (including obsolescence), amortisation and impairment	-	-
Prior period items	-	-
Unrealised foreign exchange difference - net (gain)/loss	-	-
Interest (net)	-	-
(Profit) / Loss on sale of fixed assets (net)	-	-
(Profit) / Loss on sale of investments (net)	-	-
Provision / (Reversal) for diminution in value of investments	-	-
<b>Operating profit before working capital changes</b>	<b>(10,042)</b>	<b>(34,458)</b>
Adjustments for :		
(Increase) / Decrease in trade and other receivables	<b>(786)</b>	-
(Increase) / Decrease in inventories	-	-
(Increase) / Decrease in miscellaneous expenditure	-	-
Increase / (Decrease) in trade payables	<b>10,828</b>	<b>34,458</b>
<b>Cash generated from operations</b>	<b>-</b>	<b>-</b>
Direct taxes refund / (paid)- net	-	-
<b>Net Cash from Operating Activities</b>	<b>-</b>	<b>-</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	-	-
Sale of fixed assets (Including monies received as advance)	-	-
Purchase of investments	-	-
Sale of investments	-	-
Loans / Deposits made with subsidiaries / associates and third parties (net)	-	-
Advance towards equity commitment	-	-
Interest received	-	-
Dividend received from subsidiaries	-	-
Dividend received from other investments	-	-
Cash Received on Sale of Business	-	-
<b>Net Cash (used in) / from Investing Activities</b>	<b>-</b>	<b>-</b>
<b>C. Cash flow from Financing Activities</b>		
Issue of Equity Shares	-	-
Net Proceeds to / from HO	-	-
Proceeds from long term borrowings	-	-
Repayment of long term borrowings	-	-
(Repayments) / Proceeds from other borrowings (net)	-	-
Loans (to) / from subsidiaries / associates (net)	-	-
Interest paid	-	-
<b>Net Cash (used in) / from Financing Activities</b>	<b>-</b>	<b>500,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>-</b>	<b>500,000</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>500,000</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>500,000</b>	<b>500,000</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3-“Cash Flow Statements” issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent bank balance.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

by the hand of

**R. D. KARE**

Partner

Membership No. 8820

**M. V. KOTWAL**

Director

**J. D. PATIL**

Director

**S. A. GUNE**

Director

Place : Mumbai

Date : May 13, 2001

Place : Mumbai

Date : May 13, 2001



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - E****SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

1. The Income and Expenditure statement have been prepared to comply with the provision of the Companies Act, 1956.
2. The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP"), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

3. The Company has not yet commenced commercial operations.
4. There are no amounts due to Micro and Small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006.
5. Related party disclosures:

- 5.1. List of Related party who exercise control:

Larsen & Toubro Limited - Holding Company

- 5.2. List of Related party with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited - Holding Company

- 5.3. Disclosure of Related party transactions:

Particulars	2010-2011 Rupees	2009-2010 Rupees
Reimbursement of expenses by Larsen & Toubro Limited	10,828	29,458

- 5.4. Amount due to Related party:

Particulars	2010-2011 Rupees	2009-2010 Rupees
Due to Holding Company - Larsen & Toubro Limited	40,286	29,458

6. Auditors' remuneration (excluding service tax) and expenses charged to the account:

Particulars	2010-2011 Rupees	2009-2010 Rupees
Audit fee	5,000	5,000

7. Basic and diluted earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings per Share".

Particulars	2010-2011	2009-2010
<b>Basic and Diluted</b>		
(Loss) as per accounts (Rs.)	A <b>(10,042)</b>	(34,458)
Weighted average number of shares	B <b>50,000</b>	50,000
<b>Basic and Diluted EPS (Rs.)</b>	A/B <b>(0.20)</b>	(0.69)

8. The Company does not have any contingent liabilities as at March 31, 2011.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 9. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Miscellaneous Expenditure Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover Total Expenditure + - Profit / Loss Before Tax   
 -+ - Profit / Loss After Tax   
 -Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of**R. D. KARE**  
Partner  
Membership No. 8820**M. V. KOTWAL**  
Director**J. D. PATIL**  
Director**S. A. GUNE**  
DirectorPlace : Mumbai  
Date : May 13, 2001Place : Mumbai  
Date : May 13, 2001

## ***DIRECTORS' REPORT***

Your Directors have pleasure in presenting the First Report and Accounts for the year ended March 31, 2011.

### **1. FINANCIAL RESULTS**

During the period under review, the Company did not carry on any business activities. The net balance in the Statement of Income and Expenditure during Pre-operational Period represents preliminary / pre-operative expenses incurred by the Company, charged off as per the policy of the Company.

### **2. DIVIDEND**

There are no operations of the Company during the year. The Directors do not recommend any dividend for the current period.

### **3. CAPITAL EXPENDITURE**

During the year under review, the Company did not incur any capital expenditure.

### **4. AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes to the accounts referred to in the Auditors' report are self explanatory and do not call for any further comments of Directors.

### **5. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors 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, 2011;
- III. that 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;
- IV. that the accounts have been prepared on a going concern basis.

### **6. DIRECTORS**

The first Directors of the Company are Mr. Krishnamurthi Venkataramanan, Mr. Partha Sarathi Banerjee and Mr. Shailendra Narain Roy.

Mr. Krishnamurthi Venkataramanan is liable to retire by rotation and eligible for re-appointment.

### **7. AUDITORS**

The Auditors, M/s Sharp and Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp and Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### **8. DISCLOSURE OF PARTICULARS**

The Company did not carry on business activities and hence there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **9. PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **10. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below –

#### **a) Independent/ Associate Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

#### **b) Number of Companies in which an Individual may become a Director**

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

#### **c) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

**d) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**11. SECRETARIAL AUDIT**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**12. ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 18, 2011*

**K. VENKATARAMANAN**  
*Director*

**P. S. BANERJEE**  
*Director*

**S. N. ROY**  
*Director*

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T POWERGEN LIMITED

We have audited the attached Balance Sheet of L&T PowerGen Limited as at March 31, 2011 and also the Statement of Income and Expenditure account during the pre-operational period from October 22, 2010 (date of incorporation) to March 31, 2011 and the Cash Flow Statement for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during the pre-operational period 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 Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said balance sheet, statement of income and expenditure and Cash Flow Statement read together with the 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:
    - (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
    - (ii) in the case of Statement of Income and Expenditure during the pre-operational period, of excess of expenditure over income for the period ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the period then ended.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 18, 2011



## **ANNEXURE TO THE AUDITORS' REPORT**

*(Referred to in paragraph (1) of our report of even date)*

1. The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
2. The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
3. We are informed by Management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
4. The Company has no inventories or fixed assets and has no income from the sale of goods and services. Accordingly, reporting under paragraph 4(iv) is not applicable.
5. According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
6. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
7. The Company has been formed recently and has not commenced commercial operations. The Company is in the process of instituting an internal audit system.
8. The Company is not required to maintain cost records under Section 209(1) (d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
9. (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 undisputed statutory dues including income tax, and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
10. The Company is in existence for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
11. The Company has not raised any loans from financial institutions or banks during the year.
12. According to the information and explanations given 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.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. The Company is not dealing or trading in shares or securities.
15. The Company has not given guarantees for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loans during the period.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
18. The Company has not made any preferential allotment of shares during the reporting period.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*ICAI Registration No. 109982W*  
*By the hand of*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

*Place : Mumbai*  
*Date : May 18, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<b>As at 31.03.2011</b>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A		500,000
<b>TOTAL</b>			<u>500,000</u>
 <b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans and Advances</b>			
Cash & Bank Balances	B	499,262	
		<u>499,262</u>	
<b>Less: Current Liabilities and Provisions</b>	C		
Liabilities		26,673	
		<u>26,673</u>	
<b>Net Current Assets</b>			472,589
<b>Excess of Expenditure over Income during pre-operational period</b>			27,411
<b>TOTAL</b>			<u>500,000</u>
<b>NOTES TO ACCCOUNTS</b>	F		

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**K. VENKATARAMANAN**  
Director

**P. S. BANERJEE**  
Director

**S. N. ROY**  
Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD  
FROM OCTOBER 22, 2010 TO MARCH 31, 2011**

	<u>Schedule</u>	2010-2011	
		<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>			
Other income		-	-
<b>EXPENDITURE</b>			
Pre-operative Expenses	D	6,253	
Preliminary Expenses	E	21,158	
			<u>(27,411)</u>
<b>Excess of Expenditure over Income for the year before tax</b>			<u>(27,411)</u>
Provision for tax			-
<b>Excess of Expenditure over Income during the pre-operational period after tax</b>			<u>(27,411)</u>
<b>Excess of Expenditure over Income carried over to Balance sheet</b>			<u>(27,411)</u>
Basic and Diluted Earnings per share (Refer note No. 8)			<u>(1.33)</u>
Face value per equity share			<u>10.00</u>
<b>NOTES TO ACCOUNTS</b>	F		

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**K. VENKATARAMANAN**  
Director

**P. S. BANERJEE**  
Director

**S. N. ROY**  
Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011**

	2010-2011 Rupees
<b>A. Cash Flow from Operating Activities</b>	
<b>Excess of Expenditure over Income before tax (after extraordinary item)</b>	<b>(27,411)</b>
Adjustments for	-
Prior Period Items	-
Dividend Received	-
Depreciation (including obsolescence), amortisation and impairment	-
Unrealised foreign exchange difference - net (gain) / loss	-
Interest (net)	-
(Profit) / Loss on sale of fixed assets (net)	-
(Profit) / Loss on sale of investments (net)	-
Provision / (Reversal) for diminution in value of investments	-
<b>Operating profit before working capital changes</b>	<b>(27,411)</b>
Adjustments for	-
(Increase) / Decrease in trade and other receivables	-
(Increase) / Decrease in inventories	-
(Increase) / Decrease in miscellaneous expenditure	-
Increase / (Decrease) in trade payables	<b>26,673</b>
<b>Cash generated from operations</b>	<b>(738)</b>
Direct taxes refund / (paid)- net	-
<b>Net Cash from Operating Activities</b>	<b>(738)</b>
<b>B. Cash flow from Investing Activities</b>	
Purchase of fixed assets	-
Sale of fixed assets (Including monies received as advance)	-
Purchase of investments	-
Sale of investments	-
Loans / Deposits made with subsidiaries / associates and third parties (net)	-
Advance towards equity commitment	-
Interest received	-
Dividend received from subsidiaries	-
Dividend received from other investments	-
Cash Received on Sale of Business	-
<b>Net Cash (used in)/ from Investing Activities</b>	<b>-</b>
<b>C. Cash flow from Financing Activities</b>	
Issue of Equity Shares	<b>500,000</b>
Net Proceeds to / From HO	-
Proceeds from long term borrowings	-
Repayment of long term borrowings	-
(Repayments) / Proceeds from other borrowings (net)	-
Loans (to) / from subsidiaries / associates (net)	-
Interest paid	-
<b>Net Cash (used in)/ from Financing Activities</b>	<b>500,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>499,262</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>499,262</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3- "Cash Flow Statements" specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent bank balance.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 8820

**K. VENKATARAMANAN**

Director

**P. S. BANERJEE**

Director

**S. N. ROY**

Director

Place : Mumbai

Date : May 18, 2011

Place : Mumbai

Date : May 18, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2011	
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity shares of Rs. 10 each		500,000
<b>Issued Subscribed &amp; Paid-up</b>		
50,000 Equity shares of Rs. 10 each fully paid up (All the above Equity shares are held by Larsen & Toubro Limited, the Holding Company)		500,000
<b>TOTAL</b>		500,000
<b>SCHEDULE - B</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and Bank balances</b>		
Balances with Scheduled banks		
Current Account		499,262
<b>TOTAL</b>		499,262
<b>SCHEDULE - C</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
Due to Larsen & Toubro Limited (Holding Company)	21,158	
Others	5,515	
		26,673
<b>TOTAL</b>		26,673
	<b>22.10.2010 to 31.03.2011</b>	
	Rupees	Rupees
<b>SCHEDULE - D</b>		
<b>PRE-OPERATIVE EXPENSES</b>		
Audit Fees		5,000
Rates & Taxes		515
Bank Charges		738
<b>TOTAL</b>		6,253
<b>SCHEDULE - E</b>		
<b>PRELIMINARY EXPENSES</b>		
Filing Fees Form 18, 32, 1, MOA, AOA		20,298
Stamp Duty		860
<b>TOTAL</b>		21,158

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - F****NOTES TO ACCOUNTS – 2010-11**

1. The Company was incorporated on October 22, 2010 and, accordingly, the Accounts are drawn for the period from October 22, 2010 to March 31, 2011.
2. The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.  
The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.
3. The Company has not yet commenced commercial operations.
4. Preliminary and Pre-operative expenditure incurred prior to commencement of commercial business operations has been charged to "Statement of Income & Expenditure during Pre-operational Period".
5. There are no amounts due to Micro and Small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006
6. There are no Contingent Liabilities as on March 31, 2011.
7. Auditor's remuneration (excluding service tax) charged to the accounts:

<b>Particulars</b>	<b>2010-11 (Rs.)</b>
Audit fees	<b>5,000</b>

8. Basic and Diluted earning per share (EPS):

<b>Particulars</b>	<b>2010-11 (Rs.)</b>
Profit / (Loss) after tax as per accounts	<b>(27,411)</b>
Weighted average no of shares outstanding	<b>20,685</b>
EPS	<b>Rs. (1.33)</b>

9. Related party disclosures:

- 9.1. List of Related party who exercise control:

Larsen & Toubro Limited - Holding Company

- 9.2. Name of Related party with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited - Holding Company

Disclosure of Related party transactions:

- 9.3. Reimbursement of pre-operative expenses:

**2010-11**

Larsen & Toubro Limited

**Rs. 21,158**

- 9.4. Amount due to Related party

**2010-11**

Due to Holding Company

Larsen & Toubro Limited

**Rs. 21,158**

10. Expenditure in Foreign Currency: Nil

11. This being the first year for the Company, previous year figures are not applicable.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 12. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover Total Expenditure + -  
 -Profit / Loss Before Tax + -  
 -Profit / Loss After Tax + -  
 -Earning per Share (in Rs.) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code Product Description 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of**R. D. KARE**  
Partner  
Membership No. 8820**K. VENKATARAMANAN**  
Director**P. S. BANERJEE**  
Director**S. N. ROY**  
DirectorPlace : Mumbai  
Date : May 18, 2011Place : Mumbai  
Date : May 18, 2011

## ***DIRECTORS' REPORT***

Your Directors have pleasure in presenting the First Report and Accounts for the period ended March 31, 2011.

### **1. FINANCIAL RESULTS**

During the period under review, the Company did not carry on any business activities. The net balance in the Statement of Income and Expenditure during Pre-operational Period represents preliminary / pre-operative expenses incurred by the Company, charged off as per the policy of the Company.

### **2. DIVIDEND**

There are no operations of the Company during the year. The Directors do not recommend any dividend for the current period.

### **3. CAPITAL EXPENDITURE**

During the year under review, the Company did not incur any capital expenditure.

### **4. AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes to the accounts referred to in the Auditors' report are self explanatory and do not call for any further comments of Directors.

### **5. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors 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, 2011;
- III. that 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;
- IV. that the accounts have been prepared on a going concern basis;
- V. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **6. DIRECTORS**

The first Directors of the Company were Mr. R. N. Mukhija, Mr. S. N. Roy and Mr. P. S. Banerjee.

Mr. P. S. Banerjee resigned from the Board of Directors with effect from December 21, 2010. The Directors record their appreciation of the contribution made by Mr. P. S. Banerjee.

Mr. A. K. Mondal was appointed as a Director in casual vacancy caused by the resignation of Mr. P. S. Banerjee with effect from December 21, 2010.

Mr. R. N. Mukhija is liable to retire by rotation and eligible for re-appointment.

### **7. AUDITORS**

The Auditors, M/s Sharp and Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp and Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### **8. DISCLOSURE OF PARTICULARS**

The Company did not carry on business activities and hence there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **9. PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **10. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below :

#### **a) Independent / Associate Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.



**b) Number of Companies in which an Individual may become a Director**

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

**c) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company

**d) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**11. SECRETARIAL AUDIT**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

**12. ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 18, 2011*

**R. N. MUKHIJA**  
*Director*

**S. N. ROY**  
*Director*

**A. K. MONDAL**  
*Director*

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF L&T SOLAR LIMITED

We have audited the attached Balance Sheet of L&T Solar Limited as at March 31, 2011 and also the Statement of Income and Expenditure during the pre-operational period from June 30, 2010 (date of incorporation) to March 31, 2011 and the Cash Flow Statement for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in paragraph 1 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during the pre-operational period 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 Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - (e) on the basis of the written representations received from directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, statement of income and expenditure and Cash Flow Statement read together with the 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:

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at March 31, 2011;
- (ii) in the case of Statement of Income and Expenditure during the pre-operational period, of excess of expenditure over income for the period ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the period then ended.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 18, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- (i) The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- (iii) We are informed by Management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (iv) The Company has no inventories or fixed assets and has no income from the sale of goods and services. Accordingly, reporting under paragraph 4(iv) is not applicable.
- (v) According to the information and explanations given to us, there are no transactions with parties that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) The Company has been formed recently and has not commenced commercial operations. The Company is in the process of instituting an internal audit system.
- (viii) The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including income tax and other material statutory dues as applicable with the appropriate authorities and there were no amounts in respect of such dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there were no amounts in respect of income tax, sales tax, service tax, customs duty, wealth tax and excise duty that were under dispute as at March 31, 2011.
- (x) The Company is in existence for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
- (xi) The Company has not raised any loans from financial institutions or banks during the year.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares or securities.
- (xv) The Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loans during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the reporting period.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 18, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A		500,000
<b>TOTAL</b>			<u>500,000</u>
<b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans and Advances</b>			
Cash & Bank Balances	B	499,450	
<b>Less: Current Liabilities and Provisions</b>	C		
Liabilities		<u>27,485</u>	
<b>Net Current Assets</b>			471,965
<b>Excess of Expenditure over Income during pre-operational period</b>			<u>28,035</u>
<b>TOTAL</b>			<u>500,000</u>
<b>NOTES TO ACCCOUNTS</b>	F		

As per our report of even date attached

For and on behalf of the Board

**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI registration No. 109982W)  
 By the hand of

**R. D. KARE**  
 Partner  
 Membership No. 8820

**R. N. MUKHIJA**  
 Director

**S. N. ROY**  
 Director

**A. K. MONDAL**  
 Director

Place : Mumbai  
 Date : May 18, 2011

Place : Mumbai  
 Date : May 18, 2011

**STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD  
FOR THE PERIOD FROM JUNE 30, 2010 TO MARCH 31, 2011**

	Schedule	For the period 30.06.2010 to 31.03.2011	
		Rupees	Rupees
<b>INCOME</b>			
Other income			-
<b>EXPENDITURE</b>			
Pre-operative Expenses	D		6,065
Preliminary Expenses	E		21,970
Excess of Expenditure over Income during the pre-operational period before tax			(28,035)
Provision for tax			-
Excess of Expenditure over Income during the pre-operational period after tax			(28,035)
Excess of Expenditure over Income carried over to Balance sheet			(28,035)
Basic and Diluted Earnings per share (Refer note no 8)			(0.80)
Face value per equity share			10.00
<b>NOTES TO ACCOUNTS</b>	F		

As per our report of even date attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**R. N. MUKHIJA**

Director

**S. N. ROY**

Director

**A. K. MONDAL**

Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**CASH FLOW STATEMENT FOR THE PERIOD JUNE 30, 2010 TO MARCH 31, 2011**

	For the period 30.06.2010 to 31.03.2011 Rupees
<b>A. Cash Flow from Operating Activities</b>	
<b>Excess of Expenditure over Income (after extraordinary item)</b>	<b>(28035)</b>
Adjustments for :	-
Prior Period Items	-
Dividend Received	-
Depreciation (including obsolescence), amortisation and impairment	-
Unrealised foreign exchange difference - net (gain) / loss	-
Interest(net)	-
(Profit) / Loss on sale of fixed assets (net)	-
(Profit) / Loss on sale of investments (net)	-
Provision / (Reversal) for diminution in value of investments	-
<b>Operating profit before working capital changes</b>	<b>(28035)</b>
Adjustments for :	-
(Increase) / Decrease in trade and other receivables	-
(Increase) / Decrease in inventories	-
(Increase) / Decrease in miscellaneous expenditure	-
Increase / (Decrease) in trade payables	<b>27485</b>
<b>Cash generated from operations</b>	<b>(550)</b>
Direct taxes refund / (paid)- net	-
<b>Net Cash from Operating Activities</b>	<b>(550)</b>
<b>B. Cash flow from Investing Activities</b>	-
Purchase of fixed assets	-
Sale of fixed assets (Including monies received as advance)	-
Purchase of investments	-
Sale of investments	-
Loans / Deposits made with subsidiaries / associates and third parties (net)	-
Advance towards equity commitment	-
Interest received	-
Dividend received from subsidiaries	-
Dividend received from other investments	-
Cash received on Sale of Business	-
<b>Net Cash (used in)/ from Investing Activities</b>	<b>-</b>
<b>C. Cash flow from Financing Activities</b>	-
Issue of Equity Shares	<b>500000</b>
Net Proceeds to / From HO	-
Proceeds from long term borrowings	-
Repayment of long term borrowings	-
(Repayments) / Proceeds from other borrowings (net)	-
Loans (to) / from subsidiaries / associates (net)	-
Interest paid	-
<b>Net Cash (used in)/ from Financing Activities</b>	<b>500000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>499450</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>499450</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3- "Cash Flow Statements" issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent bank balance.

As per our report of even date attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI registration No. 109982W)

By the hand of

**R. D. KARE**

Partner

Membership No. 8820

Place : Mumbai

Date : May 18, 2011

**R. N. MUKHIJA**

Director

Place : Mumbai

Date : May 18, 2011

**S. N. ROY**

Director

**A. K. MONDAL**

Director

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2011	
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity shares of Rs. 10 each		500,000
<b>Issued Subscribed &amp; Paid-up</b>		
50,000 Equity shares of Rs. 10 each fully paid-up (All the above Equity shares are held by Larsen & Toubro Limited, the Holding Company)		500,000
<b>TOTAL</b>		500,000
 <b>SCHEDULE - B</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Cash and Bank balances:		
Balances with Scheduled banks		
Current Account		499,450
<b>TOTAL</b>		499,450
 <b>SCHEDULE - C</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Liabilities:		
Sundry Creditors:		
Due to Larsen & Toubro Limited (Holding Company)	21,970	
Others	5,515	
<b>TOTAL</b>		27,485
 <b>SCHEDULE - D</b>		
<b>PRE-OPERATIVE EXPENSES</b>		
Audit Fees		5,000
Bank Charges		550
Rates & Taxes		515
<b>TOTAL</b>		6,065
 <b>SCHEDULE - E</b>		
<b>PRELIMINARY EXPENSES</b>		
Filing Fees		20,910
Stamp Duty		1,060
<b>TOTAL</b>		21,970

30.06.2010 to 31.03.2011

Rupees Rupees

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)****SCHEDULE - F****NOTES TO ACCOUNTS**

1. The Company was incorporated on June 30, 2010 and, accordingly, the Accounts are drawn for the period from June 30, 2010 to March 31, 2011.
2. The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to the contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

3. The Company has not yet commenced commercial operations.
4. Preliminary and Pre-operative expenditure incurred prior to commencement of commercial business operations has been charged to "Statement of Income & Expenditure during Pre-operational Period".
5. There are no amounts due to Micro and Small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006
6. There are no Contingent Liabilities as on March 31, 2011.
7. Auditor's remuneration (excluding service tax) charged to the accounts:

Particulars	2010-2011 Rupees
Audit fees	5,000

8. Basic and Diluted earning per share (EPS):

Particulars	2010-2011
Excess of expenditure over Income after tax as per accounts	(28,035)
Weighted average no of shares outstanding.	35,068
EPS	Rs. (0.80)

9. Related party disclosures:

- 9.1. List of Related party who exercise control.

Larsen & Toubro Limited - Holding Company

- 9.2. Name of Related party with whom transactions were carried out during the year and description of relationship:

Larsen & Toubro Limited - Holding Company

- 9.3. Disclosure of Related party transactions:

	2010-2011 Rupees
Reimbursement of pre-operative expenses:	
Larsen & Toubro Limited	21,970

- 9.4. Amount due to Related party

	2010-2011 Rupees
Due to Holding Company:	
Larsen & Toubro Limited	21,970

10. Expenditure in Foreign Currency: NIL

11. This being the first year for the Company, previous year figures are not applicable.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 12. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments + - Net Current Assets Misc. Expenditure + - Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earning per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. Product Descriptions 

As per our report of even date attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of**R. D. KARE**  
Partner  
Membership No. 8820**R. N. MUKHIJA**  
Director**S. N. ROY**  
Director**A. K. MONDAL**  
DirectorPlace : Mumbai  
Date : May 18, 2011Place : Mumbai  
Date : May 18, 2011

**DIRECTORS' REPORT**

The Directors present the first Balance Sheet as at March 31, 2011 and Statement of Income and Expenditure for the pre operational period from June 17, 2010 to March 31, 2011 of the Company since Company has not yet started the commercial production. Figure for the previous year i.e. 2009-10 has not been given since this is the first year of operation.

**FINANCIAL RESULTS**

(Amount in Rupees)

	<u>2010-11</u>
<b>Sales &amp; Other Income</b>	-
<b>Profit before Depreciation &amp; Tax (PBDT)</b>	<b>(32,794,243)</b>
Depreciation	<b>3,383,521</b>
<b>Profit / (Loss) before tax (PBT)</b>	<b>(36,177,764)</b>
Provision for taxes	-
<b>Profit / (Loss) after tax (PAT)</b>	<b>(36,177,764)</b>
Balance brought forward from PY	-
Balance carried to Balance Sheet	<b><u>(36,177,764)</u></b>

**APPROPRIATIONS**

No appropriation is proposed in view of no commencement of commercial activities and the absence of profits

**DIVIDEND**

During the period under review, no dividend has been proposed or paid.

**PERFORMANCE OF THE COMPANY**

Company is at project implementation stage and progress on the same is satisfactory. Commissioning of facility is going on as planned.

**CAPITAL EXPENDITURE**

Estimated amount of contracts remaining to be executed on capital account of Plant & Machinery and Civil construction (net of advances) is Rs. 15,14,87,868.

**AUDITOR'S REPORT**

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

**MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT**

There are no material changes between Balance Sheet date and date of Directors' Report.

**CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO**

- The operations of the Company are not energy intensive as the Company is not engaged in any manufacturing activity and is not included under the list of industries which should furnish information in Form A (Rule 2) of Companies (Disclosure of Particulars in Reporting Board of Directors) Rules, 1988.
- Technology has been imported by way of technology transfer agreements for Axial Fans with Howden Denmark A/S, Denmark and for Rotary Air Pre heaters with Howden UK Limited, Northern Ireland.
- During the year, the Company has had "nil" foreign exchange earnings and the outgo is as under :

<b>Particulars</b>	<b>2010-11</b> <b>(Amount in Rupees)</b>
Travelling Expenses (Including Boarding & Lodging)	<b>14,23,547</b>
Technical Know How Fee	<b>2,13,00,000</b>
Advance to Vendor – On Capital Account	<b>1,93,22,532</b>
Advance on account of components Supplies of Fans and pre heaters	<b>5,18,86,335</b>

**PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**SUBSIDIARY COMPANIES**

Your Company is not having any subsidiary companies as on date.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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, 2011 and of the Statement of Income & expenditure for the period from June 17, 2010 to March 31, 2011 of the Company;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis;
- V. that the proper systems are in place to ensure compliance of all laws applicable to the Company.

**DIRECTORS**

The present directors of the Company are:

Mr. Ravi Uppal, Mr. Sunil Pande, Mr. Ravindra Misra, Mr. Robert Cleland, Mr. Elias Zabaneh, and Mr. Siddharth Shrivastav

Alternate directors:

Mr. Ian Smith is alternate to Mr. Elias Zabaneh

Mr. Ian Brander is alternate to Mr. Robert Cleland

Mr. Kevin Musgrove is alternate to Mr. Siddharth Shrivastav

Pursuant to the Companies Act, 1956, Mr. Ravi Uppal and Mr. Robert Cleland are liable to retire by rotation and being eligible offer themselves for re-appointment.

**AUDITORS**

The Auditors, M/s Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009****a) Separation of Offices of Chairman & Chief Executive Officer**

The roles and offices of Chairman and Chief Executive are separated. Mr. Robert Cleland is elected as a Chairman of the Board whereas Mr. Vijay Parandekar designated as Manager under Companies Act is the Chief Executive of the Company.

**b) Remuneration of Directors**

The Directors are not paid any remuneration by way of sitting fees, etc.

**c) Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company.

**d) Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

**e) Responsibilities of the Board**

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. which give Directors an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**f) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

## L&T HOWDEN PRIVATE LIMITED

### g) **Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### h) **Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

### i) **Related Party Transactions**

The details of all the related party transactions form part of the accounts as required under Accounting Standard – 18 issued by ICAI.

## **ACKNOWLEDGMENTS**

The Directors acknowledge the invaluable support extended to the Company by the employees and management of the promoter companies and other fellow subsidiaries.

For and on behalf of the Board

*Place : Vadodara*

*Date : May 18, 2011*

**R. N. MISRA**

*Director*

**SUNIL PANDE**

*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF L&T HOWDEN PRIVATE LIMITED**

We have audited the attached Balance Sheet of L&T Howden Private Limited as at March 31, 2011, the Statement of Income and Expenditure and the Cash Flow Statement of the Company for the period from June 17, 2010 (date of incorporation) to 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.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that :
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Income and Expenditure and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Statement of Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956; and
  - (e) on the basis of written representations received from directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and the notes appearing 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:

- 1) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- 2) in the case of the Statement of Income and Expenditure, of the excess of expenditure over income of the Company for the period ended on that date; and
- 3) in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration No. 109982W  
By the hand of

Place : Mumbai  
Date : May 18, 2011

**R. D. KARE**  
*Partner*  
Membership No. 8820

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) As explained to us, these fixed assets have been physically verified by the management. In our opinion, the physical verification is reasonable and no material discrepancies were noticed on such verification.
- (c) The company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) of the Order are not applicable.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured from companies, firm and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business for the purchase of fixed assets. Further, on the basis of our examination of the books and records of the Company and according to the information and explanation given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered. However, during the period, Company has not entered into any contract or arrangement as defined.
- (b) In our opinion and according to the information and explanations given to us, during the period, the Company has not made any transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 and therefore report / comment on transactions exceeding the value of rupees five lakhs in respect of any party during the period does not arise.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company has not commenced commercial operations and hence, reporting under paragraph 4(viii) of the Order on maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 does not arise.
- (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 undisputed statutory dues including income tax and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax and other material statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and records of the Company examined by us, there were no cases of disputed income tax as at March 31, 2011 which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years; hence reporting on accumulated losses and cash losses under paragraph 4(x) of the Order does not arise.
- (xi) The Company has not raised any loans from the financial institutions or bank during the period.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares or securities.
- (xv) The company has not given any guarantee for loans taken by associates and others from bank or financial institutions.
- (xvi) The Company has not availed any loans and hence commenting on the purpose for which loan was raised does not arise.
- (xvii) According to the information and explanations given to us, the Company has not raised any funds on short-term basis and hence reporting under Clause 4(xvii) of the Order does not arise.
- (xviii) The Company has not made any preferential allotment of shares during the period under audit and hence reporting under clause 4(xviii) of the Order does not arise.
- (xix) The Company has not issued any debentures during the period.
- (xx) The Company has not raised any money by public issue during the period.
- (xxi) During the course of our examination of 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 instances of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
By the hand of

Place : Mumbai  
Date : May 18, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011	
		Rupees	Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A		100,000,000
<b>TOTAL</b>			<b>100,000,000</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
<b>Tangible Assets</b>			
Gross Block		1,662,511	
Less: Depreciation		188,521	
Net Block			1,473,990
<b>Intangible Assets</b>			
Gross Block		22,365,000	
Less: Depreciation		3,195,000	
Net Block			19,170,000
<b>Capital work-in-progress</b>			<b>69,349,383</b>
<b>Current assets, loans and advances</b>			
Cash and bank balances	C	46,276,257	
Loans and advances		59,479,466	
		105,755,724	
<b>Less: Current liabilities and provisions</b>			
Current Liabilities	D	129,856,358	
Provisions		2,070,502	
		131,926,860	
<b>Net current assets</b>			<b>(26,171,136)</b>
<b>Excess of expenditure over income</b>			<b>36,177,764</b>
<b>TOTAL</b>			<b>100,000,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES TO ACCOUNTS</b>			
<b>G</b>			

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 8820  
Place : Mumbai  
Date : May 18, 2011

**VIJAY PARANDEKAR**  
Manager  
Place : Vadodara  
Date : May 18, 2011

**R. N. MISRA**  
Director

**SUNIL PANDE**  
Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11 Rupees
<b>INCOME</b>		
Income from operations		-
Other income		-
<b>TOTAL</b>		-
<b>EXPENDITURE</b>		
Sales, administration and other expenses	E	24,510,033
Staff Expenses	F	8,284,210
Depreciation		3,383,521
<b>TOTAL</b>		36,177,764
<b>Excess of income over expenditure for the year</b>		(36,177,764)
<b>Provision for tax</b>		
Current Year		-
Previous Year		-
<b>Excess of income over expenditure after tax for the year</b>		(36,177,764)
Balance brought forward from previous year		-
<b>Balance carried to Balance Sheet</b>		(36,177,764)
<b>Basic earnings per share (Rupees)</b>	}	(5.96)
<b>Diluted earnings per share (Rupees)</b>	}	
Face value per equity share (Rupees)		10
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	}	
<b>NOTES TO ACCOUNTS</b>	}	

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 8820  
Place : Mumbai  
Date : May 18, 2011

**VIJAY PARANDEKAR**  
Manager  
Place : Vadodara  
Date : May 18, 2011

**R. N. MISRA**  
Director

**SUNIL PANDE**  
Director



**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees
<b>A. Cash flow from operating activities:</b>	
<b>Net profit / (loss) before tax (after extraordinary item)</b>	<b>(36,177,764)</b>
<b>Adjustments for :</b>	
Dividend received	-
Depreciation (including obsolescence), amortisation and impairment	<b>3,383,521</b>
Unrealised foreign exchange difference - net (gain) / loss	-
Interest (net)	-
(Profit) / loss on sale of fixed assets (net)	-
(Profit) / loss on sale of investments (net)	-
Provision / (reversal) for diminution in value of investments	-
<b>Operating profit before working capital changes</b>	<b>(32,794,243)</b>
<b>Adjustments for :</b>	
(Increase) / decrease in trade and other receivables	<b>(59,479,466)</b>
(Increase) / decrease in inventories	-
(Increase) / decrease in miscellaneous expenditure	-
Increase / (decrease) in trade payables	<b>131,926,860</b>
<b>Cash generated from operations</b>	<b>39,653,151</b>
Direct taxes paid	-
<b>Net cash (used in) from operating activities</b>	<b>39,653,151</b>
<b>B. Cash flow from investing activities:</b>	
Purchase of fixed assets (includes CWIP, pre-operative and preliminary expenses)	<b>93,376,894</b>
Sale of fixed assets (including monies received as advance)	-
Purchase of investments	-
Sale of investments	-
Increase / (decrease) in liability for purchase of fixed asset	-
Loans / deposits made with subsidiaries / associates and third parties (net)	-
Advance towards equity commitment	-
Interest received	-
Dividend received from subsidiaries	-
Dividend received from other investments	-
Cash received on sale of business	-
<b>Net cash (used in) from investing activities</b>	<b>(93,376,894)</b>
<b>C. Cash flow from financing activities:</b>	
Issue of equity shares	<b>100,000,000</b>
Share application money	-
Net proceeds to / from HO	-
Proceeds from long term borrowings	-
Repayment of long term borrowings	-
(Repayments) / proceeds from other borrowings (net)	-
Loans (to) / from subsidiaries / associates (net)	-
Interest paid	-
<b>Net cash (used in) from financing activities</b>	<b>100,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>46,276,257</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>-</b>
<b>Cash and cash equivalents at end of the year</b>	<b>46,276,257</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 specified under Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash and Bank balances.
- Purchase of Fixed assets includes movement in Capital Work in progress during the year.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI Registration No. 109982W**R. D. KARE**Partner  
Membership No. 8820  
Place : Mumbai  
Date : May 18, 2011**VIJAY PARANDEKAR**Manager  
Place : Vadodara  
Date : May 18, 2011**R. N. MISRA**

Director

**SUNIL PANDE**

Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011	Rupees	Rupees
<b>SCHEDULE - A</b>			
<b>SHARE CAPITAL</b>			<b>100,000,000</b>
1,00,00,000 Equity shares of Rs. 10 each			
<b>TOTAL</b>			<b>100,000,000</b>

**SCHEDULE - B****FIXED ASSETS**

Particulars	COST				DEPRECIATION / AMORTIZATION				BOOK VALUE		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the period	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Tangible Assets:</b>											
Freehold Land	-	-	-	-	-	-	-	-	-	-	
Building - Approach Roads	-	-	-	-	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	-	-	-	-	
Computers	-	1,662,511	-	1,662,511	-	188,521	-	188,521	1,473,990	-	
Plant & Machinery	-	-	-	-	-	-	-	-	-	-	
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-	
<b>Tangible Assets (Sub total - A)</b>	-	1,662,511	-	1,662,511	-	188,521	-	188,521	1,473,990	-	
<b>Intangible Assets:</b>											
Technical Knowhow	-	22,365,000	-	22,365,000	-	3,195,000	-	3,195,000	19,170,000	-	
<b>Intangible Assets (Sub total - B)</b>	-	22,365,000	-	22,365,000	-	3,195,000	-	3,195,000	19,170,000	-	
<b>Total (A+B)</b>	-	24,027,511	-	24,027,511	-	3,383,521	-	3,383,521	20,643,990	-	
Previous year	-	-	-	-	-	-	-	-	-	-	
<b>Capital work in progress</b>									69,349,383	-	
<b>Grand Total</b>									<b>89,993,373</b>	-	

	As at 31.03.2011	Rupees	Rupees
<b>SCHEDULE - C</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash and bank balances:			
Cash on hand			-
Balances with scheduled bank on current account		<b>46,276,257</b>	
Loans and advances:			<b>46,276,257</b>
Advance to Suppliers		<b>51,891,705</b>	
Advance to Employees		<b>51,891,705</b>	
Security Deposit		<b>784,045</b>	
Service Tax Receivable		<b>2,311,712</b>	
		<b>4,492,004</b>	
<b>TOTAL</b>			<b>59,479,466</b>
			<b>105,755,724</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011	
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current liabilities:		
Sundry creditors	3,840,462	
Larsen & Toubro Limited		
Others	10,165,189	
		14,005,651
Other Current liabilities		
Advance from Customer	110,939,908	
Duties & Taxes	4,910,799	
		115,850,707
Provisions for:		
Taxation	-	
Others	2,070,502	
		2,070,502
<b>TOTAL</b>		<b>131,926,860</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	2010-2011	
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - E</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
General Repairs & Maintenance		1,212,845
Safety & Environment Expenses		1,380,000
Conveyance Expenses		1,683,712
House Rent		2,250,000
Secretarial & Compliance Expenses		2,819,167
Rent-Premises facilities		4,204,027
Travelling Expenses		4,275,227
Audit fee		25,000
Professional Charges		48,168
Electricity Expenses		266,598
Telephone, Postage & Telegram		221,279
Printing & stationery		214,565
Training Expenses		1,016,223
Other Misc Expenses		4,893,222
<b>TOTAL</b>		<b>24,510,033</b>
<b>SCHEDULE - F</b>		
<b>STAFF EXPENSES</b>		
Salaries		8,186,768
Other Staff Expenses		97,442
<b>TOTAL</b>		<b>8,284,210</b>

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT****SCHEDULE - G****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

This Joint Venture was incorporated on June 17, 2010 and accordingly, the accounts are drawn up for the period from June 17, 2010 to March 31, 2011.

**A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Preparation of Financial Statements**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP"), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government .

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

**2. Fixed Assets**

Expenditure which are of a capital nature are capitalized at cost, which comprise of purchase price (net of rebates and discounts), duties, levies and any directly attributable costs of bringing the assets to its working condition for the intended use.

**3. Depreciation**

Tangible Assets-Depreciation is provided, from the date the assets have been installed and put to use, on the basis of estimated useful life of the assets which are as follows:-

Description	Estimated useful life
Fax / Printer / Scanner	4 Years
Desktop Inkjet / LaserJet Printers	4 Years
Laptop Office	4 Years
Desktop / laptop-Employee Scheme	3 Years

**B. NOTES TO ACCOUNTS****1. Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account of Plant & Machinery and Civil construction (net of advances) Rs. 15,14,87,868.

**2. Foreign exchange Earnings, Expenditures and Exposures**

Foreign Currency Earnings NIL  
Foreign Currency Expenditure As given below

Particulars	2010-11 (Rs.)
Traveling Expenses (Including Boarding & Lodging)	14,23,547
Technical Know How Fee	2,13,00,000
Advance to Vendor – On Capital Account	19,322,532
Advance on account of components Supplies of Fans and pre heaters	5,18,86,335

**3. The Company has no amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSME).****4. Auditor's remuneration and expenses charged to the Accounts:**

Particulars	2010-11 (Rs.)
Audit Fees	25,000
Certification Work	11,618

**5. The Company is yet to commence commercial operations, hence, the Information required vide para 3, 4C, 4D of Part II of Schedule VI of the Companies Act, 1956 has not been furnished.**

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)**

## 6. Related party disclosure:

## a. Names of related parties with whom transactions were carried out during the year and description of relationship:

- |                                     |                                      |
|-------------------------------------|--------------------------------------|
| 1) Larsen & Toubro Limited          | - Holding Company                    |
| 2) Howden Holdings B.V., Netherland | - Associate Company                  |
| 3) L&T – MHI Boiler Private Limited | - Subsidiary of Holding Company      |
| 4) L&T-Sargent & Lundy Limited      | - Subsidiary of Holding Company      |
| 5) Howden UK Ltd                    | - Group Company of Associate Company |
| 6) Howden Denmark Ltd               | - Group Company of Associate Company |
| 7) Howden Spain Ltd                 | - Group Company of Associate Company |

## b. Disclosure of related party transactions:

S. No.	Particulars	Nature of relationship	2010-11 (Rs.)
1.	Subscription to equity capital- Larsen & Toubro Limited	Holding Company	5,01,00,000
2	Subscription to equity capital – Howden Holdings B.V	Associate Company	4,99,00,000
3	Technical Know How – Howden UK Ltd	Group Company of Associate Company	1,05,10,500
4	Technical Know How Howden Denmark Ltd	Group Company of Associate Company	1,07,89,500
5	Common services & other charges to Howden Holding B.V	Associate Company	20,48,743
6	Land Development Charges – Larsen & Toubro Limited	Holding Company	2,01,03,613
7	Common services & other charges to Larsen & Toubro Limited	Holding Company	2,47,80,574
8	Common Services & other charges – L&T MHI Boiler Pvt. Ltd.	Subsidiary of Holding Company	1,85,277

## c. Amount due to / from related parties:

S. No.	Particulars	2010-11 (Rs.)
	<b>Amount due to related parties:</b>	
1	Larsen & Toubro Limited	38,40,462
2	L&T-Sargent & Lundy Limited	9,707
	<b>Amount due from related parties:</b>	
1	L&T-MHI Boilers Private Limited	5,370

## 7. Basic and diluted earnings per share (EPS) computed in accordance with Accounting Standards (AS) 20 "Earning per share":-

Particulars	2010-11
Excess of Expenditure over income (A) (Rs.)	36,177,764
Weighted Average number of Shares (B)	6,067,208
Basic and Diluted EPS (A/B) (Rs.)	( 5.96)

8. There is no Contingent Liability as at Balance Sheet date.
9. The liability of Gratuity and Leave encashment has been accounted for at the end of parent company since the employees have been deputed to the Joint Venture Company.
10. The lease Deed executed for a up front premium of Rs. 1,51,45,650 pertaining to sub leasing of land at Suvali, in the district of Surat by Larsen & Toubro Limited to L&T-Howden Private Limited, is yet to be registered by the lesser under the agreement executed on December 8, 2010.
11. Technical Know-how fee amounting to Rs. 2,23,65,000 (including Research & Development Cess of Rs. 10,65,000) has been treated as Intangible Assets and is being amortized over the life of Joint Venture of 7 Years. An amount of Rs. 31,95,000 has been amortized and charged to Statement of Income and Expenditure for the year.
12. During the year, the Company has not paid any remuneration to its Directors as none of the Directors are entitled to remuneration from the Company.
13. No Provision for Income Tax has been made as the Company does not have taxable income.
14. No Provision for Wealth Tax has been made as the Company does not have taxable wealth.
15. This being the first accounting period, figures for the previous year are not applicable.

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)**

**16. Balance Sheet abstract and Company's general business profile**

**I. Registration Details**

Registration No.	<input type="text" value="U31401MH2010PTC204403"/>	State Code	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="1"/>
Balance Sheet Date	<input type="text" value="3"/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="3"/>	<input type="text" value="2"/>	<input type="text" value="0"/>	<input type="text" value="1"/>	<input type="text" value="1"/>	
	Date		Month		Year				

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	Rights Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	Private Placement	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Sources of Fund	Total Liabilities	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	Total Assets	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
Application of Funds	Paid-up Capital	<input type="text" value=""/>	<input type="text" value="1"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	Reserves & Surplus	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
	Secured Loans	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	Unsecured Loans	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>
	Net Fixed Assets	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="8"/>	<input type="text" value="3"/>	<input type="text" value="5"/>	<input type="text" value="3"/>	Investments	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	
	Net Current Assets	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="4"/>	<input type="text" value="6"/>	<input type="text" value="9"/>	Miscellaneous Expenditure	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	
	Accumulated Losses	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="6"/>	<input type="text" value="1"/>	<input type="text" value="7"/>	<input type="text" value="8"/>									

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="I"/>	<input type="text" value="L"/>	Total Expenditure	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="6"/>	<input type="text" value="1"/>	<input type="text" value="7"/>	<input type="text" value="8"/>
Profit / Loss Before Tax	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="6"/>	<input type="text" value="1"/>	<input type="text" value="7"/>	<input type="text" value="8"/>	Profit / Loss After Tax	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="6"/>	<input type="text" value="1"/>	<input type="text" value="7"/>	<input type="text" value="8"/>	
Earnings Per Share in Rs.	<input type="text" value=""/>	<input type="text" value="5"/>	<input type="text" value="9"/>	<input type="text" value="6"/>	Dividend Rate %	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value="N"/>	<input type="text" value="A"/>					

**V. Generic Names of Principal Products / Services of the Company (as per monetary items)**

Item Code No.	<input type="text" value=""/>	<input type="text" value="3"/>	<input type="text" value="5"/>	<input type="text" value="2"/>	<input type="text" value="8"/>
(ITC Code)					
Product Descriptions	<input type="text" value="PRE-HEATER &amp; AXIAL FANS"/>				

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 ICAI Registration No. 109982W

For and on behalf of the Board

**R. D. KARE**  
 Partner  
 Membership No. 8820  
 Place : Mumbai  
 Date : May 18, 2011

**VIJAY PARANDEKAR**  
 Manager  
 Place : Vadodara  
 Date : May 18, 2011

**R. N. MISRA**  
 Director

**SUNIL PANDE**  
 Director

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and Audited Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

	<b>2010-2011</b> <b>Rs. Lakhs</b>	<i>2009-2010</i> <i>Rs. Lakhs</i>
Gross Profit	<b>4,206.72</b>	3,711.78
Less: Depreciation	<b>153.92</b>	148.00
<b>Profit before taxes</b>	<b>4,052.80</b>	3,563.78
Provision for Current taxes	<b>(1,336.30)</b>	<i>(1,232.20)</i>
Add: Deferred Tax Asset for the current year	<b>11.92</b>	25.48
Excess/(short) provision for tax for earlier years	<b>(0.58)</b>	56.56
Leaving a balance available for disposal	<b>2,727.84</b>	2,413.62
Add: Balance b/f from previous year	<b>515.94</b>	228.35
Appropriations		
Dividend	<b>1,949.18</b>	1,617.40
Tax on Dividend	<b>323.74</b>	268.63
General Reserve	<b>280.00</b>	240.00
<b>Profit &amp; Loss A/c- Balance c/o</b>	<b>690.86</b>	515.94

### YEAR IN RETROSPECT / PERFORMANCE OF THE COMPANY

The sales (inclusive of excise) and other income for the financial year under review are Rs. 19,577 lakhs as against Rs. 14,944 lakhs for the previous financial year. The profit before tax (after interest and depreciation charges) is Rs. 4,053 lakhs and profit after tax is Rs. 2,728 lakhs for the financial year under review as against Rs. 3,564 lakhs and Rs. 2,413 lakhs respectively for the previous year.

During the year, the company became a wholly owned subsidiary of Larsen & Toubro Limited (L&T), subsequent to L&T's acquisition of entire share holdings of Joint Venture Partners Eutectic Corporation, USA and MEC Holdings GmbH, Germany.

### DIVIDEND

The Directors have recommended and paid during the year interim dividend of 235% (Rs. 235 per share) on 8,29,440 equity shares of Rs. 100 each. The Directors do not recommend any further dividend for the year.

### CAPITAL EXPENDITURE

As at March 31, 2011, the gross fixed assets stood at Rs. 3,629 Lakhs and the net fixed assets at Rs. 1,554 Lakhs. Additions during the year (net) amounted to Rs. 126 Lakhs.

### AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

### DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of the report.

### OTHER DISCLOSURES

Information regarding Safety, Health & Environment is given in Annexure 'B'.

### PERSONNEL

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;

## EWAC ALLOYS LIMITED

- ii) that the selected Accounting Policies were applied consistently and the directors made judgements 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, 2011 and of the profit of the Company for the year ended on that date;
- iii) that 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;
- iv) that the Annual Accounts have been prepared on a going concern basis.

### **BOARD OF DIRECTORS**

The Corporate Governance framework in the Company is based on an effective independent Board, the separation of the Board's functions of governance and executive management and the constitution of the Board generally comprising a majority of independent Directors.

Subsequent to L&T's acquisition of entire share holdings of Joint Venture Partners Eutectic Corporation, USA and MEC Holdings GmbH, Germany, all foreign directors Mr. Andrew Roake, Mr. Frank Balchandani, Mr. Peter Schaaf and Mr. T. Pooran (Alternate Director) resigned from the Board of the Company. The casual vacancy created by resignation of foreign director will not be filled up.

In accordance with provisions of Articles of Association of the Company, Mr. J. P. Nayak will retire from the Board by rotation and is eligible for re-appointment.

### **AUDIT COMMITTEE**

The Audit Committee consists of three non-executive directors. The present members of the Committee are Mr. J. P. Nayak, Mr. S. Raghavan and Mr. V. J. Shukla.

Mr. J. P. Nayak is the Chairman of the Audit Committee

The role, terms of reference, the authority and power of Chairman are in conformity with the requirements of the Companies Act, 1956.

The Committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

### **AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### **ACKNOWLEDGEMENTS**

The Board of Directors thank

1. Bankers
2. Vendors
3. Suppliers
4. Customers

for their continued co-operation and support to the Company. The Directors are pleased to place on record their appreciation for the valuable contribution made by the employees of the Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : April 15, 2011*

**J. P. NAYAK**  
*Director*

**S. RAGHAVAN**  
*Director*



## ANNEXURE 'A'

### THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2011

#### A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken
- Astronomical timers to put off Exhaust Fans in Electrode baking area after completion of baking cycle.
  - Timers for putting off Water Coolers after working hours
  - Online Data logger for online monitoring of oven baking cycles leading to energy control
  - Installation of TFT screen for office computers leading to energy conservation.
  - Administrative Control on Continual basis.
  - Replacement of Tube lights with PL / CFL lamps on continual basis.
  - Modification of oven panels for precise control of Heater energy
  - Installation of cooling fan for Melting Furnace Panel for effective utilization of Thyristorised control circuitry.
  - Remote on / off control for ease of Air Compressor operation towards energy Saving
  - Conducted Powai Plant Energy audit by BEE Certified Energy audit agency and Implemented audit finding to conserve energy.
- b) Impact of the measure at (a) above for reduction of energy consumption and consequent impact on the cost of production of Goods
- The measures taken have resulted in energy conservation with consequent reduction in cost.
- c) Total consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule hereto
- Not Applicable

#### B. TECHNOLOGY ABSORPTION

- a) Efforts made in technology absorption as per Form B  
Details are furnished in Form B attached
- b) Foreign exchange earnings and outgo
- Activities relating to exports initiatives taken to increase exports, development of new export market for products and services; and export plant
  - Export promotion being pursued by the Company's Selling Agents, Larsen & Tourbo Limited, technical seminars and special training programmes organized for field personnel at the EWAC Institute in Mumbai.
- c) Total foreign exchange used and earned in 2010-11

	Rs. Lakhs
Used	6043
Earned	635

Rs. 74 Lakhs Direct & Indirect export sales made through the Company's Selling agents, Larsen & Toubro Limited.

## ANNEXURE 'B'

### INFORMATION REGARDING THE SAFETY HEALTH & ENVIRONMENT:

- a) Carbon foot print mapping for monitoring of CO2 emission for reduction of GHG (Green House Gases) effect.
- b) Implementation and use of E-Waste Management
- c) Implementation & use of compost project for converting garden waste to manure.
- d) Re-certification of Environment Management System ISO 14001:2004 & OHSAS 18001:2007 System for Powai Plant by DNV.
- e) Conducted Powai- Plant Safety audit by Competent Agency and implemented audit finding to achieve our goal of Zero accident.
- f) Safety Performance

Criteria	Powai Works	Ankleshwar Works
No. of Reportable Accidents	0	0
Accident frequency Rate	0	0
Severity Rate	0	0
Accident Free period	01.04.2010 to 31.03.2011	01.04.2010 to 31.03.2011

**FORM – B**

**Form for disclosure of particulars with respect to technology absorption, Research and Development (R&D)**

**a) Specific areas in which R & D carried out by the Company**

- EWAC R&D team was involved in providing direction to the marketing for business growth & improvement the market share. During 2010-11, following are the areas where R&D was carried out.

**Product Development :**

- Series of New products introduced as high performance anti-competition in the form of tubular electrodes for specific applications.
- Introduced specialty products for wear surfacing, high temperature applications as well as joining applications.
- Introduced new range of brazing products to address growing market of automobile components.
- Introduced products for reclamation of forging dies to address growing forging market.
- Approval received for RDSO for in-situ welding of CMS rail crossings as well as thermal spray powders for repair of wheel burns and scabs.

**New Process / Technology :**

- Memorandum of Understanding (MOU) completed with IIT, Mumbai for Fast Curing Under-Water Epoxy Coating and product technology received from IIT.
- New application development in the areas of roll reconditioning.

**Other Initiatives :**

- Customer visits, participated in conferences and exhibition to explore new opportunities.
- Assisting Marketing in establishing new applications.
- Technical paper presentation in National & International Welding Congress.

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

- Introduction of tubular electrodes has us in addressing new applications. This has given good savings to the industry in the form of conservation of metallic resources and reduced downtime.
- Development of new applications and technology in underwater coating shall open a new business opportunity.

**3) Future Plan of Action**

Continue to develop new products and technology that will help in automation and cost reduction :

- Focus product development in specific areas like Steel, cement, construction, power etc., which are growing at a high pace.
- Work towards cost reduction by product re-engineering and development of low cost alternate raw materials.
- Focus on development of high performance polymer products
- Strengthening infrastructure of R&D with specialists and world class analytical instruments.
- Increase interaction with Universities / Research Institutions.

**4) Expenditure on R&D**

Nature of Expenditure	Rs. Lakhs
Capital	30
Recurring	156
<b>Total</b>	<b>186</b>
Total R&D expenditure as a percentage of total turnover	1%

**Technology Absorption, Adaptation and Innovation**

- Underwater coating technology is absorbed as technology.
- The in-house technology developed was adopted and manufacturing know-how was successfully established in production plant.
- Collaborative efforts with education / research institutions to work on new technology and added researchers to the R&D unit.
- Participation in national / international conferences, seminars and exhibitions.

**Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc:**

- Established new applications with the help of tubular electrodes and high performance anti-competition products.
- Import substitution of some raw materials by establishing indigenous equivalents.
- Expansion of product range and cost reduction.
- Savings to industry by use of high performance products.

## AUDITORS' REPORT

### TO THE MEMBERS OF EWAC ALLOYS LIMITED

We have audited the attached Balance Sheet of EWAC Alloys Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies ('Auditor's Report') Order, 2003 and as amended by the Companies ('Auditor's Report') (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule 'M' and Notes on the Financial Statements 'N' appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

Place : Mumbai  
Date : April 15, 2011

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
 (b) As explained to us, these fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.  
 (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
2. (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year.  
 (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.  
 (c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on such verification.
3. According to the information and explanations given to us, the Company has neither granted nor taken 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 the paragraph 4(iii)(b), (c), (d), (f) and (g) of the Order are not applicable.
4. 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 inventory, fixed assets and for the sale of goods and services. Further, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act 1956, have been so entered.  
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
7. The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.  
 (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of sales tax as at March 31, 2011 which have not been deposited on account of a dispute pending, are as under:

Name of the Statute	Nature of the disputed dues	Rupees*	Period to which the amount relates	Forum where disputes are pending
Central Sales Tax Act and Local Sales Tax Acts.	Disallowances of high sea sales and other related matters.	1,08,49,497	2002-03 2003-04 2004-05	Joint Commissioner of Sales Tax (Appeals)-II
	Disallowances CST Sales, Non-submission of C Form	107,875	2002-03	Joint Commissioner of Sales Tax (Appeals)-II
	Disallowance of Form - N - 14B sale by Appellate authority which was earlier allowed by Assessing authority.	1,083,330	2001-02	Sales Tax Tribunal

\* Net of pre-deposit paid in getting the stay / appeal admitted

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred cash losses in the financial year and also in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to financial institutions and banks. The Company has not issued any debentures. Accordingly, reporting on paragraph 4(xi) of the Order is not applicable.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting on paragraph 4(xii) of the Order is not applicable.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in mutual funds have been held by the Company in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, reporting on paragraph 4(xv) of the Order is not applicable.
16. The Company has not availed any term loans. Accordingly, reporting on paragraph 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that there are no funds raised on short-term basis which are used for long-term investments.
18. The Company has not made any preferential allotment of shares during the year. Accordingly, reporting on paragraph 4(xviii) of the Order is not applicable.
19. The Company has not issued any debentures during the year. Accordingly, reporting on paragraph 4(xix) of the Order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly, reporting on paragraph 4(xx) of the Order is not applicable.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*ICAI Registration no. 109982W*  
*By the hand of*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 033013*

*Place : Mumbai*  
*Date : April 15, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	82,944,000		82,944,000	
Reserves and Surplus	B	403,919,969		358,428,637	
			486,863,969		441,372,637
<b>Loan Funds</b>					
Secured Loans	C	-		-	
			-		-
Deferred tax liabilities		29,896,678		31,065,881	
Less: Deferred tax assets		6,511,933		6,489,430	
(Refer Note 16 of Schedule N)			23,384,745		24,576,451
<b>TOTAL</b>			<b>510,248,714</b>		<b>465,949,088</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible</b>					
Gross Block	D	360,326,481		354,333,693	
Less: Depreciation and Obsolescence		207,262,095		196,189,969	
Net Block		153,064,386		158,143,724	
Capital work in progress / Advances		1,555,437		256,608	
			154,619,823		158,400,332
<b>Intangible</b>					
Gross Block		1,029,113		1,029,113	
Less: Amortisation		293,314		283,022	
Net Block			735,799		746,091
			155,355,622		159,146,423
<b>Investments</b>	E		68,120,168		196,309,434
<b>Current Assets, Loans and Advances</b>					
<b>F</b>					
Inventories		254,093,934		224,027,046	
Sundry Debtors		288,223,390		262,259,731	
Cash and Bank Balances		40,647,099		31,589,446	
Loans and Advances		183,472,377		152,528,817	
		766,436,800		670,405,040	
<b>Less: Current Liabilities and Provisions</b>	G				
Liabilities		324,008,602		227,765,681	
Provisions		155,655,274		332,146,128	
		479,663,876		559,911,809	
<b>Net Current Assets</b>			<b>286,772,924</b>		<b>110,493,231</b>
<b>TOTAL</b>			<b>510,248,714</b>		<b>465,949,088</b>
<b>Contigent Liabilities</b>	H				
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	M				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	N				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**MILIND P. PHADKE**

Partner

Membership No. 033013

**S. KUMAR**

Chief Executive

**SUBHODH SHETTY**

Company Secretary

**J. P. NAYAK**

Director

**S. RAGHAVAN**

Director

Place: Mumbai

Date : April 15, 2011

Place: Mumbai

Date : April 15, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011		2009-2010	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales (Gross)		1,892,610,638		1,425,303,015	
Less: Excise duty		100,984,974		64,387,018	
Sales (Net)			1,791,625,664		1,360,915,997
Servicing			30,482,955		36,179,133
Other Income	I		34,570,774		33,009,648
<b>TOTAL</b>			<b>1,856,679,393</b>		<b>1,430,104,778</b>
<b>EXPENDITURE</b>					
Materials, Manufacturing and Operating Expenses	J		1,232,399,798		887,776,090
Staff Expenses	K		112,416,053		89,902,916
Sales, Administration and Other Expenses	L		90,024,462		79,881,802
Interest			1,166,824		1,365,546
Depreciation,Obsolescence and Amortisation			15,391,868		14,800,133
<b>TOTAL</b>			<b>1,451,399,005</b>		<b>1,073,726,487</b>
<b>Profit before taxes</b>			<b>405,280,388</b>		<b>356,378,291</b>
Provision for taxation					
Current tax		133,400,000		123,000,000	
Wealth tax		230,000		220,000	
Deferred tax (Refer Note 16 of Shedule N)		(1,191,706)		(2,548,686)	
(Excess) / Short provisions of earlier years (net)		58,365		(5,656,861)	
			<b>132,496,659</b>		<b>115,014,453</b>
<b>Profit after taxes</b>			<b>272,783,729</b>		<b>241,363,838</b>
Balance brought forward from previous year			51,594,424		22,834,886
<b>Profit available for appropriation</b>			<b>324,378,153</b>		<b>264,198,724</b>
Appropriations:					
Interim dividend		194,918,400		-	
Tax on interim dividend		32,373,997		-	
Proposed dividend - Final		-		161,740,800	
Tax on Proposed dividend - Final		-		26,863,500	
			<b>227,292,397</b>		<b>188,604,300</b>
Transferred to General Reserve			28,000,000		24,000,000
<b>Balance carried to Balance Sheet</b>			<b>69,085,756</b>		<b>51,594,424</b>
<b>Earnings Per Share - (Basic and Diluted)</b>			<b>328.88</b>		<b>291.00</b>
<b>Nominal value of shares (Rs.)</b> (Refer Note 13 of Schdule N)			<b>100.00</b>		<b>100.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	M				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	N				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013

**S. KUMAR**  
Chief Executive

**SUBHODH SHETTY**  
Company Secretary

**J. P. NAYAK**  
Director

**S. RAGHAVAN**  
Director

Place: Mumbai  
Date : April 15, 2011

Place: Mumbai  
Date : April 15, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A Cash Flow from operating activities</b>		
<b>Net profit before tax</b>	<b>405,280,388</b>	356,378,291
Depreciation, obsolescence and amortisation	15,391,868	14,800,133
Interest	(167,922)	(2,421,927)
Income from investments	(7,551,235)	(2,679,052)
Provisions for compensated absences/leave encashment	550,472	2,320,382
Provisions for post retirement medical benefit	(1,429,886)	(1,268,834)
Provisions for long service awards	74,736	205,693
Interest paid	1,166,824	1,365,546
Profit / loss on sale of fixed assets (net)	216,899	(60,169)
<b>Operating profit before working capital changes</b>	<b>413,532,144</b>	368,640,063
(Increase) / decrease in trade and other receivables	(54,895,584)	(86,691,202)
(Increase) / decrease in inventories	(30,066,888)	36,873,029
Increase / (decrease) in trade payables	93,318,451	95,824,620
<b>Cash generated from operations</b>	<b>421,888,123</b>	414,646,510
Direct taxes paid	(135,700,000)	(122,122,595)
<b>Net cash from operating activities</b>	<b>286,188,123</b>	292,523,915
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(12,642,558)	(4,793,245)
Sale of fixed assets	824,592	95,060
Purchase of investments	(351,810,734)	(217,680,855)
Sale of Investments	480,000,000	51,785,431
Interest	167,922	2,421,927
Income from investments	7,551,235	2,679,052
<b>Net cash (used in) / from investing activities</b>	<b>124,090,457</b>	(165,492,630)
<b>C. Cash flow from financing activities</b>		
Dividend paid	(356,659,200)	(91,238,400)
Tax paid on dividend	(43,394,903)	(15,506,000)
Interest paid	(1,166,824)	(1,365,546)
<b>Net cash (used in) / from financing activities</b>	<b>(401,220,927)</b>	(108,109,946)
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>9,057,653</b>	18,921,339
<b>Cash and cash equivalents at the beginning of the year</b>	<b>31,589,446</b>	12,668,107
<b>Cash and cash equivalents at the end of the year</b>	<b>40,647,099</b>	31,589,446

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statement.
- Purchase of fixed assets includes movement of Capital work-in-progress during the year.
- Cash and cash equivalents at the end of the year represent cash and bank balances.

As per our report attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**MILIND P. PHADKE**

Partner

Membership No. 033013

**S. KUMAR**

Chief Executive

**SUBHODH SHETTY**

Company Secretary

**J. P. NAYAK**

Director

**S. RAGHAVAN**

Director

Place: Mumbai

Date : April 15, 2011

Place: Mumbai

Date : April 15, 2011



**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE A</b>				
<b>SHARE CAPITAL</b>				
Authorised:				
15,00,000 Equity Shares of Rs. 100 each		<u>150,000,000</u>		<u>150,000,000</u>
Issued and Subscribed:				
8,29,440 Equity Shares of Rs. 100 each fully paid-up		<u>82,944,000</u>		<u>82,944,000</u>
Of the above, 7,75,240 Equity shares were issued as fully paid bonus shares by way of capitalisation of general reserve and securities premium account				
All the Equity Shares are held by Larsen & Toubro Limited, the holding company and its nominees with effect from December 14, 2010				
<b>TOTAL</b>		<u><b>82,944,000</b></u>		<u><b>82,944,000</b></u>
<b>SCHEDULE B</b>				
<b>RESERVES AND SURPLUS</b>				
General Reserve				
As per last balance sheet		<u>242,322,213</u>		<u>218,322,213</u>
Add: Transferred from profit and loss account		<u>28,000,000</u>		<u>24,000,000</u>
		<b>270,322,213</b>		<b>242,322,213</b>
Capital Redemption Reserve		<u>64,512,000</u>		<u>64,512,000</u>
Profit and Loss Account		<u>69,085,756</u>		<u>51,594,424</u>
<b>TOTAL</b>		<u><b>403,919,969</b></u>		<u><b>358,428,637</b></u>
<b>SCHEDULE C</b>				
<b>SECURED LOAN</b>				
From Banks				
Secured by hypothecation of stocks and book debts		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u><b>-</b></u>		<u><b>-</b></u>
<b>SCHEDULE D</b>				
<b>FIXED ASSETS</b>				

PARTICULARS	COST / VALUATION				DEPRECIATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Up to 31.03.2010	For the year	Deductions	Upto 31.03.2011	As at 31.3.2011	As at 31.3.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>										
Buildings	72,643,765	-	-	72,643,765	37,675,468	1,735,468	-	39,410,936	33,232,829	34,968,297
Plant and machinery	210,677,056	7,330,991	3,048,840	214,959,207	103,621,176	10,075,136	2,509,670	111,186,642	103,772,565	107,055,880
Furniture and fixtures	18,925,750	625,141	8,750	19,542,141	14,530,425	893,265	-	15,423,690	4,118,451	4,395,325
Equipments	49,964,431	254,856	1,677,990	48,541,297	40,169,907	2,300,848	1,677,990	40,792,765	7,748,532	9,794,524
Vehicles	2,122,691	3,132,741	615,361	4,640,071	192,993	376,859	121,790	448,062	4,192,009	1,929,698
<b>Sub-total</b>	<b>354,333,693</b>	<b>11,343,729</b>	<b>5,350,941</b>	<b>360,326,481</b>	<b>196,189,969</b>	<b>15,381,576</b>	<b>4,309,450</b>	<b>207,262,095</b>	<b>153,064,386</b>	<b>158,143,724</b>
<b>Intangible Assets</b>										
Leasehold land	1,029,113	-	-	1,029,113	283,022	10,292	-	293,314	735,799	746,091
<b>Sub-total</b>	<b>1,029,113</b>	<b>-</b>	<b>-</b>	<b>1,029,113</b>	<b>283,022</b>	<b>10,292</b>	<b>-</b>	<b>293,314</b>	<b>735,799</b>	<b>746,091</b>
<b>Total</b>	<b>355,362,806</b>	<b>11,343,729</b>	<b>5,350,941</b>	<b>361,355,594</b>	<b>196,472,991</b>	<b>15,391,868</b>	<b>4,309,450</b>	<b>207,555,409</b>	<b>153,800,185</b>	<b>158,889,815</b>
Capital work-in-progress (including advances of Rs. 1,103,847; Previous year Rs. Nil)									1,555,437	256,608
<b>Grand Total</b>	<b>355,362,806</b>	<b>11,343,729</b>	<b>5,350,941</b>	<b>361,355,594</b>	<b>196,472,991</b>	<b>15,391,868</b>	<b>4,309,450</b>	<b>207,555,409</b>	<b>155,355,622</b>	
Previous year	357,244,999	6,034,814	7,917,007	355,362,806	189,554,974	14,800,133	7,882,116	196,472,991	-	159,146,423

Note: Cost of buildings includes the cost of ownership accommodation - in co-operative housing societies Rs. 18,571,946 (including cost of 5 shares of Rs. 100 each/10 shares of Rs. 50 each)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE E</b>				
<b>INVESTMENTS (AT COST)</b>				
<b>Current investments</b>				
Mutual Funds:				
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale-Daily Dividend, Option:Reinvest 6,790,626 Units of Rs.10.0315 each; (Previous year 19,569,300 Units of Rs.10.0315 each) (29,407,368 Units purchased during the year) (678,934 Units received as dividend) (42,864,976 Units sold during the year ) (4,984,299 Units transferred from HDFC Liquid Fund-Divided-Daily Reinvest, Option : Reinvest, during the year )		68,120,168		196,309,434
<b>TOTAL</b>		<u>68,120,168</u>		<u>196,309,434</u>
Note:				
Quoted investments				
Book Value		-		-
Market Value		-		-
Unquoted investments				
Book Value		-		-
Details of investments purchased and sold during the year				
Mutual Funds:				
HDFC FMP 100D August 2010 (2) Dividend - Series XIV (5,000,000 Units purchased during the year) (5,000,000 Units transferred to HDFC Cash Management Fund-Treasury Advantage Plan - Wholesale-Daily Dividend, Option: Reinvest, during the year)				
<b>SCHEDULE F</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Inventories</b> (at lower of cost or net realisable value)				
Consumables, stores and spare parts	3,097,388		3,489,153	
Raw materials (including in transit Rs. 4,028,905; <i>Previous year Rs. 3,814,105</i> )	68,136,621		73,304,715	
Work-in-progress	39,134,238		39,326,853	
Finished goods	143,725,687		107,906,325	
		<u>254,093,934</u>		224,027,046
<b>Sundry Debtors</b> - unsecured, considered good				
Outstanding for more than six months	22,700,097		4,487,455	
Other debts	265,523,293		257,772,276	
		<u>288,223,390</u>		262,259,731
<b>Cash and Bank Balances</b>				
Cash on hand	190,550		220,847	
Balances with Scheduled Banks in current accounts	40,456,549		31,368,599	
		<u>40,647,099</u>		31,589,446
<b>Loans and Advances</b> - unsecured, considered good				
Advances recoverable in cash or in kind or for value to be received	175,969,900		145,560,738	
Balances with central excise	7,502,477		6,968,079	
		<u>183,472,377</u>		152,528,817
<b>TOTAL</b>		<u>766,436,800</u>		<u>670,405,040</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2011		31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to micro and small enterprises	473,863		729,895	
Due to other than micro and small enterprises	263,530,537		193,446,915	
Advances from customers	21,670,160		9,708,390	
Other liabilities	38,334,042		23,880,481	
		<b>324,008,602</b>		<b>227,765,681</b>
<b>Provisions</b>				
Current taxes	133,630,000		123,220,000	
Proposed dividend	–		161,740,800	
Tax on proposed dividend	–		26,863,500	
Post retirement medical benefits	5,995,638		7,425,524	
Long service awards	1,115,071		1,040,335	
Compensated absences / Leave encashment	9,906,441		9,355,969	
Other provisions	5,008,124		2,500,000	
(Refer Note 18a of Shedule N)		<b>155,655,274</b>		<b>332,146,128</b>
<b>TOTAL</b>		<b>479,663,876</b>		<b>559,911,809</b>
<b>SCHEDULE H</b>				
<b>CONTINGENT LIABILITIES</b>				
Sales tax liability that may arise in respect of matters in appeals		17,581,103		8,378,304
<b>TOTAL</b>		<b>17,581,103</b>		<b>8,378,304</b>

Notes:

1. It is not practicable to estimate the timing of cash outflows, if any, in respect of above matter pending appellate proceedings.
2. The Company does not expect any re-imbursements in respect of above contingent liabilities.

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE I</b>				
<b>OTHER INCOME</b>				
Commission (Tax deducted at source Rs. Nil)		22,699,076		23,561,433
Rent (Tax deducted at source Rs. 753,424; Previous year Rs. 753,424)		3,014,400		3,014,400
Interest (Tax deducted at source Rs. 15,207; Previous year Rs. 346,468)		167,922		2,421,927
Income from current investments		7,551,235		2,679,052
Profit on sale of fixed assets (net)		–		60,169
Miscellaneous income		1,138,141		1,272,667
<b>TOTAL</b>		<b>34,570,774</b>		<b>33,009,648</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>MATERIALS, MANUFACTURING AND OPERATING EXPENSES</b>				
Raw materials consumed				
Opening Stock	76,793,868		95,319,954	
Add: Purchases	487,643,505		391,074,957	
Less: Scrap sales	5,923,533		2,182,407	
	<u>558,513,840</u>		<u>484,212,504</u>	
Less: Closing Stock	71,234,009		76,793,868	
	<u>487,279,831</u>		<u>407,418,636</u>	
Purchases of trading goods	730,614,086		426,626,972	
		<u>1,217,893,917</u>		<u>834,045,608</u>
Increase / (Decrease) in stocks				
Closing Stock				
Finished goods	143,725,687		107,906,325	
Work-in-progress	39,134,238		39,326,853	
	<u>182,859,925</u>		<u>147,233,178</u>	
Less: Opening Stock				
Finished goods	107,906,325		116,096,037	
Work-in-progress	39,326,853		49,484,084	
	<u>147,233,178</u>		<u>165,580,121</u>	
Net increase / (decrease) in stocks		<u>35,626,747</u>		<u>(18,346,943)</u>
Excise duty on finished goods (net)		<u>1,182,267,170</u>		<u>852,392,551</u>
		<u>9,107,030</u>		<u>(5,464,146)</u>
		<u>1,191,374,200</u>		<u>846,928,405</u>
Stores and spares consumed		<u>14,503,449</u>		<u>16,862,576</u>
Power and fuel		<u>16,136,651</u>		<u>15,361,710</u>
Royalty		<u>2,845,050</u>		<u>-</u>
Repairs to :				
Building	1,973,055		1,237,723	
Plant and machinery	5,567,393		7,385,676	
	<u>7,540,448</u>		<u>8,623,399</u>	
<b>TOTAL</b>		<u><u>1,232,399,798</u></u>		<u><u>887,776,090</u></u>
<b>SCHEDULE K</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		<u>90,796,019</u>		<u>71,474,817</u>
Contribution to / Provisions for				
Provident funds and Pension scheme	2,501,223		2,471,355	
Superannuation fund	1,705,493		1,080,961	
Gratuity fund	2,183,992		937,716	
Compensated absences / Leave encashment	550,472		2,320,382	
		<u>6,941,180</u>		<u>6,810,414</u>
Staff and workmen welfare expenses		<u>14,678,854</u>		<u>11,617,685</u>
<b>TOTAL</b>		<u><u>112,416,053</u></u>		<u><u>89,902,916</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11 Rupees	2009-10 Rupees
<b>SCHEDULE L</b>		
<b>Sales, Administration and Other Expenses</b>		
Rent (including Lease rentals Rs. 47,552; Previous year Rs. 138,423)	486,300	874,004
Rates and taxes	1,029,203	1,996,044
Insurance	386,518	436,013
Repairs and maintenance - others	3,868,778	3,584,038
Travelling and conveyance	18,677,690	16,630,348
Postage, telephone and courier	4,142,899	4,558,731
Printing and stationery	796,716	845,551
Legal and professional charges	8,503,445	3,945,697
Auditors remuneration	709,341	560,610
Analysis and testing expenses	1,265,462	1,764,729
Software expenses	2,179,536	1,576,778
Security service charges	3,953,672	3,717,121
Bank charges	2,694,980	2,056,620
Loss on sale of fixed assets (net)	216,899	-
Miscellaneous expenses	20,089,040	17,019,300
Selling agency commission	7,519,516	14,254,530
After sales services including warranties	9,642,600	40,580
Advertising and publicity	1,186,971	3,320,892
Packing and forwarding	2,648,896	2,660,216
Directors' fees	26,000	40,000
<b>TOTAL</b>	<b>90,024,462</b>	<b>79,881,802</b>

**SCHEDULE M****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the previous year are regrouped accordingly.

**2. Revenue Recognition**

Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

- a. Sales include excise duty and adjustments made towards discount, if any, given to customers.
- b. Revenue from the sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.
- c. Revenue from service related activities is recognised on the completion of job work.
- d. Commission income is recognised as and when the terms of contract are fulfilled.
- e. Interest income is accrued at applicable interest rate.
- f. Other items of income are accounted as and when the right to receive arises.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **3. Research and Development Expenditure**

- a. Revenue expenditure on research and development is accounted under respective heads of account in the year in which it is incurred.
- b. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

### **4. Employee Benefits**

- a. Short-term employee benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits, such as, salaries, wages, short-term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

- b. Post employment benefits

- i. Defined Contribution Plans: The Company's superannuation scheme, provident fund scheme, employees' state insurance scheme and employees' pension scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service.

- ii. Defined Benefit Plans: The employees' gratuity fund schemes and post retirement medical benefit plan are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yield on Government securities as at the Balance Sheet date, having maturity periods equivalent to the weighted average maturity profile of related obligations.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on net basis.

Gains and losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested.

- c. Long-term employee benefits

The obligation for long-term employee benefits, such as, long-term compensated absences, long service awards, etc. is recognised in the same manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

- d. Termination benefits

Termination benefits are recognised as expenses.

### **5. Fixed Assets**

- a. Fixed assets are stated at original cost (net of duty credits availed, if any) less accumulated depreciation, accumulated amortisation and cumulative impairment.
- b. Fixed assets are capitalised at acquisition cost (net of duty credits availed, if any), including directly attributable costs, such as freight, insurance and specific installation charges for bringing the assets to working condition for use.
- c. Expenditure relating to existing fixed assets is added to the cost of the assets, where it increases the performance / life of the asset as assessed earlier.
- d. Fixed assets are eliminated from financial statements either on disposal or when retired from active use.

### **6. Leases**

- a. Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- b. Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

### **7. Depreciation**

- a. Depreciation on assets is provided on written down value method on assets added upto September 30, 1986 and on straight-line method on assets added after that date, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- b. Depreciation on additions / deductions is calculated pro-rata from / to the month of additions / deductions.
- c. Assets acquired under finance lease are depreciated on straight-line method over the period of lease.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **8. Intangible assets and Amortisation**

- a. Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are amortised as follows:
  - i. Leasehold land: Over the period of lease.
  - ii. Specialised software: Over a period of three years.
- b. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of cost of the intangible assets.
- c. Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining period, so as to allocate the asset's revised carrying amount over its remaining useful life.

### **9. Impairment of assets**

- a. As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:
  - i. the provision for impairment loss, if any; and
  - ii. the reversal of impairment loss recognised in previous periods, if any.
- b. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
- c. Recoverable amount is determined:
  - i. in the case of an individual asset, at the higher of net selling price and the value in use; and
  - ii. in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of cash generating unit's net selling price and value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

### **10. Investments**

- a. Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary nature.
- b. Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification.

### **11. Inventories**

Inventories are valued after providing for obsolescence, as under:

- a. Raw materials, stores, spare parts and loose tools, at lower of weighted average cost or net realisable value.
- b. Work-in-progress and finished goods, at lower of weighted average cost or net realisable value.
- c. Costs include directly related to production cost and systematic allocation of fixed and variable production overheads.
- d. Finished goods are inclusive of excise duty paid / payable on such goods.

### **12. Borrowing Costs**

- a. Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.
- b. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **13. Foreign Currency Transactions**

- a. The reporting currency of the Company is the Indian Rupee.
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Exchange differences that arise on settlement of monetary items are recognised as income or expense in the period in which they arise. Non monetary items which are carried at historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction.
- c. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 'The Effects of Changes in the Foreign Exchange Rates'. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid / received is accounted as expense / income over the period of contract.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognised as income / expense of the period in line with the movement in the underlying exposures.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- d. Derivative contracts, including forward contracts, entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions are recognised in the Profit and Loss Account or Balance Sheet, as the case may be, in pursuance of the announcement of the Institute of Chartered Accountants of India dated March 29, 2008 on accounting of derivatives. The gains or losses are recognised in the Balance Sheet where the hedge is effective, while the same is recognised in the Profit and Loss Account where the hedge is ineffective. The premium paid / received on a foreign currency forward contract is accounted as expense / income over the period of the contract.

**14. Taxes on income**

- a. Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments / appeals.
- b. Deferred tax is recognised on timing differences between the income accounted in financial statements and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
- c. Deferred tax assets relating to unabsorbed depreciation / business losses / losses under the head 'capital gains' are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- d. Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**15. Provisions, Contingent liabilities and Contingent assets**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of a past event,
- b. the probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

Reimbursement by another party, expected in respect of expenditure required to settle a provision, is recognised when it is virtually certain that reimbursement will be received if, obligation is settled

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- b. a present obligation arising from past events when no reliable estimate is possible; and
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised, nor disclosed.

Provisions, Contingent liabilities and Contingent assets are reviewed at each Balance Sheet date.

**SCHEDULE N****Notes on the Financial Statements**

1. Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 320,737,363; (*Previous year Rs. Nil*).
2. Auditors' remuneration and expenses (exclusive of service tax and education cess) charged to accounts:

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
Audit fees	<b>300,000</b>	<i>300,000</i>
Tax audit fees	<b>67,500</b>	<i>67,500</i>
Certification fees	<b>193,250</b>	<i>15,250</i>
Other services	<b>129,000</b>	<i>124,000</i>
Expenses reimbursed	<b>19,591</b>	<i>53,860</i>
<b>TOTAL</b>	<b>709,341</b>	<i>560,610</i>

3. The Manager's salary and perquisites charged to accounts

Salaries	<b>2,904,620</b>	<i>2,440,863</i>
Perquisites	<b>2,190,772</b>	<i>1,768,225</i>
Retirement benefits	<b>236,034</b>	<i>205,740</i>
<b>TOTAL</b>	<b>5,331,426</b>	<i>4,414,828</i>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

4. The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) as at March 31, 2011. The disclosure pursuant to the said Act is as under:

Principal amount due to suppliers under the Act, 2006	<b>469,554</b>	649,519
Interest accrued and due to suppliers under the Act, on the above matters	–	42
Payment made to the suppliers (other than interest) beyond the appointed day, during the year	<b>1,971,423</b>	5,628,846
Interest paid to suppliers under the Act, (other than Section 16)	–	–
Interest paid to suppliers under the Act, (Section 16)	<b>13,964</b>	–
Interest due and payable to suppliers under the Act, for payment already made	<b>4,309</b>	80,334
Interest accrued and remaining unpaid at the end of the year to suppliers under the Act.	<b>4,309</b>	80,376

Note: The information has been given in respect of such vendors to the extent they could be identified as 'Micro and Small Enterprises' on the basis of the information available with the Company. This has been relied upon by the auditors.

5. The Company has a Selling Agency Agreement with Larsen & Toubro Limited (L&T). The Agreement will remain valid until either party gives 12 months' prior written notice to the other for termination. As per the terms of the agreement, L&T is the selling agent authorized to purchase and sell the products in accordance with the prices and other conditions stipulated in the agreement.
6. Additional information required to be disclosed pursuant to Schedule VI to the Companies Act, 1956.
- a. Details of Licensed capacity, installed capacity and actual production:

Class of goods	Unit	Installed Capacity*	Actual Production
Special Welding Electrodes and Gas Welding Rods	Tonnes	<b>600</b> (600)	<b>741</b> (684)
Welding Fluxes – Powai	Tonnes	<b>15</b> (15)	<b>31</b> (17)
Welding Torches and Accessories	Nos.	<b>300</b> (300)	<b>101</b> (128)
Atomized Metal Powder Alloys	Tonnes	<b>68</b> (68)	<b>5</b> (6)
Flux-cored continuous Electrodes	Tonnes	<b>360</b> (360)	<b>306</b> (244)
Cold repair Compounds	Tonnes	<b>30</b> (30)	<b>3</b> (6)
Wear Plates/ Parts	Sq. metres	<b>7500</b> (7500)	<b>6545</b> (4715)
Manual Metal Arc Welding Electrodes and Gas Rods	Tonnes	<b>240</b> (240)	<b>345</b> (370)

Figures in brackets relate to previous year.

Licensed capacity per annum not indicated due to the abolition of Industrial Licenses as per Notification No. 477 (E) dated 25th July, 1991 issued under the Industries (Development and Regulation) Act, 1951.

\*As Certified by the Management and accepted by the Auditors.

- b. Sales (net of excise duty):

Class of goods	Unit	2010-11		2009-10	
		Qty	Rupees	Qty	Rupees
Special Welding Electrodes and Gas Welding Rods	Tonnes	<b>733</b>	<b>591,232,318</b>	697	519,827,434
Welding Fluxes – Powai	Tonnes	<b>30</b>	<b>9,857,156</b>	18	9,018,552
Welding Torches and Accessories	Nos.	<b>100</b>	<b>2,985,472</b>	127	3,935,243
Atomized Metal Powder Alloys	Tonnes	<b>5</b>	<b>13,580,122</b>	7	16,142,569
Flux-cored continuous Electrodes*	Tonnes	<b>76</b>	<b>25,272,730</b>	61	20,279,800
Electrode Feeders			<b>1,387,347</b>		2,180,493
Cold repair Compounds	Tonnes	<b>3</b>	<b>6,137,876</b>	6	5,194,650
Wear Plates / Parts	Sq. Metres	<b>6689</b>	<b>108,770,556</b>	5066	101,723,884
Manual Metal Arc Welding Electrodes	Tonnes	<b>273</b>	<b>94,872,283</b>	354	119,892,503
Gas Brazing Rods	Tonnes	<b>24</b>	<b>18,900,121</b>	20	18,432,176
Welding Equipment and accessories			<b>213,083,540</b>		192,280,909
Cutting Equipment and accessories			<b>677,821,156</b>		330,851,832
Others			<b>27,724,987</b>		21,155,952
<b>Total</b>			<b>1,791,625,664</b>		1,360,915,997

{\*excludes 232 Tonnes; (Previous year 185 Tonnes) for captive use}

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## c. Details of opening and closing stock of goods:

Class of goods	Unit	31.03.2011		31.03.2010		31.03.2009	
		Qty	Rupees	Qty	Rupees	Qty	Rupees
Special Welding Electrodes and Gas Welding Rods	Tonnes	56	28,220,700	48	22,415,067	61	26,313,763
Welding Fluxes – Powai	Tonnes	2	973,190	1	472,962	2	1,065,072
Welding Torches and accessories	Nos	13	53,369	12	20,246	11	30,741
Atomised Metal Powder Alloys	Tonnes	1	1,596,075	1	1,153,653	2	1,338,539
Flux-cored continuous Electrodes	Tonnes	5	1,205,190	7	1,665,292	9	5,413,463
Electrode Feeders			923,720		2,792,870		3,576,516
Cold repair Compounds	Tonnes		179,286	-	178,219	-	426,442
Wear Plates/ Parts	Sq. metres	613	1,861,432	757	2,593,949	1108	2,753,740
Manual Metal Arc Welding Electrodes	Tonnes	75	19,076,694	28	6,147,019	27	7,724,357
Gas Brazing Rods	Tonnes	2	1,882,387	1	664,758	6	2,078,655
Welding Fluxes – Ankleshwar	Tonnes		26		1,741		1,964
Welding Equipment and accessories for Trading			87,753,618		69,800,549		65,372,785
<b>Total</b>			<b>143,725,687</b>		<b>107,906,325</b>		<b>116,096,037</b>

## d. Purchase of trading goods:

Particulars	2010-11		2009-10	
	Qty*	Rupees	Qty*	Rupees
Welding, Cutting Equipments and accessories		730,614,086		426,626,972

\*It is not practicable to disclose quantitative details in respect of trading items, in view of range of welding, cutting equipments and accessories involved.

## e. Consumption of Raw materials:

Particulars	Unit	2010-11		2009-10	
		Qty	Rupees	Qty	Rupees
Metals, Wires, Strips, Plates	Tonnes	1662	264,092,675	1934	212,564,684
Chemicals	Tonnes	688	129,163,155	591	111,275,909
Others			94,024,001		83,578,043
<b>TOTAL</b>			<b>487,279,831</b>		<b>407,418,636</b>

## f. Value of all imported and indigenous raw materials and spare parts consumed and the percentage of each to total consumption:

Raw materials	2010-11		2009-10	
	Rupees	%	Rupees	%
Imported	30,000,551	6	36,302,180	9
Indigenous	457,279,280	94	371,116,456	91
<b>TOTAL</b>	<b>487,279,831</b>	<b>100</b>	<b>407,418,636</b>	<b>100</b>

Spare parts	2010-11		2009-10	
	Rupees	%	Rupees	%
Imported	658,308	5	-	-
Indigenous	13,845,141	95	16,862,576	100
<b>TOTAL</b>	<b>14,503,449</b>	<b>100</b>	<b>16,862,576</b>	<b>100</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## g. Value of imports (on CIF basis):

<b>Spares parts</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>Rupees</b>	<b>Rupees</b>
Raw materials	<b>27,361,574</b>	26,739,844
Spare parts	<b>658,308</b>	–
Capital goods	<b>1,481,362</b>	152,888
Trading goods	<b>443,843,495</b>	306,914,458
<b>TOTAL</b>	<b>473,344,739</b>	333,807,190

## h. Expenditure in foreign currency:

	<b>2010-11</b>	<b>2009-10</b>
	<b>Rupees</b>	<b>Rupees</b>
Other matters – traveling, etc	<b>362,170</b>	319,213

## i. Amount remitted in foreign currency on account of dividend to two non-resident shareholders

	<b>2010-11</b>	<b>2009-10</b>
	<b>Rupees</b>	<b>Rupees</b>
Final in respect of 414,720 Equity shares for the year ended March 31, 2010	<b>80,870,400</b>	–
First Interim in respect of 414,720 Equity shares for the year ended March 31, 2011	<b>49,766,400</b>	–
Final in respect of 414,720 Equity shares for the year ended March 31, 2009	–	45,619,200

## j. Earnings in foreign exchange

	<b>2010-11</b>	<b>2009-10</b>
	<b>Rupees</b>	<b>Rupees</b>
Export of goods (on FOB basis)	<b>40,787,385</b>	35,045,079
Commission	<b>22,699,076</b>	23,561,433

## 7. Expenditure on Research and Development activities (as certified by the Management).

	<b>2010-11</b>	<b>2009-10</b>
	<b>Rupees</b>	<b>Rupees</b>
Revenue expenditure	<b>15,577,138</b>	11,387,473
Capital expenditure	<b>2,971,165</b>	234,235

8. An amount of Rs. 5,738,743 (net gain) [Previous year Rs. 2,089,313 (net gain)] has been accounted under respective revenue heads in the Profit and Loss Account towards exchange differences arising on foreign currency transactions and forward contracts covered under Accounting Standard (AS) 11 'The Effects of changes in Foreign Exchange Rates'.

## 9. Disclosures as required by Accounting Standard (AS) 15 Employee Benefits:

## a. Defined Contribution Plans:

Amount of Rs. 4,397,950 (Previous year Rs. 3,665,740) is recognised as an expense and included in Staff Expenses (Refer Schedule K) in the Profit and Loss Account.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## b. Defined Benefit Plans:

The amounts recognised in Balance Sheet are as follows:

Particulars		Gratuity Plan	Post Retirement Medical Benefit Plan
		31.03.2011 Rupees	31.03.2011 Rupees
<b>A.</b>	<b>Amount to be recognized in Balance Sheet</b>		
	present value of Defined benefit obligation		
	Wholly funded	<b>11,552,629</b>	-
		(13,711,312)	(-)
	Wholly unfunded	-	<b>5,995,638</b>
		(-)	(7,425,524)
	Less: Fair value of plan assets	<b>-11,820,381</b>	-
		(15,599,329)	(-)
	Unrecognised past service costs	-	-
		(-)	(-)
	Amount not recognised as an asset	-	-
		(105,460)	(-)
	Amount to be recognised as liability or (asset)	<b>-267,752</b>	<b>5,995,638</b>
		(-1,782,557)	(7,425,524)
<b>B.</b>	<b>Amounts reflected in Balance Sheet</b>		
	Liability	-	<b>5,995,638</b>
		(-)	(7,425,524)
	Assets	<b>267,752</b>	-
		(1,782,557)	(-)
	Net liability / (asset)	<b>-267,752</b>	<b>5,995,638</b>
		(-1,782,557)	(7,425,524)

Figures in brackets relate to previous year.

The amounts recognised in Profit and Loss Account are as follows:

	Particulars	Gratuity Plan 2010-11	Post Retirement Medical Benefit Plan 2010-11
		Rupees	Rupees
1	Current service cost	<b>844,108</b>	<b>268,528</b>
		(863,513)	(394,397)
2	Interest on defined benefit obligation	<b>1,086,382</b>	<b>611,942</b>
		(843,024)	(595,842)
3	Expected return on plan assets	<b>-1,140,913</b>	-
		(-1,076,574)	(-)
4	Net actuarial losses / (gains)	<b>1,499,875</b>	<b>1,046,248</b>
		(502,445)	(-1,756,223)
5	Past service cost	-	-
		(-)	(-)
6	Effect of any curtailment or settlements	-	-
		(-)	(-)
7	Actuarial gain not recognised in books	-	-
		(-)	(-)
8	Effect of amount not recognised as an asset	<b>-105,460</b>	-
		(-194,692)	(-)
	Total included in staff expenses	<b>2,183,992</b>	<b>1,926,718</b>
		(937,716)	(-765,984)
	Actual return on plan assets	<b>1,114,241</b>	-
		(1,288,939)	(-)

Figures in brackets relate to previous year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- c. The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

Particulars	Gratuity Plan 31.03.2011	Post Retirement Medical Benefit Plan 31.03.2011
	Rupees	Rupees
Balance of the present value of defined benefit obligation as at 1.04.2010	<b>13,711,312</b> (13,279,716)	<b>7,425,524</b> (8,694,358)
Add: Current service cost	<b>844,108</b> (863,513)	<b>268,528</b> (394,397)
Add: Interest cost	<b>1,086,382</b> (843,024)	<b>611,942</b> (595,842)
Add / (less): Actuarial losses / (gains)	<b>1,473,203</b> (714,810)	<b>1,046,248</b> (-1,756,223)
Add: Past service cost	- (-)	- (-)
Add / (less): Actuarial losses / (gains) due to curtailment	- (-)	- (-)
Add: Liabilities extinguished on settlements	- (-)	- (-)
Add: Liabilities assumed on acquisition / (settled on divestiture)	<b>-4,509,762</b> (-)	<b>-1,827,770</b> (-)
Add: Exchange difference on foreign plans	- (-)	- (-)
Less: Benefits paid	<b>-1,052,614</b> (1,989,751)	<b>-1,528,834</b> (502,850)
Defined Benefit Obligation as at 31.03.2011	<b>11,552,629</b> (13,711,312)	<b>5,995,638</b> (7,425,524)

Figures in brackets relate to previous year.

- d. Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Particulars	Gratuity Plan 31.03.2011	Post Retirement Medical Benefit Plan 31.03.2011
	Rupees	Rupees
Opening balance of the fair value of the plan assets as at 1.04.2010	<b>15,599,329</b> (16,100,141)	- (-)
Add: Expected return on plan assets	<b>1,140,913</b> (1,076,574)	- (-)
Add / (less): Actuarial gains / (losses)	<b>-26,672</b> (212,365)	- (-)
Add: Assets distributed on settlements	- (-)	- (-)
Add: Contributions by employer	<b>669,187</b> (200,000)	<b>-1,528,834</b> (502,850)
Add: Assets acquired on acquisition / (distributed on divestiture)	<b>-4,509,762</b> (-)	- (-)
Add: Exchange difference on foreign plans	- (-)	- (-)
Less: Benefits paid	<b>-1,052,614</b> (1,989,751)	<b>1,528,834</b> (502,850)
Closing balance of the plan assets as at 31.03.2011	<b>11,820,381</b> (15,599,329)	- (-)

Figures in brackets relate to previous year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- e. The broad categories of plan assets as a percentage of total plan assets as at 31.03.2011, are as follows:

	Particulars	Gratuity Plan	Post Retirement Medical Benefit Plan
		31.03.2011	31.03.2011
1	Government of India Securities	<b>29%</b> (40%)	<b>0%</b> (0%)
2	Corporate Bonds	<b>14%</b> (35%)	<b>0%</b> (0%)
3	Special Deposit Scheme	<b>15%</b> (16%)	<b>0%</b> (0%)
4	Equity Shares of listed companies	<b>1%</b> (1%)	<b>0%</b> (0%)
5	Property	<b>0%</b> (0%)	<b>0%</b> (0%)
6	Insurer managed funds	<b>0%</b> (0%)	<b>0%</b> (0%)
7	Others	<b>40%</b> (8%)	<b>0%</b> (0%)

Figures in brackets relate to previous year.

Basis used to determine the overall expected return:

The Investments of Provident Fund and Gratuity Fund are managed by separate Trusts. Expected rate of return on investment is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on suitable mark-up over the benchmark Government securities of similar maturities.

- f. Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):
1. Discount rate as at 31.03.2011 8.05%
  2. Expected return on plan assets as at 31.03.2011 7.50%
  3. Annual increase in healthcare costs (see note below)
  4. Salary growth rate:
    - a) Gratuity scheme 6.00%
- g. Attrition rate:
- a. For post-retirement medical benefits and Company's pension scheme, the attrition rate varies from 2% to 8% for various age groups.
  - b. For gratuity scheme, the attrition rate varies from 1% to 7% for various age groups.
- h. The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- i. The obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a.
- j. A one percentage point change in assumed healthcare cost trend rates from the central rate assumed in this valuation would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation:

Particulars	Effect of	
	1% increase Rupees	1% decrease Rupees
Effect on the aggregate of the service cost and interest cost	61,155	(53,241)
Effect on defined benefit obligation	204,246	(242,631)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

The amounts pertaining to defined benefit plans are as follows:

<b>Particulars</b>		<b>As at 31.03.2011</b>
		<b>Rupees</b>
1.	Post-Retirement Medical Benefit Plan (unfunded) Defined Benefit Obligation	<b>5,995,638</b> (7,425,524)
2.	Gratuity Plan Defined Benefit Obligation	<b>11,552,629</b> (13,711,312)
	Plan Assets	<b>11,820,381</b> (15,599,329)
	Surplus / (Deficit)	<b>267,752</b> (1,888,017)
3.	Leave Encashment Defined Benefit Obligation	<b>9,906,441</b> (9,355,969)
4.	Long Service Awards Scheme Defined Benefit Obligation	<b>1,115,071</b> (1,040,335)

Figures in brackets are in respect of previous year.

k. General description of defined benefit plans:

i. Gratuity Plan:

The Company operates gratuity plan through a separate trust wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favorable compared to the obligation under the Payment of Gratuity Act, 1972.

ii. Post-retirement Medical Benefit Plan:

The Post-retirement Medical Benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling sanctioned at the time of retirement. The ceiling is based on cadre of the employee at the time of retirement.

10. Disclosures as required by Accounting Standard (AS) 17 Segment Reporting

The Company's business activities fall within a single segment, viz. cutting and welding products and predominantly operates in domestic market. Accordingly, disclosure requirements under Accounting Standard (AS) 17 Segment Reporting is not applicable.

11. Disclosures as required by Accounting Standard (AS) 18 Related party Disclosures

I. List of related parties having direct control:

**Holding Company:**

- Larsen & Toubro Limited (w.e.f. December 14, 2010)

**Associates:**

- Larsen & Toubro Limited (upto December 13, 2010)
- Eutectic Corporation, USA (upto December 13, 2010)
- MEC Holding GmbH (upto December 13, 2010)

II. Names of the related parties with whom transactions were carried out during the year and description of relationship

**Holding Company:**

- Larsen & Toubro Limited

**Associates:**

- Larsen & Toubro Limited
- Eutectic Corporation, USA

**Fellow Subsidiary:**

- Tractor Engineers Limited (w.e.f. December 14, 2010)

**Key Managerial Personnel and their relatives**

- Mr. S. Kumar – Chief Executive
- Mrs. Mohana Kumar – Wife of Mr. S. Kumar

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## III. Disclosure of related party transactions:

Sr. no	Nature of relationship / Transactions	Larsen & Toubro Limited		Eutectic Corporation	Key Management Personnel	Fellow Subsidiary	Total
		Associate Upto 13.12.2010	Holding w.e.f 14.12.2010	Associate Upto 13.12.2010		w.e.f 14.12.2010	
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1	Purchase of goods and services including commission	501,747 (9,251,458)	3,543,242 (-)	Nil (Nil)	Nil (Nil)	Nil (Nil)	4,044,989 (9,251,458)
2	Sale of goods (excluding excise duty and taxes)	797,677,195 (1,053,692,240)	344,796,715 (-)	7,125,516 (3,124,379)	Nil (Nil)	761,520 (Nil)	1,150,360,945 (1,056,816,619)
3	Purchase/ lease of fixed assets	38,723 (55,100)	16,377 (-)	Nil (Nil)	Nil (Nil)	Nil (Nil)	55,100 (55,100)
4	Receiving of services and overhead charges	21,185,468 (36,581,262)	16,076,279 (-)	Nil (Nil)	Nil (Nil)	Nil (Nil)	37,261,747 (36,581,262)
5	Charges for deputation of employees	22,209,404 (27,995,765)	10,787,317 (-)	Nil (Nil)	Nil (Nil)	Nil (Nil)	32,996,721 (27,995,765)
6	Rent received	1,616,054 (3,014,400)	1,398,346 (-)	Nil (Nil)	Nil (Nil)	Nil (Nil)	3,014,400 (3,014,400)
7	Manager's remuneration	Nil (Nil)	Nil (-)	Nil (Nil)	5,331,426 (4,414,828)	Nil (Nil)	5,331,426 (4,414,828)
8	Amounts due from/ (due to) related parties	(194,731,058)	185,637,009 (-)	(1,983,024)	Nil (Nil)	894,334 (-)	186,531,343 (196,714,082)

Figures in brackets relate to previous year.

## 12. Disclosures as required by Accounting Standard (AS) 19 Leases:

## a. Operating lease liabilities – Minimum lease payments

	2010-11 Rupees	2009-10 Rupees
Minimum lease rentals payable not later than 1 year	-	3,254
Minimum lease rentals payable later than 1 year and not later than 5 years	-	-
Minimum lease rentals payable later than 5 years	-	-

## b. Lease rental expense in respect of operating leases Rs. 3,254, (Previous year Rs. 83,323).

## c. Contingent rents recognised as income / expenses during the year Rs. Nil. (Previous year Rs. Nil).

## 13. Disclosures as required by Accounting Standard (AS) 20 Earnings Per Share

	2010-11 Rupees	2009-10 Rupees
Profit after taxes as per Profit and Loss Account	272,783,729	241,363,838
Equity shares outstanding	829,440	829,440
Earnings Per Share (Basic and Diluted)	328.88	291.00
Nominal value of equity share	100.00	100.00

## 14. Disclosures as required by Accounting Standard (AS) 28 Impairment of Assets

The Company has reviewed potential generation of economic benefits from fixed assets and concluded that the fixed assets employed in the business will generate adequate economic returns over their useful lives. Consequently, no provision of impairment loss is required.

## 15. Foreign Currency transactions, Forward contracts and Derivatives

The Company uses delivery based forward contracts to mitigate its risks associated with foreign currency fluctuations. The Company does not enter into any forward contracts which are intended for trading or speculative purposes.

## a. Miscellaneous expenses includes Rs. Nil (previous year Rs. 5,146,500) being loss on forward contracts for the year;

## b. Unhedged foreign currency exposures as at March 31, 2011 are as under:

	31.03.2011 Rupees	31.03.2010 Rupees
Receivables, including firm commitments and HPFT	32,589,286	19,629,142
Payables, including firm commitments and HPFT	129,592,561	119,054,748

Note: HPFT means Highly Probable Forecasted Transactions



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 16. Deferred Tax

The major components of deferred tax assets and deferred tax liabilities are as under:

	<b>31.03.2011</b>	<i>31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
Difference between Written Down Value as per books and as per income tax	<b>29,896,678</b>	<i>31,065,881</i>
<b>TOTAL</b>	<b>29,896,678</b>	<i>31,065,881</i>
Deferred tax assets		
Expenditure claimed on payment basis for tax purposes	<b>6,511,933</b>	<i>6,489,430</i>
<b>TOTAL</b>	<b>6,511,933</b>	<i>6,489,430</i>
Net deferred tax liabilities	<b>23,384,745</b>	<i>24,576,451</i>
Net incremental liability charged / (credited) to Profit and Loss Account	<b>(1,191,706)</b>	<i>(2,548,686)</i>

17. During the year, the Company has revised the estimates of useful life of fixed assets in the category of computers, w.e.f. January 1, 2011. Consequently, the depreciation charge is higher by Rs. 1,331,113.

18. Disclosures as required by Accounting Standard (AS) 29 Provisions, Contingent Liabilities and Contingent Assets

## a. Movement in provisions

Sr. No.	Particulars of disclosure	<b>Product Warranties 2010-11 Rupees</b>	<i>Product Warranties 2009-10 Rupees</i>
1	Balance at the beginning	<b>2,500,000</b>	<i>2,500,000</i>
2	Additional provisions	<b>8,950,088</b>	<i>Nil</i>
3	Provisions used during the year	<b>6,441,964</b>	<i>Nil</i>
4	Provisions reversed during the year	<b>-</b>	<i>Nil</i>
5	Balance at close	<b>5,008,124</b>	<i>2,500,000</i>

b. The Company gives warranties on certain products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provision made as at March 31, 2011 represents the amount of the expected cost of meeting such obligations of rectification / replacement. The timing of the outflows is expected to be within a period of 18/24 months.

19. Previous years figures have been regrouped where necessary.

Signatures to Schedules A to N

As per our report attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**

*Chartered Accountants*

*ICAI Registration No. 109982W*

*By the hand of*

**MILIND P. PHADKE**

*Partner*

*Membership No. 033013*

**S. KUMAR**

*Chief Executive*

**SUBHODH SHETTY**

*Company Secretary*

**J. P. NAYAK**

*Director*

**S. RAGHAVAN**

*Director*

*Place: Mumbai*

*Date : April 15, 2011*

*Place: Mumbai*

*Date : April 15, 2011*



## DIRECTORS' REPORT

Your Directors have the pleasure to present the Fourth Annual Report on the Business, Operations and Audited Financial Statements of your Company for the year ended March 31, 2011.

The Company received its License to operate as a General Insurer, from the Insurance Regulatory and Development Authority on July 9, 2010 and commenced commercial operations on October 1, 2010. You will be pleased to know that the said License has since been renewed.

### FINANCIAL RESULTS

The summarized financial results of your Company for the year ended March 31, 2011 are as under:

(Rs. in Lakhs)

<b>Particulars</b>	<b>2010-2011</b>	<b>2009-2010</b>
Gross Written Premium	<b>1,723.83</b>	–
Net Earned Premium	<b>28.16</b>	–
Net Incurred Claims	<b>244.61</b>	–
Net Commission – Outgo / (Income)	<b>(35.94)</b>	–
Underwriting Profit / (Loss)	<b>(6,251.65)</b>	–
Interest Income	<b>424.41</b>	–
<b>Profit / (Loss) Before Tax</b>	<b>(5,937.82)</b>	<b>(731.42)</b>
Provision for taxation	–	–
<b>Profit / (Loss) After Tax</b>	<b>(5,932.04)</b>	<b>(731.42)</b>
Add : Preliminary expenses / Credit / (Debit) balance brought forward from the previous year	<b>(808.64)</b>	<b>(77.22)</b>
<b>Balance carried to Balance Sheet</b>	<b>(6,740.68)</b>	<b>(808.64)</b>

### BUSINESS AND OPERATIONAL OVERVIEW

The Company achieved a Gross Written Premium of Rs. 17 crores during the operational period of the financial year of which Rs. 12 crores was contributed by the Retail and Rural Segment alone. Rs. 5 crores was contributed by the Commercial lines. Being the first year of operations, the financial year ended March 31, 2011 with a net loss of Rs. 59 crores. The cumulative capital infusion as at that date stood at Rs. 200 crores.

It has quickly established a pan India presence through 10 branches at major locations which went operational simultaneously. In its first year of operations itself, the Company has succeeded in offering insurance solutions for various segments of customers in retail and commercial including small and medium enterprises. This has been achieved with the support of a strong team of experienced professionals who have joined the Company. The Company has adopted robust HR processes to ensure recruitment of quality personnel, appropriate induction and regular engagement programs.

### INDUSTRY SCENARIO AND OUTLOOK

The Indian General Insurance Industry has displayed an impressive performance in terms of premium income in the fiscal year of 2010-11. The current fiscal year ended with GWP of Rs. 46,972 crores, a growth of 22%, as compared to 17 % in the previous fiscal. Health and Motor have been the fastest growing lines of business. This growth has been largely aided by the continued robust performance (GDP up by 8.6% on top of 7.4% last fiscal) of the Indian economy. Indicators like offtake of Non Food Bank Credit (21%), Consumer Goods (22%), Auto sales (26%); which are more pertinent to the Non-Life Insurance industry, have performed significantly well in 2010-11.

Going forward, the growth momentum is expected to continue. Agriculture sector is also expected to grow since the monsoons are predicted to be normal. The Indian non-life insurance market is well positioned to exploit the growth, also considering the significantly low penetration levels (0.6%).

The Indian General Insurance Industry, with 24 private and public players, is characterized by highly competitive pricing (post detariffing) and weak underwriting performances. In the coming fiscal of 2011-12, pricing is likely to improve on the back of higher demand. The industry will also see better underwriting practices and better portfolio risk management.

### CLAIMS

Your Company has put in place, a technology driven Claims Settlement Process and it is your Company's endeavor to ensure that customer claims are settled in an efficient manner. You will be happy to know that the Company has not received any grievance related to claims settlement till date.

### TECHNOLOGY

Technology has been identified as a major contributor to a successful business and accordingly, your Company has developed a state-of-the-art technology program and the program, once wholly implemented will provide the Company with significant competitive advantages viz., ability to transact the business through Web, optimization of human resource requirement through operational efficiencies, uniform mode agnostic experience for the customers and ability to provide superior customer service.

## L&T GENERAL INSURANCE COMPANY LIMITED

### **CAPITAL & SOLVENCY REQUIREMENTS**

The solvency ratio remains sound and stood at 2.29 at the end of the financial year, well above the regulatory requirement of minimum 1.50. During the year Larsen & Toubro Limited, the Holding Company, have infused additional capital by subscribing to 17,10,00,000 Equity Shares of Rs. 10 each, at par, aggregating to Rs. 171,00,00,000. The total amount invested by the shareholders therefore remains at Rs.200 crores as at the end of the financial year.

### **DIVIDEND**

In view of the losses, the Directors do not recommend any dividend.

### **CORPORATE GOVERNANCE**

Your Company believes in maintain and upholding the highest standards of corporate governance. There are regularly held employee and partner engagement programs for communicating and monitoring the standards and efficacy of the governance. The philosophy of doing business through ethical, innovative, responsive, accountable, and transparent and value conscious means has been the backbone of your Company. It has been the constant endeavor of the Company to enhance the economic value, trust and confidence of all stakeholders viz. its customers, business partners, employees, shareholders and its regulator through good corporate governance practices.

### **BOARD AND ITS COMMITTEES**

#### **Directors**

All the members of the Board are eminent persons with considerable expertise and experience in Insurance, Finance and Engineering sectors. The Company is immensely benefitted by the range of experience and skills that the Directors bring to the Board.

The Board comprises of six (6) directors of which five (5) are Non-Executive. During the year two independent directors – Mr. Mukund Manohar Chitale and Mr. Haris Ansari were appointed on the Board of the Company. Mr. Joydeep Roy, Chief Executive was also appointed as the Whole-Time Director on the Board of the Company.

In accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956; Mr. Y. M. Deosthalee and Mr. N. Sivaraman, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible; offer themselves for re-appointment as Directors of the Company.

The Board has five Committees viz. the Audit Committee, the Risk Management Committee, the Policyholder Protection Committee, the Investment Committee and the Committee of Directors, duly constituted in accordance with the law.

During the year under review, 4 Board Meetings were held on May 26, 2010, August 11, 2010, October 29, 2010 and March 31, 2011. While the commercial operations started on October 1, 2010, considering the start up nature and that the business gained significant momentum in the last quarter of the Financial Year, the Audit Committee met twice on December 18, 2010 and March 31, 2011. The other committees of the Board met on March 31, 2011.

The certification for compliance of the Corporate Governance Guidelines is provided in Annexure [1].

#### **Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Ltd. provides internal audit services to the Company.

#### **Statutory Auditors**

The Joint Statutory Auditors M/s. PKF Sridhar & Santhanam, Chartered Accountants and M/s. Sharp & Tannan, Chartered Accountants hold office upto the conclusion of the ensuing Annual General Meeting of the Company.

The Company proposes to re-appoint the Joint Statutory Auditors, subject to the recommendation of the Audit Committee of the Company.

The Company has received certificates from the proposed auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and as per the requirements stipulated by IRDA.

#### **Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management controls.

#### **Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial Department of Larsen & Toubro Ltd., which has competent professionals to carry out the said audit.

#### **Details of related party transactions**

The Board hereby states that the details of all the related party transactions form part of the accounts as required under AS-18 and the same are given in note 17 of Schedule 17 of the attached Financial Statements.

**Customer Grievance Redressal**

It has been the endeavour of the Company to provide quality and timely service and redressal to its customers. A robust Complaint Handling and Servicing System is put in place to address the grievances / complaints of clients. The grievances / complaints from policyholders, regulatory authorities / general public are resolved fairly and promptly by the Company. Your Company is pleased to mention that there has been no complaints / grievances from any customer so far.

**FIXED DEPOSITS**

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

**REMUNERATION OF DIRECTORS**

Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. R. Shankar Raman, Directors are nominated by Larsen & Toubro Limited (L&T) and are in the services of L&T.

Mr. Joydeep Roy, Chief Executive and Whole-Time Director, is appointed on terms approved by the Shareholders. His remuneration comprises of salary, allowances and perquisites as indicated in the Notes to Account. The remuneration paid to him has been approved by IRDA. Mr. Mukund Manohar Chitale and Mr. Haris Ansari, the Non-Executive Independent Directors are paid sitting fees of Rs. 20,000 each for every meeting of the Board / Committees attended by them.

**RURAL AND SOCIAL SECTOR**

The Company, having started its business operations in the second half of the financial year, there are no rural and social sector obligations for the current financial year ending March 31, 2011. However, the Company has achieved a Gross Written Premium of Rs. 0.97 crores in the rural sector.

**LICENSE**

The Insurance Regulatory and Development Authority ("IRDA") has issued its License to the Company to start the General Insurance Business on July 9, 2010. The said license has to be renewed on an annual basis in accordance with the IRDA (Registration of Indian Insurance Companies) Regulations, 2000. The license was renewed on February 28, 2011 for the financial year 2011-12.

**MANAGEMENT REPORT**

In accordance with Part IV, Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, the Management Report forms part of the financial statements.

**PARTICULARS OF EMPLOYEES REMUNERATION UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956**

Particulars of Employees as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in a separate Annexure to this Report and forms part of the Report. None of the employees listed in the said Annexure is related to any Director of the Company. The same will be furnished to the shareholders on request.

**PARTICULARS REGARDING CONSERVATION OF ENERGY OR TECHNOLOGY ABSORPTION**

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption, respectively, are not applicable to the Company.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company did not have any foreign exchange earnings, whereas the outgo amounted to Rs. 3.06 crores for the year ended March 31, 2011, mainly on account of reinsurance payments.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, and in accordance with Insurance Act, 1938; the Directors based on the representations received from the Operating Management, and after due enquiry, confirm that :

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
2. 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 your Company at the end of the financial year and of the loss of your Company for that year;
3. 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 your Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis; and
5. Proper systems are in place to ensure compliance of all laws applicable to the Company.

## L&T GENERAL INSURANCE COMPANY LIMITED

### AUDITORS' REPORT

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

### ACKNOWLEDGEMENT

Your Company places on record its heartfelt appreciation to the dedicated efforts put in by the employees at all levels and thanks the policyholders, and the shareholders for their unstinted support and co-operation.

The Company also appreciates its Bankers, Insurance Agents, Brokers, Reinsurers, and business and technology partners who have always supported and helped the Company to achieve its objectives.

The Board also likes to express its gratitude to the valuable advice, guidance and support received from time to time from the Insurance Regulatory and Development Authority (IRDA) and the General Insurance Council, the Auditors and other statutory authorities.

For and on behalf of the Board

*Place : Mumbai  
Date : May 7, 2011*

**N. SIVARAMAN**  
*Director*

**JOYDEEP ROY**  
*Chief Executive and Whole-Time Director*

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## ***Annexure [1]***

### **CERTIFICATION FOR COMPLIANCE OF THE CORPORATE GOVERNANCE GUIDELINES**

I, V. Krishnamoorthy, hereby certify that the Company has complied with the corporate governance guidelines for Insurance Companies as amended from time to time and nothing has been concealed or suppressed. (Refer relevant sections of the Directors' Report).

### **FOR L&T GENERAL INSURANCE COMPANY LIMITED**

#### **V. KRISHNAMOORTHY**

Chief Financial Officer & Principal Compliance Officer

*Date : May 7, 2011*

## MANAGEMENT REPORT

In accordance with Part IV Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 (the Regulation), the following Report is submitted by the Management:

- The Certificate of Registration under Section 3 of the Insurance Act, 1938 was granted by IRDA on July 9, 2010. The Company has obtained renewal of registration certificate from IRDA for the financial year 2011-12 as required under Section 3A of the Insurance Act, 1938;
- We certify that to the best of our knowledge and belief, all the material dues payable to the statutory authorities have been duly paid.
- We confirm that the shareholding pattern during the year ended March 31, 2011 has been in accordance with the Statutory / Regulatory requirements.
- We declare that the funds of the holders of policies issued in India have not been directly or indirectly invested outside India.
- We confirm that the the Company has maintained the required solvency margins laid down by Insurance Regulatory and Development Authority.
- The values of all the assets have been reviewed on the date of the Balance Sheet and in our belief, the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the headings 'Investments', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
- The Company is exposed to a variety of risks associated with general insurance business such as quality of risks undertaken, fluctuations in value of assets and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever deemed necessary. The Company has, through an appropriate reinsurance program kept its risk exposure at a level commensurate with its capacity.
- The Company does not have operations in other countries and hence related country / currency fluctuation risk is not applicable.
- The trend in average claim settlement time for various Segments is given hereunder: -

Ageing as on March 31, 2011	Trend in average claim settlement time for various Segments													
	Upto 30 Days		31 days - 6 months		6 months - 1 Year		1 Year - 5 Years		5 Years and above		Total No		Total Amt	
Business class	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
Fire	-	-	6	118	-	-	-	-	-	-	-	-	6	118
Marine Cargo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor	57	1,200	12	788	-	-	-	-	-	-	-	-	69	1,988
Workmen Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liability	-	-	1	4	-	-	-	-	-	-	-	-	1	4
Engineering	1	65	-	-	-	-	-	-	-	-	-	-	1	65
PA	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	2	185	-	-	-	-	-	-	-	-	2	185
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>58</b>	<b>1,265</b>	<b>21</b>	<b>1,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>2,360</b>

- Investments in Government securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortization. Investments in mutual fund units are accounted at Net Asset Value and the unrealized gain has been credited to the Fair Value Change Account.
- The Company has adopted a prudent investment policy with emphasis on optimizing return with minimum risk. Emphasis was towards low risk investments such as Government securities and other rated debt instruments. Periodic review of the Investment Portfolio is undertaken by the Company. There are no non-performing assets as at the end of the financial year.
- Directors' Responsibility Statement:
  - The applicable Accounting Standards, principles and policies have been followed in the preparation of Financial Statements. To the best of our knowledge there were no material departures from such standards during the year under report.
  - The Company has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating loss and of the net loss of the Company for the year ended March 31, 2011.

L&T GENERAL INSURANCE COMPANY LIMITED

- iii) The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, (4 of 1938) / Companies Act, 1956, (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Company has prepared the financial statements on a going concern basis;
- v) The Company has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.
13. Particulars of payment other than those arising in the normal course of the Company's Insurance business, made to individuals, firms, companies and organizations in whom / which the directors of the Company are interested

(Rs '000)

Sr No	Entity in which Director is interested	Name of Director	Interested as	Amount	Nature of Payments
1	Larsen & Toubro Ltd	Y. M. Deosthalee Mukund M. Chitale	Whole Time Director Director	7,772	Reimbursement of Expenses
2	L&T Finance Ltd	Y. M. Deosthalee N. Sivaraman R. Shankar Raman	Director Director Director	2,622	Reimbursement of Expenses
3	Larsen & Toubro Infotech Ltd	Y. M. Deosthalee	Director	9,746 66,981	Purchase of services Purchases of services -Software

For and on behalf of the Board of Directors

**JOYDEEP ROY**  
*Chief Executive and Whole-Time Director*

**Y. M. DEOSTHALEE**  
*Director*

**M. M. CHITALE**  
*Director*

**R. SHANKAR RAMAN**  
*Director*

*Place : Mumbai*  
*Date : May 7, 2011*

**HARIS ANSARI**  
*Director*

**V. KRISHNAMOORTHY**  
*Chief Financial Officer*



## AUDITORS' REPORT

### TO THE MEMBERS OF L&T GENERAL INSURANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of L&T General Insurance Company Limited ('the Company') as at March 31, 2011, the revenue accounts of fire, marine and miscellaneous insurance (collectively known as the 'Revenue Account'), the Profit and Loss Account and the Receipts and Payments Account, for the year ended on that date annexed thereto.
2. 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.
3. We conducted our audit in accordance with standards of auditing generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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.
4. The Balance Sheet, the Revenue Account, the Profit and Loss Account and Receipts and Payments Account, have been drawn up in accordance with the Insurance Act, 1938, Insurance Regulatory and Development Authority ('IRDA') (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations') read with Section 211 of the Companies Act, 1956 ('the Act').
5. We report thereon as follows:
  - a. We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
  - b. As the Company's accounts are centralized and maintained at the Corporate office, no returns for the purposes of our audit are prepared at the branches and other offices of the Company;
  - c. The Balance Sheet, the Revenue Account, the Profit and Loss Account and Receipts and Payments Account referred to in this report are in agreement with the books of account;
  - d. The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR) and those Incurred But Not Enough Reported (IBNER) as at March 31, 2011, other than for reinsurance accepted from Indian Motor Third Party Insurance Pool ('IMTPIP'), has been duly certified by the Appointed Actuary of the Company and relied upon by us. The Appointed Actuary has also certified that the assumptions considered by him for such valuation are in accordance with the guidelines and norms prescribed by the IRDA and the Actuarial Society of India in concurrence with the IRDA. In respect of reinsurance accepted from IMTPIP, IBNR / IBNER has been created based on actuarial estimates received from the IMTPIP; and
  - e. On the basis of the written representations received from the directors of the Company as on March 31, 2011 and taken on record by the Board of Directors, no director of the Company is disqualified as on March 31, 2011 from being appointed as director of the Company under clause (g) of sub-section (1) of Section 274 of the Act.
6. In our opinion and according to the information and explanations given to us, we further report that:
  - a. Investments have been valued in accordance with the provisions of the Insurance Act, 1938, the Regulations and orders / directions issued by IRDA in this regard;
  - b. The accounting policies selected by the Company are appropriate and are in compliance with the applicable Accounting Standards referred to under sub section 3C of Section 211 of the Act and with the accounting principles prescribed by the Regulations and orders / directions prescribed by IRDA in this regard;
  - c. The Balance Sheet, the Revenue Account, the Profit and Loss Account and Receipts and Payments Account referred to in this report comply with the accounting standards referred to under sub section 3C of Section 211 of the Act;
  - d. Proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books; and
  - e. The Balance Sheet, the Revenue Account, the Profit and Loss Account and Receipts and Payments Account read together with the significant accounting policies and notes to accounts are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Companies Act, 1956 to the extent applicable, and in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India as applicable to insurance companies:
    - i. in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii. in the case of Revenue Account, of the deficit, for the year ended on that date;
    - iii. in the case of Profit and Loss Account, of the loss for the year ended on that date; and
    - iv. in the case of Receipts and Payments Account, of the receipts and payments for the year ended on that date.

L&T GENERAL INSURANCE COMPANY LIMITED

7. Further, on the basis of examination of books and records of the Company and according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:
- a. We have reviewed the management report attached to the financial statements for the year ended March 31, 2011 and there is no apparent mistake or material inconsistency with the financial statements; and
  - b. Based on the information and explanations received during the normal course of our audit and management representation by officer of the Company charged with compliance, nothing has come to our attention which causes us to believe that the Company has not complied with the terms and conditions of the registration as stipulated by the IRDA.

**For SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Regn No. 109982W  
by the hand of

**For PKF SRIDHAR & SANTHANAM**  
*Chartered Accountants*  
ICAI Regn No.003990S  
by the hand of

**ASHWIN B. CHOPRA**  
*Partner*  
Membership No. 038159

**R. SURIYANARAYANAN**  
*Partner*  
Membership No. 201402

Place : Mumbai  
Date : May 7, 2011

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## **AUDITORS' CERTIFICATE**

In accordance with the information and explanations given to us and to the best of our knowledge and belief and based on our examination of the books and records maintained by L&T General Insurance Company Limited ('the Company') for the year ended March 31, 2011, we certify that:

- We have verified the cash balances maintained by the Company. As regards the securities relating to the Company's investments, the same have been verified with the dematerialized statement / confirmations received from the custodian;
- The Company is not a trustee of any trust; and
- No part of the assets of the policyholders' fund has been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938 relating to the application and investment of the policyholders' funds.

This certificate has been issued to comply with Schedule C of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, ('the Accounting Regulations'), read with Regulation 3 of the Accounting Regulations and may not be suitable for any other purpose.

**For SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Regn No. 109982W  
by the hand of

**For PKF SRIDHAR & SANTHANAM**  
*Chartered Accountants*  
ICAI Regn No.003990S  
by the hand of

**ASHWIN B. CHOPRA**  
*Partner*  
Membership No. 038159

**R. SURIYANARAYANAN**  
*Partner*  
Membership No. 201402

Place : Mumbai  
Date : May 7, 2011

Form B - RA

Registration No. 146

Date of Registration with IRDA - July 9, 2010

**REVENUE ACCOUNT**

Particulars	Schedule	For the year ended March 31, 2011				For the year ended 31.03.2010 Rupees
		Fire Rupees	Marine Rupees	Misc. Rupees	Total Rupees	
Premiums earned (Net)	1	(2,248,067)	(2,397,256)	7,461,102	2,815,779	-
Profit / (Loss) on sale / redemption of Investments		(72,406)	(12,525)	(422,304)	(507,235)	-
Others (Miscellaneous income)		-	-	1,327	1,327	-
Interest Income		766,886	132,663	4,524,299	5,423,848	-
<b>TOTAL (A)</b>		<b>(1,553,587)</b>	<b>(2,277,118)</b>	<b>11,564,424</b>	<b>7,733,719</b>	-
Claims Incurred (Net)	2	1,357,195	632,961	22,470,667	24,460,823	-
Commission	3	(2,802,718)	(125,131)	(666,496)	(3,594,345)	-
Operating Expenses related to Insurance Business	4	87,204,454	15,085,407	508,615,643	610,905,504	-
Premium Deficiency		-	-	1,125,165	1,125,165	-
<b>TOTAL (B)</b>		<b>85,758,931</b>	<b>15,593,237</b>	<b>531,544,979</b>	<b>632,897,147</b>	-
Operating Profit / (Loss) (A - B)		(87,312,518)	(17,870,355)	(519,980,555)	625,163,428	-
<b>APPROPRIATIONS</b>						
Transfer to Shareholders' Account		(87,312,518)	(17,870,355)	(519,980,555)	(625,163,428)	-
Transfer to Catastrophe Reserve		-	-	-	-	-
Transfer to Other Reserves (to be specified)		-	-	-	-	-
<b>TOTAL (C)</b>		<b>(87,312,518)</b>	<b>(17,870,355)</b>	<b>(519,980,555)</b>	<b>(625,163,428)</b>	-
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	15	As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Fire, Marine and Miscellaneous Business have been fully debited in the Fire, Marine and Miscellaneous Business Revenue Account as expenses.				
<b>NOTES TO FINANCIAL STATEMENTS</b>	16					

Schedules referred to above and the notes to accounts form an integral part of the Revenue Account.

As per our report of even date attached

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

For and on behalf of the Board of Directors

**ASHWIN B. CHOPRA**  
Partner  
Membership No. 38159

**Y. M. DEOSTHALEE**  
Director

**JOYDEEP ROY**  
CEO and Whole time Director

**PKF SRIDHAR & SANTHANAM**  
Chartered Accountants  
(ICAI Registration No. 003990S)

**R. SHANKAR RAMAN**  
Director

**M. M. CHITALE**  
Director

**R. SURIYANARAYANAN**  
Partner  
Membership No. 201402

**HARIS ANSARI**  
Director

**V. KRISHNAMOORTHY**  
Chief Financial Officer

Place : Mumbai Date : May 7, 2011

Place : Mumbai Date : May 7, 2011

L&T GENERAL INSURANCE COMPANY LIMITED

Form B - PL

Registration No. 146

Date of Registration with IRDA - July 9, 2010

**PROFIT AND LOSS ACCOUNT**

Particulars	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
<b>OPERATING PROFIT / (LOSS)</b>		
(a) Fire Insurance	(87,312,518)	-
(b) Marine Insurance	(17,870,355)	-
(c) Miscellaneous Insurance	(519,980,555)	-
	<u>(625,163,428)</u>	-
<b>INCOME FROM INVESTMENTS</b>		
(a) Interest, Dividend & Rent – Gross	37,023,543	-
(b) Profit on sale of investments	1,225,424	-
Less: Loss on sale of investments	(4,741,893)	-
	<u>6,547</u>	<u>332,955</u>
<b>TOTAL (A)</b>	<u>(591,649,807)</u>	<u>332,955</u>
<b>PROVISIONS (Other than taxation)</b>		
(a) For diminution in the value of investments	-	-
(b) For doubtful debts	-	-
(c) Others (to be specified)	-	-
<b>OTHER EXPENSES</b>		
(a) Expenses other than those related to Insurance Business	1,274,060	73,474,924
(b) Bad debts written off	-	-
(c) Directors fees	<u>280,000</u>	-
<b>TOTAL (B)</b>	<u>1,554,060</u>	<u>73,474,924</u>
<b>Profit / (Loss) Before Tax</b>	<u>(593,203,867)</u>	<u>(73,141,969)</u>
Provision for Taxation	-	-
<b>APPROPRIATIONS</b>		
(a) Interim dividends paid during the year	-	-
(b) Proposed final dividend	-	-
(c) Dividend distribution tax	-	-
(d) Transfer to any Reserves or Other Accounts	-	-
Balance of profit / (loss) brought forward from last year	<u>(80,864,557)</u>	<u>(7,722,588)</u>
<b>Balance carried forward to Balance Sheet</b>	<u>(674,068,424)</u>	<u>(80,864,557)</u>
<b>Earning per Share (Rs.) - Basic and Diluted (refer Schedule 16 Note 19)</b>	<b>(4.10)</b>	<b>(26.05)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>15</b>	
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>16</b>	

Schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**ASHWIN B. CHOPRA**  
Partner  
Membership No. 38159

**Y. M. DEOSTHALEE**  
Director

**JOYDEEP ROY**  
CEO and Whole time Director

**PKF SRIDHAR & SANTHANAM**  
Chartered Accountants  
(ICAI Registration No. 003990S)

**R. SHANKAR RAMAN**  
Director

**M. M. CHITALE**  
Director

**R. SURIYANARAYANAN**  
Partner  
Membership No. 201402

**HARIS ANSARI**  
Director

**V. KRISHNAMOORTHY**  
Chief Financial Officer

Place : Mumbai Date : May 7, 2011

Place : Mumbai Date : May 7, 2011

Form B - BS

Registration No. 146

Date of Registration with IRDA - July 9, 2010

**BALANCE SHEET**

Particulars	Schedule	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SOURCES OF FUNDS</b>			
Share Capital	5	2,000,000,000	290,000,000
Reserves and Surplus	6	-	-
Fair Value Change Account		172,723	-
Borrowings	7	-	-
<b>TOTAL</b>		<b>2,000,172,723</b>	<b>290,000,000</b>
<b>APPLICATION OF FUNDS</b>			
Investments	8	762,069,851	-
Loans	9	-	-
Fixed Assets (Net) including Capital work in progress	10	713,966,190	194,801,845
Current Assets			
Cash and Bank Balances	11	47,660,773	313,293
Advances and Other Assets	12	118,360,084	43,886,695
Sub Total [A]		<b>166,020,857</b>	<b>44,199,988</b>
Current Liabilities	13	221,808,496	28,963,909
Provisions	14	94,144,103	902,481
Sub Total [B]		<b>315,952,599</b>	<b>29,866,390</b>
Net Current Assets [C] = [A - B]		<b>(149,931,742)</b>	<b>14,333,598</b>
Miscellaneous Expenditure (to the extent not written off or adjusted)		-	-
Debit balance in Profit and Loss Account		674,068,424	80,864,557
<b>TOTAL</b>		<b>2,000,172,723</b>	<b>290,000,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	15		
<b>NOTES TO FINANCIAL STATEMENTS</b>	16		

Schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board of Directors

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**ASHWIN B. CHOPRA**  
Partner  
Membership No. 38159

**Y. M. DEOSTHALEE**  
Director

**JOYDEEP ROY**  
CEO and Whole time Director

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**R. SHANKAR RAMAN**  
Director

**M. M. CHITALE**  
Director

**R. SURIYANARAYANAN**  
Partner  
Membership No. 201402

**HARIS ANSARI**  
Director

**V. KRISHNAMOORTHY**  
Chief Financial Officer

Place : Mumbai Date : May 7, 2011

Place : Mumbai Date : May 7, 2011

L&T GENERAL INSURANCE COMPANY LIMITED

Registration No. 146

Date of Registration with IRDA - July 9, 2010

**RECEIPTS AND PAYMENTS ACCOUNT**

Particulars	2010-2011 Rupees	2009-2010 Rupees
<b>Cash flows from operating activities</b>		
Premium received from policyholders including Co-insurance and advance receipts	197,066,562	-
Other Receipts	7,874	-
Payments to Reinsurers	(38,420,672)	-
Payments of Claims	(2,034,000)	-
Commission and brokerages (Net)	4,994,000	-
Payments of operating and other expenses	(471,209,305)	(93,054,394)
Deposits, advances and staff loans	(31,245,000)	-
<b>Cash flows before extraordinary items</b>	<b>(340,840,541)</b>	<b>(93,054,394)</b>
Cash flows from extraordinary operations	-	-
<b>Net cash flow from operating activities [A]</b>	<b>(340,840,541)</b>	<b>(93,054,394)</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(564,377,446)	(194,950,716)
Purchase of Investments	(837,805,398)	-
Sale of Investments	146,910,000	-
Investments in money market and in liquid mutual funds (Net)	(95,190,128)	-
Interest received	28,650,991	332,955
<b>Net cash flow from investing activities [B]</b>	<b>(1,321,811,980)</b>	<b>(194,617,761)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of share capital	1,710,000,000	289,500,000
Repayment of unsecured loan	-	(2,000,000)
<b>Net cash flow from financing activities [C]</b>	<b>1,710,000,000</b>	<b>287,500,000</b>
<b>Net increase/ (decrease) in cash equivalents [A + B + C]</b>	<b>47,347,480</b>	<b>(172,155)</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>313,293</b>	<b>485,448</b>
<b>Cash and cash equivalents as at the end of the year</b>	<b>47,660,772</b>	<b>313,293</b>

As per our report of even date attached

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

**ASHWIN B. CHOPRA**  
Partner  
Membership No. 38159

**PKF SRIDHAR & SANTHANAM**  
Chartered Accountants  
(ICAI Registration No. 003990S)

**R. SURIYANARAYANAN**  
Partner  
Membership No. 201402

Place : Mumbai Date : May 7, 2011

For and on behalf of the Board of Directors

**Y. M. DEOSTHALEE**  
Director

**JOYDEEP ROY**  
CEO and Whole time Director

**R. SHANKAR RAMAN**  
Director

**M. M. CHITALE**  
Director

**HARIS ANSARI**  
Director

**V. KRISHNAMOORTHY**  
Chief Financial Officer

Place : Mumbai Date : May 7, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

Particulars	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
<b>SCHEDULE 1 - PREMIUM</b>		
<b>Premium Earned (Net) - Fire</b>		
Premium from direct business written	24,607,047	-
Add: Premium on reinsurance accepted	-	-
Less : Premium on reinsurance ceded	(22,832,286)	-
Net Premium	1,774,761	-
Adjustment for change in reserve for unexpired risks	(4,022,828)	-
<b>Premium Earned (Net)</b>	<b>(2,248,067)</b>	<b>-</b>
<b>Premium Earned (Net) - Marine</b>		
Premium from direct business written	4,256,747	-
Add: Premium on reinsurance accepted	-	-
Less : Premium on reinsurance ceded	(5,041,096)	-
Net Premium	(784,349)	-
Adjustment for change in reserve for unexpired risks	(1,612,907)	-
<b>Premium Earned (Net)</b>	<b>(2,397,256)</b>	<b>-</b>
<b>Premium Earned (Net) - Misc.</b>		
Premium from direct business written	143,519,380	-
Add: Premium on reinsurance accepted	7,815,209	-
Less : Premium on reinsurance ceded	(61,756,674)	-
Net Premium	89,577,915	-
Adjustment for change in reserve for unexpired risks	(82,116,813)	-
<b>Premium Earned (Net)</b>	<b>7,461,102</b>	<b>-</b>
<b>Premium Earned (Net) - Total</b>		
Premium from direct business written	172,383,174	-
Add: Premium on reinsurance accepted	7,815,209	-
Less : Premium on reinsurance ceded	(89,630,056)	-
Net Premium	90,568,327	-
Adjustment for change in reserve for unexpired risks	(87,752,548)	-
<b>Premium Earned (Net)</b>	<b>2,815,779</b>	<b>-</b>
All premium written, less reinsurance, is from business in India.		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
<b>SCHEDULE 2 - CLAIMS</b>		
<b>Claims Incurred [Net] - Fire</b>		
Claims paid Direct	118,193	-
Add :Re-insurance accepted to direct claims	-	-
Less :Re-insurance Ceded to claims paid	(114,730)	-
<b>Net Claims Paid</b>	<b>3,463</b>	-
Add: Claims Outstanding at the end of the year	1,353,732	-
Less: Claims Outstanding at the beginning of the year	-	-
<b>Total Claims Incurred</b>	<b>1,357,195</b>	-
<b>Claims Incurred [Net] - Marine</b>		
Claims paid Direct	-	-
Add :Re-insurance accepted to direct claims	-	-
Less :Re-insurance Ceded to claims paid	-	-
<b>Net Claims Paid</b>	-	-
Add: Claims Outstanding at the end of the year	632,961	-
Less: Claims Outstanding at the beginning of the year	-	-
<b>Total Claims Incurred</b>	<b>632,961</b>	-
<b>Claims Incurred [Net] - Misc.</b>		
Claims paid Direct	2,268,442	-
Add :Re-insurance accepted to direct claims	-	-
Less :Re-insurance Ceded to claims paid	(237,885)	-
<b>Net Claims Paid</b>	<b>2,030,557</b>	-
Add: Claims Outstanding at the end of the year	20,440,110	-
Less: Claims Outstanding at the beginning of the year	-	-
<b>Total Claims Incurred</b>	<b>22,470,667</b>	-
<b>Claims Incurred [Net] - Total</b>		
Claims paid Direct	2,386,635	-
Add :Re-insurance accepted to direct claims	-	-
Less :Re-insurance Ceded to claims paid	(352,615)	-
<b>Net Claims Paid</b>	<b>2,034,020</b>	-
Add: Claims Outstanding at the end of the year	22,426,803	-
Less: Claims Outstanding at the beginning of the year	-	-
<b>Total Claims Incurred</b>	<b>24,460,823</b>	-

All claims paid, less reinsurance, are to claimants in India.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
<b>SCHEDULE 3 - COMMISSION</b>		
<b>Commission - Fire</b>		
Commission paid		
Direct	1,680,090	-
Add: Re-insurance Accepted	-	-
Less: Commission on Re-insurance Ceded	(4,482,808)	-
<b>Net Commission</b>	<b>(2,802,718)</b>	<b>-</b>
<b>Break-up of the expenses (Gross) incurred to procure business to be furnished as per details indicated below:</b>		
Agents	243,090	-
Brokers	1,437,000	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
<b>TOTAL</b>	<b>1,680,090</b>	<b>-</b>
<b>Commission - Marine</b>		
Commission paid		
Direct	337,778	-
Add: Re-insurance Accepted	-	-
Less: Commission on Re-insurance Ceded	(462,909)	-
<b>Net Commission</b>	<b>(125,131)</b>	<b>-</b>
<b>Break-up of the expenses (Gross) incurred to procure business to be furnished as per details indicated below:</b>		
Agents	115,778	-
Brokers	222,000	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
<b>TOTAL</b>	<b>337,778</b>	<b>-</b>
<b>Commission - Misc.</b>		
Commission paid		
Direct	4,691,696	-
Add: Re-insurance Accepted	-	-
Less: Commission on Re-insurance Ceded	(5,358,192)	-
<b>Net Commission</b>	<b>(666,496)</b>	<b>-</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	For the year ended 31.03.2011 Rupees	For the year ended 31.03.2010 Rupees
<b>Break-up of the expenses (Gross) incurred to procure business to be furnished as per details indicated below:</b>		
Agents	1,849,696	
Brokers	2,842,000	
Corporate Agency	-	-
Referral	-	-
Others	-	-
<b>TOTAL</b>	<b>4,691,696</b>	<b>-</b>
<b>Commission - Total</b>		
Commission paid		
Direct	6,709,564	-
Add: Re-insurance Accepted	-	-
Less: Commission on Re-insurance Ceded	(10,303,909)	-
<b>Net Commission</b>	<b>(3,594,345)</b>	<b>-</b>
<b>Break-up of the expenses (Gross) incurred to procure business to be furnished as per details indicated below:</b>		
Agents	2,208,564	-
Brokers	4,501,000	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
<b>TOTAL</b>	<b>6,709,564</b>	<b>-</b>

**SCHEDULE 4 - OPERATING EXPENSES RELATED TO INSURANCE BUSINESS**

	Particulars	For the year ended 31.03.2011			
		Fire Rupees	Marine Rupees	Misc. Rupees	Total Rupees
1	Employees' remuneration & welfare benefits	38,243,835	6,615,760	223,055,267	267,914,862
2	Travel, conveyance and vehicle running expenses	3,471,894	600,599	20,249,652	24,322,145
3	Training expenses	741,095	128,201	4,322,400	5,191,696
4	Rents, rates & taxes	11,914,278	2,061,038	69,489,432	83,464,748
5	General Repairs and Office Management	2,493,252	431,305	14,541,766	17,466,323
6	Printing & stationery	531,890	92,011	3,102,219	3,726,120
7	Communication	855,855	148,053	4,991,729	5,995,637
8	Legal & professional charges	2,958,749	511,831	17,256,753	20,727,333
9	Auditors' fees, expenses etc.				
	(a) as auditor	114,197	19,755	666,048	800,000
	(b) as adviser or in any other capacity, in respect of	-	-	-	-
	(i) Taxation matters	-	-	-	-
	(ii) Insurance matters	-	-	-	-
	(iii) Management services; and	-	-	-	-
	(c) in any other capacity	30,774	5,324	179,487	215,585

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	Particulars	For the year ended 31.03.2011			
		Fire Rupees	Marine Rupees	Misc. Rupees	Total Rupees
10	Advertisement and publicity	5,364,646	928,024	31,289,034	37,581,704
11	Interest & Bank Charges	30,911	5,347	180,287	216,545
12	IT Operating Expenses	11,084,642	1,917,520	64,650,624	77,652,786
13	Membership fees	170,372	29,472	993,686	1,193,530
14	Insurance	139,347	24,106	812,733	976,186
15	Depreciation	8,566,643	1,481,936	49,964,521	60,013,100
16	Others	492,074	85,125	2,870,004	3,447,203
	<b>TOTAL</b>	<b>87,204,454</b>	<b>15,085,407</b>	<b>508,615,643</b>	<b>610,905,504</b>

Note : The Company commenced its commercial operations as a General Insurance Company on October 1, 2010 and accordingly, there were no operating expenses related to insurance business in the previous year.

[The pre-operative expenses in the previous year were Rs. 73,475,000]

**ANNEXURE TO REVENUE ACCOUNT - YEAR ENDED MARCH 2011**

Particulars	FIRE		MARINE		MISCELLANEOUS REVENUE ACCOUNT							Total
	Fire	Marine Cargo	Engineering	Group Health	Group PA	Liability - Others	Liability - Work. Comp	Motor OD	Motor TP	Others	Misc. Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
<b>Premium Earned (Net)</b>												
Premium from direct business written	24,607	4,257	17,362	5,974	1,033	2,703	5,471	82,587	26,892	1,497	143,519	172,383
Add: Premium on reinsurance accepted	-	-	-	-	-	-	-	-	7,815	-	7,815	7,815
Less: Premium on reinsurance ceded	(22,832)	(5,041)	(14,568)	(597)	(2,039)	(2,884)	(540)	(13,669)	(24,425)	(3,034)	(61,756)	(89,629)
Net Premium	1,775	(784)	2,794	5,377	(1,006)	(181)	4,931	68,918	10,282	(1,537)	89,578	90,569
Adjustment for change in reserve for unexpired risks	(4,023)	(1,613)	(4,465)	(3,751)	(75)	(130)	(2,918)	(63,890)	(6,179)	(709)	(82,117)	(87,753)
<b>Premium Earned (Net) - Schedule 1</b>	<b>(2,248)</b>	<b>(2,397)</b>	<b>(1,671)</b>	<b>1,626</b>	<b>(1,081)</b>	<b>(312)</b>	<b>2,013</b>	<b>5,028</b>	<b>4,103</b>	<b>(2,246)</b>	<b>7,461</b>	<b>2,816</b>
Profit / (Loss) on sale of Investments	(71)	(13)	(51)	(18)	(3)	(8)	(16)	(243)	(79)	(4)	(422)	(506)
Interest Income	767	133	546	188	33	85	172	2,604	848	47	4,523	5,423
Other Income	-	-	-	-	-	-	-	1	-	-	1	1
<b>Total Income</b>	<b>(1,552)</b>	<b>(2,277)</b>	<b>(1,176)</b>	<b>1,796</b>	<b>(1,051)</b>	<b>(234)</b>	<b>2,169</b>	<b>7,390</b>	<b>4,872</b>	<b>(2,203)</b>	<b>11,563</b>	<b>7,734</b>
<b>Claims Incurred (Net)</b>												
Claims paid direct	118	-	65	185	-	4	-	1,989	26	-	2,269	2,387
Add :Re-insurance accepted to direct claims	-	-	-	-	-	-	-	-	-	-	-	-
Less :Re-insurance Ceded to claims paid	(115)	-	(18)	(19)	-	(0)	-	(201)	-	-	(238)	(353)
Net Claims Paid	3	-	47	167	-	4	-	1,788	26	-	2,031	2,034
Add: Claims Outstanding at the end of the year	1,354	633	2,221	1,948	29	288	1,006	8,472	6,474	2	20,440	22,427
Less: Claims Outstanding at the beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Claims Incurred - Schedule 2</b>	<b>1,357</b>	<b>633</b>	<b>2,268</b>	<b>2,114</b>	<b>29</b>	<b>292</b>	<b>1,006</b>	<b>10,260</b>	<b>6,500</b>	<b>2</b>	<b>22,471</b>	<b>24,461</b>
<b>Commission:</b>												
Commission paid:												
Direct	1,680	338	1,053	475	74	27	314	2,515	-	234	4,692	6,710
Add: Re-insurance Accepted	-	-	-	-	-	-	-	-	-	-	-	-
Less: Commission on Re-insurance Ceded	(4,483)	(463)	(3,087)	(60)	(132)	(117)	(138)	(1,697)	-	(127)	(5,358)	(10,304)
<b>Net Commission - Schedule 3</b>	<b>(2,803)</b>	<b>(125)</b>	<b>(2,034)</b>	<b>415</b>	<b>(58)</b>	<b>(90)</b>	<b>176</b>	<b>818</b>	<b>-</b>	<b>107</b>	<b>(666)</b>	<b>(3,594)</b>
<b>Operating Expenses Related to Insurance Business - Schedule 4</b>	<b>87,205</b>	<b>15,084</b>	<b>61,527</b>	<b>21,171</b>	<b>3,662</b>	<b>9,578</b>	<b>19,389</b>	<b>292,681</b>	<b>95,303</b>	<b>5,307</b>	<b>508,618</b>	<b>610,907</b>
<b>Premium Deficiency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,125</b>	<b>1,125</b>
<b>Operating Profit / ( Loss)</b>	<b>(87,311)</b>	<b>(17,869)</b>	<b>(62,937)</b>	<b>(23,029)</b>	<b>(4,684)</b>	<b>(10,014)</b>	<b>(18,402)</b>	<b>(296,369)</b>	<b>(96,931)</b>	<b>(7,619)</b>	<b>(519,985)</b>	<b>(625,165)</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	FIRE		MARINE	MISCELLANEOUS REVENUE ACCOUNT								Total
	Fire	Marine Cargo	Engineering	Group Health	Group PA	Liability - Others	Liability - Work. Comp	Motor OD	Motor TP	Others	Misc. Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
<b>Operating Expenses:</b>												
Employees' remuneration & welfare benefits	38,244	6,616	26,983	9,285	1,606	4,201	8,503	128,355	41,795	2,327	223,055	<b>267,915</b>
Travel, conveyance and vehicle running expenses	3,472	601	2,450	843	146	381	772	11,653	3,794	211	20,250	<b>24,323</b>
Training expenses	741	128	523	180	31	81	165	2,487	810	45	4,322	<b>5,191</b>
Rents, rates & taxes	11,914	2,060	8,406	2,893	500	1,309	2,649	39,988	13,021	725	69,491	<b>83,465</b>
General Repairs and Office Management	2,493	431	1,759	605	105	274	554	8,368	2,725	152	14,542	<b>17,466</b>
Printing & stationery	532	92	375	129	22	58	118	1,785	581	34	3,102	<b>3,726</b>
Communication	856	148	604	208	36	94	190	2,873	935	52	4,992	<b>5,996</b>
Legal & professional charges	2,959	512	2,088	718	124	325	658	9,930	3,234	180	17,257	<b>20,728</b>
Auditors' fees, expenses etc.	-	-	-	-	-	-	-	-	-	-	-	-
(a) as auditor	114	20	81	28	5	13	25	383	125	6	666	<b>800</b>
(b) as adviser or in any other capacity, in respect of	-	-	-	-	-	-	-	-	-	-	-	-
(i) Taxation matters	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Insurance matters	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Management services; and	-	-	-	-	-	-	-	-	-	-	-	-
c) in any other capacity	31	5	21	7	1	3	7	104	34	3	180	<b>216</b>
Advertisement and publicity	5,365	928	3,785	1,303	225	589	1,193	18,006	5,863	326	31,290	<b>37,583</b>
Interest & Bank Charges	31	5	22	7	1	3	7	104	34	2	180	<b>216</b>
IT Operating Expenses	11,085	1,917	7,821	2,691	466	1,218	2,465	37,203	12,114	673	64,651	<b>77,653</b>
Membership fees	170	30	120	41	7	19	38	571	186	11	993	<b>1,193</b>
Insurance	139	24	98	34	6	15	31	468	152	9	813	<b>976</b>
Depreciation	8,567	1,482	6,044	2,080	360	941	1,905	28,751	9,362	521	49,964	<b>60,013</b>
Others	492	85	347	119	21	54	109	1,652	538	30	2,870	<b>3,447</b>
<b>TOTAL</b>	<b>87,205</b>	<b>15,084</b>	<b>61,527</b>	<b>21,171</b>	<b>3,662</b>	<b>9,578</b>	<b>19,389</b>	<b>292,681</b>	<b>95,303</b>	<b>5,307</b>	<b>508,618</b>	<b>610,907</b>

**Particulars****As at 31.03.2011**  
**Rupees***As at 31.03.2010*  
*Rupees***SCHEDULE 5 - SHARE CAPITAL****1 Authorised Capital**

Equity Shares of Rs. 10 each

**2,000,000,000***2,000,000,000***2 Issued, Subscribed and Paid up Capital**

Equity Shares of Rs. 10 each

**2,000,000,000***290,000,000***3 Called-up Capital**

Equity Shares of Rs. 10 each

-

-

Less : Calls unpaid

-

-

Add : Equity Shares forfeited (Amount originally paid up)

-

-

Less : Par Value of Equity Shares bought back

-

-

Less : Preliminary Expenses

-

-

Expenses including commission or brokerage on

-

-

Underwriting or subscription of shares

-

-

**TOTAL****2,000,000,000***290,000,000*

Of the above, 200,000,000 (Previous year: 29,000,000) Equity shares of Rs. 10 each fully paid up are held by Larsen and Toubro Limited, the holding Company.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Shareholder	As at 31.03.2011		As at 31.03.2010	
	No. of Shares	% of holding	No. of Shares	% of holding
<b>SCHEDULE 5A - SHARE CAPITAL</b>				
<b>Pattern of Shareholding</b>				
<b>(As certified by the Management)</b>				
Promoters				
Indian	200,000,000	100%	29,000,000	100%
Foreign	-	-	-	-
<b>TOTAL</b>	<b>200,000,000</b>	<b>100%</b>	<b>29,000,000</b>	<b>100%</b>

Particulars	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
<b>SCHEDULE 6 - RESERVE AND SURPLUS</b>		
1 Capital Reserve	-	-
2 Capital Redemption Reserve	-	-
3 Share Premium	-	-
4 General Reserves		
Less: Debit balance in Profit and Loss Account	-	-
Less: Amount utilized for Buy-back	-	-
5 Catastrophe Reserve	-	-
6 Other Reserves	-	-
7 Balance of Profit in Profit & Loss Account	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

**SCHEDULE 7 - BORROWINGS**

1 Debentures / Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

**SCHEDULE 8 - INVESTMENTS****Long Term Investments**

1 Government securities and Government guaranteed bonds including Treasury Bills	405,300,726	-
2 Other Approved Securities	-	-
3 Other Investments	-	-
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	-	-
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
(e) Other Securities (to be specified)	-	-
(f) Subsidiaries	-	-
(g) Investment Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	<b>119,823,997</b>	-
5 Other than Approved Investments	-	-
<b>Short Term Investments</b>		
1 Government securities and Government guaranteed bonds including Treasury Bills	<b>139,922,000</b>	-
2 Other Approved Securities	-	-
3 Other Investments	-	-
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	<b>97,023,128</b>	-
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	-	-
(e) Other Securities (to be specified)	-	-
(f) Subsidiaries	-	-
(g) Investment Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	-	-
5 Other than Approved Investments	-	-
<b>TOTAL</b>	<b>762,069,851</b>	-

Note:- Rs. 20,168,000 of Deposit with RBI [Pursuant to Section 7 of Insurance Act, 1938] has been excluded from the above schedule and shown separately in Schedule 12 under "Advances and other Assets".

All Investments are made in India

**SCHEDULE 9 - LOANS****1 Security-Wise Classification**

Secured

(a) On mortgage of property

    (aa) In India

    (bb) Outside India

(b) On Shares, Bonds, Govt. Securities

(c) Others (to be specified)

Unsecured

**TOTAL**

**2 Borrower-Wise Classification**

(a) Central and State Governments

(b) Banks and Financial Institutions

(c) Subsidiaries

(d) Industrial Undertakings

(e) Others (to be specified)

**TOTAL**

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>3 Performance-Wise Classification</b>		
(a) Loans classified as standard		
(aa) In India	-	-
(bb) Outside India	-	-
(b) Non-performing loans less provisions		
(aa) In India	-	-
(bb) Outside India	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>
<b>4 Maturity-Wise Classification</b>		
(a) Short Term	-	-
(b) Long Term	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

**SCHEDULE 10 - FIXED ASSETS**

Particulars	COST / GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For The Year	On Sales / Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - softwares	223,409	574,619,897	-	574,843,306	18,616	35,084,009	-	35,102,625	539,740,681	204,793
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	44,867,971	-	44,867,971	-	12,822,410	-	12,822,410	32,045,561	-
Information Technology Equipment	1,259,757	139,648,498	-	140,908,255	112,556	10,031,971	-	10,144,527	130,763,728	1,147,201
Vehicles	-	-	-	-	-	-	-	-	-	-
Office Equipment	517,675	6,269,685	-	6,787,360	17,700	2,074,710	-	2,092,410	4,694,950	499,975
Others	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,000,841</b>	<b>765,406,051</b>	<b>-</b>	<b>767,406,892</b>	<b>148,872</b>	<b>60,013,100</b>	<b>-</b>	<b>60,161,972</b>	<b>707,244,920</b>	<b>1,851,969</b>
Capital Work in progress									6,721,270	192,949,875
<b>GRAND TOTAL</b>	<b>2,000,841</b>	<b>765,406,051</b>	<b>-</b>	<b>767,406,892</b>	<b>148,872</b>	<b>60,013,100</b>	<b>-</b>	<b>60,161,972</b>	<b>713,966,190</b>	<b>194,801,844</b>
Previous Year	-	2,000,841	-	2,000,841	-	148,872	-	148,872	194,801,844	-

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
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**SCHEDULE 11 - CASH AND BANK BALANCES**

1 Cash (including cheques, drafts and stamps)	12,640,680	17,400
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	-	-
(bb) Others	-	-
(b) Current Accounts	35,020,093	295,893
(c) Others	-	-
3 Money at Call and Short Notice		
(a) With Banks	-	-
(b) With other Institutions	-	-
4 Others		
<b>TOTAL</b>	<b>47,660,773</b>	<b>313,293</b>
Balances with non-scheduled banks included in 2 and 3 above	-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE 12 - ADVANCES AND OTHER ASSETS</b>		
<b>Advances</b>		
1 Reserve deposits with ceding companies	-	-
2 Application money for investments	-	-
3 Prepayments	9,854,398	-
4 Advances to Directors / Officers	-	-
5 Advance tax paid and taxes deducted at source	560,739	-
6 Rental Deposits	56,895,954	30,579,220
7 Advances- Others	4,887,257	-
8 Unutilised service tax- Carried forward	850,367	13,254,842
<b>TOTAL (A)</b>	<b>73,048,715</b>	<b>43,834,062</b>
<b>Other Assets</b>		
1 Income accrued on investments	13,011,088	-
2 Outstanding Premiums	-	-
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from other entities carrying on insurance business including reinsurers	10,172,043	-
6 Due from subsidiaries / holding	-	-
7 Deposit with Reserve Bank of India [Pursuant to Section 7 of Insurance Act, 1938]	20,168,098	-
8 Others- Other accrued income	-	-
8a Others including Sundry Debtors and advances to Vendors	-	-
8b Others	1,960,140	52,634
<b>TOTAL (B)</b>	<b>45,311,369</b>	<b>52,634</b>
<b>TOTAL (A+B)</b>	<b>118,360,084</b>	<b>43,886,696</b>
<b>SCHEDULE 13 - CURRENT LIABILITIES</b>		
1 Agents' Balances	1,400,092	-
2 Balances due to other insurance companies	51,157,328	-
3 Deposits held on re-insurance ceded	-	-
4 Premiums received in advance	15,100,589	-
5 Unallocated Premium	11,940,167	-
6 Sundry creditors	98,969,109	28,563,585
7 Due to subsidiaries / holding Company	20,704,930	400,324
8 Claims Outstanding	22,426,803	-
9 Due to Officers / Directors	-	-
10 Others:- Solatium fund	109,478	-
<b>TOTAL</b>	<b>221,808,496</b>	<b>28,963,909</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Particulars	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE 14 - PROVISIONS</b>		
1 Reserve for Unexpired Risk	87,752,547	–
2 For taxation (less advance tax paid and taxes deducted at source)	–	–
3 For proposed dividends	–	–
4 For dividend distribution tax	–	–
5 Others :		–
a) Leave Encashment	1,824,911	600,584
b) Gratuity	3,441,480	301,897
6 Reserve for Premium Deficiency	1,125,165	–
<b>TOTAL</b>	<b>94,144,103</b>	<b>902,481</b>

**SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011****SCHEDULE 15****SIGNIFICANT ACCOUNTING POLICIES****Background**

L&T General Insurance Company Limited ('the Company') was incorporated on December 27, 2007 and is a wholly owned subsidiary of Larsen & Toubro Limited. The Company obtained regulatory approval to undertake General Insurance business on July 9, 2010 from the Insurance Regulatory and Development Authority ('IRDA') and has also obtained its certificate of renewal of registration. The Company commenced its commercial operations on October 1, 2010.

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, on an accrual basis and in accordance with the applicable provisions of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, circulars / notifications issued by IRDA from time to time, the Companies Act, 1956, to the extent applicable and the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 to the extent applicable.

The Company follows the mercantile system of accounting and recognises items of income and expenditure on accrual basis.

**Use of estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates, and any changes arising therefrom are accounted for prospectively.

**Revenue recognition****Premium Income**

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (recognized as unexpired risk) and premium deficiency, if any.

Reserve for unexpired risk is recognized net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the Company under contractual obligations on a contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis, subject to a minimum premium of 50% of the aggregate premium, written on policies during the twelve months preceding the Balance Sheet date for fire, marine cargo and miscellaneous business (excluding

## **SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)**

Project related insurance contracts) and 100% for marine hull business, on all unexpired policies at Balance Sheet date, in accordance with Section 64 V(1)(ii)(b) of the Insurance Act, 1938. The Reserve for Unexpired Risk for projects related insurance contracts is computed using the Cubic Curve Method so that the revenue recognized is commensurate with the risk exposure on such contracts.

### **Income earned on investments:**

Interest income on investments is recognised on an accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over holding / maturity period on a constant yield to maturity basis.

Dividend income is recognised when the right to receive dividend is established.

The net realised gains or losses on the debt securities are the difference between the net sale consideration and the amortised cost, which is computed on a weighted average basis, as on the date of sale. In case of listed equity shares / mutual funds units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any, and excludes interest received on sales.

### **Reinsurance**

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Reinsurance premium ceded on unearned premium is carried forward to the period of risk and is set off against related unearned premium. Premium on excess of loss reinsurance cover is accounted as per the terms of the reinsurance arrangements.

Commission on reinsurance ceded is recognized as income on ceding of reinsurance premium.

Profit commission under re-insurance treaties, wherever applicable, is recognized in the year of final determination of the profits.

### **Claims**

Claims incurred comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers / coinsurers) are recognised on the date of intimation based on estimates from surveyors / insured in the respective revenue accounts.

Estimated liability for outstanding claims at Balance Sheet date is recorded net of claims recoverable from / payable to co-insurers / reinsurers and salvage to the extent there is certainty of realisation.

Estimated liability for outstanding claims is determined by management on the basis of ultimate amounts likely to be paid on each claim based on the past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes amount, if any, required for claims IBNER. Estimated liability for IBNR and IBNER is based on actuarial estimate applying generally accepted actuarial principles, methodologies and standards and duly certified by the appointed actuary of the Company. IBNR / IBNER has been created on re-insurance accepted from Indian Motor Third Party Insurance Pool (IMTPIP) based on actuarial estimates received from the IMTPIP.

Premium deficiency, if any, is recognised if the sum of expected claim costs and related claim expenses exceed related reserve for unexpired risk for every line of business.

### **Acquisition Costs**

Acquisition costs are the costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses etc. and are expensed as incurred.

### **Indian Market Terrorism Risk Insurance Pool**

The Company has subscribed to a pool created by Indian non life insurers for insurance of terrorism risk ('the Pool') from 1st April 2002, managed by General Insurance Corporation of India ('the Pool Manager'). In terms of the Pool agreement, the Company reinsures the entire terrorism risk underwritten by it with the Pool and the Pool Manager is required to protect the portfolio for common account and retrocede it back to all Pool members including the Pool Manager, in proportion to their accepted share.

Accordingly, based on statements received from the Pool Manager up to the finalisation of financial statements, the Company combines its proportionate retrocession share of the Pool's income and expenses with similar items in its financial statements, on a line-by-line basis.

### **Indian Motor Third Party Pool**

The Company is a member of the Indian Motor Third Party Insurance Pool under which it collectively, mandatorily and automatically participates in a pooling arrangement to share all motor third party insurance business underwritten on or after April 1, 2007, in respect of commercial vehicles. The transactions of the Company with the Pool are accounted for by the Company in its financial statements based on the statements received from the Pool Administrator.

## **SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)**

### **Fixed Assets, Intangibles and Depreciation:**

#### **Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost includes the purchase price and any cost directly attributable to bringing the asset to its working condition for its intended use. Depreciation on assets purchased / disposed off during the year is provided on pro rata basis with reference to the month of additions / deductions.

Depreciation on fixed assets is provided using higher of the rates based on the economic useful life of assets as estimated by the management and the Straight Line Method ('SLM') specified by the Schedule XIV to the Companies Act, 1956.

<b>Nature of Asset</b>	<b>Depreciation rate used</b>	<b>Depreciation rate as per Schedule XIV</b>
Intangible - Computer Software	16.67%	16.21%
Information Technology Equipments	25%	16.21%
Furniture and Fittings	33.33%	6.33%
Office Equipments	25%	4.75%

All assets including intangibles individually costing up to Rs. 5,000 are fully depreciated / amortised in the year in which acquired.

#### **Impairment**

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use. Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

### **Investments**

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 and various other circulars / notifications issued by IRDA in relation thereto from time to time.

Investments are recorded at cost, which include brokerage, taxes, stamp duty, if any, and excludes broken period interest.

Investments maturing within twelve months from the Balance Sheet date and investments made with the specific intention to be disposed off within twelve months from the Balance Sheet date are classified as short-term investments. Investments other than short term investments are classified as long term investments.

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue accounts and in the Profit and Loss Account over the period of maturity / holding. All mutual fund investments are valued at realisable net asset value on the Balance Sheet date and any unrealised gains / losses are accounted in "Fair Value Change Account" and carried forward in the Balance Sheet.

### **Allocation of investment income**

Investment income other than that from pool accounts (including profit / loss on sale of investments) is allocated to the respective Revenue Accounts and the Profit and Loss Account based on the ratio of average 'Technical Funds' and "Shareholders' Funds" respectively (average of funds at the beginning and end of the year). 'Technical Funds' in relation to policyholders' funds are the aggregate of outstanding claims, estimates for IBNR (including IBNER) and reserve for unexpired risk excluding the technical funds relating to pool accounts. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., net worth of the Company.

Investment income arising from pool accounts is allocated directly to respective Revenue Accounts.

### **Operating lease**

Where lease rentals are so structured that the rental is higher in the later years and in case of Fixed Assets acquired on Operating Leases, lease rentals have been recognised as an expense in the statement of Profit and Loss Account on Straight Line basis over the term of the lease.

In other cases, lease rentals are accounted as per the terms of the lease contract.

### **Transactions in foreign exchange**

Transactions in foreign currency are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the year-end. The gains / losses on account of restatement and settlement are recognised in the Profit and Loss Account and revenue account(s).

### **Provisions and Contingencies**

In accordance with Accounting Standard 29 - 'Provisions, Contingent Liabilities and Contingent Assets', to the extent applicable to the Company, provisions are created in respect of obligations resulting from past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made.

## **SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)**

Provisions are not discounted to their present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These will be reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

Contingent losses arising from claims other than insurance claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

A disclosure for a contingent liability other than those under policies is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### **Employee Benefits**

#### **a) Short Term Employee Benefits:**

All employee benefits payable wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, short term compensated absences etc. and expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

#### **b) Post Employment Benefits**

The Company is obligated to pay Gratuity, which is an end of service benefit and defined benefit obligation, as per Payment of Gratuity Act, 1972. The Company is a member of provident fund scheme, a defined benefit obligation, managed by a trust. Wherever applicable, the present value of the obligation under such defined benefit plans is determined and provided for based on actuarial valuation using the Projected Unit Credit Method at each Balance sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs.

Liability for Long term accumulating leave entitlements is determined and provided for based on actuarial valuation at each Balance Sheet date.

### **Taxation**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the accounting income as per the Company's financial statements and the taxable income for the year. Deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future, however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each Balance Sheet date and appropriately adjusted to reflect the amount that is reasonably / virtually certain to be realised.

### **SCHEDULE 16**

#### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011**

- The Company was issued the license by the Insurance Regulatory and Development Authority to operate as a General Insurer vide license No. 146 dated July 9, 2010. The Company, however, commenced commercial operations as a General Insurer only on October 1, 2010 and accordingly:
  - Amount of Rs. 199,998,000 (*previous year Rs. 73,475,000*) included in the expenses pertain to the period prior to the commencement of commercial operations.
  - With respect to the specific insurance business related disclosures required under IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002; there are no figures to be disclosed against the previous year.
- Contingent Liabilities:

<b>Particulars</b>	<b>As at 31.03.2011</b>
Partly paid up investments	–
Claims, other than those under policies, not acknowledged as debts	–
Underwriting commitments outstanding	–

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

Guarantees given by or on behalf of the Company	-
Statutory demands / liabilities in dispute, not provided for	-
Reinsurance obligations to the extent not provided for in accounts	-
Others	-

3. The assets of the Company are free from all encumbrances.
4. Estimated amount of commitment pertaining to contracts remaining to be executed in respect of fixed assets (net of advances) is Rs. 425,000,000 (Previous year- Nil)
5. Commitment in respect of loans and investments is NIL.
6. Claims:

Claims, less reinsurance paid to claimants in India for the year ended March 31, 2011 is Rs. 2,034,000. There are no claims paid to claimants outside India during the year.

The Company conducted General Insurance business only for a period of six months commencing from October 1, 2010, in the current financial year. Consequently, there are no claims outstanding as at March 31, 2011 for a period exceeding six months. Claims outstanding for a period less than six months are Rs. 22,426,803. Further, there are also no claims settled and remaining unpaid for a period of more than six months as at the March 31, 2011.

7. Premium:

Premium, less reinsurance, written from business in / outside India is given below:

Premium written	For the year ended 31.03.2011 (Rs.)
In India	90,568,327
Outside India	-

8. Sector wise details of the policies issued / outstanding are given below:

	GWP (Rs.)	No. of Policies	% of GWP
Rural	9,656,174	821	6%
Social	-	-	-
Urban	162,727,000	9,608	94%
Total	172,383,174	10,429	100%

9. Extent of risks retained and reinsured is set out below (excluding excess of loss and catastrophe reinsurance):

Line of Business	Basis	As at 31.03.2011	
		Retention (%)	Ceded (%)
Fire	Total sum insured	24	76
Marine	Value at risk	20	80
Engineering	Total sum insured	24	76
Public Liability	Value at risk	73	27
Motor	Total sum insured	90	10
Group Personal Accident	Value at risk	5	95
Group Health	Value at risk	90	10
Workmen Compensation	Value at risk	90	10
Miscellaneous	Value at risk	32	68

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

## 10. Investments:

Value of contracts in relation to investments for:

Purchases where deliveries are pending is Rs. 1,39,922,000 as on March 31, 2011 which were subsequently delivered.

Sales where payments are overdue NIL.

Historical cost of short term investments that are valued on fair value basis is Rs. 96,850,000.

## 11. Employee Benefit Plans:

Rupees

a) The amounts recognized in Balance Sheet are as follows

Particulars	Gratuity plan		Trust – managed provident fund plan	
	As at	As at	As at	As at
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
A) Present value of defined benefit obligation				
Wholly funded	–	–	21,711,000	3,177,000
Wholly unfunded	3,441,000	302,000	–	–
	<b>3,441,000</b>	<b>302,000</b>	<b>21,711,000</b>	<b>3,177,000</b>
Less : Fair value of plan assets	–	–	21,230,000	3,200,000
Less : Unrecognized past service costs	–	–	–	–
<b>Amount to be recognized as liability or (asset)</b>	<b>3,441,000</b>	<b>302,000</b>	<b>1,651,000</b>	<b>501,000</b>
B) Amounts reflected in the Balance Sheet				
Liabilities	3,441,000	302,000	2,131,000	478,000
Assets	–	–		
<b>Net liability / (asset)</b>	<b>3,441,000</b>	<b>302,000</b>	<b>2,131,000</b>	<b>478,000</b>

b) The amounts recognized in Profit and Loss Account are as follows:

Particulars	Gratuity plan		Trust – managed provident fund plan	
	2010-2011	2009-2010	2010-2011	2009-2010
1 Current Service Cost	783,000	302,000	8,209,000	1,521,000
2 Interest Cost	90,000	–	939,000	83,000
3 Expected (Return) on Plan Assets	–	–	(1,664,000)	(200,000)
4 Actuarial Losses / (Gains)	2,266,000	–	77,000	(407,000)
5 Past Service Cost	–	–	–	–
6 Effect of any curtailment or settlement	–	–	–	–
7 Actuarial gain / (loss) not recognized in books	–	–	648,000	524,000
8 Adjustment for Earlier Years	–	–		
<b>Total (1 to 8)</b>	<b>3,139,000</b>	<b>302,000</b>	<b>8,209,000</b>	<b>1,521,000</b>
I Amount included in "Staff expenses"	3,139,000	302,000	8,209,000	1,521,000
II Amount included as part of "Interest"	–	–	–	–
<b>Total (I+II)</b>	<b>3,139,000</b>	<b>302,000</b>	<b>8,209,000</b>	<b>1,521,000</b>
Actual Return on Plan Assets	–	–	1,518,000	200,000

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

- c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Gratuity plan		Trust – managed provident fund plan	
	As at	As at	As at	As at
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Opening balance of the present value of Defined Benefit Obligation	302,000	–	3,177,000	–
Add: Current Service Cost	783,000	302,000	8,209,000	1,521,000
Add: Interest Cost	90,000	–	939,000	83,000
Add: Contribution by plan participants	–	–	–	–
i) Employer	–	–	–	–
ii) Employee	–	–	9,433,000	1,573,000
iii) Transfer in	–	–	–	–
Add / (less): Actuarial losses / (gains)	2,266,000	–	–	–
Less: Benefits paid	–	–	(48,000)	–
Add: Past service cost	–	–	–	–
Less: Effect of any curtailment or settlement	–	–	–	–
Closing balance of the present value of Defined Benefit Obligation	3,441,000	302,000	21,711,000	3,177,000

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Particulars	Gratuity plan		Trust – managed provident fund plan	
	As at	As at	As at	As at
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Opening balance of the fair value of the plan assets	–	–	3,200,000	–
Add: Expected Return on Plan Assets	–	–	1,664,000	200,000
Add / (less): Actuarial gains / (losses)	–	–	(77,000)	407,000
Add: Contribution by the employer	–	–	7,693,000	1,276,000
Add: Contribution by plan participants	–	–	8,799,000	1,317,000
Less: Benefits paid	–	–	(48,000)	–
Add: Business combinations	–	–	–	–
Less: Settlements	–	–	–	–
Closing balance of the Plan Assets	–	–	21,230,000	3,200,000

- e) The major categories of plan assets as a percentage of total plan assets are as follows:

Particulars	Gratuity plan		Trust – managed provident fund plan	
	As at	As at	As at	As at
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
Government of India securities	–	–	24%	23%
State government securities	–	–	12%	12%
Corporate bonds	–	–	7%	6%
Equity shares of listed companies	–	–	–	–
Fixed deposits under special deposit scheme framed by central government for provident funds	–	–	19%	22%
Insurer managed funds	–	–	–	–
Public sector unit bonds	–	–	39%	36%
Others	–	–	–	–



## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

		As at	As at
		31.3.2011	31.3.2010
1	Discount rate:		
	a) Gratuity plan	8.05%	8.30%
2	Expected return on plan assets:	-	-
3	Salary Growth rate :		
	a) Gratuity plan	10.00%	6.00%

4 Discount Rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligations.

5 Salary Escalation Rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

6 Expected Rate of Return on Plan Assets:

This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

7 Retirement Age:

The employees of the Company are assumed to retire at the age of 58 years.

8 Leaving Service:

Rates of leaving service at specimen ages are as shown below:

Age (Years)	Rates
21-44	12%
45-57	3%

g) The amounts pertaining to defined benefit plans are as follows:

Particulars		As at	As at
		31.3.2011	31.3.2010
1	Gratuity plan (funded / unfunded)		
	Defined benefit obligation	3,441,000	302,000
	Plan assets	-	-
	Surplus / (deficit)	(3,441,000)	(302,000)
	Experience adjustment plan liabilities	1,433,000	-
	Experience adjustment plan assets	-	-

h) General description of defined benefit plans:

#### Gratuity plan :

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.

#### Trust managed provident fund plan:

The Company manages provident fund plan through a provident fund trust for its employees which is permitted under the Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the provident fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.



## **SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)**

### 12. Managerial Remuneration:

The Chief Executive Officer and Whole time Director, Mr. Joydeep Roy was appointed by the Company effective from May 26, 2010. As per the approval of terms of appointment of Mr. Joydeep Roy by IRDA, the proportionate amount calculated at Rs. 1.5 crores per annum has been debited to the Revenue Account and the excess over such amount Rs. 12.7 lakhs has been debited to the Shareholders' (Profit and Loss) Account. Details of managerial remuneration are:

	<b>For the year ended 31.03.2011 Rupees</b>	<i>For the year ended 31.03.2010 Rupees</i>
Salaries and allowances	<b>13,258,000</b>	–
Contribution to Provident and other funds	<b>489,000</b>	–
Perquisites	<b>63,000</b>	–

Expenses towards gratuity funding and leave encashment provisions are determined actuarially on an overall Company basis annually and accordingly have not been considered in the above information.

### 13. Contribution to Solatium Fund:

In accordance with the requirements of the IRDA circular dated March 18, 2003 and based on recommendations made at the General Insurance Council meeting held on February 4, 2005, the Company has provided 0.1% of gross written premium on all motor policies (excluding reinsurance premium accepted on motor third party for commercial vehicles) towards contribution to the solatium fund.

### 14. Environment Relief Fund:

There is no sum outstanding towards Environment Relief fund (ERF) under Public Liability policies as on March 31, 2011.

### 15. Micro and Small scale business entities:

There is no Micro and Small enterprise to which the Company owes dues, which are outstanding for more than 45 days during the year ended March 31, 2011. This information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

### 16. Segmental reporting:

#### Primary reportable segments:

The Company's primary reportable segments are business segments, which have been identified in accordance with AS 17 - Segment Reporting read with the Regulations.

Refer Annexure to the Revenue account for disclosures on segment reporting.

Segment Liabilities as at March 31, 2011 are:

Fire	1,353,732
Marine	632,961
Motor	14,946,266
Liability - Workmen Compensation	1,006,405
Liability - Others	287,880
Engineering	2,220
Group Personal Accident	29,341
Group Health	1,947,831
Others	2,470
<b>Total</b>	<b>22,426,803</b>

Segment Assets are not identifiable to any business segment. Unallocated premium and advance premium are not identifiable to any business segment. There are no premiums outstanding as at March 31, 2011.

#### Secondary reportable segments:

There are no reportable geographical segments since the Company provides services to customers in the Indian market only and does not distinguish any reportable regions within India.

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

## 17. Related Parties Disclosure – AS 18:

**List of related parties who exercise control:**

Larsen &amp; Toubro Limited (Holding Company)

**Name of the related parties with whom transactions were carried out during the year and description of relationship:**

Name of Related Party	
a)	Larsen & Toubro Infotech Limited - Fellow Subsidiary
b)	L&T Urban Infrastructure Limited - Fellow Subsidiary
c)	L&T-MHI Boilers Limited - Fellow Subsidiary
d)	L&T Finance Limited - Fellow Subsidiary
e)	L&T Devihalli Hassan Tollway Pvt. Ltd - Fellow Subsidiary
f)	L&T-Valdel Engineering Limited - Fellow Subsidiary
g)	L&T Krishnagiri Thopur Tollroad Limited – Fellow Subsidiary
h)	Larsen & Toubro Limited – Holding Company

**Details of Key Management Personnel and relatives of Key Management Personnel:-**

Joydeep Kumar Roy: Chief Executive Officer and Whole time Director (with effect from May 26, 2010)

There are no transactions with Key Management Personnel other than those disclosed in Note 12 above on Managerial Remuneration.

Relatives of Key Management Personnel with whom transactions have taken place: NIL

**Details of transactions with related parties for the year ended March 31, 2011 are given below:**

Rupees

Particulars	Larsen & Toubro Limited	L&T Finance Limited	L&T Urban Infrastructure Limited	Larsen & Toubro Infotech Limited	L&T Devihalli Hassan Tollway Pvt Ltd	L&T Krishnagiri Thopur Tollroad Limited	L&T-Valdel Engineering Limited	L&T-MHI Boilers Limited
	<b>Holding Company</b>	<b>Fellow Subsidiaries</b>						
Premium Income	1,263,000 (-)	64,000 (-)	4,000 (-)	- (-)	1,421,000 (-)	1,069,000 (-)	1,000 (-)	18,000 (-)
Issue of Share Capital	1,710,000,000 (2,89,500,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Share Application Money	- (-)	- (20,000,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Inter Corporate Deposits	- (-)	- (31,500,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Interest on Inter-Corporate Deposits	- (-)	- (333,000)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Claims paid	- (-)	145,000 (-)	- (-)	- (-)	- (-)	191,000 (-)	- (-)	- (-)
Purchase of services	- (849,000)	- (-)	- (-)	9,746 (10,570)	- (-)	- (-)	- (-)	- (-)
Purchase of services–software	- (-)	- (-)	- (-)	66,981 (-)	- (-)	- (-)	- (-)	- (-)
Reimbursement of exp	7,772,000 (478,000)	2,622,000 (22,942,000)	- (-)	-	- (-)	- (-)	- (-)	- (-)

Figures in brackets are in respect of previous year

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

Balances with related parties as at March 31, 2011 are given below:

Particulars	Larsen & Toubro Limited	Larsen & Toubro Infotech Limited	L&T Finance Limited
	Holding Company	Fellow Subsidiaries	
Deposits & Receivables	1,614,000 (-)	- (-)	- (-)
Other liabilities / payables	5,484,000 (400,000)	14,263,000 (2,515,000)	2,571,000 (3,312,000)

Figures in brackets are in respect of previous year

18. The Company commenced its commercial operations on October 1, 2010 and no penal action has been taken by any of the Government authorities referred to in the IRDA circular 005/IRDA/F&A/CIR/May 09 dated 07-05-2009.
19. Earnings per share:

Details of earning per share

Particulars	2010-11	2009-10
Profit / (Loss) after tax (Rs.)	(593,203,867)	(73,141,969)
No. of equity shares	2,00,000,000	290,00,000
Weighted avg no of equity shares	144,778,959	2,807,671
Earnings per share Basic and diluted (Rs.)	(4.10)	(26.05)
Nominal value of shares (Rs.)	10	10

20. Ratio Analysis:

	Fire	Marine	Misc	Total	Basis
Gross Premium to average Shareholders' fund ratio	-	-	-	22%	Gross Premium / Average shareholders' funds
Gross Premium Growth rate	NA	NA	NA	NA	Increase in Gross Premium / Previous year Gross Premium
Growth Rate of shareholders funds	-	-	-	534%	Increase in Shareholders funds / Opening Shareholders funds
Net retention ratio	7%	(18)%	62%	53%	Net Premium / Gross Premium
Net Commission Ratio	(158)%	16%	(1)%	(4)%	Net Commission / Net Premium
Expenses of Management to gross direct Premium	354%	354%	354%	354%	Operating expenses / Gross Premium
Combined ratio	355%	354%	356%	356%	(Claims paid-Direct+ Operating expenses) / Gross Premium
Technical reserves to net premium ratio	303%	(286)%	116%	123%	Claims outstanding + Reserve for unexpired risks + Reserve for premium deficiency) / Net premium Underwriting
Underwriting balance ratio	(4,959)%	2294%	(585)%	(696)%	Underwriting Profit / Net Premium
Operating profit ratio	(4,920)%	2278%	(580)%	(690)%	(Underwriting Profit + Investment Income in Revenue Account) / Net premium
Liquid assets to liability ratio	-	-	-	130%	Liquid Assets / Policy holders liabilities
Net earning ratio	-	-	-	(655)%	Profit after tax / Net premium
Return on Net worth (average)	-	-	-	(77)%	Profit after tax / Net worth
Reinsurance Ratio	93%	118%	38%	47%	Premium on Reinsurance Ceded / Gross Premium
Claims Incurred Ratio	(60)%	(26)%	301%	868%	Claims Incurred (Net) / Net Earned Premium

L&T GENERAL INSURANCE COMPANY LIMITED

21. Operating lease rental charged to Revenue Account:

<b>Particulars</b>	<b>2010-11 (Rs.)</b>	<i>2009-10 (Rs.)</i>
Lease Rent for offices	<b>62,708,000</b>	7,401,000

Future minimum lease rentals payable in respect of non-cancelable period of lease for premises taken on lease:

<b>Particulars</b>	<b>2010-11 (Rs.)</b>	<i>2009-10 (Rs.)</i>
Payable:		
Within one year from Balance Sheet date	<b>62,891,000</b>	1,056,000
Later than one year but within 5 years	<b>63,226,000</b>	2,323,000
Later than 5 years	-	-

The agreements are entered into for a period ranging from 5 years to 10 years with a non-cancelable period of 3 years.

22. Contribution to Motor TP Pool:

The Company has ceded 100% of the third party premium collected to the pool and has recorded its share of results in the pool based on unaudited results received from pool for the period from April 2010 to February 2011.

23. Contribution to Terrorism Pool:

For the current year, the Company has not received the account statement from the terrorism pool and hence, has not recorded its share of the terrorism premium.

24. The Company has reviewed the useful life of certain categories of fixed assets during the year. Consequently, depreciation rates have been revised resulting in additional charge of depreciation of Rs. 103,000 and loss for the year is higher to that extent.

25. Allocation of expenses:

Operating expenses relating to insurance business are allocated to specific classes of business on the following basis:

Expenses directly identifiable to the business segments are allocated on an actual basis.

Other expenses, which are not directly identifiable, are apportioned on the basis of the Gross written premium in each business segment during the year.

26. Deferred tax assets are not recognised on account of the carry forward losses as at March 31, 2011 as a matter of prudence.

27. The financial statements for the last five years are not required to be disclosed by the Company as 2010-11 being the first year of its operations as Insurance Company.

28. Figures of the previous year have been restated, regrouped or reclassified wherever necessary to conform with the current year's classification.

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Fourth Annual Report along with Accounts for the year ended March 31, 2011.

### **FINANCIAL RESULTS**

During the year under review, the Company has not carried on any commercial activities.

### **DIVIDEND**

The Directors do not recommend any dividend for the current year.

### **CAPITAL EXPENDITURE**

As at March 31, 2011, the gross and net tangible assets stood at Rs. 24.67 Crores. Additions during the year amounted to Rs. 1.72 Crores.

### **DEPOSITS**

The Company has not accepted any deposits from the public.

### **AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes to the accounts referred to in the Auditors' report are self explanatory and do not call for any further comments of Directors.

### **DISCLOSURE OF PARTICULARS**

The Company did not carry on commercial activities and hence there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

During the year, the Board of Directors at their meeting held on June 11, 2010 appointed Ms. B. Uma Prabha as the Manager of the Company.

### **SUBSIDIARY COMPANIES**

The Company has two subsidiaries viz. L&T Realty FZE and Chennai Vision Developers Private Limited. As required by Section 212 of the Companies Act, 1956, the accounts of the subsidiary companies are enclosed.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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, 2011 and of the profit or loss of the Company for that period;
- iii. that 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;
- iv. that the accounts have been prepared on a going concern basis; and
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

### **DIRECTORS**

Mr. A. M. Naik, Mr. R. N. Mukhija and Mr. D. B. Raju are the current Directors of the Company.

Mr. R. Chandrasekaran and Mr. A. Soundararajan were appointed as Additional Directors of the Company while Mr. N. Sivaraman resigned as a Director at the Board meeting held on May 6, 2010.

Mr. A. M. Naik, Mr. R. N. Mukhija and Mr. D. B. Raju were appointed as Additional Directors of the Company while Mr. D. K. Narang, Mr. R. Chandrasekaran and Mr. A. Soundararajan resigned as Directors at the Board meeting held on February 24, 2011.

Mr. A. M. Naik, Mr. R. N. Mukhija and Mr. D. B. Raju hold office until the forthcoming AGM as per the provisions of Section 260 of the Companies Act, 1956.

Notice under the provisions of Section 257 of the Companies Act has been received by the Company from a member for the appointment of Mr. A. M. Naik, Mr. R. N. Mukhija and Mr. D. B. Raju as Directors of the Company.

The Board of Directors places on record their appreciation for the contributions made by Mr. N. Sivaraman, Mr. D. K. Narang, Mr. R. Chandrasekaran and Mr. A. Soundararajan during their tenure as Directors of the Company.

### **REMUNERATION COMMITTEE**

As required under the provisions of Schedule XIII of the Companies Act, 1956, a Remuneration Committee was constituted on June 11, 2010 to

## L&T REALTY PRIVATE LIMITED

fix the remuneration payable to the Manager. The Committee comprised of Mr. D. K. Narang, Mr. R. Chandrasekaran and Mr. A. Soundararajan as members. Pursuant to the re-constitution of the Board, the Remuneration Committee was also re-constituted on February 24, 2011 and now comprises of Mr. A. M. Naik as Chairman and Mr. R. N. Mukhija and Mr. D. B. Raju as members.

### AUDITORS

The Auditors, M/s Sharp and Tannan, hold office until the conclusion of the ensuing Annual General Meeting. The Directors recommend that M/s Sharp and Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below.

- **INDEPENDENT DIRECTORS**

All the members of the Board of the Company are independent in the sense that none of them are involved in the day to day management of the Company. The Directors of the Company are the persons of integrity with rich experience, managerial qualities and expertise.

- **NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR**

The Company has apprised its Board members about the restriction on number of other directorships and the same is being complied with.

- **RESPONSIBILITIES OF THE BOARD**

Presentations to the Board are made in the areas such as financial results, budgets, business prospects, etc. Directors are also updated about their role, responsibilities and liabilities.

Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Directors, through their interactions and deliberations, give suggestions for improving overall effectiveness of the Board. The system of risk assessment and compliance with statutory requirements are in place.

- **STATUTORY AUDITORS**

The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

- **INTERNAL AUDITORS**

Internal Audit will be conducted by the Corporate Audit Services department of Larsen & Toubro Limited.

- **INTERNAL CONTROL**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

- **SECRETARIAL AUDIT**

The Secretarial Audit is conducted by Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

- **RELATED PARTY TRANSACTIONS**

The Board hereby states that the details of all the related party transactions form part of accounts as required by AS-18 and the same are given in the Schedules & Notes to Accounts.

### ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the services of all the employees for their contribution. The Directors also wish to thank the regulatory authorities and the stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 12, 2011

**R. N. MUKHIJA**  
Director

**D. B. RAJU**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T REALTY PRIVATE LIMITED

We have audited the attached Balance Sheet of L&T Realty Private Limited as at March 31, 2011 and also Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, 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 the audit;
  - b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of these books;
  - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of the written representations received from the Directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule I and notes appearing 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:

- I. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- II. in the case of Profit and Loss Account, of the loss for the year ended March 31, 2011; and
- III. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

Place : Mumbai  
Date : May 12, 2011

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## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantity details and situation of fixed assets.
- (b) We are informed that the Company has physically verified during the year all its fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any of its fixed assets so as to affect its going concern status.
- (ii) The Company has no inventories and paragraph 4(ii)(a), (b) and (c) are not applicable.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act 1956. Accordingly, paragraph 4(iii)(b), (c), (d) of the order are not applicable.

## L&T REALTY PRIVATE LIMITED

- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act 1956. Accordingly, paragraph 4(iii)(f) and (g) of the order are not applicable.
- (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 nature of its business for expenses incurred during the year. In our opinion and according to the information and explanations given to us there is no 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 that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 and accordingly paragraph 4(v)(b) of the order is not applicable.
- (vi) The Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company is not required to maintain cost records under Section 209 (1) (d) of the Companies Act 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there were no amounts in respect of such dues outstanding as March 31, 2011 for the period of more than six months from the date when they become payable.  
(b) According to information and explanations given to us, there were no amounts in respect of statutory liabilities that were under dispute as at March 31, 2011.
- (x) The Company is in existence for a period of less than 5 years, hence reporting under paragraph 4(x) is not applicable.
- (xi) The Company has not raised any loans from financial institutions or banks during the year.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not availed any term loan and hence reporting under clause 4(xvi) of the Companies (Auditor's Report) Order 2003 does not arise.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued any debenture during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and the records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanation given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 003792S)

**MILIND P. PHADKE**  
*Partner*  
Membership No. 33013

Place : Mumbai  
Date : May 12, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		471,607,000		471,607,000
<b>Loan Funds</b>					
Unsecured Loans	B		2,920,000,000		2,920,000,000
<b>TOTAL</b>			<b>3,391,607,000</b>		<b>3,391,607,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	C	246,713,000		229,500,000	
Less: Depreciation		-		-	
Net Block			246,713,000		229,500,000
<b>Investments</b>	D		2,918,065,040		2,918,065,040
<b>Current Assets, Loans and Advances</b>					
<b>Current Assets</b>					
Cash and bank balances	E		47,571,616		73,954,560
Other Current Assets			291,636		-
Loans and advances			146,713,644		143,656,810
			<b>194,576,896</b>		<b>217,611,370</b>
<b>Less: Current Liabilities and provisions</b>					
<b>Liabilities</b>					
Liabilities	F		107,960		1,569,005
Provisions			-		2,091,128
			<b>107,960</b>		<b>3,660,133</b>
<b>Net Current Assets</b>			<b>194,468,936</b>		<b>213,951,237</b>
<b>Profit and Loss Account</b>			<b>32,360,025</b>		<b>30,090,723</b>
<b>TOTAL</b>			<b>3,391,607,000</b>		<b>3,391,607,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	J				
<b>NOTES ON ACCOUNTS</b>	K				

The schedules referred to above and the notes attached form an intergral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 003792S)

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**DIVAKAR MENON**

Company Secretary

**R. N. MUKHIJA**

Director

**D. B. RAJU**

Director

Place : Mumbai  
Date : May 12, 2011

Place : Mumbai  
Date : May 12, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedule</u>	<u>2010-2011 Rupees</u>	<u>2009-2010 Rupees</u>
<b>INCOME</b>			
Other income	<b>G</b>	<b>4,925,870</b>	14,780,465
<b>TOTAL</b>		<b>4,925,870</b>	14,780,465
<b>EXPENDITURE</b>			
Administration and other expenses	<b>H</b>	<b>7,103,952</b>	6,952,603
Financial Expenses	<b>I</b>	<b>91,219</b>	129,884
<b>TOTAL</b>		<b>7,195,171</b>	7,082,487
<b>Profit / (Loss) before taxes</b>		<b>(2,269,302)</b>	7,697,978
Provision for taxes:			
Current Tax		-	2,091,128
<b>Profit / (Loss) after tax</b>		<b>(2,269,302)</b>	5,606,850
Add: Balance brought forward from previous year		<b>(30,090,723)</b>	(35,697,573)
<b>Balance carried to Balance Sheet</b>		<b>(32,360,025)</b>	(30,090,723)
Basic and Diluted Earnings per Equity Share (Refer note No. 5 in Schedule K)		<b>(0.05)</b>	0.12
Face Value per Equity Share		<b>10.00</b>	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>J</b>		
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>K</b>		

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The schedules referred to above and the notes attached form an intergral part of the Profit and Loss Account.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 003792S)

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**DIVAKAR MENON**  
Company Secretary

**R. N. MUKHIJA**  
Director

**D. B. RAJU**  
Director

Place : Mumbai  
Date : May 12, 2011

Place : Mumbai  
Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) before taxes</b>	<b>(2,269,302)</b>	7,697,978
<b>Adjustment for :</b>		
Interest on Income taxes	91,219	-
Interest Income	<b>(3,412,184)</b>	(2,667,425)
Dividends Income	<b>(1,513,686)</b>	-
<b>Operating Profit before Working Capital changes</b>	<b>(7,103,953)</b>	10,365,403
<b>Adjustments for :</b>		
(Increase) / Decrease in loans and advances	<b>(3,056,833)</b>	66,519,027
Increase / (Decrease) in trade payables	<b>(1,617,413)</b>	(37,973,721)
<b>Cash generated from / (used in) operations</b>	<b>(11,778,199)</b>	38,910,709
Direct taxes paid	<b>(2,025,979)</b>	(266,744)
<b>Net Cash from / (used in) Operating Activities (A)</b>	<b>(13,804,178)</b>	38,643,965
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (Interest Capitalised Rs. Nil)	<b>(17,213,000)</b>	(20,349,000)
Investments in subsidiaries and fellow subsidiary	-	2,916,355,000
Interest received	<b>3,412,184</b>	-
Dividend on other Investment	<b>1,222,050</b>	2,667,425
<b>Net Cash from / (used in) Investing Activities (B)</b>	<b>(12,578,766)</b>	2,898,673,425
<b>C. Cash Flow from Financing Activities</b>		
(Repayment) / Proceeds from other borrowings	-	2,920,000,000
<b>Net Cash/ (used in) from Financing Activities (C)</b>	-	2,920,000,000
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(26,382,944)</b>	59,970,540
<b>Cash and Cash equivalents at beginning of the year (including cash credit from banks)</b>	<b>73,954,560</b>	13,984,040
<b>Cash and Cash equivalents at end of the year (including cash credit from banks)</b>	<b>47,571,616</b>	73,954,560

**Notes:**

- (a) Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3: "Cash Flow Statement" as specified in the Companies (Accounting Standards) Rules, 2006.
- (b) Cash and cash equivalents at the end of the year represents cash and bank balances.
- (c) Previous year figures have been regrouped / reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 003792S)**MILIND P. PHADKE**Partner  
Membership No. 33013**DIVAKAR MENON**

Company Secretary

**R. N. MUKHIJA**

Director

**D. B. RAJU**

Director

Place : Mumbai  
Date : May 12, 2011Place : Mumbai  
Date : May 12, 2011

**SCHEDULE FORMING PART OF BALANCE SHEET**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
200,000,000 Equity Shares of Rs. 10 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
<b>Issued and Subscribed</b>		
47,160,700 equity shares of Rs. 10 each (All the equity shares are held by Larsen and Toubro Limited, the holding Company and its nominees)	<u>471,607,000</u>	<u>471,607,000</u>
<b>TOTAL</b>	<u><u>471,607,000</u></u>	<u><u>471,607,000</u></u>

<b>SCHEDULE - B</b>		
<b>UNSECURED LOANS</b>		
Interest free Loan		
From holding Company	<u>2,920,000,000</u>	<u>2,920,000,000</u>
<b>TOTAL</b>	<u><u>2,920,000,000</u></u>	<u><u>2,920,000,000</u></u>

**SCHEDULE - C**

Description	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2011	For the Year	Deductions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land	229,500,000	17,213,000	-	246,713,000	-	-	-	-	246,713,000	229,500,000
<b>Total</b>	<b>229,500,000</b>	<b>17,213,000</b>	<b>-</b>	<b>246,713,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,713,000</b>	
<i>Previous year</i>	<i>249,849,000</i>	<i>-</i>	<i>20,349,000</i>	<i>229,500,000</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>229,500,000</i>	<i>249,849,000</i>

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>		
<b>INVESTMENTS (At cost, unless otherwise specified)</b>		
<b>Long Term Investments (At Cost)</b>		
Fully paid equity shares in Subsidiaries		
L&T Realty FZE, Sharjah, UAE (1 equity share of AED 150,000)	<u>1,610,040</u>	<u>1,610,040</u>
Chennai Vision Developers Private Limited (10000 equity shares of Rs. 10 each )	<u>100,000</u>	<u>100,000</u>
	<u>1,710,040</u>	<u>1,710,040</u>
<b>Trade Investments</b>		
Fully paid Preference Shares in fellow Subsidiary		
L&T Urban Infrastructure Limited (291,635,500 - 0.01% Cumulative Redeemable Preference shares of Rs.10 each )	<u>2,916,355,000</u>	<u>2,916,355,000</u>
<b>TOTAL</b>	<u><u>2,918,065,040</u></u>	<u><u>2,918,065,040</u></u>

**SCHEDULE FORMING PART OF BALANCE SHEET (Contd.)**

**L&T REALTY PRIVATE LIMITED**  
**Statement of Investment in Mutual Fund for the F. Y. 2010-11**

Particulars	Face Value per Unit	Number of Units				As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
		As at 01.04.2010	Purchased /Subscribed/ addition during the year	Sold/Deduction during the year	As at 31.03.2011			
TATA Liquid Super High investment plan	1,000	-	38137.997*	38,137.997	-	-	-	
TATA Floater Fund (Daily Dividend)	10	-	4047238.378*	4,047,238.378	-	-	-	

\* Additions during the year include the dividend reinvested

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - E</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and Bank Balances</b>		
Balances with scheduled banks		
on current account	<b>12,544,561</b>	<i>73,954,560</i>
Fixed Deposit with Allahabad Bank	<b>35,000,000</b>	<i>-</i>
Accrued Interest on FD	<b>27,055</b>	<i>-</i>
<b>Other Current Assets</b>		
Preference Dividend Receivable from fellow subsidiaries	<b>291,636</b>	<i>-</i>
<b>Loans and Advances</b>		
Unsecured, considered good		
Holding Company		
Inter Corporate deposit including interest accrued thereon	<b>50,773,706</b>	<i>48,397,706</i>
Advance towards equity Commitment to subsidiary	<b>94,992,360</b>	<i>94,992,360</i>
Advances recoverable in cash or in kind or for value to be received	<b>947,578</b>	<i>266,744</i>
<b>TOTAL</b>	<b>194,576,896</b>	<i>217,611,370</i>

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - F</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Sundry Creditors</b>		
Due to micro and small enterprises	<b>-</b>	<i>-</i>
Due to holding Company	<b>12,999</b>	<i>57,908</i>
Due to fellow subsidiary Company	<b>-</b>	<i>128,000</i>
Others	<b>94,961</b>	<i>1,383,097</i>
	<b>107,960</b>	<i>1,569,005</i>
<b>Provisions for</b>		
Income Tax	<b>-</b>	<i>2,091,128</i>
<b>TOTAL</b>	<b>107,960</b>	<i>3,660,133</i>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	<b>2010-2011</b>	<i>2009-2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - G</b>		
<b>OTHER INCOME</b>		
Interest income from		
Holding Company (tax deducted at source: Rs. 2,64,000; <i>Previous year: Rs. 2,66,743/-</i> )	<b>2,640,000</b>	<i>2,667,425</i>
Others	<b>772,184</b>	<i>–</i>
Dividend Income from		
Fellow subsidiaries	<b>291,636</b>	<i>–</i>
Others	<b>1,222,050</b>	<i>–</i>
Foreign Exchange Gain	<b>–</b>	<i>12,113,040</i>
<b>TOTAL</b>	<b>4,925,870</b>	<i>14,780,465</i>
<b>SCHEDULE - H</b>		
<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Rent	<b>435,708</b>	<i>476,496</i>
Rates and taxes	<b>27,500</b>	<i>400,700</i>
Travelling and conveyance	<b>231,771</b>	<i>208,736</i>
Professional fees	<b>1,100,356</b>	<i>378,125</i>
Business Support Services	<b>1,062,417</b>	<i>1,198,132</i>
Managerial Services	<b>1,100,000</b>	<i>1,963,340</i>
Cost of Services & Reimbursements	<b>2,605,155</b>	<i>3,303,717</i>
Auditor's Remuneration	<b>259,000</b>	<i>55,665</i>
Miscellaneous expenses	<b>282,045</b>	<i>28,151</i>
Adjustment for prior period item	<b>–</b>	<i>(1,060,459)</i>
<b>TOTAL</b>	<b>7,103,952</b>	<i>6,952,603</i>
<b>SCHEDULE - I</b>		
<b>FINANCIAL EXPENSES</b>		
Interest on Income Tax	<b>91,219</b>	<i>129,884</i>
<b>TOTAL</b>	<b>91,219</b>	<i>129,884</i>

## **SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

### **SCHEDULE - J**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

##### **2. Revenue Recognition**

- i) Dividend Income is recognised when the right to receive is established.
- ii) Interest Income is accrued at applicable rates on the respective investments.

##### **3. Fixed Assets**

Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment.

Pre-operative / project approval expenses to the extent identifiable to specific real estate project is capitalized or inventorised as the case may be.

##### **4. Investments**

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of a permanent nature.

##### **5. Foreign Currency Transactions**

- (i) Foreign currency assets and liabilities are converted at contracted / year-end rates as applicable.
- (ii) All other foreign currency transactions are accounted for at the rates prevailing on the dates of the transactions.
- (iii) The exchange differences on settlement / conversion are adjusted to Profit & Loss Account.

##### **6. Impairment**

The carrying amounts of assets are reviewed at Balance Sheet date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed this recoverable amount, assets are written down to their recoverable amount. Where the recoverable amount exceeds the carrying value the impairment provided in earlier years is reversed to the extent of provision made earlier.

##### **7. Taxes on income**

Taxes on income for the current year are determined on the basis of taxable income and tax credits computed in accordance of the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

##### **8. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event.
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a present obligation when no reliable estimate is possible, and
- c) a possible obligation, arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)

### SCHEDULE – K

#### NOTES ON ACCOUNTS

- There have been no transactions during the year with micro and small enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest does not arise.
- The Pre-operative expenditure incurred prior to commencement of commercial business have been charged to 'Profit & Loss Account', as appropriation of such expenditure to a particular project is not possible. The accumulated loss is classified under Application of Funds as a separate line item on the face of Balance Sheet.
- Unsecured loan represents interest-free loan of Rs. 2,920,000,000/- received during the year 2009-10 from Larsen & Toubro Limited (Holding Company).
- Auditor's Remuneration (excluding service tax):

Particulars	2010-2011	2009-2010
	Rupees	Rupees
Audit fees	50,000	50,000
Certification Fees	2,09,000	–

- Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting standard (AS) 20 'Earnings per share' as specified in Companies (Accounting Standard) Rules, 2006.

Particulars	2010-2011	2009-2010
<b>Basic</b>		
Profit / (Loss) after tax available to equity shareholders	(22,69,302)	5,606,850
No. of Equity Shares	47,160,700	47,160,700
Basic & Diluted EPS (Rupees)	(0.05)	0.12

- Disclosure of related parties / related party transactions

#### A. List of related parties

Holding Company	:	Larsen & Toubro Limited
Subsidiary companies	:	L&T Realty FZE, Sharjah, UAE Chennai Vision Developers Private Limited
Fellow subsidiaries	:	L&T Infrastructure Development Projects Limited L&T Urban Infrastructure Limited L&T Infocity Limited

#### B. Disclosure of related party transactions:

Name / Relationship / Nature of Transaction	2010-2011	2009-2010
<b>1. Holding Company</b>		
Larsen & Toubro Limited		
• Interestfree unsecured loan taken from	–	2,920,000,000
• Interest accrued on ICD	26,40,000	26,67,425
• Professional Fees (excluding service tax)	32,758	–
• Business support services (excluding service tax)	1,62,417	–
• Cost of services received from (excluding service tax)	20,61,391	2,168,647
• Reimbursement of expenses from	5,58,178	1,405,918



## SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)

Name / Relationship / Nature of Transaction	2010-2011	2009-2010
<b>2. Subsidiaries</b>		
L&T Realty FZE		
• Refund of advance against equity	-	66,011,640
Chennai Vision Developers Private Limited		
• Reimbursement of expenses from	-	128,000
• Reimbursement of expenses to	500	-
<b>3. Fellow Subsidiaries</b>		
L&T Infrastructure Development Projects Limited		
• Purchase of Investment	-	2916,355,000
• Reimbursement of expenses from	67,862	8,878
L&T Urban Infrastructure Limited		
• Managerial Services (excluding service tax)	11,00,000	1,780,000
• Business support services (excluding service tax)	900,000	900,000
• Reimbursement of expenses from	173,83,853	765,625
• Preference Dividend accrued	2,91,636	-
L&T Infocity Limited		
• Reimbursement of expenses from	16,810	-

C. Amount due to and due from related parties (Net) : (Rupees)

Name / Relationship	2010-2011		2009-2010	
	Due to	Due from	Due to	Due from
<b>1. Holding Company</b>				
Larsen & Toubro Limited	2,920,012,999	50,773,706	2,920,057,908	4,83,97,706
<b>2. Subsidiary</b>				
Chennai Vision Developers Private Limited	-	-	128,000	-
L&T Urban Infrastructure Limited	-	2,91,636	-	-

D. No amount due to or due from related parties has been written off or written back during the year

7. Segmental reporting

The Company is engaged in the business of providing services, developing and investing in infrastructure projects in a single business segment. Hence reporting on primary segment does not arise. The Company does not have any exports: hence, disclosure of secondary / geographical segment information does not arise.

8. Previous years figures in the Balance Sheet have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)

Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning per Share (in Rs.)

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code

Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**DIVAKAR MENON**  
Company Secretary

**R. N. MUKHIJA**  
Director

**D. B. RAJU**  
Director

Place : Mumbai  
Date : May 12, 2011

Place : Mumbai  
Date : May 12, 2011

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary	L&T Realty FZE	Chennai Vision Developers Private Limited
<b>Financial year of the subsidiary Company ended on</b>	31/12/2010	31/03/2011
Number of Shares in the subsidiary Company held by L&T Realty Private Limited at the above date - Equity shares	1	10,000
- Preference shares	-	-
The net aggregate of profits, less losses, of the subsidiary Company so far as it concerns the members of L&T Realty Private Limited	Rs. Thousands	Rs. Thousands
(i) Dealt with in the accounts of L&T Realty Private Limited amounted to		
(a) for the subsidiary's financial year ended March 31, 2011 and December 31, 2010	-	-
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Realty Private Limited	-	-
(ii) Not dealt with in the accounts of L&T Realty Private Limited amounted to:		
(a) for the subsidiary's financial year ended March 31, 2011 and December 31, 2010	(71)	(38)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Realty Private Limited	64	(66)
<b>Changes in the interest of L&amp;T Realty Private Limited between the end of the subsidiary's financial year and March 31, 2010</b>		
Number of shares acquired	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2010		
(i) Fixed assets (net additions)	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA
(iii) Moneys lent by the subsidiary	NA	NA
(iv) Moneys borrowed by the subsidiary Company other than for meeting current liabilities	NA	NA

Note: L&T Realty FZE and Chennai Vision Developers Private Limited are yet to commence operations.

For and on behalf of the Board

Place : Mumbai  
Date : May 12, 2011

**DIVAKAR MENON**  
Company Secretary

**R. N. MUKHIJA**  
Director

**D. B. RAJU**  
Director

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting to you the Annual Report and Audited Accounts of L&T Realty FZE for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

	<b>2010</b> <b>(In Rupees)</b>	<i>2009</i> <i>(In Rupees)</i>
Total Income / (Loss)	<b>642,131</b>	<i>3,892,034</i>
Excess of (expenditure) over Income / <i>Income over (expenditure) before tax</i>	<b>(70,877)</b>	<i>3,031,014</i>

### **OVERVIEW OF THE YEAR**

During the year under review, activity in the field of construction and real estate was generally subdued in the Middle East due to various economic reasons. During the year various proposals were evaluated to develop the freehold land purchased in Dubai Industrial City. The activities have been slowed down due to general recession in the real estate market.

### **CAPITAL EXPENDITURE**

No Capital Expenditure incurred during the period.

### **DIVIDEND**

No Dividend was proposed during the period.

### **AUDITOR'S REPORT**

The Auditor's Report to the shareholders does not contain any qualifications. The notes to the Accounts referred to in the Auditor's Report are self-explanatory and do not call for further comments.

### **DISCLOSURES OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. Hence, the same has not been furnished.

### **PERSONNEL**

The Company does not have any full-time employee on the rolls.

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

1. That in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure.
2. That the selected Accounting policies were applied consistently and the Directors made Judgments and estimates that are responsible and prudent so as to give true and fair view of the state of affairs of the Company as at December 31, 2010 and the excess of expenditure over income during the pre-operational period of the Company for the year ended on that date.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other regularities and
4. That the annual accounts have been prepared on a going concern basis.

### **PROSPECTS FOR THE COMPANY**

There are indications of uptrend continuing in real estate sector, due to various industrial and infrastructure developments taking place throughout UAE. This optimism is the result of combined efforts of tourism, freehold ownership, development of infrastructure at Abu Dhabi.

Given the continuing resilience and buoyancy in the UAE economy, we are confident that the Company will grow in the coming years and start constructing in the purchased land.

For and on behalf of the Board

Place : Mumbai  
Date : June 22, 2011

**J. S. SUDARSAN**  
Director

**SHRINATH RAO**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T REALTY FZE

The financial statements of L&T Realty FZE for the year ended December 31, 2010, being a Company registered in the United Arab Emirates, are audited by the statutory auditors PKF, Chartered Accountants, Sharjah, UAE and we have been furnished with their audit report dated March 2, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of L&T Realty FZE, UAE as at December 31, 2010 and also the Statement of Income and Expenditure and the Cash Flow Statement of the Company during the pre-operational period from January 1, 2010 to December 31, 2010, 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Income and Expenditure and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - (d) In our opinion, the Balance Sheet, Statement of Income and Expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable and;
  - (e) As regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the United Arab Emirates, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule F and other notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Statement of Income and Expenditure, of the excess of expenditure over income during the pre-operational period from January 1, 2010 to December 31, 2010; and
- 3 in the case of the Cash Flow Statement, of the cash flows during the pre-operational period from January 1, 2010 to December 31, 2010.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) The Company has not disposed any of its fixed assets during the year.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii)(a), (b) and (c) are not applicable.
- 3 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 4 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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- 7 The Company has not conducted internal audit during the year.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- 9 The Company being registered in the United Arab Emirates has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company is not registered for more than five years and accordingly no reporting is required under this clause.
- 11 According to the information and explanations given by management, the Company has neither borrowed from a bank nor a financial institution from India and neither has it issued any debentures.
- 12 According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loans during the year.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI registration No. 109982W)  
by the hand of

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	1,610,040		1,610,040	
Share Application money pending allotment		94,992,360		94,992,360	
			96,602,400		96,602,400
<b>Translation Reserve</b>			12,726,405		17,332,882
<b>Excess of Income over Expenditure</b>			3,348,842		3,419,719
<b>TOTAL</b>			112,677,647		117,355,001
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	B	48,994		50,997	
Less: Depreciation		43,689		28,482	
Net block		5,305		22,515	
Capital Work In Progress		108,372,318		84,601,188	
			108,377,623		84,623,703
<b>Current assets, loans and advances</b>					
Cash and bank balances	C	4,532,799		2,398,051	
Loans and advances		56,322		30,459,947	
		4,589,121		32,857,998	
<b>Less: Current liabilities and provisions:</b>					
Liabilities	D	289,097		126,700	
		289,097		126,700	
<b>Net current assets</b>			4,300,024		32,731,298
<b>TOTAL</b>			112,677,647		117,355,001
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	F				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

**J. S. SUDARSAN**  
Director

**SHRINATH RAO**  
Director

Place : Mumbai  
Date : June 22, 2011

Place : Mumbai  
Date : June 22, 2011

## STATEMENT OF INCOME & EXPENDITURE DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

	Schedule	2010 Rupees	2009 Rupees
<b>INCOME</b>			
Interest income on Loan		621,606	–
Interest on Deposits		20,525	3,892,034
		642,131	3,892,034
<b>EXPENDITURE</b>			
Pre-operative expenses	E	713,008	861,020
<b>Excess of (expenditure) over income / income over (expenditure) before tax</b>		<b>(70,877)</b>	<b>3,031,014</b>
Provision for current taxes		–	–
<b>Excess of (expenditure) over income / income over (expenditure) after tax</b>		<b>(70,877)</b>	<b>3,031,014</b>
Balance brought forward from previous year		3,419,719	388,705
<b>Balance carried to Balance Sheet</b>		<b>3,348,842</b>	<b>3,419,719</b>
Earnings per equity share (Basic & Diluted)		(70,877)	3,031,014
Face value per Equity Share (AED 150,000)			
<b>SIGNIFICANT ACCOUNTING POLICES AND NOTES ON ACCOUNTS</b>	F		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**J. S. SUDARSAN**  
Director

**SHRINATH RAO**  
Director

Place : Mumbai  
Date : June 22, 2011

Place : Mumbai  
Date : June 22, 2011



## CASH FLOW STATEMENT DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Excess of (expenditure) over income / income over (expenditure) before tax	(70,877)	3,031,014
Adjustments for:		
Depreciation	16,704	17,690
Interest income	(642,131)	(3,892,034)
Interest paid	-	93,390
Unrealised foreign exchange difference - gain or loss in operating activities	1,193	(118,386)
<b>Operating profit before working capital changes</b>	<b>(695,111)</b>	<b>(868,326)</b>
(Increase) / decrease in trade and other receivables	(6,403)	881,946
(Increase) / decrease in loans and advances to fellow subsidiary	29,214,000	(30,408,000)
Increase / (decrease) in trade payables	167,372	-
<b>Cash (used in) / generated from Operating Activities (A)</b>	<b>28,679,858</b>	<b>(30,394,380)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	(27,093,078)	(28,200,392)
Interest received	642,131	3,892,034
<b>Net Cash (used in) / from Investing Activities (B)</b>	<b>(26,450,947)</b>	<b>(24,308,358)</b>
<b>C. Cash Flow from Financing activities</b>		
Refund of Share application money	-	(77,920,500)
Interest Paid	-	(93,390)
<b>Net cash (used in) / from Financing Activities (C)</b>	<b>-</b>	<b>(78,013,890)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>2,228,910</b>	<b>(132,716,628)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>2,398,051</b>	<b>141,852,382</b>
<b>Foreign Exchange difference in cash and cash equivalents</b>	<b>(94,162)</b>	<b>(6,737,703)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>4,532,799</b>	<b>2,398,051</b>

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

For and on behalf of the Board

**J. S. SUDARSAN**  
Director

**SHRINATH RAO**  
Director

Place : Mumbai  
Date : June 22, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1 Equity Share of AED 150,000 each	1,610,040	1,610,040
<b>Issued, Subscribed and Paid-up</b>		
1 Equity Share of AED 150,000 each	1,610,040	1,610,040
(All the above equity shares are held by L&T Realty Private Limited, India the Holding Company)		
<b>TOTAL</b>	<b>1,610,040</b>	<b>1,610,040</b>

**SCHEDULE - B  
FIXED ASSETS**

Fixed Assets	COST / VALUATION					DEPRECIATION					IMPAIRMENT					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation reserve	For the Year	Deductions	As at 31.12.2010	Op Balance	For the	Reversal	As at	Scheme of	As at 31.12.2010	As at 31.12.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Computers	50,997	(2,003)			48,994	28,482	(1,497)	16,704		43,689						5,305	22,515
<b>TOTAL</b>	<b>50,997</b>	<b>(2,003)</b>			<b>48,994</b>	<b>28,482</b>	<b>(1,497)</b>	<b>16,704</b>		<b>43,689</b>						<b>5,305</b>	<b>22,515</b>
Previous Year	53,382	(2,385)			50,997	12,016	(1,224)	17,690		28,482						22,515	41,366
Capital work-in-progress																108,372,318	84,601,188

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - C</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets</b>		
Cash and bank balances		
Cash on hand		
Balances with non-scheduled banks		
On Current Accounts	874,695	2,398,051
On Fixed Deposits	3,658,104	-
On Interest accrued on Fixed Deposit	-	-
	<b>4,532,799</b>	<b>2,398,051</b>
<b>Loans and advances</b>		
Unsecured-Considered good		
Loan to Fellow subsidiary companies	-	30,408,000
Advance recoverable in cash or in kind		
Prepaid expenses	-	7,602
Others	56,322	44,345
	<b>56,322</b>	<b>30,459,947</b>
<b>TOTAL</b>	<b>4,589,121</b>	<b>32,857,998</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - D</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities				
Sundry creditors				
Others		289,097		126,700
<b>TOTAL</b>		<b>289,097</b>		<b>126,700</b>

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>PRE-OPERATIVE EXPENSES</b>				
Administration and Other Expenses				
Bank charges	3,423		23,134	
Other Rates & Taxes	410,761		441,594	
Professional & consultancy expenses			39,546	
Audit Fees	124,473		131,819	
Telephone expenses	23,216		52,681	
Miscellaneous expenses	134,431		61,166	
		696,304		749,940
Interest Expense		-		93,390
Depreciation		16,704		17,690
<b>TOTAL</b>		<b>713,008</b>		<b>861,020</b>

**SCHEDULE - F****1) LEGAL STATUS**

L&T Realty FZE was incorporated on January 27, 2008 in the Sharjah Airport International Free Zone (SAIF Zone), Sharjah as a Free Zone Establishment with Limited Liability under the SAIF- Zone implementing Rules and Regulation issued pursuant to Law No. 2 of 1995, decreed by H. H. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah.

The entity is licensed for the development of real estate and related activities.

**2) The Company is a wholly owned subsidiary of L&T Realty Private Limited, a Company incorporated in India, which is the holding Company and the ultimate holding Company is Larsen & Toubro Limited, India.**

There are no other commercial activities during the year, except for the payment of advance for purchasing land (refer note 4 (i)).

**3) SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and are in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by Central Government.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**b. Revenue Recognition**

Interest income is accrued at applicable interest rate.

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)****c. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation.

**d. Depreciation**

The cost less estimated residual value, where material, is depreciated over the useful lives of the assets estimated at three years.

The depreciation rates are higher than those specified under schedule XIV of the Companies Act, 1956 and are provided in line with the estimated useful life of the assets.

**e. Foreign Currency Translation**

The reporting currency of the Company is United Arab Emirates Dirhams (AED). Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. The resultant difference is accounted as translation reserve in the Balance Sheet.

**4) NOTES ON ACCOUNTS****a. (I) List of related parties who exercise control**

Larsen & Toubro Limited	Ultimate Holding Company
L&T Realty Private Limited	Holding Company

**(II) List of related parties with whom transactions were made**

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Fellow Subsidiary Company

**(III) Disclosure of Transactions with related parties**

Amount in Rupees

Sr. No.	Related party	Nature of relationship	Nature of transaction	2010 Amount in Rs.	2009 Amount in Rs.
1.	L&T Realty Private Limited	Holding Company	Refund of Share Application Money	–	7,79,20,500
2	Larsen & Toubro International FZE	Fellow Subsidiary Company	Inter-Corporate Deposit Placed / Repaid on maturity	2,92,14,000	3,04,08,000
3	Larsen & Toubro International FZE	Fellow Subsidiary Company	Cost of Services	1,12,026	–
4	Larsen & Toubro International FZE	Fellow Subsidiary Company	Interest Income on ICD placed	6,21,606	–

**(IV) Amount due to / from related parties**

Sr. No.	Related party	Nature of Relationship	Nature of Transaction	2010 Amount in Rs.		2009 Amount in Rs.	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
1.	Larsen & Toubro International FZE	Fellow Subsidiary Company	ICD Placed	–	–	3,04,08,000	–
2	Larsen & Toubro Limited	Ultimate Holding Company	Cost of Services	–	167,372	–	–

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

## b. Balances with non-scheduled banks:

Current Accounts	As at	As at	Maximum amount outstanding at any time during the year	
	31.12.2010 Rs.	31.12.2009 Rs.	2010 Rs.	2009 Rs.
HSBC Bank Middle East, Dubai.	8,74,695	23,98,051	31,697,856	13,47,08,196

Fixed Deposits	As at 31.12.2010	As at 31.12.2009	Maximum amount outstanding at any time during the period ended 31.12.2010	Maximum amount outstanding at any time during the period ended 31.12.2009
	HSBC, Abudhabi, UAE	3,658,104	–	3,568,104

## c. Taxation:

There is no income tax payable in UAE where the Company is registered and hence, no provision for current tax / deferred tax has been made in these accounts.

## d. There are no transactions with micro and small enterprises as defined in the Micro, Small &amp; medium Enterprises Development Act 2006, during the year.

## e. Segment Reporting:

The Company operates in only one segment, i.e. Real Estate business and from one geographical location, i.e. UAE. Accordingly no segment reporting is required.

## f. Auditor's remuneration and expenses charged to the accounts:

	2010	2009
	Rs.	Rs.
Audit fees	124,473	131,819

## g. The estimated amount of contracts remaining to be executed on capital account (net of advances) : Nil

## h. Earnings per Share (EPS)

Particulars	2010	2009
Excess of (expenditure) over income / income over (expenditure) after tax (Rs.)	(70,877)	3,031,014
Average number of equity shares	1	1
Basic & Diluted EPS (Rs.)	(70,877)	3,031,014

## i. Advance of Rs 5,90,38,318 and Rs 2,55,62,870 has been paid in the year 2008 &amp; 2009 respectively, for purchase of land, admeasuring 31,797 square feet in Dubai Industrial City, Dubai under an agreement dated August 20, 2008. The total cost of the land is Rs. 10,83,72,318 and the balance of Rs. 2,37,71,130 was paid on August 20, 2010. Although the full amount of consideration for the land has been paid the land is yet to be registered in the name of the Company with the Dubai Land Department.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

j. Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets and net Intangible Assets

Investments

Net Current Assets

Deferred Tax

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Basic Earning per Share in Rs.

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No.

Product Descriptions

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**J. S. SUDARSAN**  
Director

**SHRINATH RAO**  
Director

Place : Mumbai  
Date : June 22, 2011

Place : Mumbai  
Date : June 22, 2011

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the Accounts for the year ended March 31, 2011.

### I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31, 2011 are submitted below:

Sl. No	Particulars	2010-11 Rs. Lakhs	2009-10 Rs. Lakhs
1	Income for the year	-	-
2	Less: Expenditure	(0.38)	(0.29)
3	<b>Profit Before Depreciation &amp; Tax (PBDT)</b>	<b>(0.38)</b>	<b>(0.29)</b>
4	Less: Depreciation	-	-
5	<b>Profit / (Loss) before tax (PBT)</b>	<b>(0.38)</b>	<b>(0.29)</b>
6	Less: Provision for tax	-	-
7	<b>Profit / (Loss) after tax (PAT)</b>	<b>(0.38)</b>	<b>(0.29)</b>
8	Balance brought forward from previous year	(0.66)	(0.37)
9	<b>Balance carried to Balance Sheet</b>	<b>(1.04)</b>	<b>(0.66)</b>

### II. PERFORMANCE OF THE COMPANY

Your company has been incorporated with the object of acquiring lands and act as real estate developers and your Company is yet to commence commercial operations.

### III. APPROPRIATION

The Directors wish to inform that there were no appropriations to any kind of specific Reserves of the Company during the year.

### IV. DIVIDENDS

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year 2010-11 in the light of the losses incurred during the current financial year under review.

### V. CAPITAL EXPENDITURE

The Company does not carry any Fixed assets in the Books.

### VI. AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

### VII. DEPOSITS

The Company has not accepted any deposits from the public.

### VIII. MATERIAL CHANGES, IF ANY BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT

There are no material changes that have taken place in the Company between the Date of the Balance Sheet and the Date of the Directors' Report.

### IX. PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### X. SUBSIDIARY COMPANIES

Your Company does not have any subsidiary company.

### XI. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- That the selected accounting policies were applied consistently and the directors 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, 2011 and of the profit / loss of the Company for the year ended on that date;
- That 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;
- That the annual accounts have been prepared on a going concern basis.

## **XII. DIRECTORS**

Mr. Rajeshwari Vishwanathanlyer and Mr. Basava Raju Dumpala were appointed as Additional Directors of the Company w.e.f March 31, 2011 and they holds office until the conclusion of ensuing Annual general Meeting of the company.

Notices have been received under the provision of Section 257 of the Companies Act, 1956 in respect of Mr. Rajeshwari Vishwanathanlyer and Mr. Basava Raju Dumpala, proposing their appointment as a Director of the Company.

Mr. K. Surendra, Director retiring by rotation at the forthcoming Annual General Meeting being eligible, offer himself for re-appointment.

The Board of Directors as on 31.03.2011 is as follows:

Mr. K. Surendra  
Mr. H. Jagannathan  
Mr. Rajeshwari Vishwanathanlyer  
Mr. Basava Raju Dumpala

## **XIII. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009.**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below –

### **A) Separation of offices of Chairman & Chief Executive**

The Chairman is elected during each Board Meeting by the Directors from amongst those present. All the Directors are Non-Executive and the role of Chairman is confined to the proper conduct of the Board Meeting. The Company is not required to appoint a Manager as per the Companies Act, 1956 and the Project Manager of the Company is handling the day to day activities of the Project and attends the Board Meetings only as invitee. In this manner the separation of offices of Chairman & Manager is ensured as per the requirement of guidelines.

### **B) Remuneration of Directors**

The Directors are not paid any remuneration by way of sitting fees, etc.

### **C) Independent Directors**

None of the Directors is involved in the day to day affairs of the Company.

#### **Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and the same is being complied with.

### **D) Responsibilities of the Board**

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### **E) Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

### **F) Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

### **G) Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### **H) Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

## **XIV. AUDIT COMMITTEE**

The Company need not have an audit committee as the paid up capital of the company is only Rs. 5 Lakhs.

## **XV. AUDITORS**

The Auditors, M/s Sharp & Tannan, Chartered Accountants, statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment.



Certificate from Auditors have been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**XVI. DISCLOSURE OF PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER THE COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

• **CONSERVATION OF ENERGY**

Since the Company is in Infrastructure business, conservation of energy, research and development, technology absorption does not apply.

• **TECHNOLOGY ABSORPTION**

There was no Technology Absorption during the year.

• **FOREIGN EXCHANGE EARNINGS AND OUTGO**

There were no earnings or outgo in terms of Foreign Exchange during the year 2010-2011.

**XVII. ACKNOWLEDGEMENTS**

The Directors acknowledge the valuable support extended to the Company by the employees of the Company, staff and management of the parent company.

For and on behalf of the Board

*Place : Chennai*  
*Date : April 25, 2011*

**H. JAGANNATHAN**  
*Director*

**K. SURENDRA**  
*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF CHENNAI VISION DEVELOPERS PRIVATE LIMITED**

We have audited the attached balance sheet of Chennai Vision Developers Private Limited as at March 31, 2011 and also Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We have 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, 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 the audit;
  - (b) in our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of these books;
  - (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) on the basis of the written representations received from the Directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule E and the notes appearing 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:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - ii) in the case of Profit and Loss Account, of the loss for the year ended March 31, 2011; and
    - iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 003792S)*  
*by the hand of*

**V. VISWANATHAN**  
*Partner*  
*Membership No. 215565*

*Place : Chennai*  
*Date : April 25, 2011*

## **ANNEXURE TO THE AUDITORS' REPORT**

With reference to the annexure referred to in paragraph 2 of our report to the Members of Chennai Vision Developers Private Limited on the accounts for the year ended March 31, 2011, we report that:

- (i) The Company does not carry any fixed assets in its books, hence reporting on clauses relating to fixed assets under clause 4(i)(a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (ii) The Company did not purchase any material / stores during the year and hence reporting on clauses relating to inventory under clause 4(ii)(a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (iii) (a) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) Since the Company has not taken / granted loans, reporting under clause 4(iii)(b), (c), (d), (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (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 nature of its business for expenses incurred during the year. In our opinion and according to the information and explanations given to us there is no 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 that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956. Hence reporting on clause 4 (V) (b) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (vi) The Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules formed there under.
- (vii) The provisions relating to internal audit are not applicable to the Company.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the operations of the Company and hence reporting under clause 4(viii) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (ix) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has no undisputed statutory dues during the year, hence reporting on clauses 4(ix)(a) and (b) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (x) The Company is registered for a period of less than five years (Date of Registration: 14th August 2008) and hence reporting on the accumulated loss for the year under clause 4(x) of the Companies (Auditor's Report) Order, 2003 does not arise. However the Company has incurred cash loss during the year.
- (xi) According to the information and explanation given to us, the Company has not availed any loan from bank or financial institutions. Hence reporting on default in repayment of dues under clause 4 (xi) of the Companies (Auditor's Report) Order, 2003 does not arise. The Company has not issued any debentures.
- (xii) According to the information and explanations given 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 and hence reporting under clause 4(xiii)(a), (b), (c) & (d) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company has not availed term loan and hence reporting on the purpose for which they were raised under clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xvii) The Company has not raised funds on short term basis during the year and hence reporting under clause 4(xvii) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xviii) The Company has not made any preferential allotment of shares during the year under audit and hence reporting under clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xix) The Company has not issued any debenture during the year and accordingly no securities or charge has been created, hence reporting under clause 4(xix) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and the 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by management.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)  
by the hand of

**V. VISWANATHAN**  
Partner  
Membership No. 215565

Place : Chennai  
Date : April 25, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		100,000		100,000
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets, Loans &amp; Advances</b>					
<b>Current Assets</b>					
Cash and Bank Balances	B	19,293		45,931	
Loans and Advances		—		128,000	
		19,293		173,931	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	C	23,163		140,133	
		23,163		140,133	
<b>Net Current Assets</b>			<b>(3,870)</b>		<b>33,798</b>
<b>Profit and Loss Account</b>			<b>103,870</b>		<b>66,202</b>
<b>TOTAL</b>			<b>100,000</b>		<b>100,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES ON ACCOUNTS</b>					
	E				
	F				

The Schedules referred to above form an intergral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICA Registration No. 003792S)

For and on behalf of the Board

**V. VISWANATHAN**  
Partner  
Membership No. 215565  
Place : Chennai  
Date : April 25, 2011

**H. JAGANNATHAN**  
Director  
Place : Chennai  
Date : April 25, 2011

**K. SURENDRA**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>		-	-
<b>TOTAL</b>		-	-
<b>EXPENDITURE</b>			
Administration and Other Expenses	D	37,668	29,025
<b>TOTAL</b>		37,668	29,025
<b>Profit / (Loss) before taxes</b>		(37,668)	(29,025)
Provision for taxes:			
Current Tax		-	-
<b>Profit / (Loss) after tax</b>		(37,668)	(29,025)
<b>Add:</b> Balance brought forward from previous year		(66,202)	(37,177)
<b>Balance carried to Balance Sheet</b>		(103,870)	(66,202)
Earning per Share (Basic / diluted)		(3.77)	(2.90)
Face value per equity share		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	E		
<b>NOTES FORMING PART OF ACCOUNTS</b>	F		

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The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

For and on behalf of the Board

**V. VISWANATHAN**  
Partner  
Membership No. 215565  
Place : Chennai  
Date : April 25, 2011

**H. JAGANNATHAN**  
Director  
Place : Chennai  
Date : April 25, 2011

**K. SURENDRA**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

Particulars	2010-11 Rupees	2009-10 Rupees
<b>A. Cash Flow from operating activities</b>		
Net Profit / (Loss) before tax & extraordinary items	(37,668)	(29,025)
Operating Profit before Working Capital changes	(37,668)	(29,025)
Adjustments For :		
(Increase) / Decrease in Loans and Advances	128,000	(128,000)
Increase / (Decrease) in trade payables	(116,970)	130,133
Cash generated from operations	(26,638)	(26,892)
<b>Net Cash generated / (used in) from operating activities (A)</b>	<b>(26,638)</b>	<b>(26,892)</b>
<b>B. Cash Flow from Investing activities</b>		
Net Cash (used in) / from investing activities (B)	-	-
<b>C. Cash Flow from Financing activities</b>		
Net Cash (used in) / from financing activities (C)	-	-
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>(26,638)</b>	<b>(26,892)</b>
Cash and Cash equivalents as at the beginning (including cash credit from banks)	45,931	72,823
<b>Cash and Cash equivalents as at the end (including cash credit from banks)</b>	<b>19,293</b>	<b>45,931</b>

**Notes:**

- (a) Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard Standard (AS) 3: "Cash Flow Statement" as specified in the Companies (Accounting Standards) Rules 2006.
- (b) Cash and cash equivalents at the end of the year represent cash and bank balances.
- (c) Previous year's figures has been regrouped / reclassified wherever necessary.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

For and on behalf of the Board

**V. VISWANATHAN**  
Partner  
Membership No. 215565  
Place : Chennai  
Date : April 25, 2011

**H. JAGANNATHAN**  
Director  
Place : Chennai  
Date : April 25, 2011

**K. SURENDRA**  
Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
10,000 Equity Shares of Rs.10/- each (previous year: 10,000 equity shares of Rs.10/- each)		100,000		100,000
<b>Issued, Subscribed &amp; Paid-up</b>				
10,000 equity shares of Rs.10/- each fully paid up (previous year: 10,000 equity shares of Rs.10/- each fully paid up) (All the shares are held by L&T Realty Private Limited, the holding company and its nominees)		100,000		100,000
<b>TOTAL</b>		<b>100,000</b>		<b>100,000</b>
<b>SCHEDULE - B</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and Bank Balances</b>				
Balances with scheduled banks on current account		19,293		45,931
<b>Loans and Advances</b>				
Advances recoverable in cash or in kind or for value to be received		-		128,000
<b>TOTAL</b>		<b>19,293</b>		<b>173,931</b>
<b>SCHEDULE - C</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Sundry Creditors</b>				
Due to Micro and small enterprises		-		-
Due to holding company		-		-
Due to ultimate holding company		-		128,000
Due to subsidiary companies		-		-
Due to fellow subsidiary companies		-		-
Others		23,163		12,133
<b>TOTAL</b>		<b>23,163</b>		<b>140,133</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

<b>SCHEDULE - D</b>				
<b>ADMINISTRATION AND OTHER EXPENSES</b>				
Rates & taxes		700		3,304
Professional fees		14,891		12,060
Printing & stationery		-		2,631
Bank charges		17		-
Audit fees		22,060		11,030
<b>TOTAL</b>		<b>37,668</b>		<b>29,025</b>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - E****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards referred to in Section 211(3C) and the other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements. Actual results could differ from these estimates. The difference if any, between the actual results and estimates is recognized in the period in which the results are known.

**2. Provisions, Contingent Liabilities and Contingent Assets**

- a. Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - i. the Company has a present obligation as a result of a past event.
  - ii. a probable outflow of resources is expected to settle the obligation and
  - iii. the amount of the obligation can be reliably estimated.
- b. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that reimbursement will be received.
- c. Contingent Liability is disclosed in the case of
  - i. a present obligation arising from a 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 of resources is remote.
- d. Contingent Assets are neither recognised, nor disclosed.
- e. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each balance sheet date.

**3. Taxes on income**

- a. Taxes on income for the current year are determined on the basis of taxable income and tax credits computed in accordance of the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.
- b. Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.
- c. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**SCHEDULE - F****NOTES ON ACCOUNTS**

1. There have been no transactions during the year with Micro and Small enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 during the year. Hence, reporting details of over due principal and interest there on does not arise.
2. (a) The Company does not have any taxable income and hence, no provision has been made for Income Tax under the provisions of Income Tax Act, 1961.  
(b) The Company does not have any taxable wealth and hence, no provision has been made for Wealth Tax under the provisions of Wealth Tax Act, 1957.
3. The Company does not have any contingent liability as at March 31, 2011.
4. The Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972 are not applicable to the company for the year.
5. Auditors' remuneration (excluding service tax)

(Figures in Rupees)

<b>Particulars</b>	<b>2010-2011</b>	<b>2009-2010</b>
Audit Fees	<b>20,000</b>	10,000
Certification fees	<b>3,500</b>	10,000
Other services	<b>10,000</b>	–
<b>TOTAL</b>	<b>33,500</b>	20,000



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 6. Disclosure of Related Parties/ related party transactions:

## A) List of Related Parties

Holding companies	L&T Realty Private Limited (A subsidiary of Larsen & Toubro Limited).
	Larsen & Toubro Limited (Ultimate Holding Company)
Fellow Subsidiary	L&T Infrastructure Development Projects Limited
	L&T Urban Infrastructure Limited

## B) Related parties with whom the transactions were carried out during the year:

S.No	Name of Related Parties / Nature of Transaction	Amount of Transaction	Amount Due to	Amount Due from
		Rupees	Rupees	Rupees
1	L&T Realty Private Limited –(Holding Company)			
	i Reimbursement of Expenses from	NIL	NIL	NIL
		(1,28,000)	(NIL)	(1,28,000)
	ii Reimbursement of Expenses to	2,692	NIL	NIL
		(NIL)	(NIL)	(NIL)
2	Larsen & Toubro Limited (Ultimate Holding Company)			
	i Reimbursement of expenses to	NIL	NIL	NIL
		(1,28,000)	(1,28,000)	(NIL)
3	L&T Urban Infrastructure Limited – Fellow Subsidiary			
	i Reimbursement of expenses to	200	NIL	NIL
		(100)	(NIL)	(NIL)
4	L&T Infrastructure Development Projects Limited- Fellow Subsidiary			
	i Reimbursement of Expenses to	400	NIL	NIL
		(3,000)	(NIL)	(NIL)

Note:- Figures in brackets relate to previous period.

## C) No amounts pertaining to the related parties have been written off or written back during the year. (previous year Nil)

## 7. Basic and Diluted earnings per share (EPS) computed in accordance with Accounting standard (AS) 20 'Earning per share':

(Amount in Rupees)

Particulars	2010-2011	2009-2010
Net Profit / (Loss) before Tax	(37,668)	(29,025)
Profit / (Loss) after Tax available to Equity Share Holders	(37,668)	(29,025)
Weighted Average number of shares	10,000	10,000
Basic & Diluted Earnings per Share	(3.77)	(2.90)

## 8. Figures for the previous year have been regrouped / reclassified wherever necessary.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 003792S)

For and on behalf of the Board

**V. VISWANATHAN**  
 Partner  
 Membership No. 215565  
 Place : Chennai  
 Date : April 25, 2011

**H. JAGANNATHAN**  
 Director  
 Place : Chennai  
 Date : April 25, 2011

**K. SURENDRA**  
 Director

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
 Date                      Month                      Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

**Sources of Fund**  
 Total Liabilities

Total Assets

Paid-up Capital (Including Advance against Share Capital)

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**  
 Net Fixed Assets

Investments

+ - Net Current Assets/(Liabilities)

Miscellaneous Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

+ - Turnover (including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earnings Per Share in Rs.

Dividend Rate %

### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Descriptions

For and on behalf of the Board

Place : Chennai  
 Date : April 25, 2011

H. JAGANNATHAN  
 Director

K. SURENDRA  
 Director

## DIRECTORS' REPORT

The Directors have pleasure in submitting the Fourteenth Annual Report and Accounts of Larsen & Toubro Infotech Limited for the year ended March 31, 2011.

### FINANCIAL RESULTS

	<b>2010-2011</b> <b>Rs. Lakhs</b>	<i>2009-2010</i> <i>Rs. Lakhs</i>
Revenue from IT services	<b>233,181.22</b>	<i>177,676.48</i>
Other Income	<b>2,309.21</b>	<i>3,497.21</i>
<b>Total Income</b>	<b>235,490.43</b>	<i>181,173.69</i>
Operating Profit (PBIDT)	<b>43,443.71</b>	<i>36,574.22</i>
Less : Interest	<b>628.94</b>	<i>275.12</i>
Less : Depreciation and amortization	<b>5,949.97</b>	<i>4,823.74</i>
<b>Profit Before Tax (PBT)</b>	<b>36,864.79</b>	<i>31,475.36</i>
Less: Provision for Tax (including Rs. 6 Lakhs for wealth tax in previous year)	<b>5,573.26</b>	<i>3,361.63</i>
<b>Profit After Tax (PAT)</b>	<b>31,291.53</b>	<i>28,113.73</i>
Add : Balance brought forward from previous year	<b>67,441.71</b>	<i>51,701.01</i>
<b>Balance available for disposal which Directors appropriate as follows :</b>	<b>98,733.25</b>	<i>79,814.74</i>
Interim Dividend	<b>15,157.50</b>	<i>8,011.48</i>
Tax on Dividend	<b>2,517.63</b>	<i>1,361.55</i>
Transfer to General Reserve	<b>4,000.00</b>	<i>3,000.00</i>
<b>Balance to be carried forward</b>	<b>77,058.12</b>	<i>67,441.71</i>

### PERFORMANCE OF THE COMPANY

The year 2010-11 has been the year of recovery post the global economic recession, with varied economic environment in the developed and emerging markets. In spite of an increase in discretionary spending and demand, there is cautious optimism for sustained growth with clients seeking transformational deals. The industry focused on emerging verticals, markets, new customer segments while driving customer innovation led transformation in client organizations and internal operations. This year also saw wide ranging contract restructuring exercises and deal size reductions as the industry accepted new business models and budgetary constraints.

While cost & talent still remain the essential considerations, savvy customers are constantly demanding higher levels of flexibility and innovation. New customer acquisitions which required initial onsite presence have led to an increase in local hiring and onsite subcontractors. Onsite revenue as percentage of total revenue increased from 49% to 53%. This coupled with increased offshore wage costs and recruitment of trainees impacting billability has led to pressure on margins. The revenue contribution from North America increased marginally from 66% to 67%, with Europe maintaining at 15% and Japan/ South East Asia at 7% (*previous year 8%*). In terms of business segments, the contribution from Financial Services increased from 37% to 40% for 2010-11 with Manufacturing at 46% (*previous year 50%*) and Telecom 14% (*previous year 13%*).

### CAPITAL EXPENDITURE

As at March 31, 2011, the gross fixed and intangible assets stood at Rs. 50,642.60 lakhs (*previous year Rs. 42,143.17 lakhs*) out of which assets amounting to Rs. 9,380.70 lakhs (*previous year Rs. 4,966.46 lakhs*) were added during the year.

### STRATEGIC ACQUISITION

During the financial year, the Company has strengthened its presence in Canada by acquiring a transfer agency business for CAD\$ 62.3 million from a globally reputed bank servicing local clients represented by Asset Management Companies, Banks, Insurance Companies, etc. The acquisition involves buying out a market leading technology platform called Unitrax along with people and supporting assets. This entity has been housed under the name of L&T Infotech Financial Services Technologies Inc. The Company will now be an exclusive provider of Transfer Agency technology services in Canada to the above mentioned bank. This will also allow us to expand our service offerings to financial services companies which is in sync with the Company's strategy to provide end-to-end services in its chosen verticals.

### SUBSIDIARY COMPANIES

As on March 31, 2011, your Company had wholly owned subsidiaries namely, Larsen & Toubro Infotech GmbH, Larsen & Toubro Infotech Canada Limited, Larsen & Toubro Infotech LLC, GDA Technologies Inc. including GDA Technologies Limited, a step down subsidiary and L&T Infotech Financial Services Technologies Inc.

## LARSEN & TOUBRO INFOTECH LIMITED

During the year, the services business of GDA Technologies Inc. (GDA) has been transferred to the Company, with GDA continuing the business in IP / CDMS areas.

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors of the subsidiaries are annexed to the Directors' Report.

### **DIVIDEND**

The Directors have paid Interim Dividend four times during the financial year 2010-11 totalling Rs. 47/- per share on 32,250,000 equity shares of Rs. 5/- each.

The Directors do not recommend any final dividend.

### **TRANSFER TO RESERVES**

The Company has transferred Rs. 4,000 lakhs out of the profits of the current year to General Reserve in accordance with the Companies (Transfer of Profit to Reserves) Rules, 1975.

### **PEOPLE**

In order to service the growth in business, lateral and fresher hire saw an upsurge during the financial year. The year also witnessed an increased focus on talent development of each employee with multi-skilling. The core talent development programs focusing on leadership development at all levels in the organisation were further strengthened by continuous review and also with the launch of the "Transcend" for the senior leadership.

Talent engagement continued to be a collaborative effort throughout the year where employee feedback was regularly sought through the employee engagement survey. The internal communication and recognition framework has also been deployed with vigour across the organisation to help in the employee retention.

### **INFRASTRUCTURE**

As of March 31, 2011, the Company has 14,000 seats in various locations at Mumbai / Navi Mumbai, Pune, Bangalore, Chennai and Mysore. Steps have been initiated during the year to ensure addition of seating capacity in SEZ units to move into the regime of tax benefits after the STPI scheme is withdrawn w.e.f 01.04.2011.

### **BRANDING**

Your Company has launched a study to formulate a Brand Index. This Index is not a currency valuation of the brand. It is a composite number that reflects the brand awareness, brand recall and brand experience amongst our key stakeholders such as clients, employees, and influencers. Non-employees and non-clients are also included in the survey to get a complete view. The Brand Index will also help the Company to measure the difference between how its stakeholders experience its brand and how it is intended to be.

The Company has engaged the services of an experienced professional firm to help create a Brand Index that will help the Company measure the efficacy of its brand on a periodic basis. The objective of this study is to gain a holistic and comparable view of the various elements of the brand identity across stakeholders with a view to creating better synergies to:

- i. Strengthen the brand
- ii. Identify opportunities for making the brand work in various touch points
- iii. Communicate a unified message across stakeholders

### **QUALITY INITIATIVES**

- In the year 2010-11, your Company was assessed at Level 5 for the CMMI Ver1.2. The Company is the first Indian company to be assessed at the highest maturity Level 5 under CMMI at all locations in a single assessment.
- While continuing focus on the retention of various certifications, the Company's focal point was to combine the external certification audits based on various standards. Your Company has successfully undergone a combined surveillance audit for three standard certifications, namely, ISO9001:2008 (Quality Management System), ISO27001:2005 (Information Security Management System) & ISO14001:2004 (Environmental Management System). Also, our development center in New Jersey, USA, has been successfully certified as compliant to the requirements of ISO27001:2005 Standard (Information Security Management) by Bureau Veritas. This year, your Company has initiated definition of Engagement Management Framework to provide a framework of processes to meet the expectations and objectives of outsourcing engagements. The Objective is to come up with scalable and customizable processes based on various attributes to suit different type of engagements.

### **AWARDS / RECOGNITIONS**

- Your Company celebrated 10-year strategic partnership with some key clients.
- Your Company was awarded the 2010 Distinguished Service Supplier Award by a large semiconductor company, one of our esteemed clients for eight years.
- Your Company has achieved Platinum Partner status in the Oracle Partner Network (OPN). This recognition and achievement places your company in the elite partners' category. This is a testament to the commitment for the Company's vision to provide world-class service to clients in Oracle's areas of focus, offering solutions that are based on business and technology insights.
- Your Company was honoured with two awards at the 50th Annual Awards Nite of the Association of Business Communicators of India (ABCI). Your Company's table calendar 2010 won a gold trophy, while a multi-media CD-ROM-based presentation created for a global insurance event (ACORD LOMA) won a silver trophy.

**EMPLOYEE STOCK OPTION SCHEMES****(I) Employee Stock Ownership Scheme ('ESOS Plan')**

The Company had instituted the Employee Stock Ownership Scheme (ESOS) in April 2001. The total options outstanding under various series of the scheme as on March 31, 2011, amounted to 2,596,095. During the year, 35,000 options were granted, while 23,364 options have lapsed. None of the options were exercised during the year.

**(II) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan')**

The Company had instituted the Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan') for the employees and Directors of its subsidiary, GDA Technologies Inc, USA. Under the said plan, options granted and outstanding as at the end of the year stood at 96,500 options. Out of the same, 77,993 options have been vested while 18,507 options remain unvested as at the end of the year.

**DEPOSITS**

During the period under review, the Company has not accepted any deposits from the public.

**AUDITORS' REPORT**

The Auditors' Report to the Shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments of Directors.

**DISCLOSURE OF PARTICULARS**

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure A forming part of this report.

**PERSONNEL**

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year.

In terms of provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to this report and forms part of this report. None of the employees listed in the said Annexure is related to any Director of your Company. The same will be furnished to the shareholders on request.

The Ministry of Corporate Affairs has amended the Companies (Particulars of Employees) Rules, 1975 ("Rules") on March 24, 2004, to the effect that the particulars of the employees of the companies engaged in Information Technology Sector, posted and working outside India, not being Directors or their relatives, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. The Ministry of Company affairs has further vide notification dated March 31, 2011, amended the Rules thereby enhancing the limits from Rs. 24 Lakh per year or Rs. 2 Lakh per month to Rs. 60 Lakh per year or Rs. 5 Lakh per month, respectively.

Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) which was introduced by the Companies (Amendment) Act, 2000, your Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (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 on March 31, 2011, and of the profit or loss of the Company for the year ended March 31, 2011;
- (iii) 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;
- (iv) the Directors have prepared the annual accounts on a going concern basis; and
- (v) proper systems are in place to ensure compliance of all laws applicable to the Company.

**DIRECTORS**

Mr. R. N. Mukhija and Dr. S. Rama Iyer retire by rotation from the Board of Directors and are eligible for re-appointment at the ensuing Annual General Meeting of the Company.

**STATUTORY AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. A certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of the Auditors as envisaged in the guidelines in the view of domain knowledge acquired by the auditors over a period of time. However, the signing partners are rotated at regular frequency.

**CORPORATE GOVERNANCE REPORT**

A report on Corporate Governance is separately annexed to this Report.

In addition to the applicable provisions of the Companies Act, 1956, the Company is also complying with major clauses of the Corporate Governance Voluntary Guidelines.

**LARSEN & TOUBRO INFOTECH LIMITED**

We have reported in Corporate Governance Report, the extent of our compliance of the Corporate Governance Voluntary Guidelines. The details of all the related party transactions form part of the accounts as required under AS 18 and the same are reflected in note no 17 forming part of the accounts.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the Customers, Bankers, Vendors and Academic Institutions. The Directors also acknowledge the support and co-operation from the Government of India and the Governments of various countries, the concerned State Governments and other Government Departments and Governmental Agencies.

For and on behalf of the Board

**V. K. MAGAPU**  
Director/ Manager

**Y. M. DEOSTHALEE**  
Director

Place : Mumbai  
Date : May 12, 2011

**ANNEXURE – A**

**INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.**

A. Conservation of energy	The Company's operations are not energy-intensive. However, measures have been taken to reduce energy consumption, such as installation of express feeder to ensure uninterrupted power supply and thereby avoiding need for use of DG sets, ensuring appropriate lower load during non-peak hours.
B. Technology absorption Efforts made in technology absorption as per Form B of the Annexure	Details furnished in Form B.
C. Foreign exchange earnings and outgo (a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services; and export plans (b) Total foreign exchange used and earned	<p>The Company exports customised software and professional services mainly to North America, Europe, South Africa, Middle East, Japan, Korea, Australia and Singapore. The Company plans to conduct road shows in USA to promote offshore execution of software services from India. It also maintains constant contact with prospective clients/ alliance partners for its offerings by way of participation in International Trade Fairs.</p> <p style="text-align: right;"><b>2010-11 (Rs. Lakhs)</b></p> <p>Used <span style="float: right;"><b>93,894.88</b></span> Earned <span style="float: right;"><b>2,18,198.80</b></span></p>

**FORM B**

**(Disclosure of particulars with respect to Technology Absorption)  
Research and Development (R&D)**

1. Specific areas in which R&D carried out by the Company	}	Not Applicable
2. Benefits derived as a result of the above R&D		
3. Future plan of action		
4. Expenditure on R&D		
a) Capital		
b) Recurring		
c) Total		
d) Total R&D expenditure as a percentage of total Turnover		

<b>Technology absorption, adaptation and innovation</b>			
1.	Efforts in brief made towards technology absorption, adaptation and innovation	:	The Company operates Centres of Excellence in respect of emerging and existing technologies which collate, disseminate and spread knowledge to all employees in the Company. Employees are trained using state of the art methodologies, which results in better productivity. The Company has created a software component library to ensure reusability of software and consistency in implementation. These find particular use in B2B marketplace implementations where adherence to standards and compatibility with different platforms is very important.
2.	Benefits derived as a result of the above efforts	:	Repeat business, expansion into various new technology domains and productivity improvements through use of latest software tools.

## **CORPORATE GOVERNANCE REPORT**

The Company derives its values from the rich legacy of fair and transparent governance and disclosure practices followed by the L&T group. In line with the group philosophy, the Company constantly endeavours to benchmark itself with the best practices in the IT-industry.

### **BOARD OF DIRECTORS**

The Board comprises of 6 Directors, of which, 3 directors are Executive Directors on the Board of the parent company, Larsen & Toubro Limited and 3 are Independent Directors. The Board is chaired by Mr. A. M. Naik as Non-Executive Chairman and the number of Independent Directors is exactly half of the total number of Directors.

The Board meets at least four times during the financial year, mostly at quarterly intervals inter-alia to review quarterly financial statements and other items on the agenda. Additional meetings are held, if deemed necessary to conduct the business. Those members of the Board, who are not able to participate in the Board meetings in person generally participate in the meeting through tele-conferencing or videoconferencing.

During the financial year 2010-11, the Board met 6 times on April 13, 2010, May 4, 2010, July 20, 2010, July 29, 2010, October 8, 2010 and January 13, 2011. These were well attended.

The composition of the Board, the other directorships and Committee memberships of the Board members and their attendance at the Board Meetings held during the year is as follows:

<b>Name</b>	<b>Directorships in other Companies *</b>	<b>Attendance at Board Meetings</b>
Mr. A. M. Naik	2	6
Mr. Y. M. Deosthalee	9	6
Mr. V. K. Magapu	1	6
Mr. R. N. Mukhija	3	5
Mr. Samir T. Desai	Nil	5
Dr. S. Rama Iyer	5	4

(\*) This does not include private companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

### **AUDIT COMMITTEE**

The Audit Committee comprises of Mr. Y. M. Deosthalee, Mr. R. N. Mukhija and Mr. V. K. Magapu, majority of whom are non-executive Directors of the Company with Mr. Y. M. Deosthalee as its Chairman. The role, terms of reference, the authority and power of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

### **COMPENSATION AND NOMINATION COMMITTEE**

The Company has a Compensation and Nomination Committee ("C&N Committee") comprising of majority of non-executive Directors of the Company. The Committee comprises of Mr. A. M. Naik, Mr. Y. M. Deosthalee and Mr. V. K. Magapu. The terms of reference of Compensation and Nomination Committee are as follows:



## LARSEN & TOUBRO INFOTECH LIMITED

- to review, assess and recommend to the Board the appointment of Executive and Non-Executive Directors.
- to review, assess and approve the recommendations made by the Chief Executive Officer for the appointment or promotion of senior managerial personnel and approve their compensation packages.
- to consider and approve Employee Stock Option Schemes and to administer and supervise the same.

### REMUNERATION OF DIRECTORS & SENIOR MANAGEMENT

The remuneration policy of Directors is decided by the C&N Committee. All the Directors are paid sitting fees for attending the meetings of the Board. Presently, no other remuneration is paid to Directors.

The structure of pay for senior management and other employees is based on the Company policy evolved over a period of time. The objectives of the remuneration policy are to motivate the employees to excel in their performance, recognize their contribution, retain talent and reward merit. Remuneration of employees largely consists of base remuneration and performance incentives. The component of remuneration vary for different grades and are governed by industry pattern, qualifications, experience, responsibilities handled, individual performance, etc. Periodical presentations are made to the C&N Committee and the Board on HR policies.

### RESPONSIBILITIES OF THE BOARD

Presentations to the Board in areas such as financial results, budgets, business prospects, etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### GENERAL BODY MEETINGS

The details of last three Annual General Meetings of the Company are as under:

Year	Venue of AGM	Date
2007-08	L&T House, Ballard Estate, Mumbai – 400 001.	May 21, 2008
2008-09	L&T House, Ballard Estate, Mumbai – 400 001.	August 18, 2009
2010-11	L&T House, Ballard Estate, Mumbai – 400 001.	August 26, 2010

### COMPLIANCE MONITORING SYSTEM

The Company believes that statutory compliance has become a catalyst for Corporate Governance and that a good statutory compliance system has become vital for effective conduct of business operations. As a major portion of the Company's business is conducted abroad, apart from ensuring compliance with Indian statutes, the Company also has to comply with the statutes of the countries where the Company has presence.

Keeping this in mind, the Company has voluntarily instituted a Compliance Monitoring System. Under this system, the Chief Executive Officer (CEO) presents a certificate at the Board Meetings of the Company every quarter, confirming that the Company has complied with all the relevant provisions and requirements of various statutes as they are applicable to various businesses of the Company in India and abroad as well as with the contractual obligations binding on the Company. The CEO furnishes the Certificate to the Board based on certificates received from various compliance owners representing Business units, overseas offices and domestic support functions.

As regards to the services availed from the professional service providers engaged in various countries, the Company follows a practice of obtaining compliance certificates from them on quarterly basis.

The Compliance Monitoring system which was rolled out by the Company during financial year 2009-10 in form of Compliance Portal is being extensively used by all the Compliance owners. The Compliance portal provides the users a web-based access with access controls based on a defined authorization matrix. Besides connecting all the compliance owners across time zones to a common corporate platform, the portal is expected to serve as a repository of the compliance exercise yielding substantial saving in resources and efforts for tracking compliance going forward.

### INTERNAL AUDITORS

The inhouse Internal Audit department together with Corporate Audit Services Department of Larsen & Toubro Limited provides Internal Audit services to the Company.

### INTERNAL CONTROL

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management system.

### SECRETARIAL AUDIT

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audits.



## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH LIMITED

We have audited the attached Balance Sheet of Larsen & Toubro Infotech Limited as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) on the basis of written representations received from directors as on March 31, 2011, and taken on record by the board of directors, we report that none of the director is disqualified as on March 31, 2011, from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule P and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership no. 8820

Place : Mumbai  
Date : May 12, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- i.
  - a. The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
  - b. The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
  - c. Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern status of the Company.
- ii. The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- iii. We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 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 for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.

## LARSEN & TOUBRO INFOTECH LIMITED

- v. We are informed by management that there are no companies, firms or other parties that are required to be listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- vii. We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- viii. We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- ix. (a) According to the information and explanations given to us and as per the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, custom duty, excise duty and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable. We were informed by management that there is no dues payable under the Employees State Insurance Act.
- (b) According to the information and explanations given to us and according to the records of the Company, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, and Excise Duty that have not been deposited with the appropriate authorities on account of any dispute except as follows:

Name of the statute	Nature of the disputed dues	Amount (Rs.)*	Period to which the amount relates	Forum where disputes are pending
Central Sales Tax Act and Local Sales Tax Act	Sales tax on export sales, business rights, interest and penalty	1,16,64,192	2002-03	Deputy Commissioner (Appeals)
Income Tax Act, 1961	Deductibility of software expenses and benefits under section 10A	1,32,69,480	2005-06	Commissioner (Appeals)
	Interest	13,882,471	2002-03. 2005-06 and 2007-2008	

\*Net of pre-deposit paid in getting the stay / appeal admitted

- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder as at the Balance Sheet date.
- xii. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has applied term loans for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year.
- xix. The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- xx. The Company has not raised any money by public issue during the year.
- 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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W  
By the hand of

Place: Mumbai  
Date: May 12, 2011

**R. D. KARE**  
Partner  
Membership no. 8820

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share capital	A		161,250,000		161,250,000
Reserves and surplus	B		10,705,411,406		9,429,564,504
Employee Stock Options Outstanding		339,070,869		278,678,066	
Less : Deferred employee compensation expense		(29,523,392)		(35,382,359)	
			<u>309,547,477</u>		<u>243,295,707</u>
			<u>11,176,208,883</u>		<u>9,834,110,211</u>
<b>Loan funds</b>					
Secured loans	C	699,057,500		445,777,956	
Unsecured loans	D	1,679,413,418		—	
			<u>2,378,470,918</u>		<u>445,777,956</u>
<b>TOTAL</b>			<u><u>13,554,679,801</u></u>		<u><u>10,279,888,167</u></u>
<b>APPLICATION OF FUNDS</b>					
<b>Tangible Assets</b>					
Gross Block	E1	3,761,891,787		3,027,826,150	
Less : Depreciation		2,109,287,646		1,767,177,505	
Net Block		1,652,604,141		1,260,648,645	
Capital work-in-progress		87,058,175		178,307,557	
			<u>1,739,662,316</u>		<u>1,438,956,202</u>
<b>Intangible Assets</b>					
Gross Block	E2	1,302,368,750		1,186,491,624	
Less : Amortisation		1,038,371,530		828,668,116	
Net Block		263,997,220		357,823,508	
Capital work-in-progress		113,902,500		52,785,750	
			<u>377,899,720</u>		<u>410,609,258</u>
<b>Investments</b>	F		5,108,415,624		2,811,223,762
<b>Deferred tax asset (net)</b> (see Schedule P, Note 12)			57,477,568		11,159,690
<b>Current Assets, Loans and Advances</b>					
Sundry debtors	G	4,661,990,106		3,607,286,390	
Unbilled Revenues		1,142,060,834		810,328,756	
Cash and bank balances	H	1,312,749,049		1,539,713,432	
Loans and advances	I	4,558,639,432		3,900,344,482	
		<u>11,675,439,421</u>		<u>9,857,673,060</u>	
<b>Less : Current Liabilities and Provisions</b>					
Current liabilities	J	4,209,824,027		3,116,304,164	
Provisions		1,194,390,821		1,133,429,641	
		<u>5,404,214,848</u>		<u>4,249,733,805</u>	
<b>Net Current Assets</b>			<u>6,271,224,573</u>		<u>5,607,939,255</u>
<b>TOTAL</b>			<u><u>13,554,679,801</u></u>		<u><u>10,279,888,167</u></u>
<b>CONTINGENT LIABILITIES</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>AND NOTES TO ACCOUNTS</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of**R. D. KARE**Partner  
Membership No. 08820  
Place : Mumbai  
Date : May 12, 2011**S. S. PRABHUDESAI**Company Secretary  
Place : Mumbai  
Date : May 12, 2011**V. K. MAGAPU**

Director/ Manager

**Y. M. DEOSTHALEE**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Revenue - Software development services and products			
Overseas		21,817,395,572	16,828,143,082
Domestic		1,500,726,524	939,505,212
		23,318,122,096	17,767,648,294
Other Income	K	230,920,517	349,720,807
<b>TOTAL INCOME</b>		<b>23,549,042,613</b>	<b>18,117,369,101</b>
<b>EXPENDITURE</b>			
Software development expenses	L	14,883,018,322	10,971,358,039
Sales, administration and other expenses	M	4,321,653,778	3,488,589,200
<b>TOTAL EXPENDITURE</b>		<b>19,204,672,100</b>	<b>14,459,947,239</b>
<b>Operating profit</b>		<b>4,344,370,513</b>	<b>3,657,421,862</b>
Interest	N	62,894,352	27,511,806
Depreciation on tangible assets		385,293,943	331,202,104
Amortisation of intangible assets		209,703,414	151,171,675
<b>Profit before tax</b>		<b>3,686,478,804</b>	<b>3,147,536,277</b>
Provision for taxes (including Rs. 600,000 for wealth tax)		841,282,849	618,016,833
Deferred tax		(46,317,878)	(3,755,407)
MAT Credit Entitlement		(278,476,211)	(256,204,383)
Provision for earlier year / excess provision for earlier year written back		40,836,660	(21,893,349)
<b>Profit after tax</b>		<b>3,129,153,384</b>	<b>2,811,372,583</b>
Add : Balance brought forward from previous year		6,744,171,487	5,170,101,342
<b>Profit available for appropriation</b>		<b>9,873,324,871</b>	<b>7,981,473,925</b>
Less: Transfer to general reserve		400,000,000	300,000,000
<b>Profit available for distribution</b>		<b>9,473,324,871</b>	<b>7,681,473,925</b>
Interim dividend		1,515,750,000	801,147,432
Proposed dividend		-	-
Tax on dividend		251,762,530	136,155,006
<b>Balance to be carried forward</b>		<b>7,705,812,341</b>	<b>6,744,171,487</b>
<b>Equivalent number of shares of Rs. 5 each</b>		<b>32,250,000</b>	<b>32,044,788</b>
<b>Basic earnings per share</b> (see Schedule P, note 15)		<b>97.03</b>	<b>87.73</b>
<b>Diluted earnings per share</b>		<b>95.91</b>	<b>86.79</b>
<b>Face value per equity share</b>		<b>5</b>	<b>5</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	P		

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 08820  
Place : Mumbai  
Date : May 12, 2011

**S. S. PRABHUDESAI**  
Company Secretary  
Place : Mumbai  
Date : May 12, 2011

**V. K. MAGAPU**  
Director/ Manager

**Y. M. DEOSTHALEE**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
Net profit before tax	3,686,478,804	3,147,536,277
Adjustments for:		
Depreciation and amortisation	594,997,357	482,373,779
Employees stock options amortised	43,030,900	42,871,243
Interest (net)	(1,980,900)	(26,597,982)
Hedging Reserve	(62,573,082)	-
Unrealised foreign exchange loss (gain)	(409,852,459)	(273,114,909)
(Profit) / Loss on sale of current investments	(106,657,017)	(127,398,411)
Diminution in Value of Investment	31,981	-
Miscellaneous expenditure amortised / (capitalised)	33,083,524	26,648,737
(Profit) / Loss on sale of fixed assets	(12,228,079)	(14,523,164)
<b>Operating profit before working capital changes</b>	<b>3,764,331,029</b>	<b>3,257,795,570</b>
<b>Changes in working capital</b>		
(Increase) / decrease in trade receivables	(967,109,172)	701,645,940
(Increase) / decrease in other receivables	(546,146,171)	(480,680,569)
Increase / (decrease) in trade & other payables	1,175,066,256	265,345,623
(Increase) / decrease in working capital	(338,189,087)	486,310,994
<b>Cash generated from operations</b>	<b>3,426,141,942</b>	<b>3,744,106,564</b>
Direct taxes paid	(740,776,910)	(745,137,497)
<b>Net cash from operating activities</b>	<b>2,685,365,032</b>	<b>2,998,969,067</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(907,937,495)	(660,435,577)
Sale of fixed assets	57,171,642	58,000,477
(Purchase) / Sale of current investments	615,754,964	(454,550,166)
Repayment of purchase consideration to subsidiary	-	(342,360,000)
Investment in subsidiary	(2,806,321,790)	-
Interest received	64,875,252	54,109,788
<b>Net cash used in investing activities</b>	<b>(2,976,457,427)</b>	<b>(1,345,235,478)</b>
<b>C. Cash flow from financing activities</b>		
Share capital issued (including premium)	-	298,125,000
Proceeds from/Repayment of borrowings	1,947,660,662	(672,046,532)
Interest paid	(62,894,352)	(27,511,806)
Dividend paid	(1,515,750,000)	(801,147,432)
Dividend tax	(304,888,298)	(26,856,733)
<b>Net cash from financing activities</b>	<b>64,128,012</b>	<b>(1,229,437,503)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(226,964,383)</b>	<b>424,296,085</b>
<b>Cash and cash equivalents at March 31, 2010</b>	<b>1,539,713,432</b>	<b>1,115,417,346</b>
<b>Cash and cash equivalents at March 31, 2011</b>	<b>1,312,749,049</b>	<b>1,539,713,432</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 issued under the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets includes movement of Capital work-in-progress between the beginning and end of the year.
- Cash and cash equivalents represent cash and bank balances.
- Bank balances include revaluation loss of Rs. 16,303,743 (Previous year loss Rs.181,341,165)

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of

**R. D. KARE**

Partner  
Membership No. 08820  
Place : Mumbai  
Date : May 12, 2011

**S. S. PRABHUDESAI**

Company Secretary  
Place : Mumbai  
Date : May 12, 2011

**V. K. MAGAPU**

Director/ Manager

**Y. M. DEOSTHALEE**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised :</b>		<b>163,750,000</b>		<b>163,750,000</b>
3,27,50,000 Equity shares of Rs. 5 each (Previous year 3,27,50,000 of Rs. 5 each)				
<b>Issued and Subscribed :</b>		<b>161,250,000</b>		<b>161,250,000</b>
3,22,50,000 Equity Shares for Rs. 5 each (Previous year 3,22,50,000 of Rs. 5 each)				
<b>Paid up :</b>		<b>161,250,000</b>		<b>161,250,000</b>
3,22,50,000 Equity Shares for Rs. 5 each, fully paid up (Previous year 3,22,50,000 equity shares of Rs. 5 each fully paid up)				
(All the above Equity Shares are held by Larsen & Toubro Limited, the holding company)				
<b>TOTAL</b>		<b><u>161,250,000</u></b>		<b><u>161,250,000</u></b>
<b>SCHEDULE B</b>				
<b>RESERVES AND SURPLUS</b>				
General reserve	<b>2,100,000,000</b>		<b>1,800,000,000</b>	
Less : ESOP liability of GDA Technologies Inc. charged to General Reserve on transfer of employees to L&T Infotech payroll	<b><u>23,220,870</u></b>		<b>—</b>	
	<b>2,076,779,130</b>		<b>1,800,000,000</b>	
Add : Transferred from profit and loss account	<b><u>400,000,000</u></b>		<b><u>300,000,000</u></b>	
		<b>2,476,779,130</b>		<b>2,100,000,000</b>
Hedging reserve		<b>(658,420,065)</b>		<b>(595,846,983)</b>
Share premium		<b>1,181,240,000</b>		<b>1,181,240,000</b>
Profit and Loss account		<b><u>7,705,812,341</u></b>		<b><u>6,744,171,487</u></b>
<b>TOTAL</b>		<b><u>10,705,411,406</u></b>		<b><u>9,429,564,504</u></b>
<b>SCHEDULE C</b>				
<b>SECURED LOANS</b>				
Term loans from bank		<b>—</b>		<b>221,277,956</b>
Other loans from banks		<b><u>699,057,500</u></b>		<b><u>224,500,000</u></b>
		<b><u>699,057,500</u></b>		<b><u>445,777,956</u></b>
<b>SCHEDULE D</b>				
<b>UNSECURED LOANS</b>				
Loans from Banks		<b>455,953,000</b>		<b>—</b>
Inter corporate borrowings		<b><u>1,223,460,418</u></b>		<b>—</b>
<b>TOTAL</b>		<b><u>1,679,413,418</u></b>		<b>—</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE E****FIXED ASSETS**

Fixed and Intangible Assets	GROSS BLOCK				DEPRECIATION / AMORTISATION				Net Block	Net Block
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	On Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Schedule E1 - Tangible Assets - Own</b>										
Buildings	215,441,881	54,263,607	-	269,705,488	48,982,695	7,933,466	-	56,916,161	212,789,327	166,459,186
Plant and machinery	378,988,809	188,197,435	35,221,835	531,964,409	139,428,787	22,266,444	9,009,928	152,685,303	379,279,106	239,560,022
Computers	1,273,039,821	234,344,541	14,853,338	1,492,531,024	953,382,355	183,377,080	12,272,532	1,124,486,903	368,044,121	319,657,466
Furniture and fixtures	1,099,006,181	225,026,391	36,168,065	1,287,864,507	597,547,904	159,355,453	21,616,320	735,287,037	552,577,470	501,458,277
Vehicles	37,719,418	120,361,028	1,884,127	156,196,319	4,205,724	12,361,500	285,022	16,282,202	139,914,117	33,513,694
Dep General										
<b>Sub Total (A)</b>	<b>3,004,196,110</b>	<b>822,193,002</b>	<b>88,127,365</b>	<b>3,738,261,747</b>	<b>1,743,547,465</b>	<b>385,293,943</b>	<b>43,183,802</b>	<b>2,085,657,606</b>	<b>1,652,604,141</b>	<b>1,260,648,645</b>
<b>Tangible Assets - leased</b>										
Computers	23,630,040	-	-	23,630,040	23,630,040	-	-	23,630,040	-	-
<b>Sub Total (B)</b>	<b>23,630,040</b>	<b>-</b>	<b>-</b>	<b>23,630,040</b>	<b>23,630,040</b>	<b>-</b>	<b>-</b>	<b>23,630,040</b>	<b>-</b>	<b>-</b>
Add: Capital work-in-progress (including Advances)									87,058,175	178,307,557
<b>Total of Tangible Assets</b>	<b>3,027,826,150</b>	<b>822,193,002</b>	<b>88,127,365</b>	<b>3,761,891,787</b>	<b>1,767,177,505</b>	<b>385,293,943</b>	<b>43,183,802</b>	<b>2,109,287,646</b>	<b>1,739,662,316</b>	<b>1,438,956,202</b>
<i>Total of Tangible Assets (Previous Year)</i>	<i>2,862,396,530</i>	<i>271,632,486</i>	<i>106,202,866</i>	<i>3,027,826,150</i>	<i>1,498,625,810</i>	<i>331,202,104</i>	<i>62,650,409</i>	<i>1,767,177,505</i>	<i>1,438,956,202</i>	<i>1,389,674,140</i>
<b>Schedule E2 - Intangible Assets</b>										
Leasehold Land	12,268,579	-	-	12,268,579	1,987,448	128,820	-	2,116,268	10,152,311	10,281,131
Software	1,076,173,045	115,877,126	-	1,192,050,171	728,630,668	209,574,594	-	938,205,262	253,844,909	347,542,377
Business Rights	98,050,000	-	-	98,050,000	98,050,000	-	-	98,050,000	-	-
Add: Capital work-in-progress (including Advances)									113,902,500	52,785,750
<b>Total of intangible Assets</b>	<b>1,186,491,624</b>	<b>115,877,126</b>	<b>-</b>	<b>1,302,368,750</b>	<b>828,668,116</b>	<b>209,703,414</b>	<b>-</b>	<b>1,038,371,530</b>	<b>377,899,720</b>	<b>410,609,258</b>
<i>Total of Intangible Assets (Previous Year)</i>	<i>961,536,241</i>	<i>225,013,347</i>	<i>57,964</i>	<i>1,186,491,624</i>	<i>677,554,405</i>	<i>151,171,675</i>	<i>57,964</i>	<i>828,668,116</i>	<i>410,609,258</i>	<i>325,306,836</i>

As at 31.03.2011

Rupees

Rupees

As at 31.03.2010

Rupees

Rupees

**SCHEDULE F****INVESTMENTS (Unquoted)**

Long term investment in wholly owned subsidiaries

- 1, fully paid equity share of Euro 25,000/- in Larsen & Toubro Infotech GmbH
- 100, fully paid equity shares of CAD 1 each in Larsen & Toubro Infotech Canada Ltd.
- 10 Common Stock at no par value in GDA Technologies Inc., USA
- 1,000,000, equity shares at no par value in L&T Infotech Financial Services Technologies Inc.

1,140,649

1,140,649

6,606,466

6,606,466

1,203,207,954

1,203,207,954

2,806,321,790

-

4,017,276,859

1,210,955,069

Current investments

Investments in Mutual Funds

1,091,138,765

1,600,268,693

**TOTAL****5,108,415,624****2,811,223,762**



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## Mutual Funds

Description	Face Value (Rs)	As at	Purchased/	Sold during the	As at	As at	As at
		01.04.2010	Subscribed during the year	year	31.03.2011	31.03.2011	31.03.2010
		Units	Units	Units	Units	Rupees	Rupees
<b>I. Liquid / Liquid Plus Funds</b>							
Birla Cash Plus - Instl. Prem. - Growth	10	-	81,159,614	(81,159,614)	0.00	-	-
Birla Sun Life Savings Fund Instl. - Growth	10	5,721,527	31,453,513	(37,175,041)	-	-	100,016,298
BSL Floating Rate Fund - Long Term - INSTL - Growth	10	9,278,848	13,786,987	(23,065,834)	-	-	100,000,000
Birla Sun Life Cash Manager - Institutional Plan - Growth	10	-	9,154,852	(9,154,852)	-	-	-
DSP BlackRock Liquidity Fund - Institutional Plan - Growth	1000	-	1,620,505	(1,620,505)	0.00	-	-
DSP BlackRock Money Manager Fund - Institutional Plan - Growth	1000	-	336,651	(336,651)	-	-	-
DSP BlackRock Floating Rate Fund - Institutional Plan - Growth	1000	-	37,542	(37,542)	-	-	-
DSP BlackRock Floating Rate Fund - Regular Plan - Growth	10	-	3,229,282	(3,229,282)	-	-	-
DSP BlackRock Short Term Fund - Growth	10	-	3,125,898.70	(3,125,898.70)	-	-	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	10	-	8,851,511.05	(8,851,511.05)	-	-	-
HDFC Liquid Fund - Premium Plus Plan - Growth	10	-	21,676,892	(21,676,891.84)	-	-	-
HDFC Liquid Fund - Premium Plan - Growth	10	-	46,046,177	(45,028,251.83)	1,017,926	20,000,000	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	10	-	4,930,118	(4,930,118.47)	-	-	-
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Growth	10	-	10,678,957	(10,678,957.13)	-	-	-
HDFC Gilt Fund Long Term - Growth	10	-	7,283,719	(7,283,719)	-	-	-
ICICI Prudential Liquid Super Institutional Plan - Growth	100	-	16,593,128	(16,593,128)	-	-	-
ICICI Prudential Flexible Income Plan Premium - Growth	100	-	1,436,022	(1,436,022)	-	-	-
ICICI Prudential Ultra Short Term Plan Premium Plus Growth	10	-	-	-	-	-	-
ICICI Prudential Ultra Short Term Plan Super Premium Growth	10	8,322,607	38,838,963	(47,161,570)	-	-	86,000,000
IDFC Cash Fund - Super Inst Plan C - Growth	10	-	128,802,475	(128,802,475)	-	-	-
IDFC Money Manager Fund - Investment Plan - Inst Plan B-Growth	10	-	49,537,077	(49,537,077)	-	-	-
IDFC - SSIF - ST - Plan D - Growth	10	-	12,613,820	(12,613,820)	-	-	-
IDFC Money Manager Fund - Treasury Plan - Inst Plan B-Growth	10	-	3,134,307	(3,134,307)	-	-	-
IDFC Savings Advantage Fund - Plan A - Growth	1000	-	197,641	(197,641)	-	-	-
Kotak Liquid (Institutional Premium) - Growth	10	-	82,748,373	(82,748,373)	-	-	-
Kotak Floater Short Term - Growth	10	-	8,368,050	(8,368,050)	-	-	-
Kotak Floater Long Term - Growth	10	-	26,138,204	(26,138,204)	-	-	-
Kotak Flexi Debt Scheme Institutional - Growth	10	-	22,561,347	(22,561,347)	-	-	-
L&T Liq Sup Inst. Plan - Cumulative	10	-	315,571,689	(309,064,005)	6,507,684.50	87,500,000	-
L&T Freedom Income STP-Inst.-Cum-Org	10	10,116,721	56,864,875.44	(66,981,596.53)	-	-	150,024,904
L&T Select Income Fund - Flexi Debt Institutional - Growth	10	-	34,021,613.12	(34,021,613.12)	-	-	-
LIC MF Liquid Fund - Growth Plan	10	1,778,853	133,671,845.63	(135,450,699)	-	-	30,000,000
LIC MF Income Plus Fund - Growth Plan	10	16,178,671	39,534,829	(55,713,500)	-	-	200,025,322
LIC MF Floating Rate Fund - Short Term Plan - Growth Plan	10	-	5,590,425	(5,590,425)	-	-	-
Principal Cash Management Fund-Liquid Option Instl. Prem. Plan - Growth	10	-	10,741,196	(10,741,196)	-	-	-
Religare Liquid Fund - Institutional Growth	10	-	46,069,877	(46,069,877)	-	-	-
Reliance Liquidity Fund-Growth Option	10	-	99,288,136	(99,288,136)	0	-	-
Reliance Money Manager Fund-Institutional Option - Growth Plan	10	-	167,157	(167,157)	-	-	-
Reliance Floating Rate Fund - Short Term - Growth	10	-	3,401,799.86	(3,401,799.86)	-	-	-
TATA Liquid Super High Inv.Fund - Appreciation	1000	-	398,339	(387,287)	11,053	20,000,000	-
TATA Floater Fund - Growth	10	-	31,745,445	(31,745,445)	-	-	-
TATA Treasury Mgt Fund	10	-	90,222	(90,222)	-	-	-
Templeton India Treasury Management Account Super Institutional Plan - Growth	1000	-	856,034	(856,034)	-	-	-
Templeton Floating Rate Income Fund Long Term Plan Super Institutional - GROWTH	10	-	7,323,412	(7,323,412)	-	-	-
UTI Liquid Cash Plan Institutional - Growth Option	1000	-	304,121	(304,121)	-	-	-
UTI Money Market Fund - Growth Plan	10	-	-	-	-	-	-
UTI Treasury Advantage Fund (Institutional Plan) - Growthy option	1000	80,859	-	(80,859)	(0)	-	100,014,167
UTI Money Market Mutual Fund - Institutional Growth Plan	1000	-	487,130	(487,130)	(0)	-	-



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Description	Face Value (Rs)	As at	Purchased/	Sold during the	As at	As at	As at
		01.04.2010	Subscribed during the year	year	31.03.2011	31.03.2011	31.03.2010
		Units	Units	Units	Units	Rupees	Rupees
UTI-Floating Rate Fund - Short Term Plan - Institutional Growth Option	1000	-	19,223	(19,223)	-	-	-
Canara Robeco Treasury Advantage Fund Super IP	10	-	44,721,505	(44,721,505)	-	-	-
Canara Robeco Liq Super IP Growth	10	-	8,674,306	(8,674,306)	-	-	-
Canara Robeco FRF Growth	10	-	3,324,601	(3,324,601)	(0)	-	-
SBI SHF Ultra Short Term Fund Inst Plan	10	-	11,952,667	(11,952,667)	-	-	-
SBI Premier Liq Fund	10	-	9,776,605.63	(9,776,605.63)	-	-	-
<b>Total (A)</b>		-				<b>127,500,000</b>	<b>766,080,691</b>
<b>II. Income Funds</b>		-					
Birla Sun Life Income Plus - Growth	10	-	1,174,840.19	(1,174,840)	-	-	-
HDFC Income Fund - Growth	10	-	2,284,198.02	-	<b>2,284,198</b>	<b>50,007,490</b>	
Templeton India Ultra Short Bond Fund Super Institutional Plan - GROWTH		-			-	-	-
DSP BlackRock Bond Fund - Regular Plan - Growth	10	-	1,601,869.60	(1,601,870)	-	-	-
Principal Income Fund-Instl. Plan - Growth Accumulation Plan	10	-	1,872,530.59	(1,872,531)	-	-	-
<b>Total (B)</b>						<b>50,007,490</b>	<b>-</b>
<b>III. Short Term Plans</b>							
HDFC Short Term Plan - Growth					-	-	-
Birla Sun Life Short Term Fund -Institutional Growth	10	9,276,560	18,136,525.76	(27,413,086.01)	-	-	101,158,316
DSP BlackRock Short Term Fund - Growth	10	-	3,904,144.69	(3,904,144.69)	-	-	-
HDFC High Interest Fund - Short Term Plan - Growth	10	2,714,498	10,819,821.49	(13,534,319.41)	-	-	50,008,924
ICICI Prudential Institutional Short Term Plan - Cumulative Option	10	-			-	-	-
Kotak Bond (Short Term) - Growth	10	-	2,778,966.56	(2,778,966.56)	-	-	-
Principal Income Fund-Short Term - Instl. Plan - Growth Plan	10	5,752,171	7,661,366.97	(13,413,537.71)	-	-	93,013,280
Templeton India Short Term Income Plan Institutional - Growth	1000	34,692	-	(34,691.97)	-	-	50,005,408
UTI Short Term Income Fund Institutional - Growth Option	10	4,784,964	19,063,706.10	(23,848,669.83)	-	-	50,000,000
Reliance Short Term Fund-Retail Plan - Growth Plan	10	-	167157.446	(167,157.45)	-	-	-
Religare Liquid Fund - Super Institutional Growth	10	-	23,903,801.51	(23,903,801.51)	-	-	-
Religare Overnight Fund Growth Plan	10	-	8,730,117.16	(8,730,117.16)	-	-	-
Religare Short Term Plan - Institutional Growth	10	-	5,549,847.40	(5,549,847.40)	-	-	-
BNP Paribas Overnight Fund IP Gr	10	-	85,122,612.71	(83,130,408.87)	<b>1,992,204</b>	<b>30,000,000</b>	
<b>Total (C)</b>		-				<b>30,000,000</b>	<b>344,185,927</b>
<b>IV. Flexi Debt Plans</b>							
Birla Sun Life Short Term Opportunities Fund-Institutional Growth	10	-	4,724,335.05	(4,724,335.05)	-	-	-
Kotak Credit Opp. Fund - Growth	10	-	2,000,000	-	<b>2,000,000</b>	<b>20,000,000</b>	-
HDFC Medium Term Opportunities Fund - Growth	10	-	3,000,417.855	(3,000,418)	-	-	-
HDFC Short Term Opportunities Fund - Growth	10	-	10,002,680	(10,002,680)	-	-	-
Religare Active Income Fund Institutional - Growth	10	-	4,998,873	(4,998,873)	-	-	-
Templeton India Income Opportunities Fund - Growth	10	-	1,926,931	-	<b>1,926,931</b>	<b>20,002,118</b>	-
UTI-Bond Fund - Growth Plan-Regular	10	-	1,845,647	(1,845,647)	-	-	-
<b>Total (D)</b>						<b>40,002,118</b>	<b>-</b>
<b>V. Monthly Income Plans</b>							
Birla Sun Life MIP II - Savings 5 Plan - Growth	10	276,046	-	(92,826)	<b>183,220,094</b>	<b>3,000,000</b>	4,500,000
HDFC MF Monthly Income Plan - Long Term - Growth	10	121,505	187,148	-	<b>308,653,041</b>	<b>6,500,297</b>	2,500,000
ICICI Prudential MIP - Cumulative	10	127,099	-	(127,099)	-	-	3,000,000
L&T Monthly Income Plan-Gr	10	-	130,373	-	<b>130,372,657</b>	<b>2,500,000</b>	-
Reliance MIP - Growth	10	-	196,342	-	<b>196,342,323</b>	<b>4,000,000</b>	-
<b>Total (E)</b>		-				<b>16,000,297</b>	<b>10,000,000</b>
<b>VI. Arbitrage Funds</b>							
UTI - Spread Fund - Growth Plan		-					
<b>Total (F)</b>		0				-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Description	Face Value (Rs)	As at 01.04.2010	Purchased/ Subscribed during the year	Sold during the year	As at 31.03.2011	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
		Units	Units	Units	Units		
<b>VII. Fixed Maturity Plans</b>		-			-		
BSL Qity Interval - Series 4 - Growth	10	-	4,204,132	(4,204,132)	-	-	
Birla Sun Life FTP - Institutional - Series BD - Growth	10	-			-	-	
DSP BlackRock FMP 13M Series 2 - Growth	10	2,000,000	2,000,000	(2,000,000)	2,000,000	21,541,581	20,000,000
DSP Black Rock FMP 12M Ser 12	10		4,000,000	(2,000,000)	2,000,000	20,246,564	
HDFC FMP 18M October 2009 - Growth - Series XI	10	2,000,000	2,000,000	(2,000,000)	2,000,000	22,199,502	20,000,000
HDFC FMP 20M Sep 2009 - Growth - Series XI	10	2,000,000	2,000,000	(2,000,000)	2,000,000	22,302,014	20,000,000
HDFC FMP 90D Jun 10 - Growth	10	-	2,000,000	(2,000,000)	-	-	-
HDFC FMP 370 D- June 2010 (2)- Growth Option	10	-	2,000,288	-	2,000,288	20,002,880	-
HDFC FMP 370 D July 2010 (1)- Growth Option	10	-	5,000,000	(2,000,000)	3,000,000	30,000,000	-
HDFC FMP 370 D November 2010 (1)- Growth Option	10	-	4,000,000	(2,000,000)	2,000,000	20,443,780	-
HDFC Gild Fund to FMP 100 D	10		5,000,000		5,000,000	50,000,000	
ICICI Prudential Fmp Series 41 - 19 Months	10	-			-		
ICICI Prudential FMP Series 49 - 1 Year Plan B Institutional Growth	10	2,000,000	-	(2,000,000)	-	-	20,000,000
ICICI Prudential Banking and PSU Debt Fund Growth	10	7,962,402	-	(7,962,402)	-	-	80,000,000
ICICI Prudential Interval Fund V - Monthly Interval Plan A - Institutional- Growth	10	-	5,000,678	(5,000,678)	-	-	
ICICI Prudential Interval Fund - Monthly Interval Plan I - Institutional- Growth	10	-	9,976,164	(9,976,164)	-	-	
ICICI Prudential Interval Fund - Quarterly Interval Plan II - Institutional Growth Option	10	-	2,706,355	(2,706,355)	-	-	-
ICICI Prudential Interval Fund- IV -Quarterly Interval Plan B- Institutional Growth	10	-	4,931,015	(4,931,015)	-	-	-
ICICI Prudential Interval Fund- Annual Interval Plan I-Institutional Growth	10	-	999,600	-	999,600	10,000,000	-
ICICI Prudential FMP Series 52- 1 Year Plan C Cumulative	10	-	2,000,000	(1,000,000)	1,000,000	10,319,497	-
ICICI Prudential FMP Ser 53-1 yr	10		4,000,000	(2,000,000)	2,000,000	20,289,411	
ICICI Prudential Fixed Maturity Plan- Series 53- 1	10	-	4,000,000	(2,000,000)	2,000,000	20,275,395	
ICICI Prudential FMP Ser 55-1 yr	10		4,000,000	(2,000,000)	2,000,000	20,000,000	
IDFC Fixed Maturity yearly series -32 Gr	10	-	2,000,000	-	2,000,000	20,000,000	-
IDFC Fixed Maturity 36 Mths Ser II	10		2,000,000		2,000,000	20,000,000	
IDFC Fixed Maturity Ser 35	10		2,000,000		2,000,000	20,000,000	
Kotak Quarterly Interval Plan Series 4 - Growth	10	1,706,703	2,522,515	(4,229,218)	-	-	20,000,000
Kotak Quarterly Interval Plan Series 6 - Dividend	10	3,000,000	-	(3,000,000)	-	-	30,000,000
Kotak Quarterly Interval Plan Series 7 - Growth	10	4,562,085	-	(4,562,085)	-	-	50,000,000
Kotak Quarterly Interval Plan Series 1 - Growth	10	-	4,099,604	(4,099,604)	-	-	
Kotak Quarterly Interval Plan Series 8 - Growth	10	-	2,713,606	(2,713,606)	-	-	
Kotak FMP 13M Series 6 - Growth	10	2,000,000	-	-	2,000,000	20,000,000	20,000,000
Kotak FMP 370Days Series 5 - Growth	10	-	3,000,000	-	3,000,000	30,000,000	-
L&T Fixed Maturity Plan - Series 12 - Plan 91 D - March 10 - I - Growth	10	5,000,000	2,000,000	(7,000,000)	-	-	50,000,000
L&T - FMP - I (June 91D A) - Growth	10	-	5,000,000	(5,000,000)	-	-	-
L&T FMP 1 (July 91 D A)- Growth Option	10	-	3,000,352	(3,000,352)	-	-	-
L&T FMP I (July 5M-A)- Growth Option	10	-	3,000,000	(3,000,000)	-	-	-
L&T Fixed Maturity Plan Series - 12 - Plan - 15 M - March 10 - I - Growth	10	2,000,000	2,000,000	(2,000,000)	2,000,000	21,430,059	20,000,000
L&T FMP I (September 24M-A)- Growth Option	10		4,000,000	(2,000,000)	2,000,000	20,390,121	-
L&T FMP II (November 12 M A) - Growth	10		2,000,000		2,000,000	20,409,142	
L&T fMP II (January 90D A)	10		3,000,000		3,000,000	30,000,000	
L&T FMP II (Dec 370 Days)	10		4,000,000	(2,000,000)	2,000,000	20,355,683	
Principal PNB Fixed Maturity Plan (FMP-50) 385 Days-Series IX:Aug 08-Institutional Growth Plan	10	-			-	-	
Religare Active Income Fund Institutional - Growth	10	2,000,207	-	(2,000,207)	-	-	20,002,075
Religare Fixed Maturity Plan-Series-II Plan B (15 Months) -	10	2,000,000	2,000,000	(2,000,000)	2,000,000	21,508,745	20,000,000
Religare Fixed Maturity Plan -Series III- Plan A- (12 Months)- Growth Option	10	-	2,000,000	-	2,000,000	20,000,000	
Religare FMP Series IV Plan E	10		4,000,000	(2,000,000)	2,000,000	20,391,122	
Religare FMP Ser V 368 D	10		2,000,000		2,000,000	20,000,000	
Reliance Fixed Horizon Fund - XV- Series 4- Growth Plan	10	-	2,000,244	-	2,000,244	20,002,445	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Description	Face Value (Rs)	As at	Purchased/	Sold during the	As at	As at	As at
		01.04.2010	Subscribed during the year	year	31.03.2011	31.03.2011	31.03.2010
		Units	Units	Units	Units	Rupees	Rupees
Reliance Fixed Horizon Fund XV Series 6- IP- Growth Option	10	-	2,000,271	-	2,000,271	20,002,708	-
Reliance Quarterly Interval Fund - Series III-Institutional Growth Plan	10	-	3,998,656	(3,998,656)	-	-	-
Reliance Fixed Horizon Fund XV Series 7- Growth	10	-	2,000,000	(1,000,000)	1,000,000	10,362,043	-
Reliance Monthly Interval Fund - Series I-Institutional Growth Plan	10	-	3,979,655	(3,979,655)	-	-	-
Tata Fixed Income Portfolio Fund Scheme B2 IP Growth	10	-	2,000,286	(2,000,286)	-	-	-
TATA Fixed Horizon Fund Series 18 Scheme C - Institutional Plan - Growth	10	-	-	-	-	-	-
Tata Fixed Maturity Plan Series 25 Scheme A - Super High Invest Plan - Growth	10	2,000,000	2,000,000	(2,000,000)	2,000,000	22,413,936	20,000,000
Templeton Fixed Horizon Fund Series IX - Plan A - Growth	10	-	-	-	-	-	-
Tata Fixed Maturity Plan Series 27 Scheme A- Growth	10	-	2,000,000	(1,000,000)	1,000,000	10,346,026	-
Tempeton FTFTF Series XII - Plan B (3 Yrs.)- Growth	10	2,000,000	-	-	2,000,000	20,000,000	20,000,000
UTI Fixed Income Interval Fund - Quaterly Plan Series III - Institutional Growth Plan	10	2,465,119	-	(2,465,119)	-	-	30,000,000
UTI - Fixed Income Interval Fund - Series II - Quarterly Interval Plan V - Institutional Dividend Plan -	10	2,000,000	-	(2,000,000)	-	-	20,000,000
UTI Fixed Term Income Fund Series VII - III (367 Days) - Growth Plan	10	-	2,000,000	-	2,000,000	20,000,000	-
UTI Fixed Term Income Fund Series VIII - I (367 Days) - Growth Plan	10	-	2,000,000	-	2,000,000	20,000,000	-
UTI Fixed Term Income Fund Series VIII - II (367 days) - Growth Plan	10	-	2,000,000	-	2,000,000	20,000,000	-
UTI FTIF- Series VIII- IV-(369 Days)- IP Growth	10	-	6,000,908	(3,000,454)	3,000,454	31,275,864	-
UTI Fixed Income Interval Fund-Quarterly Interval Plan Series-I - Institutional Growth Plan	10	-	4,930,722	(4,930,722)	-	-	-
UTI - Fixed Income Interval Fund - Monthly Interval Plan - II - Institutional Growth Plan	10	-	5,001,292	(5,001,292)	-	-	-
UTI - Fixed Income Interval Fund- Half Yearly Interval Plan - II - Institutional Growth Plan	10	-	3,000,000	(3,000,000)	-	-	-
UTI - Fixed Income Interval Fund - Series II - Quarterly Interval Plan VI - Institutional Growth Plan	10	-	2,954,528	(2,954,528)	-	-	-
UTI - Fixed Term Income Fund Series VIII - V (366 days)- Growth Option	10	-	4,000,591	(2,000,296)	2,000,296	20,817,462	-
UTI - Fixed Term Income Fund Series - IV - Plan VII (MAY / 08-12 Months) - Institutional Growth Plan	10	-	-	-	-	-	-
UTI - Fixed Term Income Fund Series - V - I (13 Months) - Growth Plan	10	-	-	-	-	-	-
BNP Paribas Fixed Term Fund	10	-	4,000,000	(2,000,000)	2,000,000	20,334,860	-
<b>TOTAL (G)</b>						<b>827,660,840</b>	<b>480,002,075</b>
<b>GRAND TOTAL (A)+(B)+(C)+(D)+(E)+ (F)+(G)</b>						<b>1,091,170,746</b>	<b>1,600,268,693</b>
Less : Diminution in the value of Investments						(31,981)	
Investments net of Diminution in the value of Investments						<b>1,091,138,765</b>	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE G</b>				
<b>SUNDRY DEBTORS</b>				
Unsecured				
Debts outstanding for a period exceeding six months				
Considered good	92,881,111		125,016,309	
Considered Doubtful	180,240,180		200,480,049	
		273,121,291		325,496,358
Other Debts				
Considered good				
Due from subsidiaries	117,567,582		121,494,620	
Others	4,451,541,413		3,360,775,461	
Less : Provision for doubtful debts	180,240,180		200,480,049	
		4,388,868,815		3,281,790,032
<b>TOTAL</b>		<b>4,661,990,106</b>		<b>3,607,286,390</b>
<b>SCHEDULE H</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand				
		374,291		494,055
Balances with scheduled banks				
in current accounts	91,652,345		86,146,496	
in Deposit accounts	589,467,016		498,265,564	
		681,119,361		584,412,060
Balances with non-scheduled banks				
in Current accounts	376,086,415		761,574,939	
in Deposit accounts (see schedule P, note 3)	-		188,320,588	
		376,086,415		949,895,527
Remittances in transit		255,168,982		4,911,790
<b>TOTAL</b>		<b>1,312,749,049</b>		<b>1,539,713,432</b>
<b>SCHEDULE I</b>				
<b>LOANS AND ADVANCES</b>				
Secured :				
Loans against mortgage of house property		1,350,257		1,398,137
Unsecured, considered good :				
Loans to subsidiary	240,813,000		99,800,000	
Forward contracts gain receivable	1,169,318,844		1,005,815,167	
Advances recoverable in cash or in kind	3,135,534,298		2,748,624,621	
Cost of long term projects (see schedule P, note 19)	11,623,033		44,706,557	
		4,557,289,175		3,898,946,345
<b>TOTAL</b>		<b>4,558,639,432</b>		<b>3,900,344,482</b>
<b>SCHEDULE J</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities :				
Sundry creditors	3,584,493,274		2,956,822,476	
Advance billing	63,882,491		87,971,102	
Due to holding company	507,759,131		49,001,136	
Gratuity	53,689,131		22,509,450	
		4,209,824,027		3,116,304,164

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Provisions :				
Income Taxes	913,726,842		882,238,128	
Compensated absences	233,614,506		210,009,008	
Post retirement medical benefit plan (see schedule P, note 4)	36,349,473		30,482,505	
Other Provisions (see schedule P, note 13)	10,700,000		10,700,000	
		<b>1,194,390,821</b>		<b>1,133,429,641</b>
<b>TOTAL</b>		<b>5,404,214,848</b>		<b>4,249,733,805</b>

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE K</b>				
<b>OTHER INCOME</b>				
Profit on sale of current investments		106,657,017		127,398,411
Profit on sale of fixed assets		12,228,079		14,523,164
Interest received		64,875,252		54,109,788
Foreign Exchange Gain		-		104,630,966
Provision no longer required for doubtful debts		2,329,431		26,286,734
Miscellaneous income		44,830,738		22,771,744
<b>TOTAL</b>		<b>230,920,517</b>		<b>349,720,807</b>

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE L</b>				
<b>SOFTWARE DEVELOPMENT EXPENSES</b>				
Salaries including overseas staff expenses		12,028,213,097		8,796,433,827
Staff welfare		604,472,589		534,910,560
Contribution to provident and other funds		183,788,907		138,267,109
Contribution to superannuation fund		86,921,372		58,885,062
Contribution to gratuity fund		59,775,647		25,707,344
Communication expenses		88,547,982		90,029,751
Consultancy charges		1,392,314,156		999,722,611
Cost of Software packages for own use		183,431,280		247,673,011
Cost of bought-out items for resale		255,553,292		79,728,764
<b>TOTAL</b>		<b>14,883,018,322</b>		<b>10,971,358,039</b>

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE M</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Salaries including overseas staff expenses		1,210,066,007		1,041,601,443
Travelling and conveyance		781,502,722		519,009,135
Rent and establishment expenses		887,053,964		819,327,257
Telephone charges and postage		252,094,620		209,167,098
Legal and professional charges		216,789,237		137,231,881
Printing and stationery		25,609,829		16,945,333
Advertisement		36,831,678		22,389,516
Entertainment		22,777,636		17,553,458
Recruitment expenses		77,526,309		32,360,232
Repairs to building		90,874,468		79,710,468
Repairs to computers		70,938,780		53,845,031
General repairs and maintenance		58,285,933		64,103,114

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
Power and fuel	<b>267,717,728</b>	<i>184,701,652</i>
Equipment hire charges	<b>13,481,609</b>	<i>4,317,268</i>
Insurance charges	<b>62,978,125</b>	<i>48,627,406</i>
Rates and taxes	<b>75,243,134</b>	<i>53,100,091</i>
Provision for doubtful debts and advances	<b>14,555,172</b>	<i>53,029,639</i>
Bad debts	<b>26,913,315</b>	<i>28,322,026</i>
Less : Provision written back	<b>(26,913,315)</b>	<i>(28,322,026)</i>
Commission charges	<b>379,810</b>	<i>4,038,600</i>
Books and periodicals, Subscriptions	<b>8,465,808</b>	<i>15,942,951</i>
Directors fees	<b>580,000</b>	<i>460,000</i>
Miscellaneous expenses	<b>94,564,689</b>	<i>84,478,890</i>
Amortisation of cost of long term projects (See Schedule P, note 19)	<b>33,083,524</b>	<i>26,648,737</i>
Foreign Exchange Loss	<b>20,252,996</b>	<i>-</i>
<b>TOTAL</b>	<b><u>4,321,653,778</u></b>	<i><u>3,488,589,200</u></i>
<b>SCHEDULE N</b>		
<b>INTEREST</b>		
Fixed loans	<b>1,812,398</b>	<i>8,334,838</i>
On others	<b>60,632,347</b>	<i>18,847,053</i>
Lease finance charges	<b>449,607</b>	<i>329,915</i>
<b>TOTAL</b>	<b><u>62,894,352</u></b>	<i><u>27,511,806</u></i>
<b>SCHEDULE O</b>		
<b>CONTINGENT LIABILITY</b>		
Income tax liability that may arise in respect of which the Company is in appeal	<b>47,766,188</b>	<i>44,469,667</i>
Corporate Guarantee given on behalf of subsidiary (Refer Note 24)	<b>3,173,800,000</b>	<i>-</i>
<b>TOTAL</b>	<b><u>3,221,566,188</u></b>	<i><u>44,469,667</u></i>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****SCHEDULE P****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make estimates and assumptions that affect the income and expense reported for the period and assets and liabilities reported as of the date of the financial statements. Examples of such estimates include the useful lives of the fixed assets, provision for doubtful debts, future obligations in respect of retirement benefit plans, etc. Actual results could vary from these estimates.

**2. Revenue recognition**

Revenue from contracts priced on time and material basis are recognized when services are rendered and related costs are incurred.

Revenue from services performed on "fixed-price" basis is recognized using the proportionate completion method.

Unbilled revenue represents value of services performed in accordance with the contract terms but not billed.

**3. Employee benefits****a) Short term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short-term compensated absences and performance incentives are recognized in the period in which the employee renders the related service.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## b) Post-employment benefits

## i) Defined contribution plan:

The Company's superannuation fund and state governed provident fund scheme are classified as defined contribution plans. The contribution paid / payable under the schemes is recognized during the period in which the employee renders the related service.

## ii) Defined benefit plans:

The provident fund scheme managed by trust, employees' gratuity fund scheme managed by LIC and post-retirement medical benefit scheme are the Company's defined benefit plans. Wherever applicable, the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash-flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on government bonds as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the Profit and Loss Account. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

## (iii) Long term employee benefits:

The obligation for long term employee benefits like long term compensation absences is recognized in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

**4. Fixed assets**

## Tangible

Fixed assets are stated at cost less accumulated depreciation.

## Intangible

Computer software developed in-house is capitalized at cost.

**5. Investments**

Long-term investments are stated at cost, less provision for other than temporary diminution in value, if any. Current investments are stated at the lower of cost or market value, determined on the basis of specific identification.

**6. Leases**

## Finance lease

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value and the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

## Operating lease

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

**7. Depreciation**

## Tangible - Owned assets

Depreciation on all assets is calculated using straight line method at rates prescribed by Schedule XIV to the Companies Act, 1956, except for the following:

• Plant and machinery	8.33%-20%
• Computers	25%-30%
• Servers	25%
• Furniture and fixtures	10%
• Office equipments	25%-33.33%
• Motor cars	14.14%

## Tangible - Leased assets

Assets acquired under finance leases are depreciated at the rates applicable to similar assets owned by the Company as there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### Intangible assets

The basis of amortization of intangible assets is as follows:

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| • Leasehold land                     | Over the residual period of the lease |
| • Computer software                  | 33.33%                                |
| • Intellectual Property Rights (IPR) | 33.33%                                |
| • Business Rights                    | Over a period of five years           |

Depreciation / amortization on additions / disposals are calculated pro-rata from / to the month of additions / disposals.

### **8. Employee Stock Ownership Schemes**

In respect of stock options granted pursuant to the Company's stock option schemes, the excess of fair value of the share over the exercise price of the option is treated as discount and accounted as employee compensation cost over the vesting period.

### **9. Foreign currency transactions**

- a) Foreign currency transactions are initially recorded at the rates prevailing on the date of the transaction. At the Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Translation of foreign currency transaction of overseas branches is as under:

- Revenue items at the average rate for the period;
- Fixed assets and investments at the rates prevailing on the date of the transaction; and
- Other assets and liabilities at year end rates

Exchange difference on settlement / year end conversion is adjusted to Profit and Loss Account.

- b) Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange differences arising on such contracts are recognized in the period in which they arise and the premium paid / received is accounted as expense / income over the period of the contract.

Profit or loss on such forward contracts is accounted as income or expense for the period.

- c) All the other derivative contracts, including forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions are recognised in the financial statements at fair value as on the Balance Sheet date. In pursuance of the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 on accounting of derivatives, the Company has adopted Accounting Standard 30 for applying the test of hedge effectiveness of the outstanding derivative contracts. Accordingly, the resultant gains or losses on fair valuation of such contracts are recognised in the Profit and Loss Account or Balance Sheet as the case may be.

### **10. Income Tax**

Provision for income tax for the current year is based on the taxable profits for the year after considering tax exemptions / allowances.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **11. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from a past event when it is not probable that an outflow of resources will be required to settle the obligation; or
- b) a possible obligation unless the probability of outflow of resources is remote

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****12. Segment accounting**

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

- Segment revenue includes sales and other income directly identifiable with / allocable to the segment.
- Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenditure which relate to the Company as a whole and not allocable to segments are included under "unallocable corporate expenditure".
- Income which relates to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

**NOTES FORMING PART OF ACCOUNTS****1. Stock Option plans****a) Employee Stock Ownership Scheme ('ESOS Plan')**

Under the Employee Stock Ownership Scheme (ESOS), 2,596,095 options are outstanding as at March 31, 2011. The grant of options to the employees under ESOS is on the basis of their performance and other eligibility criteria. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 5/- each.

All vested options can be exercised on the First Exercise Date as may be determined by the Compensation Committee prior to date of IPO. The details of the grants under the aforesaid scheme are summarised below:-

ESOP Series	I,II & III*	IV – XX	XXI
	2010-11	2010-11	2009-10
1 Grant Price (Rs.)	25	10	10
2 Options granted and outstanding at the beginning of the year	393003	2191456	2139506
3 Options granted during the year	0	0	61250
4 Options cancelled / lapsed during the year	0	23364	9300
5 Options exercised and shares allotted during the year	0	0	0
6 Options granted and outstanding at the end of the year	393003	2168092	2191456
of which -			
Options vested	393003	970917	970917
Options yet to vest	0	1197175	1220539

\* Figures for previous year for Series I, II & III remain the same

**b) Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan')**

The Company had instituted the Employees Stock Ownership Scheme – 2006 U.S. Stock Option Sub-Plan ('Sub-Plan') for the employees and Directors of its subsidiary, GDA Technologies Inc, USA. The grant of options to the employees under this Sub-Plan is on the basis of their performance and other eligibility criteria. The term of option shall be 5 years from the date of grant. The options are vested over a period of five years, subject to fulfilment of certain conditions specified in the respective Option agreement. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 5/- each at an exercise price of USD 12 (equivalent to Rs 530) per share. Under the said plan, options granted and outstanding as at the end of the year are 96,500 options. 77,993 options have been vested while 18,507 options remain unvested, as at the end of the year.

With effect from April 1, 2010 all employees of GDA Technologies Inc. have been transferred to the rolls of L&T Infotech and are deputed to GDA Technologies Inc. Hence the liability towards Stock option amounting to Rs. 27,697,803 has also been created in the books of L&T Infotech.

**c) Employees Stock Options granted and outstanding as at the end of the year on unissued share capital represent options 2,692,595 (previous year 2,680,959).**

- The secured loans from banks are secured against hypothecation of the Company's movable assets and accounts receivables.
- Balances with non-scheduled banks held in:

Rupees

	Closing Balance As at		Max. amount outstanding during the year ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
ABN Amro Bank, Amsterdam	700,514	430,733	12,321,939	33,565,796
ABSA Bank, South Africa	24,321,606	7,167,685	210,321,606	187,756,809

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	Closing Balance As at		Max. amount outstanding during the year ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Bank of America, New Jersey	7,023,843	962,601	8,944,888	7,141,011
Citibank Australia (AUD)	2,503,195	4,563,499	19,473,397	69,145,174
Citibank Australia (USD)	1,329,906	5,646,386	8,156,962	7,856,169
Citibank Japan (JPY)	2,920,436	2,618,132	29,581,751	89,993,636
Citibank, South Korea (KRW)	1,283,650	1,504,815	4,720,177	20,905,328
Citibank, South Korea (USD)	15,908,777	9,994,654	79,192,642	60,855,813
Citibank N.A., New Jersey (Checking)	50,892,799	99,170,288	339,534,186	99,170,288
Citibank N.A., New Jersey (Collection)	785,435	105,521,669	1,276,997,361	967,081,036
Citibank N.A., Paris	2,867,447	20,474,365	46,005,714	57,382,318
Citibank N.A., Singapore	8,834,385	33,216,641	54,127,049	46,275,923
Citibank, Philippines (PHP)	2,100,024	2,749,259	3,179,162	4,728,962
Citibank, Philippines (USD)	402,745	405,513	411,700	699,683
Danske Bank, Denmark	27,644,009	44,894,526	83,912,117	98,637,328
Fokus Bank, Norway	2,924,619	8,209,195	9,904,623	44,112,855
Fokus Bank	22,113,771	-	23,914,151	-
FOKUS Bank SKAT a/c	2,801,004	-	2,801,004	-
Handelsbanken, Sweden	11,758,194	13,507,519	53,156,748	53,831,918
HSBC, London (EUR)	847,394	4,113,523	10,806,929	15,884,826
HSBC, London (GBP)	42,026,964	17,781,256	77,465,164	76,640,809
HSBC, London (USD)	10,627,969	9,650,459	61,238,379	85,416,435
HSBC in UAE -AED A/C	1,245,733	-	2,788,709	-
HSBC in UAE -USD A/C	2,342,372	-	13,946,172	-
Korean Exchange Bank, South Korea (KRW)	7,551,690	11,629,390	23,215,187	72,660,466
Korean Exchange Bank, South Korea (USD)	6,651,420	28,611,307	133,437,996	113,451,821
SABB - The Saudi British Bank	1,723,563	-	25,794,216	-
Saudi British Bank, Saudi Arabia	-	5,986,667	-	6,502,667
State Bank of India, New York	49,144,843	272,630,279	414,410,599	288,159,275
State Bank of India, Tokyo (USD)	34,193,870	17,475,754	83,148,625	129,837,487
State Bank of India, Tokyo (JPY)	15,609	9,610	17,605	16,412
Tokyo Mitsubishi Bank, Tokyo	30,598,629	32,649,214	37,644,721	63,122,821
<b>Total</b>	<b>376,086,415</b>	<b>761,574,939</b>		
Deposit account ABSA Bank, South Africa	-	188,320,588		

## 4. Employee benefits

a) The amounts recognised in Balance Sheet are as follows

	As at March 31, 2011 / (March 31, 2010)		
	Gratuity Plan	Post retirement medical benefit plan	Self-managed provident fund plan
<b>A. a) Present value of defined benefit obligation as on March 31, 2011</b>			
Wholly funded	171,033,249 (130,736,156)	- (-)	1,797,900,000 (1,423,700,000)
Wholly unfunded	- (-)	36,349,473 (30,482,505)	- (-)
	171,033,249 (130,736,156)	36,349,473 (30,482,505)	1,797,900,000 (1,423,700,000)
<b>b) Fair value of plan assets as on March 31, 2011</b>	123,415,394 (108,193,662)	- (-)	1,753,100,000 (1,393,200,000)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at March 31, 2011 / (March 31, 2010)		
	Gratuity Plan	Post retirement medical benefit plan	Self-managed provident fund plan
Amount to be recognised as liability or asset (a-b)	<b>47,617,855</b> (22,542,494)	<b>36,349,473</b> (30,482,505)	<b>-44,800,000</b> (30,500,000)
<b>B. Amounts reflected in the balance sheet</b>			
Liabilities	<b>47,617,855</b> (22,542,494)	<b>36,349,473</b> (30,482,505)	<b>29,600,000</b> (22,600,000)
Assets	- (-)	- (-)	- (-)
Net liability / (asset)	<b>47,617,855</b> (22,542,494)	<b>36,349,473</b> (30,482,505)	<b>29,600,000</b> (22,600,000)

Figures in brackets relate to previous year.

<sup>(1)</sup> Asset is not recognised in the Balance Sheet.

<sup>(2)</sup> Employer's and Employee's contribution for March 2011 paid in April 2011.

b) The amounts recognised in Profit and Loss Account are as follows:

	Gratuity Plan	Post retirement medical benefit plan	Self-managed provident fund plan
1 Current service cost	<b>29,573,867</b> (24,651,421)	<b>9,378,136</b> (8,408,929)	<b>127,300,000</b> (92,200,000)
2 Interest cost	<b>10,458,892</b> (8,285,679)	<b>3,081,049</b> (2,510,395)	<b>142,300,000</b> (101,800,000)
3 Expected return on plan assets	<b>10,239,121</b> (-8,066,684)	- (-)	<b>136,800,000</b> <sup>(2)</sup> (100,900,000)
4 Actuarial Losses / (Gains)	<b>23,895,493</b> (-2,360,966)	<b>-6,481,086</b> (-7,748,598)	<b>-5,500,000</b> (37,900,000)
Total Expense for the year	<b>53,689,131</b> (22,509,450)	<b>5,978,099</b> (3,170,726)	<b>127,300,000</b> (92,200,000)
5 Total included in "staff expenses" (1 to 4)	<b>53,689,131</b> (22,509,450)	<b>5,978,099</b> (3,170,726)	<b>127,300,000</b> (92,200,000)

Figures in brackets relate to previous year.

<sup>(1)</sup> Employer's contribution to provident fund.

<sup>(2)</sup> The actual return on plan assets is higher than interest cost but no credit is taken to Profit and Loss Account on account of the difference.

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	Gratuity Plan	Post retirement medical benefit plan	Self-managed provident fund plan
Opening balance of the present value of defined benefit obligation	<b>130,736,156</b> (103,570,986)	<b>30,482,505</b> (27,503,003)	<b>1,401,100,000</b> (1,124,700,000)
Add : Current service cost	<b>29,573,867</b> (24,651,421)	<b>9,378,136</b> (8,408,929)	<b>127,300,000</b> (92,200,000)
Add : Interest cost	<b>10,458,892</b> (8,285,679)	<b>3,081,049</b> (2,510,395)	<b>142,300,000</b> (101,800,000)
Add : Contribution by plan participants	- (-)	- (-)	<b>231,000,000</b> (170,800,000)
Add / (Less) : actuarial (gains) / losses	<b>23,895,493</b> (-2,360,966)	<b>-6,481,086</b> (-7,748,598)	- (-)
Less : Benefits paid	<b>23,631,159</b> (3,410,964)	<b>111,131</b> (191,224)	<b>133,400,000</b> (88,400,000)
Closing balance of the present value of defined benefit obligation	<b>171,033,249</b> (130,736,156)	<b>36,349,473</b> (30,482,505)	<b>1,768,300,000</b> (1,401,100,000)

Figures in brackets relate to previous year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

	FY 2010-11	
	Gratuity Plan	Self-managed provident fund plan
Opening balance of the fair value of the plan assets	<b>108,193,662</b> (48,521,888)	<b>1,393,200,000</b> (1,157,300,000)
Add : expected return on plan assets	<b>10,239,121</b> (8,066,684)	<b>136,800,000</b> (105,800,000)
Add / (Less) : actuarial (gains) / losses	– (–)	<b>5,100,000</b> (37,900,000)
Add : Contribution by the employer	<b>28,613,770</b> (55,016,054)	<b>124,800,000</b> (90,600,000)
Add : Contribution by plan participants	– (–)	<b>226,600,000</b> (165,800,000)
Less : Benefits paid	<b>-23,631,159</b> (-3,410,964)	<b>-133,400,000</b> (88,400,000)
Closing balance of the plan assets	<b>123,415,394</b> (108,193,662)	<b>1,753,100,000</b> (1,393,200,000)

The Company expects to contribute Rs. 47,617,855 (Rs. 22,542,494) towards its gratuity plan and Rs. 29,600,000 (Rs. 22,600,000) towards its self managed provident fund plan during FY 2010-11.

Figures in brackets relate to previous year.

- e) The major categories of plan assets as a percentage of total plan assets are as follows:

	FY 2010-11	
	Gratuity Plan	Self-managed provident fund plan
Government of India securities		<b>24.15%</b> (23%)
State government securities	Scheme	<b>11.59%</b> (12%)
Corporate bonds	With LIC	<b>6.61%</b> (6%)
Fixed deposits under Special Deposit Scheme framed by Central Government for provident funds		<b>18.92%</b> (22%)
Public sector bonds		<b>38.58%</b> (36%)

- f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2010-11	2009-10	2008-09	2007-08
1 Discount rate as at March 31				
For gratuity	<b>8%</b>	8%	8%	8%
2 For post-retirement medical benefits	<b>8.05%</b>	7.75%	7%	8%
3 Annual increase in healthcare costs (see note below)	<b>5%</b>	5%	5%	5%
4 Attrition rate :	<b>Varies between 2% to 15% for various age groups</b>	Varies between 2% to 15% for various age groups	Varies between 2% to 15% for various age groups	Varies between 2% to 18% for various age groups
5 Salary growth rate	<b>5%</b>	5%	5%	4%

The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Although the obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits, assumed healthcare cost trend rates may affect the amounts recognised in the statement of profit and loss. At present, healthcare costs, as indicated

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

in the principal actuarial assumption given above, are expected to increase at 5% p.a. A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation.

Particulars	Effect of	
	1% increase	1% decrease
Effect on the aggregate of the service cost and interest cost	1,715,942 (1,420,452)	-3,058,905 (-2,385,349)
Effect on defined benefit obligation	5,264,755 (4,682,100)	-4,157,691 (-3,670,016)

Figures in brackets relate to previous year.

a) The amounts pertaining to defined benefit plans for the current year are as follows:

Post-retirement medical benefit plan (non-funded)

	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	<b>36,349,473</b>	30,482,505	27,503,003	16,318,741	6,011,360

Gratuity Plan

	2010-11	2009-10	2008-09	2007-08	2006-07
1 Defined benefit obligation	<b>171,033,249</b>	130,736,156	103,570,986	80,026,185	52,920,043
2 Plan assets	<b>123,415,394</b>	108,193,662	48,521,888	53,713,808	42,923,226
3 (Surplus) / deficit	<b>47,617,855</b>	22,542,494	55,049,098	26,312,377	9,996,817

Self-managed provident fund plan

	2010-11	2009-10	2008-09	2007-08	2006-07
1 Defined benefit obligation	<b>1,797,900,000</b>	1,423,700,000	1,124,700,000	895,900,000	721,700,000
2 Plan assets	<b>1,753,100,000</b>	1,393,200,000	1,157,300,000	897,100,000	733,700,000
3 Surplus / (deficit)	<b>(44,800,000)</b>	(30,500,000)	32,600,000	1,200,000	12,000,000

General descriptions of defined benefit plans:

a) Gratuity plan

The Company makes contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to employees at retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

b) Post-retirement medical benefit plan

The post-retirement medical benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling limit sanctioned at the time of retirement. The ceiling limits are based on cadre of the employee at the time of retirement.

c) Self-managed provident fund plan

The Company's provident fund plan is managed by its holding company through a Trust permitted under the Provident Fund Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

5. Expenditure in foreign currency:

Rupees

	2010-11	2009-10
Overseas staff costs	<b>7,366,854,763</b>	5,488,480,543
Foreign travel	<b>71,747,372</b>	161,638,883
Agency commission	-	4,026,600
Subcontracting Expenses	<b>1,180,162,237</b>	745,026,778
Others (including overseas office expenses)	<b>770,732,877</b>	601,003,160
<b>Total</b>	<b>9,389,488,249</b>	7,000,175,964

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

6. Earnings in foreign currency:		Rupees
	<u>2010-11</u>	<u>2009-10</u>
Software exports	21,817,395,572	16,828,143,082
Other Income	2,484,218	123,157,404
<b>Total</b>	<b>21,819,879,790</b>	<b>16,951,300,486</b>
7. The net exchange gain arising on foreign currency transactions amounting to Rs. 449,503,128 ( <i>previous year loss of Rs. 384,107,201</i> ) has been accounted under respective revenue heads.		
8. In line with the Company's risk management policy, financial risks relating to changes in the exchange rates, are hedged by using a combination of forward and options contracts, besides the natural hedges.		
The loss on fair valuation of the derivative contracts which are designated and effective as hedge, amounting to Rs. 658,420,065 (net) ( <i>Previous year Rs. 595,846,983</i> ) has been accounted in retained earnings in balance sheet. The profit of Rs. 179,269,635 ( <i>Previous year loss of Rs. 96,600,503</i> ) on settlement of the options / forwards is recognized in Profit & Loss Account.		
The particulars of derivative contracts entered into for hedging foreign currency risks outstanding as at March 31, 2011 are as under:		
Sr. Category of Derivative Instruments	<b>Notional amount</b>	<i>Notional amount</i>
	<b>March 31, 2011</b>	<i>March 31, 2010</i>
a) Forward contracts for receivables	16,516,523,775	11,228,543,550
b) Option Contracts	5,351,400,000	7,543,200,000
Un-hedged foreign currency exposures as at March 31, 2011 are as under:		
Sr. Un-hedged Foreign Currency Exposures	<b>March 31, 2011</b>	<i>March 31, 2010</i>
1 Receivables including firm commitments and highly probable forecasted transactions	24,612,731,399	17,212,799,544
2 Payables including firm commitments and highly probable forecasted transactions	18,455,744,398	14,080,578,764
9. Auditors' remuneration (excluding service tax) charged to the accounts include:		Rupees
	<u>2010-11</u>	<u>2009-10</u>
Audit fees	1,250,000	1,000,000
Tax audit fees	500,000	400,000
Certification fees	1,782,450	1,113,800
Expense reimbursement	745	30,835
<b>Total</b>	<b>3,533,195</b>	<b>2,544,635</b>
10. Value of imports on C.I.F. basis :		Rupees
	<u>2010-11</u>	<u>2009-10</u>
Capital Goods	35,310,163	136,282,685
Others	39,558,208	21,311,093
<b>Total</b>	<b>74,868,371</b>	<b>157,593,778</b>
11. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for: Rs. 227,257,973 ( <i>previous year: Rs. 169,386,912</i> ).		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

12. The break-up of net deferred tax asset as at March 31, 2011 is as under:

Particulars	Rupees		
	<i>Deferred tax asset / (liability) as at March 31, 2010</i>	Current year (charge) / credit	<b>Deferred Tax asset / (liability) as at March 31, 2011</b>
<b>Deferred tax liabilities</b>			
Depreciation / Amortisation	(30,656,160)	(11,004,542)	<b>(41,660,703)</b>
Others	(523,172)	(1,952,494)	<b>(2,475,665)</b>
<b>Total</b>	<b>(31,179,332)</b>	<b>(12,957,036)</b>	<b>(44,136,368)</b>
<b>Deferred tax asset</b>			
Provision for doubtful debts & Advances	29,156,362	27,542,608	<b>56,698,970</b>
Provision for Employee benefits	13,182,660	22,023,022	<b>35,205,682</b>
Others	-	9,709,284	<b>9,709,284</b>
<b>Total</b>	<b>42,339,022</b>	<b>59,274,914</b>	<b>101,613,936</b>
<b>Net deferred tax Assets / (Liability)</b>	<b>11,159,690</b>	<b>46,317,878</b>	<b>57,477,568</b>

13. "Provisions, Contingent Liabilities and Contingent Assets" as per Accounting Standard 29

Movement in provisions:

Sr. No	Particulars	Class of Provisions		
		Sales Tax	Others	Total
1	Balance as at 01.04.2010	4,000,000	6,700,000	<b>10,700,000</b>
2	Additional provision during the year	-	-	-
3	Provision used during the year	-	-	-
4	Provision reversed during the year	-	-	-
5	Balance as at 31.03.2011	<b>4,000,000</b>	<b>6,700,000</b>	<b>10,700,000</b>

Nature of provisions:

- i) Provision for sales tax pertains to claim made by the authorities on certain transaction of capital nature for the year 2002-03.
- ii) Provision for others represents liabilities relating to matters in dispute.

14. Leases

Finance leases

In accordance with Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India, the assets acquired under finance leases on or after April 1, 2001 are capitalised and a loan liability is recognised for an equivalent amount. Consequently depreciation is provided on such leases. Lease rentals paid are allocated to the liability and the interest charged to Profit and Loss Account.

Operating leases

The Company has taken employee used cars under non-cancellable operating leases. The rental expense in respect of operating leases was Rs. 39,050,156 (*previous year Rs. 47,416,296*) and the future rentals payable are as follows:

	Rupees	
	2010-11	2009-10
Minimum lease payments		
Payable not later than 1 year	<b>51,208,015</b>	25,479,520
Payable after 1 year but not later than 5 years	<b>38,901,549</b>	58,421,405
<b>Total</b>	<b>90,109,564</b>	<b>83,900,925</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Basic and Diluted Earnings per share (EPS)

**Basic**

	<u>2010-11</u>	<u>2009-10</u>
Profit after Tax as per accounts (Rs.)	<b>3,129,153,384</b>	2,811,372,583
Weighted average number of shares outstanding	<b>32,250,000</b>	32,044,788
Basic EPS (Rs.)	<b>97.03</b>	87.73

**Diluted**

Profit after Tax as per accounts (Rs.)	<b>3,129,153,384</b>	2,811,372,583
Weighted average number of shares outstanding	<b>32,250,000</b>	32,044,788
Add : Weighted average number of potential equity shares on account of employee options	<b>375,430</b>	347,061
Weighted average number of shares outstanding	<b>32,625,430</b>	32,391,849
Diluted EPS (Rs.)	<b>95.91</b>	86.79

16. During the year ended March 31, 2011, the Company entered into an agreement with Citigroup Fund Services Canada (CFSC) Inc. to purchase its business of providing Information Technology platform. With this transaction, the Company acquired the IT platform to bolster its ability to provide end-to-end technology services to its clients.

To give effect to this acquisition, a wholly owned subsidiary "CF L&T FTServe Financial Technologies Services Inc." was incorporated by CFSC Inc. under Canada Business Corporation Act and the company acquired 100% stake in the same for total cash consideration of CAD 62.3 million (Rs. 280.63 crores) on January 1, 2011. After acquisition the name of the company has been changed to "L&T Infotech Financial Services Technologies Inc."

17. Related party disclosure:

List of related parties over which control exists/exercised:

<b>Name</b>	<b>Relationship</b>
Larsen & Toubro Limited	Holding Company
Larsen & Toubro Infotech GmbH	Wholly owned subsidiary
Larsen & Toubro Infotech Canada Limited	Wholly owned subsidiary
GDA Technologies Inc.	Wholly owned subsidiary
GDA Technologies Limited	Wholly owned subsidiary
Larsen & Toubro Infotech LLC	Wholly owned subsidiary
L&T Infotech Financial Services Technologies Inc.	Wholly owned subsidiary

List of related parties with whom we had transactions during the year:

<b>Name</b>	<b>Relationship</b>
Larsen & Toubro Limited	Holding Company
Larsen & Toubro Infotech Canada Limited	Wholly owned subsidiary
Larsen & Toubro Infotech GmbH	Wholly owned subsidiary
Larsen & Toubro Infotech LLC	Wholly owned subsidiary
GDA Technologies Inc.	Wholly owned subsidiary
GDA Technologies Limited	Wholly owned subsidiary
L&T Infotech Financial Services Technologies Inc.	Wholly owned subsidiary
L&T-MHI Turbine Generators Private Limited	Fellow Subsidiary
L&T Urban Infrastructure Limited	Fellow Subsidiary
L&T Seawoods Private limited	Fellow Subsidiary
L&T Power Development Limited	Fellow Subsidiary
L&T-Valdel Engineering Limited	Fellow Subsidiary
L&T General Insurance Company Limited	Fellow Subsidiary



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

L&T Electricals Saudi Arabia Company Limited, LLC	Fellow Subsidiary
L&T Infrastructure Development Projects Limited	Fellow Subsidiary
L&T Sapura Offshore Private Limited	Fellow Subsidiary
L&T Sapura Shipping Private Limited	Fellow Subsidiary
L&T-Sargent & Lundy Limited	Fellow Subsidiary
Larsen & Toubro Kuwait Construction General Contracting Company, WLL	Fellow Subsidiary
Larsen & Toubro Electromech LLC	Fellow Subsidiary
Larsen & Toubro Heavy Engineering LLC	Fellow Subsidiary
Narmada Infrastructure Construction Enterprise Limited	Fellow Subsidiary
L&T-MHI Boilers Private Limited	Fellow Subsidiary
TAMCO Switchgear (Malaysia) SDN. BHD	Fellow Subsidiary

List of related parties with whom we had transactions during the year.

A summary of transactions with related parties is given below:

Rupees

<b>Transaction</b>	<b>Holding Company</b>	<b>Subsidiaries</b>	<b>Fellow Subsidiaries</b>
Sale of services / products	<b>430,784,693</b> (433,351,170)	<b>346,795,614</b> (316,855,261)	<b>212,901,496</b> (112,712,376)
Sale of assets	<b>68,060,965</b> (-)	- (-)	- (-)
Purchase of services	<b>799,806,085</b> (927,155,880)	<b>427,739,172</b> (233,199,050)	<b>8,728,019</b> (-)
Overheads charged by	<b>168,246,917</b> (391,798,373)	<b>3,063,387</b> (6,520,533)	<b>4,231,564</b> (2,248,528)
Overheads charged to	<b>388,735,064</b> (843,601,276)	<b>39,606,968</b> (33,481,846)	<b>7,700,346</b> (2,550,869)
Commission Charged to Parent	<b>2,814,344</b> (11,231,148)	- (-)	- (-)
Lease rent paid	- (-)	- (-)	<b>16,212,635</b> (24,024,837)
Interest paid	<b>23,054,795</b> (-)	<b>1,333,284</b> (-)	- (-)
Interest received	- (-)	<b>7,026,137</b> (6,110,218)	- (3,154,795)
Unsecured Loan (given)	- (-)	<b>240,813,000</b> (99,800,000)	- (-)
Unsecured Loan (taken)	<b>1,000,000,000</b> (-)	<b>223,460,418</b> (-)	- (-)
Investments	- (-)	<b>4,017,276,859</b> (1,210,955,069)	- (-)
Trade receivable	- (-)	<b>117,567,582</b> (121,494,620)	- (-)
Trade payable	<b>507,759,131</b> (49,001,136)	- (-)	- (-)
Interim Dividend	<b>1,515,750,000</b> (801,147,432)	- (-)	- (-)

No amounts were written off / provided or written back in respect of related parties during the year.

Figures in brackets relate to previous year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****18. Segmental reporting**

Revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. The Income & Operating Profit by segment is as under: Rupees

	<b>Financial Services</b>	<b>Manufacturing</b>	<b>Telecom</b>	<b>Total</b>
Revenue	<b>9,083,060,417</b> (6,760,092,322)	<b>10,638,232,249</b> (8,979,053,337)	<b>3,116,119,151</b> (2,356,864,638)	<b>22,837,411,817</b> (18,096,010,297)
Unallocable corporate Income				<b>711,630,796</b> (21,358,804)
Total Revenue				<b>23,549,042,613</b> (18,117,369,101)
Segmental Operating Profit	<b>2,337,535,148</b> (1,986,348,399)	<b>2,949,006,146</b> (2,577,497,623)	<b>700,821,054</b> (657,500,680)	<b>5,987,362,348</b> (5,221,346,702)
Unallocable Expenses				<b>2,354,622,631</b> (1,913,645,647)
Operating profit				<b>4,344,370,513</b> (3,657,421,862)
Interest				<b>62,894,352</b> (27,511,806)
Depreciation				<b>385,293,943</b> (331,202,104)
Amortization of intangible assets				<b>209,703,414</b> (151,171,675)
Profit Before Tax				<b>3,686,478,804</b> (3,147,536,277)

Figures in brackets relate to previous year.

Segmental reporting of revenues on the basis of the geographical location of the customers is as under:

	<b>North America</b>	<b>Europe</b>	<b>Asia Pacific</b>	<b>India</b>	<b>Rest of the world</b>	<b>Total</b>
Revenue	<b>15,683,220,088</b> (11,721,090,488)	<b>3,468,221,406</b> (2,715,953,380)	<b>1,574,265,025</b> (1,409,583,487)	<b>1,557,829,781</b> (947,043,703)	<b>1,034,585,797</b> (973,977,237)	<b>23,318,122,096</b> (17,767,648,294)

Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

19. Cost incurred for long term projects mainly comprise of legal and employee related costs to secure long term projects. These costs are amortised over a period of two years commencing from the date of securing the project.
20. Unbilled revenues as at March 31, 2011 amounting to Rs. 1,142,060,834 (*previous year Rs. 810,328,756*) primarily comprise of the revenue recognised in relation to services performed in accordance with contract terms but not billed.
21. The Company has reviewed the useful life of certain categories of fixed assets during the year. Consequently, depreciation rates have been revised resulting in additional charge of deprecation of Rs. 10,512,884 and profit before tax for the year is lower to that extent.
22. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
23. The Company is mainly engaged in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3 and 4c of part II of Schedule VI of the Companies Act, 1956.
24. The Company has given a corporate guarantee on behalf of its wholly owned subsidiary L&T Infotech Financial Services Technologies Inc. The guarantee is for performance of all obligations by L&T Infotech Financial Services Technologies Inc. Canada in connection with the long term annuity services contracts obtained by them. The obligation under this guarantee is limited in aggregate to the amount of CAD 70,000,000 (Rupee equivalent 3,173,800,000)
25. Previous year's figures have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 26. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**CIN State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred purchase consideration payable **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure Deferred tax **IV. Performance of Company** (Amount in Rs. Thousands)Turnover (including other income) Total Expenditure Profit / Loss Before Tax  Profit / Loss After Tax Earning per Share (in Rs.)  Dividend Rate % **V. Generic Names of Principal Products/Services of the Company** (as per monetary items)Item Code No. 

(ITC Code)

Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
ICAI Registration no. 109982W  
by the hand of**R. D. KARE**Partner  
Membership No. 08820  
Place : Mumbai  
Date : May 12, 2011**S. S. PRABHUDESAI**Company Secretary  
Place : Mumbai  
Date : May 12, 2011**V. K. MAGAPU**

Director/ Manager

**Y. M. DEOSTHALEE**

Director

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Name of the subsidiary company:	Larsen & Toubro Infotech GmbH	Larsen & Toubro Infotech Canada Ltd	GDA Technologies Inc	GDA Technologies Ltd	Larsen & Toubro Infotech LLC	L&T Infotech Financial Services Technologies Inc.
<b>Financial year of the subsidiary company ended on:</b>	<b>31/3/2011</b>	<b>31/3/2011</b>	<b>31/3/2011</b>	<b>31/3/2011</b>	<b>31/3/2011</b>	<b>31/3/2011</b>
Number of Shares in the subsidiary company held by Larsen & Toubro Infotech Limited at the above date	1	100	10	963	Nil	1,00,000
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro Infotech Limited:	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
(i) Dealt with in the accounts of Larsen & Toubro Infotech Limited amounted to:						
(a) for the subsidiary's financial year/ period ended March 31, 2011	Nil	Nil	Nil	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Infotech Limited	24,979,000	Nil	Nil	Nil	Nil	Nil
(ii) Not dealt with in the accounts of Larsen & Toubro Infotech Limited amounted to:						
(a) for the subsidiary's financial year/ period ended March 31, 2011	20,198,476	2,257,800	21,672,052	12,591,729	18,728,960	54,279,023
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro Infotech Limited	77,516,600	26,990,526	(247,873,410)	286,990,146	13,971,977	0
Changes in the interest of Larsen & Toubro Infotech Limited between the end of the subsidiary's financial year and 31st March 2011	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Place : Mumbai  
Date : May 12, 2011

**S. S. PRABHUDESAI**  
Company Secretary

**V. K. MAGAPU**  
Director/ Manager

**Y. M. DEOSTHALEE**  
Director

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Twelfth Annual report and the audited accounts of the Company for the year ended March 31, 2011.

### FINANCIAL RESULTS

	2010-11		2009-10	
	Euro	Rs. Lakhs	Euro	Rs. Lakhs
Total Income	9,322,341	6,341.14	9,614,592	6,341.14
Profit before tax	320,262	113.26	335,611	113.26
Taxes	61,412	45.17	72,065	45.17
Profit after tax	258,850	68.10	263,546	68.10

### DIVIDEND

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

### REVIEW OF OPERATIONS

The Company recorded revenues of Euro 9.32 million in the year 2010-11 as compared to Euro 9.61 million in the previous year. The Engineering services business is now being billed directly by Larsen & Toubro Limited, the ultimate parent company for which Larsen & Toubro Infotech Limited, the parent company had a marketing agreement. The turnover relating to this business amounted to Euro 0.72 million in the current year as compared to Euro 2.35 million for the year 2009-10. Consequently, excluding Engineering services business, there is an actual increase in revenue of about Euro 1.34 million which is about 18.50% increase over the last year's figures. The increase is on account of ability to secure few clients with strong potential and through repeat business from existing clients.

The profit before tax for the year is Euro 0.32 million as compared to Euro 0.33 million in the previous year.

### DIRECTORS

There were no changes in the Board of Directors, during the year under review.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

### PARTICULARS OF EMPLOYEES

The Company being registered outside India, the disclosures required to be made as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant.

### AUDITORS

M/s Sharp & Tannan, the Auditors of the Company for the financial statements under Indian GAAP, have indicated their willingness and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors made judgements 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, 2011;
- (iii) that 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.
- (iv) that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

Place: Mumbai  
Date : May 12, 2011

ROHAN JOSHI  
Director

SUNIL SAPRE  
Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH GMBH**

The financial statements of Larsen & Toubro Infotech GMBH for the year ended March 31, 2011, being the company registered in Germany, are audited by Gunther Pohner & Cristoph Von Loeben and we have been furnished with their audit report dated April 29, 2011.

We are presented with the accounts in Indian Rupee prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Infotech GMBH as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) as regard reporting on the disqualification of Director under Section 274(1)(g) of the Companies Act, 1956, since the Company is incorporated in Germany, no reporting is required to be made under the said Section.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule 'N' and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 March 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
*ICAI registration No. 109982W*  
*By the hand of*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

Place: Mumbai  
Date: May 12, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Company not disposed off any fixed assets during the year.
- ii. The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- iii. There are no loans secured or unsecured, either granted or taken by companies, firms or other parties. However no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Germany.
- 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 for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. The Company is incorporated in Germany and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required.
- vi. The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- vii. The Company does not have an adequate Internal Audit System commensurate with its size and the nature of its business.
- viii. Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- ix. The Company is registered in Germany has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- xi. According to the information and explanations given to us, the Company has neither borrowed from financial institution or bank nor issued any debenture.
- xii. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. Company has not availed any term loan during the year.
- xvii. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year.
- xix. The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- xx. The Company has not raised any money by public issue during the year.
- 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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
by the hand of

Place : Mumbai  
Date : May 12, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31.03.2011</u>		<u>As at 31.03.2010</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	<b>A</b>		<b>1,140,650</b>		<b>1,140,650</b>
Capital contribution			–		–
Reserves and Surplus	<b>B</b>		<b>97,715,076</b>		<b>77,516,600</b>
<b>TOTAL</b>			<b>98,855,726</b>		<b>78,657,250</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block		<b>2,464,151</b>		<b>2,448,219</b>	
Less: Depreciation		<b>2,187,365</b>		<b>1,892,467</b>	
Net Block			<b>276,786</b>		<b>555,752</b>
<b>Intangible Assets</b>					
Gross Block		<b>12,454</b>		–	
Less: Depreciation		<b>12,453</b>		–	
Net Block			<b>1</b>		–
			<b>276,787</b>		<b>555,752</b>
<b>Investments</b>					
Pan Health, U.S.A.	<b>D</b>		<b>53</b>		<b>53</b>
<b>Current Assets, Loans and Advances</b>					
Sundry debtors	<b>E</b>	<b>133,955,923</b>		<b>233,659,679</b>	
Cash and bank balances	<b>F</b>	<b>19,354,277</b>		<b>21,332,661</b>	
Loans and advances	<b>G</b>	<b>7,018,584</b>		<b>2,003,095</b>	
		<b>160,328,784</b>		<b>256,995,435</b>	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	<b>H</b>	<b>57,955,009</b>		<b>176,342,894</b>	
Provisions	<b>I</b>	<b>3,794,889</b>		<b>2,551,096</b>	
		<b>61,749,898</b>		<b>178,893,990</b>	
<b>Net current assets</b>			<b>98,578,886</b>		<b>78,101,445</b>
<b>TOTAL</b>			<b>98,855,726</b>		<b>78,657,250</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	<b>N</b>				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**ROHAN JOSHI**

Director

**SUNIL SAPRE**

Director

Place: Mumbai

Date : May 12, 2011

Place: Mumbai

Date : May 12, 2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	2010-11		2009-10	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Software development services and products					
Overseas		354,479,187		268,590,358	
Domestic		208,098,407		366,208,926	
			562,577,594		634,799,284
Other income	J		12,008,096		5,293,317
<b>TOTAL</b>			<b>574,585,690</b>		<b>640,092,601</b>
<b>EXPENDITURE</b>					
Software development expenses	K		510,255,983		573,160,702
Sales, administration and other expenses	L		37,518,943		54,404,716
<b>TOTAL</b>			<b>547,774,926</b>		<b>627,565,418</b>
<b>Operating profit (PBIDT)</b>			<b>26,810,764</b>		<b>12,527,183</b>
Interest			2,739,856		
Depreciation on tangible assets			294,898		280,086
Depreciation on intangible assets			12,453		
<b>Profit before tax</b>			<b>23,763,557</b>		<b>12,247,097</b>
Taxes on income	M		3,565,081		4,516,577
<b>Profit after tax</b>			<b>20,198,476</b>		<b>7,730,520</b>
Add: Balance brought forward from previous year			77,516,600		69,786,080
<b>Profit available for appropriation</b>			<b>97,715,076</b>		<b>77,516,600</b>
Less: Transferred to General Reserve			-		-
<b>Profit available for distribution</b>			<b>97,715,076</b>		<b>77,516,600</b>
Dividend			-		-
Interim			-		-
Final (proposed)			-		-
Additional Tax on dividend			-		-
<b>Balance carried to Balance Sheet</b>			<b>97,715,076</b>		<b>77,516,600</b>
Number of equity shares			1		1
Basic and diluted earnings per share (EPS)			20,198,476		7,730,520
Face value per equity share (Euro)			25,000		25,000
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	N				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**ROHAN JOSHI**

Director

**SUNIL SAPRE**

Director

Place: Mumbai

Date : May 12, 2011

Place: Mumbai

Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
Net profit before tax	23,763,557	12,247,097
<b>Adjustments for:</b>		
Depreciation and amortisation	307,351	280,086
Interest (net)	2,739,855	-
Unrealised foreign exchange loss (gain)	(16,043,278)	5,375
(Profit) / Loss on sale of fixed assets	-	308,787
<b>Operating profit before working capital changes</b>	<b>10,767,485</b>	<b>12,841,345</b>
<b>Changes in working capital</b>		
(Increase) / decrease in trade receivables	99,636,048	(111,257,442)
(Increase) / decrease in other receivables	144,974	4,370,528
Increase / (decrease) in trade & other payables	(102,240,129)	104,849,400
(Increase) / decrease in working capital	(2,459,107)	(2,037,514)
<b>Cash generated from operations</b>	<b>8,308,378</b>	<b>10,803,831</b>
Direct taxes paid	(7,518,522)	(3,062,554)
<b>Net cash from operating activities</b>	<b>789,856</b>	<b>7,741,277</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(28,385)	(459,028)
Sale of fixed assets	-	34,234
<b>Net cash used in investing activities</b>	<b>(28,385)</b>	<b>(424,794)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from / Repayment of borrowings	-	(6,367,000)
Interest paid	(2,739,855)	-
<b>Net cash from financing activities</b>	<b>(2,739,855)</b>	<b>(6,367,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,978,384)</b>	<b>949,483</b>
Cash and cash equivalents at March 31, 2010	21,332,661	20,383,178
<b>Cash and cash equivalents at March 31, 2011</b>	<b>19,354,277</b>	<b>21,332,661</b>

## Notes

- Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued under the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year.
- Cash and cash equivalents represent cash and bank balances.
- Bank balances include revaluation loss of Rs. 346,137 (Previous year loss Rs. 3,708,065)

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place: Mumbai  
Date : May 12, 2011

For and on behalf of the Board

**ROHAN JOSHI**  
Director

Place: Mumbai  
Date : May 12, 2011

**SUNIL SAPRE**  
Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
Authorised				
1 equity share of EUR 25,000 each		<u>1,140,650</u>		<u>1,140,650</u>
Issued and Subscribed				
1 Equity Share of Eur 25,000 each		<u>1,140,650</u>		<u>1,140,650</u>
Paid up				
1 Equity Share of Eur 25,000 each		<u>1,140,650</u>		<u>1,140,650</u>
Called up				
1 Equity Share of Eur 25,000 each		<u>1,140,650</u>		<u>1,140,650</u>
All the above Equity shares are held by Larsen & Toubro Infotech Ltd.				
<b>TOTAL</b>		<u><u>1,140,650</u></u>		<u><u>1,140,650</u></u>

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
General Reserve as per last Balance Sheet		-		-
Add: Transferred from Profit and Loss Account		-		-
Translation reserve		-		-
Profit and Loss Account		<u>97,715,076</u>		<u>77,516,600</u>
<b>TOTAL</b>		<u><u>97,715,076</u></u>		<u><u>77,516,600</u></u>

**SCHEDULE - C**  
**FIXED ASSETS**

FIXED ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2010	Additions during the year	Disposals	As on 31.03.2011	As on 01.04.2010	For the Year	On Disposal	As on 31.03.2011	As on 31.03.2011	As on 01.04.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>										
Computer & Laptop	2,417,631	-	-	<b>2,417,631</b>	1,886,436	270,751	-	2,157,187	<b>260,444</b>	531,194
Office Equipment	30,589	15,931		<b>46,520</b>	6,031	24,147	-	30,178	<b>16,342</b>	24,558
<b>TOTAL</b>	<b>2,448,220</b>	<b>15,931</b>	<b>-</b>	<b>2,464,151</b>	<b>1,892,467</b>	<b>294,898</b>	<b>-</b>	<b>2,187,365</b>	<b>276,786</b>	
<i>Previous year</i>	<i>2,124,052</i>	<i>459,028</i>	<i>134,861</i>	<i>2,448,219</i>	<i>1,707,634</i>	<i>280,086</i>	<i>95,253</i>	<i>1,892,467</i>		<i>555,752</i>
<b>Intangible assets</b>										
Software	-	12,454		<b>12,454</b>	-	12,453	-	<b>12,453</b>	<b>1</b>	

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - D</b>				
<b>INVESTMENTS (AT COST, UNQUOTED)</b>				
1,00,000 fully paid Equity Shares of USD 1 each in Pan Health, U.S.A.		<u>53</u>		<u>53</u>
<b>TOTAL</b>		<u><u>53</u></u>		<u><u>53</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>SUNDRY DEBTORS</b>				
Debts outstanding for a period exceeding six months				
Considered good	7,057,353		10,531,974	
Considered doubtful	9,114,629		8,693,285	
		16,171,982		19,225,259
Other Debts				
Considered good	126,898,570		223,127,705	
Considered doubtful	—		—	
		126,898,570		223,127,705
		143,070,552		242,352,964
Less: Provision for doubtful debts		9,114,629		8,693,285
<b>TOTAL</b>		<b>133,955,923</b>		<b>233,659,679</b>
<b>SCHEDULE - F</b>				
<b>CASH AND BANK BALANCES</b>				
Cash on hand		—		—
Bank balances with other banks		19,354,277		21,332,661
<b>TOTAL</b>		<b>19,354,277</b>		<b>21,332,661</b>
<b>SCHEDULE - G</b>				
<b>LOANS AND ADVANCES</b>				
Unsecured, considered good				
Deposits for premises		418,122		1,217,593
Advances recoverable in cash or in kind		964,233		346,508
Advance Taxes		5,636,229		438,994
<b>TOTAL</b>		<b>7,018,584</b>		<b>2,003,095</b>
<b>SCHEDULE - H</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Current liabilities				
Sundry creditors		12,126,644		7,753,756
Due to holding company				
Holding company		34,086,221		118,464,142
Ultimate holding company		811,593		42,991,926
VAT payable		2,131,825		—
Due to employees		3,371,626		1,750,379
Provision for municipal trade tax		5,427,100		5,382,691
<b>TOTAL</b>		<b>57,955,009</b>		<b>176,342,892</b>
<b>SCHEDULE - I</b>				
<b>PROVISIONS</b>				
Provision for corporate income tax		3,794,889		2,551,096
<b>TOTAL</b>		<b>3,794,889</b>		<b>2,551,096</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<b>2010-2011</b>	<i>2009-2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - J</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	871,016	5,293,317
Exchange Gain on translation	11,137,080	-
<b>TOTAL</b>	<b>12,008,096</b>	<b>5,293,317</b>
<b>SCHEDULE - K</b>		
<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
Salaries including overseas staff expenses	152,022,937	192,139,514
Staff welfare	672,929	654,094
Consultancy charges	44,624,628	-
Software development services	312,935,489	380,367,094
<b>TOTAL</b>	<b>510,255,983</b>	<b>573,160,702</b>
<b>SCHEDULE - L</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Travelling charges and conveyance	1,647,686	6,853,893
Food & Lodging	500,883	452,366
Rent, Rates & Taxes	5,996,532	9,757,482
Telephone charges and Postage	2,945,672	3,328,052
Legal and professional charges	9,416,315	10,824,490
Printing and stationery	87,086	107,552
Advertisement & Exhibitions	1,655,786	773,550
General repairs and maintenance	40,618	20,207
Power and fuel	43,121	32,306
Insurance charges	1,550,798	2,207,503
Provision for doubtful debts	-	8,362,657
Books and periodicals	105,922	5,750
Entertainment	270,651	149,318
Bank Charges	218,153	268,561
Loss on sale of asset	-	5,374
Miscellaneous expenses	13,039,720	7,166,804
Exchange Loss on translation	-	4,088,852
<b>TOTAL</b>	<b>37,518,943</b>	<b>54,404,716</b>
<b>SCHEDULE - M</b>		
<b>TAXES</b>		
Corporate income tax	3,365,925	4,281,105
Solidarity surcharge tax	199,156	235,472
<b>TOTAL</b>	<b>3,565,081</b>	<b>4,516,577</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - N****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

## 1. Legal Status

Larsen & Toubro Infotech GmbH is a company registered in Germany and is engaged in the business of software development services. It is wholly owned subsidiary of Larsen & Toubro Infotech Limited which is a company incorporated in India.

## 2. Significant Accounting Policies

**a. Basis of preparation**

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with the generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financials statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**b. Revenue recognition**

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

**c. Fixed assets and depreciation**

Fixed Assets are stated at original cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful lives of the assets which range from three to seven years.

**d. Foreign currency transactions**

The accounts are translated in Indian Rupees as follows:-

- Revenue transactions are translated at the average rates.
- Share capital is retained at the initial value, to the extent of initial contribution amount. Additional capital introduced has been valued at the rates prevailing at the date of the transaction.
- Fixed assets are valued at historical cost.
- Current assets and current liabilities are translated at rates prevailing on the date of Balance Sheet.
- The resultant differences are accounted as exchange difference in the Profit and Loss Account.

**e. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the law of income tax in Germany.

## 3. There are no contingent liabilities as on March 31, 2011. (Previous year Rs. NIL).

## 4. Related Parties

**The related parties over who exercise the control:**

Name	Relationship
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Limited	Ultimate holding company

**The related parties with whom the Company had transactions during the year are:**

Name	Relationship
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Limited	Ultimate holding company

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Transactions with related parties during the year :-

Amount in Rupees

	Holding company	Ultimate holding company
Purchase of services	<b>312,935,489</b> (265,026,738)	<b>42,023,343</b> (15,476,119)
Sale of services	- (-)	- (-)
Interest Paid	<b>2,739,855</b> (-)	- (-)
Commission charged to	- (-)	<b>2,001,229</b> (8,219,480)
Account payable	<b>34,086,221</b> (118,464,142)	<b>811,593</b> (42,991,926)
Accounts Receivable	- (-)	- (-)

Figures in brackets relate to previous year.

## 5. Balances with Non-Scheduled Banks

Current Accounts	As At		Maximum Amount outstanding at any time during	
	31.03.2011 Rupees	31.03.2010 Rupees	2010-11 Rupees	2009-10 Rupees
Deutsche Bank	<b>19,354,277</b>	14,944,004	<b>81,643,725</b>	63,696,391
Dresdner Bank	<b>NIL</b>	1,778,748	<b>NIL</b>	1,822,172

6. The Company has not taken any asset on operating / finance lease.
7. Borrowing cost capitalised during the year: Rs. Nil
8. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
9. Auditor's remuneration charged to the accounts amounted to Rs. 568,982 during the year (Rs. 564,062 in previous year; wage tax audit fees included last year – no such audit conducted this year)
10. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of part II of Schedule VI to the Companies Act, 1956.
11. Segmental Reporting

Segmental reporting of revenues for the Company is on the basis of the geographical location of the customers and is as under:

	Germany Rupees	Rest of World Rupees	Total Rupees
Revenue	<b>208,098,407</b> (366,208,926)	<b>354,479,187</b> (268,590,358)	<b>562,577,594</b> (634,799,284)

Figures in brackets relate to previous year.

Fixed assets used and liabilities contracted for performing the Company's business have not been identified to any of the above reported segments as the fixed assets and services are used interchangeably among segments.

12. The Company's employees are on deputation from the holding company except for minimal staff in Germany. The Company has no post employment benefit plans or other long term employee benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to Profit and Loss Account in the period when the employee renders the service.
13. Deferred tax is not accounted for as temporary timing differences are not material.
14. The Company is considered an integral operation of Larsen & Toubro Infotech Limited (the holding company). In accordance with Accounting Standard – 11 (Revised 2003), the exchange differences on translation are accounted in the Profit and Loss Account.
15. Previous year's figures have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

16. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No. 

H	R	B	1	5	9	5	8
---	---	---	---	---	---	---	---

State Code 

						N	A
--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1		0	3		2	0	1	1
Date			Month			Year			

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue 

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue 

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue 

					N	I	L
--	--	--	--	--	---	---	---

Private Placement 

					N	I	L
--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities 

			9	8	8	5	6
--	--	--	---	---	---	---	---

Total Assets 

			9	8	8	5	6
--	--	--	---	---	---	---	---

**Sources of Fund**

Paid-up Capital 

			1	1	4	1
--	--	--	---	---	---	---

Reserves & Surplus 

			9	7	7	1	5
--	--	--	---	---	---	---	---

Secured Loans 

					N	I	L
--	--	--	--	--	---	---	---

Unsecured Loans 

					N	I	L
--	--	--	--	--	---	---	---

+ -  
+ 

--

Deferred Tax 

					N	I	L
--	--	--	--	--	---	---	---

**Application of Funds**

Net Fixed Assets 

					2	7	7
--	--	--	--	--	---	---	---

Investments 

					N	I	L
--	--	--	--	--	---	---	---

Net Current Assets 

			9	8	5	7	9
--	--	--	---	---	---	---	---

Misc. Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income) 

			5	7	4	5	8	6
--	--	--	---	---	---	---	---	---

Total Expenditure 

			5	5	0	8	2	2
--	--	--	---	---	---	---	---	---

+ -  
+ 

--

Profit Before Tax 

			2	3	7	6	4
--	--	--	---	---	---	---	---

+ -  
+ 

--

Profit After Tax 

			2	0	1	9	8
--	--	--	---	---	---	---	---

Earning per Share (Rs.) 

2	0	1	9	8	4	7	6
---	---	---	---	---	---	---	---

Dividend Rate % 

					N	I	L
--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. 

				N	.	A	.
--	--	--	--	---	---	---	---

(ITC Code)

Product Descriptions 

SOFTWARE DEVELOPMENT							
----------------------	--	--	--	--	--	--	--

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**ROHAN JOSHI**  
Director

**SUNIL SAPRE**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: Mumbai  
Date : May 12, 2011



## DIRECTORS' REPORT

The Directors have pleasure in presenting the report and the audited accounts of the Company for the year ended March 31, 2011.

### FINANCIAL RESULTS

	2010-11		2009-10	
	Canadian Dollars	Rs. Lakhs	Canadian Dollars	Rs. Lakhs
Total Income	3,232,233	1,461.24	3,924,008	1,744.99
Profit before tax	37,311	28.20	41,823	39.71
Taxes	12,227	5.63	13,738	6.15
Profit after taxes	25,084	22.58	28,085	33.56

### DIVIDEND

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

### REVIEW OF OPERATIONS

The total revenue for the year ended March 31, 2011 amounted to CAD 3.2 million as compared to CAD 3.9 million for the previous year. The profit before tax was CAD 0.03 million as compared to CAD 0.04 million in the previous year. The profit was lower partly due to lower revenue and partly due to appreciation in Canadian Dollar vis-à-vis US Dollar.

### DIRECTORS

Mr. Sunil Pande resigned as a member of the Board on October 28, 2010. The Board places on record its appreciation for the services rendered by Mr. Sunil Pande as the Director of the Company. Mr. K. R. L. Narasimham was appointed as a Director of the Company with effect from October 28, 2010.

### AUDITORS

M/s. Sharp and Tannan, the Auditors of the Company, for the financial statements under Indian GAAP, have indicated their willingness and are eligible for re-appointment.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

### PARTICULARS OF EMPLOYEES

The Company being registered outside India, the disclosures required to be made as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors made judgements 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, 2011;
- (iii) that 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;
- (iv) that the annual accounts have been prepared on a going concern basis;
- (v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

For and on behalf of the Board

Place: Toronto  
Date : May 12, 2011

**K. R. L. NARASIMHAM**  
Director

**ALFRED PAGE**  
Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH CANADA LIMITED**

The financial statements of Larsen & Toubro Infotech Canada Limited for the year ended March 31, 2011, being the company registered in Canada, are audited by Kapadia LLP and we have been furnished with their audit report dated April 18, 2011.

We are presented with the accounts in Indian Rupee prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Infotech Canada Limited as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) as regard reporting on the disqualification of Director under Section 274(1) (g) of the Companies Act, 1956, no reporting is required to be made under the said Section, since the Company is incorporated in Canada.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule K and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.  
(c) Company has not disposed off any fixed assets during the year.
- ii. The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- iii. There are no loans secured or unsecured, either granted or taken by companies, firms or other parties. However no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Canada.
- 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 for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. The Company is incorporated in Canada and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required.
- vi. The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- vii. The Company does not have an adequate Internal Audit System commensurate with its size and the nature of its business.
- viii. Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- ix. The Company is registered in Canada and has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- xi. According to the information and explanations given to us, the Company has neither borrowed from financial institution or bank nor issued any debenture.
- xii. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. Company has not availed any term loan during the year.
- xvii. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year.
- xix. The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- xx. The Company has not raised any money by public issue during the year.
- 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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
by the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedules</u>	<u>As at 31-03-2011</u>		<u>As at 31-03-2010</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholder's Funds</b>					
Share Capital	<b>A</b>		<b>3,779</b>		<b>3,779</b>
Reserves and Surplus	<b>B</b>		<b>29,248,325</b>		<b>26,990,525</b>
<b>TOTAL</b>			<b>29,252,104</b>		<b>26,994,304</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block	<b>C</b>	<b>957,410</b>		<b>872,588</b>	
Less: Depreciation		<b>783,638</b>		<b>641,370</b>	
Net Block			<b>173,772</b>		<b>231,218</b>
<b>Current Assets Loans and Advances</b>					
Sundry Debtors	<b>D</b>	<b>31,820,120</b>		<b>22,212,592</b>	
Cash and Bank balances	<b>E</b>	<b>26,893,583</b>		<b>19,739,639</b>	
Loans and advances	<b>F</b>	<b>1,012,684</b>		<b>12,176,328</b>	
		<b>59,726,387</b>		<b>54,128,559</b>	
<b>Less: Current Liabilities and Provisions</b>					
Current liabilities	<b>G</b>	<b>30,049,695</b>		<b>26,740,458</b>	
Provisions		<b>598,360</b>		<b>625,015</b>	
		<b>30,648,055</b>		<b>27,365,473</b>	
<b>Net Current Assets</b>			<b>29,078,332</b>		<b>26,763,086</b>
<b>TOTAL</b>			<b>29,252,104</b>		<b>26,994,304</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	<b>K</b>				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

Place : Mumbai  
Date : May 12, 2011

**K. R. L. NARASIMHAM**  
Director

**ALFRED PAGE**  
Director

Place : Toronto  
Date : May 12, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	<u>2010-11 Rupees</u>	<u>2009-10 Rupees</u>
<b>INCOME</b>			
Software development services and products			
Domestic		<b>146,109,927</b>	174,296,710
Other Income	<b>H</b>	<b>14,942</b>	201,946
<b>TOTAL</b>		<b>146,124,869</b>	174,498,656
<b>Expenditure</b>			
Software Development Expenses	<b>I</b>	<b>133,279,389</b>	148,960,684
Sales administration and other Expenses	<b>J</b>	<b>9,833,851</b>	21,341,837
<b>TOTAL</b>		<b>143,113,240</b>	170,302,521
<b>Operating Profit</b>		<b>3,011,629</b>	4,196,135
Interest		<b>48,997</b>	152,327
Depreciation on tangible assets		<b>142,268</b>	72,667
<b>Profit Before Tax</b>		<b>2,820,364</b>	3,971,141
Provision for Income-tax including Wealth Tax		<b>562,564</b>	615,136
<b>Profit After Tax</b>		<b>2,257,800</b>	3,356,005
Add: Balance brought forward from previous year		<b>26,990,525</b>	23,634,520
<b>Balance to be carried forward</b>		<b>29,248,325</b>	26,990,525
<b>Number of equity shares</b>		<b>100</b>	100
<b>Basic and Diluted Earnings per share</b>		<b>22,578</b>	33,560
<b>Face value per equity share (CAD)</b>		<b>1</b>	1
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>K</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**  
Director

**ALFRED PAGE**  
Director

Place : Mumbai  
Date : May 12, 2011

Place : Toronto  
Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net profit before tax</b>	<b>2,820,364</b>	3,971,141
<b>Adjustments for:</b>		
Depreciation and amortisation	142,268	72,667
Interest (net)	(14,930)	146,982
Unrealised foreign exchange loss (gain)	26,328,458	3,035,925
(Profit) / Loss on sale of fixed assets	-	-
<b>Operating profit before working capital changes</b>	<b>29,276,160</b>	7,226,715
<b>Changes in working capital</b>		
(Increase) / decrease in trade receivables	(10,317,644)	43,359,593
(Increase) / decrease in other receivables	1,526,247	(164,165)
Increase / (decrease) in trade & other payables	(22,909,745)	(33,355,419)
(Increase)/decrease in working capital	(31,701,142)	9,840,009
<b>Cash generated from operations</b>	<b>(2,424,982)</b>	17,066,724
Direct taxes paid	9,648,817	(21,081,748)
<b>Net cash from operating activities</b>	<b>7,223,835</b>	(4,015,024)
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(84,821)	-
Sale of fixed assets	-	-
Purchase / Sale of current investments	-	-
Investment in subsidiary	-	-
Interest received	14,930	5,344
<b>Net cash used in investing activities</b>	<b>(69,891)</b>	5,344
<b>C. Cash flow from financing activities</b>		
Share capital issued (including premium)	-	-
Proceeds from / Repayment of borrowings	-	-
Interest paid	-	(152,327)
Dividend paid	-	-
Dividend tax	-	-
<b>Net cash from financing activities</b>	<b>-</b>	(152,327)
<b>Net increase in cash and cash equivalents</b>	<b>7,153,944</b>	(4,162,007)
<b>Cash and cash equivalents at March 31, 2010</b>	<b>19,739,639</b>	23,901,646
<b>Cash and cash equivalents at March 31, 2011</b>	<b>26,893,583</b>	19,739,639

## Notes

- Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued under the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year.
- Cash and cash equivalents represent cash and bank balances.
- Bank balances include revaluation gain of Rs. 120,251 (Previous year loss Rs. 9,330,226)

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

Place : Mumbai  
Date : May 12, 2011

**K. R. L. NARASIMHAM**  
Director

**ALFRED PAGE**  
Director

Place : Toronto  
Date : May 12, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>Share capital</b>				
<b>Authorised:</b>				
Unlimited common shares of CAD 1 each		3,779		3,779
<b>Issued and Subscribed:</b>				
100 common shares of CAD 1 each		3,779		3,779
<b>Paid-up:</b>				
100 Common shares of CAD 1 each (All the above equity shares are held by Larsen & Toubro Infotech Limited)		3,779		3,779
<b>TOTAL</b>		<b>3,779</b>		<b>3,779</b>

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
Profit and Loss Account		29,248,325		26,990,525
<b>TOTAL</b>		<b>29,248,325</b>		<b>26,990,525</b>

**SCHEDULE - C  
FIXED ASSETS**

TANGIBLE ASSETS (OWN)	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2010 Rupees	Additions during the year Rupees	Deductions for the year Rupees	As at 31.03.2011 Rupees	As at 01.04.2010 Rupees	For the Year Rupees	Deductions Rupees	As at 31.03.2011 Rupees	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
Computers	627,495	84,822	–	712,317	544,266	112,670	–	656,936	55,381	83,229
Furniture and Fixtures	245,093	–	–	245,093	97,104	29,598	–	126,702	118,391	147,989
<b>Total of Tangible Assets</b>	<b>872,588</b>	<b>84,822</b>	<b>–</b>	<b>957,410</b>	<b>641,370</b>	<b>142,268</b>	<b>–</b>	<b>783,638</b>	<b>173,772</b>	<b>231,218</b>
<i>Total of Tangible Assets (Previous Year)</i>	<i>872,588</i>	<i>–</i>	<i>–</i>	<i>872,588</i>	<i>568,703</i>	<i>72,667</i>	<i>–</i>	<i>641,370</i>	<i>231,218</i>	<i>231,218</i>

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - D</b>				
<b>SUNDRY DEBTORS</b>				
<b>Unsecured</b>				
Debts outstanding for a period exceeding six months				
Considered Good		–		–
<b>Other Debts</b>				
Considered Good				
Due from Ultimate holding company		379,337		
Due from others		31,440,783		22,212,592
<b>TOTAL</b>		<b>31,820,120</b>		<b>22,212,592</b>

<b>SCHEDULE - E</b>				
<b>CASH AND BANK BALANCES</b>				
Balances with non-scheduled banks (see Schedule K, Note 5)		26,893,583		19,739,639
<b>TOTAL</b>		<b>26,893,583</b>		<b>19,739,639</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>LOANS AND ADVANCES</b>				
Unsecured , considered good				
Advances recoverable in cash or kind		1,012,684		12,176,328
<b>TOTAL</b>		<b>1,012,684</b>		<b>12,176,328</b>
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities:</b>				
Sundry creditors	7,302,281		3,878,264	
Due to				
Holding company	22,747,414		22,406,702	
Ultimate holding company	-		455,492	
		<b>30,049,695</b>		<b>26,740,458</b>
<b>Provisions:</b>				
Income Taxes		598,360		625,015
<b>TOTAL</b>		<b>30,648,055</b>		<b>27,365,473</b>
<b>SCHEDULE - H</b>				
<b>OTHER INCOME</b>				
Interest Received		14,930		5,344
Miscellaneous Income		12		196,602
<b>TOTAL</b>		<b>14,942</b>		<b>201,946</b>
<b>SCHEDULE - I</b>				
<b>SOFTWARE DEVELOPMENT EXPENSES</b>				
Salaries including overseas staff expenses		44,714,469		45,352,038
Consultancy charges		88,564,920		103,608,646
<b>TOTAL</b>		<b>133,279,389</b>		<b>148,960,684</b>
<b>SCHEDULE - J</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Salaries including overseas staff expenses		6,486,040		8,074,805
Travelling and conveyance		218,385		481,200
Rent and establishment expenses		1,064,558		1,415,364
Telephone charges and postage		596,270		513,493
Legal and professional charges		2,131,113		972,194
Printing and stationery		95,948		47,927
Advertisement		20,432		15,170
Entertainment		414,907		24,317
Insurance charges		-		9,787
Books and periodicals		33,413		12,485
Loss on sale of assets		-		-
Miscellaneous Expenses		(10,558,039)		6,739,170
Exchange Loss on translation		9,330,824		3,035,925
<b>TOTAL</b>		<b>9,833,851</b>		<b>21,341,837</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - K****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

## 1. LEGAL STATUS

Larsen & Toubro Infotech Canada Ltd. is incorporated under the provisional Business Corporations Act of Canada and is engaged in the business of software development services.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a. Basis of preparation

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financials statements in conformity with GAAP required that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

## b. Revenue recognition

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

## c. Fixed assets and depreciation

Fixed Assets are stated at original cost less accumulated depreciation.

Depreciation is calculated using the written-down value method. The rate of depreciation is 30% for computer maintenance and 20% for furniture which is higher than the rates specified under Schedule XIV of the Companies Act, 1956.

## d. Translation of financial statements

The accounts are translated in Indian Rupees as follows:-

- i. Share capital is retained at the initial contribution
- ii. Revenue transactions are translated at the average rates for the period. (Refer Note. No.12b)
- iii. Current assets and liabilities are translated at rates prevailing on the date of Balance Sheet
- iv. Fixed Assets are measured at historical cost
- v. The resultant differences are accounted as exchange difference in the Profit and Loss Account.

## e. Taxes on income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the law of income tax in Canada.

## 3. There are no contingent liabilities as on 31.03.2011. (Previous year NIL)

## 4. Related Parties

The related parties who exercise control:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Limited	Ultimate holding company

The related parties with whom the Company had transactions during the year are:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Limited	Ultimate holding company

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

A summary of transactions with related parties is given below:

Rupees

Particulars	Ultimate Holding Company	Holding Company	Fellow Subsidiary
Sale of Services	-	34,814,322	-
	(-)	(-)	(-)
Purchase of Services	174,688	65,355,150	-
	(665,447)	(94,728,003)	(-)
Overheads charged by	-	6,939,104	-
	(-)	(-)	(-)
Overheads charged to	1,528,543	-	-
	(-)	(-)	(-)
Accounts Receivable	379,337	-	-
	(-)	(-)	(-)
Accounts Payable	-	22,747,414	-
	(455,492)	(22,406,702)	(-)

## 5. Balances with non-scheduled banks

Rupees

	Closing Balance As at		Max. amount outstanding during the year	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Canadian Imperial Bank of Commerce (CAD)	3,936,883	11,752,934	41,826,128	17,723,156
Canadian Imperial Bank of Commerce (USD)	22,956,700	7,986,705	45,479,858	36,799,008
<b>Total</b>	<b>26,893,583</b>	<b>19,739,639</b>		

6. Borrowing cost capitalised during the year: Rs. Nil
7. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
8. Auditors remuneration charged to the accounts amounted to Rs. 526,628 during the year.
9. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of part II of Schedule VI to the Companies Act, 1956.
10. Segmental reporting  
The Company is wholly involved in the business of software development and operates only in Canada. Hence, segmental reporting is not required.
11. The Company's employees are on deputation from the holding company except for minimal staff in Canada. The Company has no post employment benefit plans or other long term benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to Profit and Loss Account in the period when the employee renders the service.
12. a. The Company is considered an integral operation of Larsen & Toubro Infotech Limited (the holding company). In accordance with Accounting Standard -11 (revised 2003), the exchange differences on translation are accounted in the Profit and Loss Account.  
b. The revenue transactions for the current year are translated at weighted average monthly rates and the revenue transactions for the corresponding previous year are translated at single monthly average rate.
13. The Company has entered into lease with respect to its premises for a period of three years, commencing on June 1, 2007 and expiring on May 31, 2010. The lease also provides for payment of utilities, property taxes and maintenance costs.
14. Previous year's figures have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

15. Balance Sheet abstract and Company's general business profile

**I. Registration Details**Registration No. 

0	1	4	1	5	0	2	6
---	---	---	---	---	---	---	---

State Code 

										N	A
--	--	--	--	--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1		0	3		2	0	1	1
Date			Month			Year			

**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement 

						N	I	L
--	--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities 

			2	9	2	5	2
--	--	--	---	---	---	---	---

Total Assets 

			2	9	2	5	2
--	--	--	---	---	---	---	---

**Sources of Fund**Paid-up Capital 

										4
--	--	--	--	--	--	--	--	--	--	---

Reserves & Surplus 

			2	9	2	4	8
--	--	--	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Deferred Tax 

						N	I	L
--	--	--	--	--	--	---	---	---

**Application of Funds**Net Fixed Assets 

						1	7	4
--	--	--	--	--	--	---	---	---

Investments 

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets 

			2	9	0	7	8
--	--	--	---	---	---	---	---

Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) 

			1	4	6	1	2	5
--	--	--	---	---	---	---	---	---

Total Expenditure 

			1	4	3	3	0	5
--	--	--	---	---	---	---	---	---

+ - Profit Before Tax 

						2	8	2	0
--	--	--	--	--	--	---	---	---	---

+ - 

--	--

Profit After Tax 

						2	2	5	8
--	--	--	--	--	--	---	---	---	---

+ - Earning per Share (in Rs.) 

			2	2	5	7	8
--	--	--	---	---	---	---	---

Dividend Rate % 

						N	I	L
--	--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) 

				N	.	A	.
--	--	--	--	---	---	---	---

Product Descriptions 

SOFTWARE DEVELOPMENT							
----------------------	--	--	--	--	--	--	--

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820**K. R. L. NARASIMHAM**  
Director**ALFRED PAGE**  
DirectorPlace : Mumbai  
Date : May 12, 2011Place : Toronto  
Date : May 12, 2011

**DIRECTORS' REPORT**

The Directors have pleasure in presenting the Second report and the audited accounts of the Company for the year ended March 31, 2011.

**FINANCIAL RESULTS**

	2010-11		2009-10	
	USD	Rs. Lakhs	USD	Rs. Lakhs
Total Income	92,63,871	4223.58	5,005,344	2,375.41
<b>Profit Before Tax</b>	<b>422,108</b>	<b>187.29</b>	311,180	139.72

As permitted under local Delaware tax laws, the Company's tax returns is filed on consolidated basis with Larsen & Toubro Infotech Limited's US Branch.

**REVIEW OF OPERATIONS**

The Company continued to service niche requirements of certain customers and recorded revenue of USD 9.3 million with a profit of USD 0.42 million in the second year of its operations.

**DIRECTORS**

During the year, Mr. Sudhindra Badami was appointed as a Director of the Company with effect from November 1, 2010.

Mr. Sunil Pande resigned as a member of the Board on November 1, 2010. The Board places on record its appreciation for the services rendered by Mr. Sunil Pande.

**AUDITORS**

M/s. Sharp and Tannan, the Auditors of the Company, for the financial statements under Indian GAAP, have indicated their willingness and are eligible for reappointment.

**DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

**PARTICULARS OF EMPLOYEES**

The Company being registered outside India, the disclosures required to be made as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors 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, 2011;
- (iii) that 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;
- (iv) that the annual accounts have been prepared on a going concern basis;
- (v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

For and on behalf of the Board

Place: Delaware  
Date : May 12, 2011

**SUDHINDRA BADAMI**  
Director

**K. R. L. NARASIMHAM**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO INFOTECH LLC

The financial statements of Larsen & Toubro Infotech LLC for the year ended March 31, 2011, being the Company registered in USA, are audited by Ramesh Sarva, C.P.A., P.C. and we have been furnished with their audit report dated April 18, 2011.

We are presented with the accounts in Indian Rupee prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Infotech LLC as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) As regards reporting on the disqualification of Director under Section 274(1) (g) of the Companies Act, 1956, since the Company is incorporated in USA, no reporting is required to be made under the said Section.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule H and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

Place : Mumbai  
Date : May 12, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

## **ANNEXURE TO THE AUDITORS REPORT**

(Referred to in paragraph 1 of our report of even date)

- (i) The Company has no fixed assets and hence reporting under 4(i)(a), (b) and (c) is not applicable.
- (ii) The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- (iii) There are no Loan secured or unsecured, either granted or taken by companies, firms or other parties. However no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in USA.
- (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 for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) The Company is incorporated in USA and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company does not have an adequate Internal Audit System commensurate with its size and the nature of its business.
- (viii) Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (ix) The Company is registered in USA has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has neither borrowed from financial institution or bank nor issued any debenture.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) The Company is not dealing in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Company has not availed any term loan during the year.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**

*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**

*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Reserves and Surplus	A		32,700,937		13,971,977
<b>TOTAL</b>			<b>32,700,937</b>		<b>13,971,977</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Sundry debtors	B	32,911,373		1,245,860	
Cash and bank balances	C	17,931,628		26,633,227	
Loans and advances	D	890,373		–	
			51,733,374		27,879,087
<b>Less : Current liabilities and provisions</b>					
Current liabilities	E	19,032,437		13,907,110	
			19,032,437		13,907,110
<b>Net current assets</b>			<b>32,700,937</b>		<b>13,971,977</b>
<b>TOTAL</b>			<b>32,700,937</b>		<b>13,971,977</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	H				

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
By the hand of

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**  
Director

**SUDHINDRA BADAMI**  
Director

Place : Mumbai  
Date : May 12, 2011

Place : San Jose  
Date : May 12, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedule</u>	<u>2010-2011 Rupees</u>	<u>2009-10 Rupees</u>
<b>INCOME</b>			
Software development services and products		<b>422,357,598</b>	237,541,127
<b>TOTAL</b>		<b>422,357,598</b>	237,541,127
<b>EXPENDITURE</b>			
Software development expenses	<b>F</b>	<b>394,563,337</b>	219,479,208
Sales, administration and other expenses	<b>G</b>	<b>9,065,301</b>	4,089,942
<b>TOTAL</b>		<b>403,628,638</b>	223,569,150
<b>Operating profit / (loss)</b>		<b>18,728,960</b>	13,971,977
Interest		-	-
Depreciation on tangible assets		-	-
Amortisation of intangible assets		-	-
<b>Profit / (loss) before tax</b>		<b>18,728,960</b>	13,971,977
Provision for taxes		-	-
<b>Profit / (loss) after tax</b>		<b>18,728,960</b>	13,971,977
Add : balance brought forward from previous year		<b>13,971,977</b>	-
<b>Balance to be carried forward</b>		<b>32,700,937</b>	13,971,977
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>H</b>		

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**

Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**

Director

**SUDHINDRA BADAMI**

Director

Place : Mumbai  
Date : May 12, 2011

Place : San Jose  
Date : May 12, 2011



**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	<b>2010-11</b> <b>Rupees</b>	<b>2009-10</b> <b>Rupees</b>
<b>A Cash flow from operating activities :</b>		
Net profit / (loss) before tax	18,728,960	13,971,977
<b>Adjustments for :</b>		
Translation reserve	(134,105)	795,841
<b>Operating (loss) / profit before working capital changes</b>	<b>18,594,855</b>	<b>14,767,818</b>
<b>Changes in working capital</b>		
(Increase) / decrease in trade receivables	(31,665,513)	(1,245,860)
(Increase) / decrease in other receivables	(890,373)	-
Increase / (decrease) in trade payables	5,259,432	13,111,269
(Increase) / decrease in working capital	(27,296,454)	11,865,409
<b>Cash generated from operations</b>	<b>(8,701,599)</b>	<b>26,633,227</b>
Direct taxes (paid)	-	-
<b>Net cash (used in) operating activities</b>	<b>(8,701,599)</b>	<b>26,633,227</b>
<b>B Cash flow from investing activities :</b>		
Purchase of fixed assets	-	-
Sale of Investments	-	-
<b>Net cash (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>C Cash flow from financing activities :</b>		
Proceeds from other borrowings (net)	-	-
Proceeds from issue of share capital	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>(8,701,599)</b>	<b>26,633,227</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>26,633,227</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>17,931,628</b>	<b>26,633,227</b>

**Notes:**

- Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**

Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**

Director

**SUDHINDRA BADAMI**

Director

Place : Mumbai  
Date : May 12, 2011

Place : San Jose  
Date : May 12, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE A</b>		
<b>RESERVES AND SURPLUS</b>	<b>32,700,937</b>	<i>13,971,977</i>
<b>SCHEDULE B</b>		
<b>SUNDRY DEBTORS</b>		
Due from Parent Company	<b>32,911,373</b>	<i>1,245,860</i>
<b>TOTAL</b>	<b>32,911,373</b>	<i>1,245,860</i>
<b>SCHEDULE C</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	-	-
Balances with banks		
In current accounts	<b>17,931,628</b>	<i>26,633,227</i>
<b>TOTAL</b>	<b>17,931,628</b>	<i>26,633,227</i>
<b>SCHEDULE D</b>		
<b>LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind	<b>890,373</b>	-
<b>TOTAL</b>	<b>890,373</b>	-
<b>SCHEDULE E</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current liabilities:		
Sundry creditors	<b>19,032,437</b>	<i>13,907,110</i>
Provisions:		
Income tax	-	-
<b>TOTAL</b>	<b>19,032,437</b>	<i>13,907,110</i>
	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE F</b>		
<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
Salaries including overseas staff expenses	<b>391,185,912</b>	<i>219,225,364</i>
Staff welfare	<b>124,415</b>	<i>253,844</i>
Consultancy charges	<b>3,253,010</b>	-
<b>TOTAL</b>	<b>394,563,337</b>	<i>219,479,208</i>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE G</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Travelling and conveyance	<b>1,140,840</b>	<i>255,553</i>
Rent and establishment expenses	<b>359,886</b>	–
Telephone charges and postage	<b>2,054,120</b>	–
Legal and professional charges	<b>559,492</b>	<i>1,731,386</i>
Printing and stationery	<b>27,307</b>	–
Recruitment expenses	<b>1,037,359</b>	–
Power and fuel	<b>117,400</b>	–
Insurance charges	<b>1,501,132</b>	<i>1,213,179</i>
Rates and taxes	<b>145,993</b>	–
Miscellaneous expenses	<b>2,255,877</b>	<i>93,983</i>
Exchange loss on translation	<b>(134,105)</b>	<i>795,841</i>
<b>TOTAL</b>	<b>9,065,301</b>	<i>4,089,942</i>

**SCHEDULE H**

## 1. Legal Status

The LLC is incorporated in the state of Delaware as a wholly owned subsidiary of Larsen & Toubro Infotech Ltd., to take over the work and absorb the staff from a large client. Client closed IT operations and transferred to L&T Infotech LLC.

## 2. Significant Accounting Policies

## a. Basis of preparation

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with the generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP required that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

## b. Revenue recognition

Revenue from software development is recognized based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

## c. Translation of financial statements

The accounts are translated in Indian Rupees as follows:-

- i. Revenue transactions are translated at the average rates for the period. (Refer Note. No.11b)
- ii. Current assets and liabilities are translated at rates prevailing on the date of Balance Sheet.
- iii. The resultant differences are accounted as exchange difference on translation in the Profit and Loss Account.

## 3. There are no contingent liabilities as on 31.03.2011. (Previous year Rs. NIL)

## 4. Related Parties

The related parties who exercise control:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding Company
Larsen & Toubro Limited	Ultimate Holding Company

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

The related parties with whom the Company had transactions during the year are:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding Company

A summary of transactions with related parties is given below:

Rupees

Particulars	Ultimate Holding Company	Holding Company	Fellow Subsidiary
Sale of Services	–	<b>422,357,598</b> (237,541,128)	–
Accounts Recievable	–	<b>32,911,373</b> (1,245,860)	–

Figures in brackets relate to previous year.

5. Balances with non-scheduled banks

Rupees

	Closing Balance As at		Max. amount outstanding during the year ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Citi Bank USA	<b>68,42,748</b>	5,115,702	<b>33,106,851</b>	33,181,057
HSBC UK	<b>11,088,880</b>	21,517,525	<b>22,150,147</b>	21,517,525
<b>TOTAL</b>	<b>17,931,628</b>	26,633,227	<b>55,256,998</b>	54,698,581

6. Borrowing cost capitalised during the year: Rs. Nil

7. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

8. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of part II of Schedule VI to the Companies Act, 1956.

9. Segmental reporting

The Company is wholly involved in the business of software development and operates only in USA. Hence, segmental reporting is not required.

10. The Company has no post employment benefit plans or other long term benefits covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to Profit and Loss Account in the period when the employee renders the service.

11. a. The Company is considered an integral operation of Larsen & Toubro Infotech Limited (the Holding Company). In accordance with Accounting Standard -11 (Revised 2003), the exchange differences on translation are accounted in the Profit and Loss Account.

b. The revenue transactions for the current year period are translated at weighted average monthly rates.

12. Previous year's figures have been regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income) Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earnings per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No.   
(ITC Code)Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820Place : Mumbai  
Date : May 12, 2011**K. R. L. NARASIMHAM**

Director

Place : San Jose  
Date : May 12, 2011**SUDHINDRA BADAMI**

Director

## ***DIRECTORS' REPORT***

The Directors have pleasure in presenting the first report and the audited accounts of the Company for the period ended March 31, 2011.

### **FINANCIAL RESULTS**

	01.01.2011 to 31.03.2011	
	Canadian Dollars	Rs. Lakhs
Total Income	10,418,601	4,783.21
Profit / (Loss) before tax	1,917,720	880.43
Taxes	735,435	337.64
Profit / (Loss) after taxes	1,182,285	542.79

### **DIVIDEND**

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

### **REVIEW OF OPERATIONS**

On January 1, 2011, Larsen & Toubro Infotech Limited (the parent company) acquired transfer agency business from Citigroup Fund Services Canada Inc. (CFSC) servicing local clients represented by Asset Management Companies, Banks, Insurance Companies in Canada.

Since acquisition by Larsen & Toubro Infotech Limited, the Company recorded revenues of CAD 10.42 million and profit of CAD 1.18 million.

### **AUDITORS**

M/s. Sharp and Tannan, the Auditors of the Company, for the financial statements under Indian GAAP, have indicated their willingness and are eligible for re-appointment.

### **DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

### **PARTICULARS OF EMPLOYEES**

The Company being registered outside India, the disclosures required to be made as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of directors of the Company confirms:

- (i) that in the preparation of the accounts for the period January 1, 2011 to March 31, 2011 the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors made judgements 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, 2011;
- (iii) that 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.
- (iv) that the accounts for the period January 1, 2011 to March 31, 2011 have been prepared on a going concern basis.
- (v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

For and on behalf of the Board

Place : Toronto, Canada  
Date : May 12, 2011

**SUDIP BANERJEE**  
Director

**ALFRED PAGE**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T INFOTECH FINANCIAL SERVICES TECHNOLOGIES INC.

The financial statements of L&T Infotech Financial Services Technologies Inc. for the period ended March 31, 2011, being the company registered in Canada, are audited by Ernst & Young and we have been furnished with their audit report dated May 6, 2011.

We are presented with the accounts in Indian Rupee prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of L&T Infotech Financial Services Technologies Inc. as at March 31, 2011 and the Profit and Loss Account for the 3 month period from January 1, 2011 to March 31, 2011 and the Cash Flow Statement of the Company for the period 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) as regard reporting on the disqualification of director's under Section 274(1)(g) of the Companies Act, 1956, since the Company is incorporated in Canada, no reporting is required to be made under the said Section.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule K and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the 3 month period from January 1 to March 31, 2011; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) The Company has not disposed off any fixed assets during the period.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- 3 There are no loans, secured or unsecured, either granted or taken by companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Canada.
- 4 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 for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Canada and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- 7 The Company does not have an adequate internal audit system commensurate with its size and the nature of its business.
- 8 The Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- 9 The Company is registered in Canada has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- 11 According to the information and explanations given to us, the Company has neither borrowed from financial institution or bank nor issued any debentures.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 The Company is not dealing in shares, securities, debentures and other investments.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loan during the period.
- 17 According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares during the period.
- 19 The Company did not have any outstanding secured debentures during the period. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue during the period.
- 21 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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI registration No. 109982W)  
by the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	<u>Schedule</u>	<u>As at 31.03.2011</u>	
		<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A		2,799,974,190
Reserves and Surplus	B		128,774,097
<b>TOTAL</b>			<u>2,928,748,287</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
<b>Tangible Assets</b>			
Gross Block		65,891,951	
Less: Depreciation		<u>14,392,192</u>	
Net Block			51,499,759
<b>Intangible Assets</b>			
Gross Block		2,243,812,686	
Less: Depreciation		<u>66,937,235</u>	
Net Block			2,176,875,451
Capital Work in Progress			<u>510,714,148</u>
			<u>2,687,589,599</u>
<b>Current Assets Loans and Advances</b>			
Sundry Debtors	D	405,670,061	
Cash and Bank balances	E	82,715,206	
Loans and advances	F	<u>31,602,982</u>	
		<u>519,988,249</u>	
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	G	296,506,647	
Provisions		<u>33,822,673</u>	
		<u>330,329,320</u>	
<b>Net current Assets</b>			<u>189,658,929</u>
<b>TOTAL</b>			<u>2,928,748,287</u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>			
	K		

The Schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**SUDIP BANERJEE**

Director

**ALFRED PAGE**

Director

Place : Mumbai  
Date : May 12, 2011

Place : Toronto  
Date : May 12, 2011

## **PROFIT & LOSS ACCOUNT FOR THREE MONTHS PERIOD FROM JANUARY 1, 2011 TO MARCH 31, 2011**

	<u>Schedule</u>	<u>For the period from 01.01.2011 to 31.03.2011 Rupees</u>
<b>INCOME</b>		
Software development services and products		478,298,785
Other Income	H	304,819
<b>TOTAL</b>		<u>478,603,604</u>
<b>EXPENDITURE</b>		
Software Development Expenses	I	174,804,128
Sales administration and other Expenses	J	134,550,665
<b>TOTAL</b>		<u>309,354,793</u>
<b>Operating Profit</b>		169,248,811
Interest		17,318
Depreciation on tangible assets		14,367,241
Amortisation on intangible assets		66,821,192
<b>Profit Before Tax</b>		<u>88,043,060</u>
Provision for Income-tax		33,764,037
<b>Profit After Tax</b>		<u>54,279,023</u>
<b>Balance carried forward</b>		<u>54,279,023</u>
Number of equity shares		1,000,000
<b>Basic and Diluted Earnings per share</b>		54.28
Face value per equity share (CAD)		1
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	K	

The Schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

*Chartered Accountants*

*(ICAI registration No. 109982W)*

*By the hand of*

**R. D. KARE**

*Partner*

*Membership No. 08820*

*Place : Mumbai*

*Date : May 12, 2011*

**SUDIP BANERJEE**

*Director*

*Place : Toronto*

*Date : May 12, 2011*

**ALFRED PAGE**

*Director*

## **CASH FLOW STATEMENT FOR THE THREE MONTH PERIOD FROM JANUARY 1, 2011 TO MARCH 31, 2011**

	2010-2011 Rupees
<b>A. Cash flow from operating activities</b>	
Net profit before tax	88,043,060
<b>Adjustments for:</b>	
Depreciation and amortisation	81,188,433
Interest (net)	17,318
Unrealised foreign exchange loss (gain)	74,553,713
<b>Operating profit before working capital changes</b>	<b>243,802,524</b>
Changes in working capital	
(Increase) / decrease in trade receivables	(405,670,061)
(Increase) / decrease in other receivables	(31,602,981)
Increase / (decrease) in trade & other payables	296,506,647
(Increase) / decrease in working capital	(140,766,395)
<b>Cash generated from operations</b>	<b>103,036,129</b>
Direct taxes paid	-
<b>Net cash from operating activities</b>	<b>103,036,129</b>
<b>B. Cash flow from investing activities</b>	
Purchase of fixed assets	(2,820,277,795)
Sale of fixed assets	-
Purchase / Sale of current investments	-
Investment in subsidiary	-
Interest received	-
<b>Net cash used in investing activities</b>	<b>(2,820,277,795)</b>
<b>C. Cash flow from financing activities</b>	
Share capital issued (including premium)	2,799,974,190
Proceeds from / Repayment of borrowings	-
Interest paid	(17,318)
Dividend paid	-
Dividend tax	-
<b>Net cash from financing activities</b>	<b>2,799,956,872</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>
<b>Cash and cash equivalents at March 31, 2011</b>	<b>82,715,206</b>

**Notes:**

- 1 Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued under the Companies (Accounting Standards) Rules, 2006.
- 2 Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year.
- 3 Cash and cash equivalents represent cash and bank balances.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 12, 2011

For and on behalf of the Board

**SUDIP BANERJEE**  
Director

**ALFRED PAGE**  
Director

Place : Toronto  
Date : May 12, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**As at 31.03.2011  
Rupees**SCHEDULE A****SHARE CAPITAL****Authorised**

10,00,000 common shares at no par value

2,799,974,190

**Issued and Subscribed**

10,00,000 common shares at no par value

2,799,974,190

**Paid up**

10,00,000 Common shares at no par value

2,799,974,190

(All the above equity shares are held by Larsen &amp; Toubro Infotech Limited)

**TOTAL**

2,799,974,190

**SCHEDULE B****RESERVES AND SURPLUS**

Profit and Loss account

54,279,023

Foreign Currency Translation Reserve

74,495,074

**TOTAL**

128,774,097

**SCHEDULE C****FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	Acquired as at 01.01.2011	Additions during the period	Deductions for the year	Foreign Currency Translation	As at 31.03.2011	Acquired as at 01.01.2011	For the Period	On Deductions	Foreign Currency Translation	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSETS</b>												
Computers	61,681,595	2,965,418	–	1,244,938	65,891,951	–	14,367,241	–	24,951	14,392,192	51,499,759	–
<b>Total of Tangible Assets</b>	61,681,595	2,965,418	–	1,244,938	65,891,951	–	14,367,241	–	24,951	14,392,192	51,499,759	–
<b>INTANGIBLE ASSETS</b>												
Goodwill	323,790,269	–	–	6,535,093	330,325,362	–	8,243,818	–	14,316	8,258,134	322,067,228	–
Customer Contracts	933,609,699	–	–	18,843,201	952,452,900	–	23,770,043	–	41,280	23,811,323	928,641,577	–
Softwares	942,021,448	–	–	19,012,976	961,034,424	–	34,807,331	–	60,447	34,867,778	926,166,646	–
Add : Capital Work in Progress - Software											510,714,147	–
<b>Total of Intangible Assets</b>	2,199,421,416	–	–	44,391,270	2,243,812,686	–	66,821,192	–	116,043	66,937,235	2,687,589,598	–

As at 31.03.2011

Rupees

Rupees

**SCHEDULE D****SUNDRY DEBTORS**

Unsecured

Debts outstanding for a period exceeding six months

Considered Good

–

Other Debts

Considered Good

Due from others

405,670,061

**TOTAL**

405,670,061

405,670,061

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.03.2011	
	Rupees	Rupees
<b>SCHEDULE E</b>		
<b>CASH AND BANK BALANCES</b>		
Balances with non-scheduled banks (see schedule K, note 5)		13,730,206
Fixed Deposits with banks		68,985,000
<b>TOTAL</b>		82,715,206
 <b>SCHEDULE F</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or kind		31,602,982
<b>TOTAL</b>		31,602,982
 <b>SCHEDULE G</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry creditors	291,856,433	
Due to		
Holding company	4,650,214	296,506,647
<b>Provisions</b>		
Income Taxes	33,822,673	33,822,673
<b>TOTAL</b>		330,329,320
		For the period from 01.01.2011 to 31.03.2011 Rupees
 <b>SCHEDULE H</b>		
<b>OTHER INCOME</b>		
Interest Received from Banks		22,012
Provision for Doubtful Debts - Written back		282,807
<b>TOTAL</b>		304,819
 <b>SCHEDULE I</b>		
<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
Salaries including overseas staff expenses		87,921,986
Consultancy charges		84,913,280
Cost of Software Packages for own use		1,968,862
<b>TOTAL</b>		174,804,128

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

For the period  
from 01.01.2011  
to 31.03.2011  
Rupees

**SCHEDULE J****SALES, ADMINISTRATION AND OTHER EXPENSES**

Salaries including overseas staff expenses	34,313,247
Travelling and conveyance	237,494
Rent and establishment expenses	44,983,891
Telephone charges and postage	819,360
Legal and professional charges	48,403,992
Printing and stationery	22,567
Entertainment	510,678
General repairs and maintenance	2,494,266
Books and periodicals	110,185
Miscellaneous Expenses	2,654,985
<b>TOTAL</b>	<u><u>134,550,665</u></u>

**SCHEDULE K****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

## 1. Legal Status

L&T Infotech Financial Services Technologies Inc. is incorporated under the Business Corporations Act (Ontario). The Company is an indirect, wholly owned subsidiary of Larsen & Toubro Limited, India. The Company commenced operations on January 1, 2011 with acquisition of the information technology operations business of Citigroup Fund Services Canada Inc. by the Company's parent.

## 2. Significant Accounting Policies

**a. Basis of preparation**

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with the generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP required that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**b. Revenue recognition**

The Company recognizes revenues when they are earned, specifically when all the following conditions are met:

- (a) Services are provided or products are delivered to customers
- (b) There is clear evidence that an arrangement exist
- (c) Amounts are fixed or can be determined, and
- (d) The ability to collect is reasonably assured

**c. Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Intangible-Computer software developed in-house is capitalized at cost.

**Depreciation**

Tangible Assets - Depreciation on computers is calculated using straight line method over the estimated useful life of 4 to 5 years

Intangible Assets - Amortization is calculated on the straight-line method over the following estimated useful lives:

- Acquired software 10 years
- Internally generated software 5 years

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

- Goodwill 10 years
- Customer Contracts 10 years

Depreciation / amortization on additions / disposals are calculated pro-rata from / to the month of additions / disposals.

Customer contracts, which are comprised of customer contracts and relationships acquired are stated net of amortization.

**d. Translation of financial statements**

The accounts are translated in Indian Rupees as follows:-

- i. Revenue transactions are translated at the average rates for the period.
- ii. Share capital is retained at the initial contribution.
- iii. Fixed Assets, current assets and current liabilities are translated at rates prevailing on the date of Balance Sheet.
- iv. The resultant differences are accounted as Foreign Currency Translation Reserve in the Balance Sheet.

**e. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the law of income tax in Canada.

**3. Purchase Price Allocation**

The Company's parent allocated the purchase price to the underlying assets acquired and liabilities assumed based upon their fair value at the date of acquisition. The Company's parent determined the fair values based on discounted cash flows and management's estimates.

The preliminary allocation of the purchase price is as follows:

	<b>Rupees</b>
Accounts receivable	<b>241,782,172</b>
Other assets	<b>4,067,386</b>
Computers	<b>62,211,589</b>
Software	<b>1,349,293,530</b>
Customer contracts intangibles	<b>941,631,925</b>
Accounts payable and accrued liabilities	<b>(73,793,616)</b>
Other liabilities	<b>(10,048,363)</b>
Net identifiable assets	<b>2,515,144,623</b>
Goodwill	<b>326,572,501</b>
<b>TOTAL</b>	<b>2,841,717,124</b>

**4. There are no contingent liabilities as on 31.03.2011.****5. Leases:**

Certain premises and office equipment are leased under several non-cancellable operating leases that require future minimum annual payments as follows:

	<b>Rupees</b>
Minimum lease payments	
Payable not later than 1 year	<b>64,746,792</b>
Payable after 1 year but not later than 5 years	<b>360,012,341</b>
<b>TOTAL</b>	<b>424,759,133</b>

**6. Basic Earnings per share (EPS)**

	<b>2010-11</b>
Profit after Tax as per accounts	<b>54,279,023</b>
Weighted average number of shares outstanding	<b>1,000,000</b>
Basic EPS (Rs.)	<b>54.28</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

## 7. Related Parties

The related parties who exercise control:

Name	Relationship
Larsen & Toubro Limited	Ultimate holding company
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Infotech Canada Limited	Fellow Subsidiary

The related parties with whom the Company had transactions during the year are:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding company
Larsen & Toubro Infotech Canada Limited	Fellow Subsidiary

A summary of transactions with related parties is given below:

Particulars	Holding Company Rupees	Fellow Subsidiary Rupees
Sale of Services	-	-
Purchase of Services	1,367,605	-
Overheads charged by	3,282,609	4,559,541
Overheads charged to	-	-
Accounts Receivable	-	-
Accounts Payable	4,650,214	4,559,541

8. Borrowing cost capitalised during the year: Rs. Nil

## 9. Employee Future Benefits

The Company sponsors pension arrangements for substantially all of its employees through defined contribution plans. The Company makes regular contributions to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan documents. The cost of this plan, which is expensed as incurred, totalled Rs. 11,444,858 in 2011.

10. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

11. Auditors remuneration charged to the accounts amounted to Rs. 2,069,550 during year.

12. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under Paragraphs 3, 4c of Part II of Schedule VI to the Companies Act, 1956.

## 13. Segmental reporting

The Company is wholly involved in the business of software development and operates only in Canada. Hence, segmental reporting is not required.

14. The Company is considered non-integral operation of Larsen & Toubro Infotech Limited (the holding company). In accordance with Accounting Standard -11 (revised 2003), the exchange differences on translation are accounted as Foreign Currency Translation Reserve in Balance Sheet.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans Deferred Tax **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income) Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earning per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820**SUDIP BANERJEE**  
Director**ALFRED PAGE**  
DirectorPlace : Mumbai  
Date : May 12, 2011Place : Toronto  
Date : May 12, 2011

**DIRECTORS' REPORT**

The Directors have pleasure in presenting Annual report and the audited accounts of the Company for the year ended March 31, 2011.

**FINANCIAL RESULTS**

	2010-11		2009-10	
	USD	Rs. Lakhs	USD	Rs. Lakhs
Total Income	6,650,208	3,031.60	13,832,877	6564.74
Profit / (Loss) before tax	476,390	217.17	528,158	250.65
Taxes	990	0.45	2,655	1.26
Profit / (Loss) after tax	475,400	216.72	525,503	249.39

**REVIEW OF OPERATIONS**

During the year 2010-11, the Company had a total income of USD 6.65 Mn, as compared to USD 13.83 Mn for the year 2009-10. The profit after tax amounted to USD 0.48 Mn as against a profit of USD 0.53 Mn for the corresponding previous year.

During the year, the Company integrated its services business, related contracts and Company's employees with its parent company, Larsen & Toubro Infotech Limited. Accordingly, the revenue has shown significant reduction this year due to the integration process being affected.

**DIRECTORS**

There were no changes in the Board of Directors, during the year under review.

**DIVIDEND**

The Directors do not recommend any dividend for the current year.

**AUDITORS**

M/s. Sharp & Tannan, the Auditors of the Company for the financial statements under Indian GAAP, have indicated their willingness and are eligible for re-appointment.

**DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not relevant.

**PARTICULARS OF EMPLOYEES**

The Company being registered outside India, the disclosures required to be made as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (ii) that the selected accounting policies were applied consistently and the Directors 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, 2011;
- (iii) that 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.
- (iv) that the annual accounts have been prepared on a going concern basis.
- (v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

For and on behalf of the Board

Place: San Jose CA  
Date : May 12, 2011

**K. R. L. NARASIMHAM**  
Director

**ISAAC SUNDARAJAN**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF GDA TECHNOLOGIES INC.

The financial statements of GDA Technologies Inc. for the year ended March 31, 2011, being the Company registered in California, United States of America, are audited by Frank, Rimerman & Co. LLP and we have been furnished with their audit report dated May 5, 2011.

We are presented with the accounts in Indian Rupee prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of GDA Technologies Inc. as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement 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.

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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under Section 227(4A) 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.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956; and
  - e) As regard reporting on the disqualification of Director under Section 274(1)(g) of the Companies Act, 1956, since the Company is incorporated in California, United States of America, no reporting is required to be made under the said Section.

We report that in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule O and the notes appearing 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:

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2011;
- ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern status of the Company.
- (ii) (a) As explained to us, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.

GDA TECHNOLOGIES INC.

- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material
- (iii) There are no loans secured or unsecured, either granted or taken by companies, firms or other parties. However no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in United States of America.
- (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 for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) The Company is incorporated in California, United States of America and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company does not have an adequate Internal Audit System commensurate with its size and the nature of its business.
- (viii) Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (ix) The Company is registered in California, United States of America has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company has accumulated losses at the end of the financial year and it has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has neither borrowed from financial institution or bank nor issued any debenture.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) The Company is not dealing in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Company has not availed any term loan during the year.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 12, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	51,451,190		51,451,190	
Foreign currency translation reserve		(12,500,741)		(13,455,057)	
			<b>38,950,449</b>		37,996,133
<b>Loan Funds</b>					
Secured loans	B	-		228,742,915	
Unsecured loans	C	243,029,996		97,493,750	
			<b>243,029,996</b>		326,236,665
<b>TOTAL</b>			<b>281,980,445</b>		<b>364,232,798</b>
<b>APPLICATION OF FUNDS</b>					
<b>Tangible Assets</b>					
Gross Block	D1	53,304,453		53,862,584	
Less : Depreciation		51,983,411		51,358,461	
Net Block			<b>1,321,042</b>		2,504,123
<b>Intangible Assets</b>					
Gross Block	D2	148,560,305		113,008,855	
Less : Amortisation		66,362,488		39,279,149	
			<b>82,197,817</b>		73,729,706
Add: Capital work in progress			<b>55,065,423</b>		25,742,742
			<b>137,263,240</b>		99,472,448
<b>Investments</b>	E		<b>2,401,307</b>		2,756,188
<b>Current assets, loans and advances</b>					
Inventory	F	3,077,233		2,334,980	
Sundry debtors	G	163,139,703		200,838,912	
Cash and bank balances	H	396,940		4,739,240	
Loans and advances	I	7,304,796		10,721,087	
		<b>173,918,672</b>		<b>218,634,219</b>	
<b>Less : Current liabilities and provisions</b>					
Current liabilities	J	259,081,208		206,888,379	
Provisions		44,149		119,210	
		<b>259,125,357</b>		<b>207,007,589</b>	
<b>Net current assets</b>			<b>(85,206,685)</b>		11,626,630
<b>Profit and Loss Account</b>	K		<b>226,201,541</b>		247,873,410
<b>TOTAL</b>			<b>281,980,445</b>		<b>364,232,798</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>					
	O				

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**  
Director

**ISAAC SUNDARAJAN**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: San Jose  
Date : May 12, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedules</u>	2010-11		2009-10	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Software development services and products					
Overseas		<b>120,638,190</b>		33,725,245	
Domestic		<b>182,108,438</b>		622,430,977	
			<b>302,746,628</b>		656,156,222
Other income	<b>L</b>		<b>413,744</b>		317,538
<b>TOTAL</b>			<b>303,160,372</b>		656,473,760
<b>EXPENDITURE</b>					
Software development expenses	<b>M</b>		<b>200,090,118</b>		413,964,322
Sales, administration and other expenses	<b>N</b>		<b>42,957,484</b>		182,564,827
<b>TOTAL</b>			<b>243,047,602</b>		596,529,149
<b>Operating profit / (loss)</b>			<b>60,112,770</b>		59,944,611
Interest			<b>9,280,931</b>		13,810,275
Depreciation on tangible assets			<b>1,156,623</b>		1,734,524
Amortisation of intangible assets			<b>27,958,216</b>		19,334,755
<b>Profit / (loss) before tax</b>			<b>21,717,000</b>		25,065,057
Provision for taxes			<b>45,131</b>		126,000
<b>Profit / (loss) after tax</b>			<b>21,671,869</b>		24,939,057
Add : balance brought forward from previous year			<b>(247,873,410)</b>		(272,812,467)
<b>Balance to be carried forward</b>			<b>(226,201,541)</b>		(247,873,410)
Equivalent number of shares			<b>10</b>		10
Basic & Diluted earnings per share (EPS)			<b>2,167,187</b>		2,493,906
Face value per share (See Schedule O, note 9)			<b>5,145,119</b>		5,145,119
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>O</b>				

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**  
Director

**ISAAC SUNDARAJAN**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: San Jose  
Date : May 12, 2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A Cash flow from operating activities :</b>		
<b>Net profit / (loss) before tax</b>	<b>21,717,000</b>	<b>25,065,057</b>
Adjustments for :		
Depreciation and amortisation	29,114,839	21,069,279
Diminution in value of Investment	354,880	1,072,618
(Gain) / Loss on Sale of Fixed Asset	10,348	(6,122)
Translation reserve	954,316	25,786,250
<b>Operating (loss) / profit before working capital changes</b>	<b>52,151,384</b>	<b>72,987,082</b>
Changes in working capital		
(Increase) / decrease in trade receivables	37,699,209	(44,456,748)
(Increase) / decrease in other receivables	3,416,292	6,042,989
(Increase) / decrease in inventories	(742,254)	657,703
Increase / (decrease) in trade payables	52,117,768	21,492,809
(Increase) / decrease in working capital	92,491,015	(16,263,247)
<b>Cash generated from operations</b>	<b>144,642,399</b>	<b>56,723,835</b>
Direct taxes (paid)	(45,131)	(126,000)
<b>Net cash (used in) operating activities</b>	<b>144,597,268</b>	<b>56,597,835</b>
<b>B Cash flow from investing activities :</b>		
Purchase of Fixed Assets	(65,761,462)	(46,680,599)
Sale of Fixed Assets	28,563	7,166
<b>Net cash (used in) investing activities</b>	<b>(65,732,899)</b>	<b>(46,673,433)</b>
<b>C Cash flow from financing activities :</b>		
Proceeds from other borrowings (net)	(83,206,669)	(7,980,341)
Repayment of Bank overdraft	-	-
Proceeds from issue of share capital	-	-
<b>Net cash from financing activities</b>	<b>(83,206,669)</b>	<b>(7,980,341)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(4,342,300)</b>	<b>1,944,061</b>
Cash and cash equivalents at the beginning of the year	4,739,240	2,795,180
<b>Cash and cash equivalents at the end of the year</b>	<b>396,940</b>	<b>4,739,240</b>

**Notes:**

- 1) Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued under the Companies (Accounting Standard) Rules, 2006.
- 2) Previous year's figures have been regrouped / reclassified wherever applicable.
- 3) Cash and cash equivalents represent cash and bank balances.

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**

Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**

Director

**ISAAC SUNDARAJAN**

Director

Place: Mumbai  
Date : May 12, 2011

Place: San Jose  
Date : May 12, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
20,000,000 Equity Shares, no par value		
3,000,000 shares of preferred stock, no par value		
Issued, Subscribed and Paid Up;		
10 Equity Shares fully paid up		
(Previous year 10 equity shares fully paid-up)	51,451,190	51,451,190
All the above equity shares are held by Larsen & Toubro Infotech Limited		
<b>TOTAL</b>	<u><u>51,451,190</u></u>	<u><u>51,451,190</u></u>

<b>SCHEDULE - B</b>		
<b>SECURED LOAN</b>		
Loan from Bank	-	228,742,915
<b>TOTAL</b>	<u><u>-</u></u>	<u><u>228,742,915</u></u>

<b>SCHEDULE - C</b>		
<b>UNSECURED LOAN</b>		
Term loans from bank	2,216,996	7,693,750
Loan from holding Company	240,813,000	89,800,000
<b>TOTAL</b>	<u><u>243,029,996</u></u>	<u><u>97,493,750</u></u>

**SCHEDULE - D  
FIXED ASSETS**

Fixed and Intangible Assets	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 01.04.2010	Foreign Currency Fluctuation	Additions	Deductions	As at 31.03.2011	Up to 01.04.2010	Foreign Currency Fluctuation	For the Period	Deductions	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Schedule D1 - Tangible Assets - Own</b>												
Furniture and fixtures	53,862,584	(361,607)	-	196,524	53,304,453	51,358,461	(374,061)	1,156,623	157,613	51,983,411	1,321,043	2,504,122
<b>Total of Tangible Assets</b>	<b>53,862,584</b>	<b>(361,607)</b>	<b>-</b>	<b>196,524</b>	<b>53,304,453</b>	<b>51,358,461</b>	<b>(374,061)</b>	<b>1,156,623</b>	<b>157,613</b>	<b>51,983,411</b>	<b>1,321,043</b>	<b>2,504,122</b>
<i>Total of Tangible Assets (Previous Period)</i>	<i>55,636,606</i>	<i>880,371</i>	<i>1,402,654</i>	<i>4,057,047</i>	<i>53,862,584</i>	<i>52,561,992</i>	<i>1,117,948</i>	<i>1,734,524</i>	<i>4,056,003</i>	<i>51,358,461</i>	<i>2,504,122</i>	<i>3,074,614</i>
<b>Schedule D2 - Intangible Assets</b>												
Software	13,637,900	(92,641)	-	-	13,545,259	13,637,875	(92,640)	-	-	13,545,235	24	25
Property Rights	99,370,955	(1,482,594)	37,126,684	-	135,015,046	25,641,273	(782,236)	27,958,216	-	52,817,254	82,197,792	73,729,682
CWIP- Intellectual property	-	-	-	-	-	-	-	-	-	-	55,065,423	25,742,742
<b>Total of Intangible Assets</b>	<b>113,008,855</b>	<b>(1,575,235)</b>	<b>37,126,684</b>	<b>-</b>	<b>148,560,305</b>	<b>39,279,149</b>	<b>(874,876)</b>	<b>27,958,216</b>	<b>-</b>	<b>66,362,488</b>	<b>137,263,240</b>	<b>99,472,448</b>
<i>Total of Intangible Assets (Previous Year)</i>	<i>52,959,765</i>	<i>(7,852,626)</i>	<i>67,901,716</i>	<i>-</i>	<i>113,008,855</i>	<i>20,993,270</i>	<i>(1,048,876)</i>	<i>19,334,755</i>	<i>-</i>	<i>39,279,149</i>	<i>99,472,448</i>	<i>73,291,680</i>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>INVESTMENTS</b>				
<b>Long term investment (at cost, unquoted)</b>				
In Subsidiaries :				
GDA Technologies Ltd.		1,760,298		1,772,338
1,67,234 Equity shares @ Rs. 10				
(Previous year : 1,67,234 Equity shares @ Rs. 10)				
Current Investments (at market value, quoted)				
Arkados				
1,50,000 shares @ USD 0.04		735,818		1,953,150
(Previous year : 1,50,000 shares of USD 0.11)				
Citrix Systems		241,348		138,472
114 Equity Shares @ USD 73.46				
(Previous Year:114 Equity Shares @ USD 47.47)				
Less: Diminution in Value of Investment (See Schedule O, Note 2d)		(336,157)		(1,107,772)
<b>TOTAL</b>		<b>2,401,307</b>		<b>2,756,188</b>
<b>SCHEDULE - F</b>				
<b>INVENTORY</b>				
Finished goods (See Schedule O, Note 2e)		3,077,233		2,334,980
<b>TOTAL</b>		<b>3,077,233</b>		<b>2,334,980</b>
<b>SCHEDULE - G</b>				
<b>SUNDRY DEBTORS</b>				
Unsecured				
Debts outstanding for a period exceeding six months				
Considered good	18,833,271		5,203,872	
Considered Doubtful	39,022,810		34,016,330	
		57,856,081		39,220,201
Other Debts				
Considered good		144,306,432		195,635,040
Less : Provision for doubtful debts		(39,022,810)		(34,016,330)
<b>TOTAL</b>		<b>163,139,703</b>		<b>200,838,912</b>
<b>SCHEDULE - H</b>				
<b>CASH AND BANK BALANCES</b>				
Balances with banks				
In current accounts		396,940		865,313
Remittance in transit		-		3,873,927
<b>TOTAL</b>		<b>396,940</b>		<b>4,739,240</b>
<b>SCHEDULE - I</b>				
<b>LOANS AND ADVANCES</b>				
Advances recoverable in cash or in kind		7,304,796		10,721,087
<b>TOTAL</b>		<b>7,304,796</b>		<b>10,721,087</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - J</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Current liabilities:				
Sundry creditors	54,936,268		56,389,371	
Due to subsidiary Company	61,264,522		138,637,910	
Due to holding Company	113,578,916		4,190,562	
Advance billing	29,301,502		7,670,536	
		<b>259,081,208</b>		<b>206,888,379</b>
Provisions :				
Income tax		44,149		119,210
<b>TOTAL</b>		<b>259,125,357</b>		<b>207,007,589</b>
<b>SCHEDULE - K</b>				
<b>PROFIT AND LOSS ACCOUNT</b>				
Transferred from Profit and Loss Account	247,873,410		272,812,467	
Add : (Profit) / Loss for the year	(21,671,869)		(24,939,057)	
		<b>226,201,541</b>		<b>247,873,410</b>
Forex Fluctuation Reserve		12,500,741		13,455,057
<b>TOTAL</b>		<b>238,702,282</b>		<b>261,328,467</b>
<b>SCHEDULE - L</b>				
<b>OTHER INCOME</b>				
Interest received		5,744		1,186
Miscellaneous income		408,000		316,352
<b>TOTAL</b>		<b>413,744</b>		<b>317,538</b>
<b>SCHEDULE - M</b>				
<b>SOFTWARE DEVELOPMENT EXPENSES</b>				
Salaries including overseas staff expenses		27,372,383		219,507,548
Staff welfare		348,510		1,156,539
Communication expenses		32,691,610		19,812,747
Consultancy charges		43,054,264		111,205,594
Raw materials consumed		75,452,068		47,965,912
Cost of bought-out items for resale		21,171,283		14,315,982
<b>TOTAL</b>		<b>200,090,118</b>		<b>413,964,322</b>
<b>SCHEDULE - N</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Salaries including overseas staff expenses		8,345,083		105,320,009
Travelling and conveyance		2,199,690		13,766,234
Rent and establishment expenses		4,030,129		18,910,912
Telephone charges and postage		889,759		3,520,635
Legal and professional charges		4,873,025		8,788,085
Printing and stationery		6,245		93,776

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Advertisement		728,930		1,404,078
Entertainment		83,788		504,616
General repairs and maintenance		140,680		124,956
Insurance charges		2,139,653		5,259,335
Commission charges		7,441,785		2,465,085
Books and periodicals		1,317,453		1,825,453
Gain / Loss on Sale of Assets		10,348		–
Provision for doubtful debts		5,354,009		8,653,068
Miscellaneous expenses		5,396,906		11,917,100
Conference expenses		–		11,485
<b>TOTAL</b>		<b>42,957,484</b>		<b>182,564,827</b>

**SCHEDULE - O****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****1. LEGAL STATUS**

GDA Technologies Inc. is a Company registered in the state of California, USA and is engaged in providing technology services in the areas of system architecture, board design, integrated circuits design and embedded software. The Company is a product development partner for companies in the embedded networking and consumer electronics market. The Company has developed products in the areas of hand-held embedded solutions, digital video, voice and data networking applications.

The Company is a wholly-owned subsidiary of Larsen and Toubro Infotech Limited.

In April 2010, the Company's Board of Directors approved a plan whereby the Company's services business and related contracts and the Company's employees were transferred to the Parent. At completion of the transaction, the Company retained the Intellectual Property licensing and Custom Design Manufacturing Services businesses.

**2. SIGNIFICANT ACCOUNTING POLICIES****a. Basis of preparation**

The Company maintains its accounts on an accrual basis following the historical cost convention in accordance with the generally accepted accounting principles (GAAP), in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government.

The preparation of financials statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**b. Revenue recognition**

Revenue from software development is recognised based on software developed or time spent in person hours or person weeks and billed to the customer as per the terms of specific contracts.

Unbilled revenue represents value of services performed in accordance with the contract terms but not billed.

**c. Fixed assets and depreciation**

Fixed Assets are stated at original cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful lives of the assets which range from three to seven years.

**d. Investments**

Long-term investments are stated at cost, less provision for other than temporary diminution in value, if any. Current investments are stated at the lower of cost or market value, determined on the basis of specific identification.

**e. Inventory**

Inventory consists of boards and related parts held for sale to customers. Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market. The Company has provided a provision for obsolete inventory, which it believes will not be sold.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****d. Foreign currency transactions**

The accounts are translated in Indian Rupees as follows:-

- Revenue transactions are translated at the average rates.
- Share capital is retained at the initial value, to the extent of initial contribution amount. Additional capital introduced have been valued at the rates prevailing at the date of the transaction.
- Fixed Assets, current assets and current liabilities are translated at rates prevailing on the date of Balance Sheet.
- The resultant differences are accounted as Foreign Currency Translation reserve in Balance Sheet.

**e. Taxes on income**

Provision for income tax for the current year is based on the taxable profits for the year after considering tax exemptions / allowances.

Deferred tax is recognised on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**NOTES FORMING PART OF THE ACCOUNTS**

1. Secured loans are collateralised by the Company's receivables and are subject to certain financial covenants.
2. Related Parties

List of related parties over which control exists / is exercised

Name	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro Infotech Limited	Holding Company
GDA Technologies Limited	Wholly owned subsidiary

The related parties with whom the Company had transactions during the year are:

Name	Relationship
Larsen & Toubro Infotech Limited	Holding Company
GDA Technologies Limited	Subsidiary

Transactions with related parties during the year:

Particulars	Holding company	Subsidiary company
Sale of materials	- (45,074,659)	- (179,048,842)
Purchase of services	34,088,596 (-)	- (161,399,588)
Loans taken	240,813,000 (89,800,000)	- (-)
Interest paid on loan taken	4,346,956 (3,823,965)	- (-)
Overheads charged to	2,884,446 (24,507,632)	92,816 (-)
Overheads charged by	142,312,795 (11,807,607)	13,55,726 (17,649,254)
Trade payables	34,088,596 (-)	- (-)
Other Payables	79,490,320 (4,190,546)	61,264,522 (138,637,910)
Trade receivables	- (22,450,000)	- (-)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

3. The Company leases its office facilities in the United States and India under non-cancelable operating lease agreements that expire at various dates through September 2014. In April 2010, the Company's operating lease agreements were assigned to the parent. As such, the Company's commitments have been assumed by the parent and the Company is allocated rent expense from the parent for facilities utilized.
4. Borrowing cost capitalised during the year : Rs. Nil
5. Based on the information and records available with the Company, there are no amounts payable to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.
6. 401(k) Saving plan

During May 1996, the Company established a defined contribution saving plan under Section 401(k) of the Internal revenue Codes. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company's contribution to the plan is determined annually by the Board of Directors. The Company did not make any contributions to the 401(k) plan during fiscal 2011 or 2010. In fiscal 2011, the Company terminated the 401(k) plan.

7. Auditors remuneration charged to the accounts amounted to Rs. 1,094,078 during the year (*previous year: Rs. 2,610,163*).
8. The Company is mainly in the business of software development. This is not capable of being expressed in the form of generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3 and 4c of part II of Schedule VI to the Companies Act, 1956.

The inventory comprises of numerous miscellaneous components and it is not feasible to provide quantitative analysis of each separate type.

9. Basic and diluted earnings per share (EPS)

	2010-11	2009-10
(Loss) / profit after tax as per accounts (Rs.)	21,671,869	24,939,057
Weighted average number of shares outstanding (nos.) (see note below)	10	10
Basic and diluted EPS (Rs.)	2,167,186.96	2,493,905.86

**Note:**

On March 15, 2007 Larsen & Toubro Infotech Limited (L&T Infotech) acquired 100% stake in GDA Technologies Inc. (GDA). As per the agreement and Plan of Merger ("the agreement), dated December 12, 2006, Cambridge Merger Sub Inc. (Cambridge), a company promoted by L&T Infotech, for the purpose of acquisition of GDA, was to reverse merge with GDA whereupon Cambridge ceased to exist and GDA remained as the continuing entity. As a result, with effect from March 15, 2007, GDA and its two wholly owned subsidiaries, GDA Technologies Limited and GDA Systems Private Limited became subsidiaries of L&T Infotech. The movement of the share capital of the Company on this account is described here under:-

PARTICULARS	SHARE CAPITAL	
	No. of shares	Amount (USD)
Balance as on January 1, 2007 (a)	12,247,478	\$ 224,205
ESOPs vested during the year (b)	1,248,389	\$ 1,032,092
Total (a)+ (b)	13,495,867	\$ 1,259,297
Less: Sale of common stock in connection on 15th March, 2007	(13,495,867)	(\$ 1,259,297)
Issuance of common stock in connection with the merger on 15th March, 2007	10	\$ 1,259,297
Balance as on March 31, 2008	10	\$ 1,259,297

10. Segmental reporting

Company provides design technology services in the areas of system architecture, board design, integrated circuits design and embedded software. All the activities of the Company are within the United States of America.

11. The Company is considered non-integral operation of Larsen & Toubro Infotech Limited (the holding Company). In accordance with Accounting Standard -11 (Revised 2003) the exchange differences on translation are accounted as Foreign currency translation reserve in Balance Sheet.
12. There are no contingent liabilities as on March 31, 2011. (*previous year - Rs. Nil*).
13. Previous year's figures have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

14 Balance Sheet abstract and Company's general business profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

+ -

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax

#### Application of Funds

Net Fixed Assets

Investments

+ -

Net Current Assets

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)

Total Expenditure

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ -

Earning per Share (in Rs.)

+ -

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product Descriptions

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No.109982W)  
By the hand of

For and on behalf of the Board

**R. D. KARE**  
Partner  
Membership No. 08820

**K. R. L. NARASIMHAM**  
Director

**ISAAC SUNDARAJAN**  
Director

Place: Mumbai  
Date : May 12, 2011

Place: San Jose  
Date : May 12, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourteenth Annual Report and audited Accounts of GDA Technologies Limited for the year ended March 31, 2011.

### FINANCIAL RESULTS

	(In Rs. Lakhs)	
	2010-11	2009-10
Total Income	217.38	2,099.56
Operating Profit / (Loss) - PBIDT	76.08	270.97
Less: Depreciation and amortization	48.91	56.51
<b>Profit / (Loss) Before Tax - PBT</b>	<b>27.17</b>	<b>214.46</b>
Less: Provision for Tax	(74.54)	101.04
Add / Less: (Written-off) / further provision for earlier years	(24.21)	0.75
Prior period Income	-	5.27
<b>Profit / (Loss) After Tax - PAT</b>	<b>125.92</b>	<b>117.94</b>
Add: Balance brought forward from previous year	2,869.90	2,751.96
Balance available for disposal which directors appropriate as follows:	2,995.82	2,869.90
<b>Balance carried forward to Balance sheet</b>	<b>2,995.82</b>	<b>2,869.90</b>

### REVIEW OF OPERATIONS

The Company recorded revenues of Rs. 217.38 Lakhs in the year 2010-11 as compared to Rs. 2,099.59 Lakhs in the previous year. The profit after tax for the year was Rs. 125.92 Lakhs as compared to the previous year Rs. 117.94 Lakhs.

During the year, the company integrated its services business, related contracts and company's employees with its ultimate parent Company, Larsen & Toubro Infotech Limited. Accordingly, the revenue has shown significant reduction this year due to the integration process being affected.

### DIVIDEND

The Directors do not recommend dividend for the current year.

### DEPOSITS

During the period under review, the Company has not accepted any deposits from the public.

### DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure "A" forming part of this report.

### PARTICULARS OF EMPLOYEES

There were no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures, if any;
- 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 on March 31, 2011 and the profit or loss of the Company for that 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;
- iv) the Directors had prepared the Annual Accounts on a going concern basis; and
- v) that proper systems are in place to ensure compliances of all laws applicable to the Company.

### AUDITORS

The Auditors, M/s. S. V. Visvanathan & Associates, Chartered Accountants, Coimbatore, statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting.

**DIRECTORS**

During the year under review, Mr. K. R. L. Narasimham was appointed as an additional Director of the Company with effect from April 12, 2011. As per the provisions of Section 260 of the Companies Act, 1956, Mr. K. R. L. Narasimham holds office up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notice in writing from a member under Section 257 of the Act, in respect of Mr. K. R. L. Narasimham proposing his appointment as a Director of the Company. The Board recommends his appointment.

Mr. R. C. Swamy resigned during the year from the position of Directorship of the Company. The Board places on record the appreciation for the services rendered by Mr. R. C. Swamy.

Mr. M. V. Govindrajan retires by rotation and is eligible for re-appointment.

**COMPLIANCE CERTIFICATE**

In accordance with Section 383A of the Companies Act 1956, Companies (Compliance Certificate) Rules 2001, the Company has obtained a certificate from a Secretary in whole- time practice and a copy of the certificate is annexed to this report.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the Bankers, Vendors and Customers.

For and on behalf of the Board

Place : Bangalore  
Date : April 15, 2011

**M. V. GOVINDARAJAN**  
Director

**GOPAKUMAR PERIYADAN**  
Director

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**ANNEXURE – A**

**INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2011**

**FORM - B**

**A. CONSERVATION OF ENERGY**

(A) Since the Company is engaged in software development, it is not a major consumer of energy.

**B. TECHNOLOGY ABSORPTION**

- I. Research and Development (R&D):  
R&D efforts at Bangalore centre started from 01.04.2000.
- II. Specific areas where R&D is carried out by the Company:  
R&D efforts are continuing in the fields of Systems and Layout Designs.
- III. Technology absorption, adaptation and Innovation:  
Continuous efforts are made towards Technology innovation.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- a. Efforts:  
We have got 100% EOU certificate from STPI.
- b. Total foreign exchange used and earned:

Used	Rs. 71,626,566
Earned	Rs. 63,02,953

For and on behalf of the Board

Place : Bangalore  
Date : April 15, 2011

**M. V. GOVINDARAJAN**  
Director

**GOPAKUMAR PERIYADAN**  
Director



SOUNDARARAJAN G.  
ACS.,  
COMPANY SECRETARY

9/303 Naveen  
Kalampalayam  
Coimbatore-641 010  
Ph. 094438 98005

## **COMPLIANCE CERTIFICATE FOR THE YEAR ENDED MARCH 31, 2011**

CIN U72200TZ1997PLC008145  
Nominal Capital: Rs. 40,00,000/-.

To

The Members  
GDA TECHNOLOGIES LIMITED,  
Regd. Office: 78, A.K. Nagar,  
Saibaba Mission Post,  
Coimbatore-641 011

Sir,

I have examined the registers, records, books and papers of GDA TECHNOLOGIES LIMITED, [the Company] as required to be maintained under the Companies Act, 1956, [the Act] and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year-

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder as stated in Annexure 'B'. However, no forms or returns were required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The company, being a public limited company, has a paid up capital of Rs. 16,81,970/-.
4. The Board of Directors duly met five times respectively on 05.05.2010, 21.07.2010, 13.09.2010, 09.11.2010 and 18.01.2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members, during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2010 was held on 25.08.2010 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting was held during the financial year.
8. The company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act during the year.
9. There were no contracts / services executed during the year falling under Section 297 of the Act.
10. There were no contracts / services executed necessitating entry in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate Share Certificates during the financial year.
13.
  - i) The company has not made any allotment / transfers / transmission of securities during the financial year.
  - ii) The Company has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to be transferred to Investor Education and Protection Fund.
  - iii) Duly complied with the requirements of Section 217 of the Act.
14. The Company's paid up capital being less than the prescribed Rs. 5 Crores, it is not required to appoint the Managing Director / Whole Time Director / Manager and accordingly provisions of Section 269 to that extent is not applicable during the period under review.
15. The Company has not appointed any sole selling agents during the financial year.
16. The Company was not required to obtain any approval of the Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
17. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
18. The Company has not issued any shares, debentures or other securities during the financial year.

## GDA TECHNOLOGIES LIMITED

19. The Company has not bought back any shares during the financial year.
20. The Company has not issued preference shares / debentures during the year and hence the question of redemption of preference shares or debentures during the financial year does not arise.
21. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The Company has not invited /accepted any deposits including any unsecured loans falling within the purview of Section 58A / 58AA during the financial year.
23. The company has not made any secured borrowings under Section 293(1) d during the financial ended March 31, 2011.
24. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
25. The Company has made inter corporate loans to the holding company with the approval of the Board in compliance with Section 372A of the Act during the financial year.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of Memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. Since the Employees Provident Fund Act, 1952 is applicable to the company, Compliance of Section 418 does not arise.

*Place: Coimbatore*

*Date : April 15, 2011*

Signature: SD/-

Name of the Company Secretary: G. SOUNDARARAJAN

*M. No. 13993*

*C. P. No. 4993*

**ANNEXURE 'A'****SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED MARCH 31, 2011****GDA TECHNOLOGIES LIMITED**

CIN U72200TZ1997PLC008145

Nominal Capital: Rs. 40,00,000/-

Registers as maintained by the Company:

- 1) Register of Members u/s. 150
- 2) Register of Attendance of Members at the General Meeting
- 3) Register of Directors Share Holding u/s. 307
- 4) Board Meeting Minutes u/s. 193
- 5) Annual General Meeting Minutes u/s. 193
- 6) Register of Contracts, in which Directors are interested u/s. 301 and 301(3)
- 7) Register of Directors u/s. 303
- 8) Share transfer Register
- 9) Register of Investments
- 10) Register of Common Seal
- 11) Register of Issue of duplicate share certificates

*Place: Coimbatore**Date : April 15, 2011*

Signature: SD/-

Name of the Company Secretary: G. SOUNDARARAJAN

*M. No. 13993**C. P. No. 4993***ANNEXURE 'B'****SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED MARCH 31, 2011****GDA TECHNOLOGIES LIMITED**

CIN U72200TZ1997PLC008145

Nominal Capital: Rs. 40,00,000/-

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year Ending March 31, 2011:

S.No	Form No. Return	Filed u/s.	For	Date of Filing Ch. No.	Whether filed Within prescribed time	If delay in filing whether Requisite Additional fees paid
1	23 AC, 23ACA	220	Profit and loss Account and Balance Sheet as at 31.03.2010	11.10.2010 P54278163	NO	YES
2	66	383A	Secretarial Compliance Certificate for the year ended 31.03.2010	11.10.2010 P54271416	NO	YES
3	Schedule V - 20B	159	Annual Return made upto 03.06.2010	11.10.2010 P54275037	YES	NO

CENTRAL GOVERNMENT : NIL

Regional Director : NIL

*Place: Coimbatore**Date : April 15, 2011*

Signature: SD/-

Name of the Company Secretary: G. SOUNDARARAJAN

*M. No. 13993**C. P. No. 4993*

## AUDITORS' REPORT

### TO THE MEMBERS OF GDA TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of M/s. GDA Technologies Limited as at March 31, 2011, and also the Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we give below our report on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to the comments in the Annexure referred to above 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from the Directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, including the Balance Sheet and Profit and Loss account dealt with by this report read with the Notes thereon and documents annexed thereto, 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.
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
    - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For S. V. VISVANATHAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Registration No. 005944S

Place : Chennai  
Date : April 15, 2011

**R. MUGUNTHAN**  
Partner  
Membership No. 021397

## ANNEXURE TO AUDITOR'S REPORT OF M/S. GDA TECHNOLOGIES LIMITED FOR THE YEAR ENDED MARCH 31, 2011

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 and the same is being updated.
  - (b) All the Assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. No material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off a major part of its Assets.
- ii. (a) The Company has no Inventory and hence the provision relating to physical verification and sub clauses (b) and (c) does not arise.
- iii. The Company had not taken / given loan from / to the Directors and other Parties listed in the Register maintained u/s 301 of the Companies Act, 1956 and hence sub clauses b, c, d, e, f and g of clause (iii) of the said order is not applicable.

- 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 purchases of Inventory, Fixed Assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. (a) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any Deposit from the Public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its Business.
- viii. The provision relating the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 does not apply to the Company.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- (c) According to the information and explanation given to us, there are no dues of Sales Tax, Income tax, Customs duty, Wealth tax, Excise Duty and Cess which have not been deposited on account of any dispute other than ESI dues as given below:

Sl. No.	Name of the Statute	Nature of the due	Total Amount	Disputed Amount Paid	Period to which the amount relate	Forum where dispute is pending
1.	ESI	Regular Demand	52,052	26,026	31.03.2001	Principal Labour Court cum Employees State Insurance Court

- x. The Company does not have any accumulated losses as at March 31, 2011. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. The Company has not taken any loan from Financial Institutions, Banks or Debenture holders.
- xii. In our opinion and according to the information and explanation given to us the Company has not granted any 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 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 are not applicable to the Company.
- xv. In our opinion, the terms & conditions on which the company has given guarantees for loans taken by others from Banks (or) Financial Institutions are not prejudicial to the interest of the company.
- xvi. The Company has not received any Term Loan during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xviii. During the year the Company has not made any allotment of Shares.
- xix. According to the information and explanations given to us, during the period covered by our Audit Report, the Company has not issued any Debentures.
- xx. The Company has not raised any money by Public Issue during the period.
- xxi. According to the information and explanations given to us, based upon the audit procedures performed and representations made by the management no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. V. VISVANATHAN & ASSOCIATES**  
 CHARTERED ACCOUNTANTS  
 Registration No. 005944S

Place : Chennai  
 Date : April 15, 2011

**R. MUGUNTHAN**  
 Partner  
 Membership No. 021397

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1	1,681,970		1,681,970	
Reserves & Surplus	2	300,581,876		287,990,146	
			302,263,846		289,672,116
Unsecured Loan	3		-		10,000,000
Deferred Tax Liability	4		-		7,374,246
<b>TOTAL</b>			<b>302,263,846</b>		<b>307,046,362</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	31,200,909		31,784,632	
Less: Depreciation		28,325,107		23,650,439	
Net Block			2,875,802		8,134,193
Deferred Tax Assets	6		579,577		-
<b>Current Assets, Loans &amp; Advances</b>					
Interest Accrued			-	224,407	
Work-in-Progress	7		-	933,725	
Sundry Debtors	8	61,873,852		154,880,870	
Cash and Bank Balances	9	2,365,688		171,297,983	
Loans and Advances	10	238,627,348		15,118,850	
		302,866,888		342,455,835	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	11	4,058,421		39,408,113	
Provisions	12		-	4,135,553	
		4,058,421		43,543,666	
Net Current Assets			298,808,467		298,912,169
<b>TOTAL</b>			<b>302,263,846</b>		<b>307,046,362</b>

Schedule 1 to 12 and Significant Accounting Policies and Notes to Accounts form part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.  
As per our report attached

For and on behalf of the Board

**For S. V. VISVANATHAN & ASSOCIATES**  
Chartered Accountants

**R. MUGUNTHAN**  
Partner  
Membership No. 021397

**M. V. GOVINDARAJAN**  
Director

**GOPAKUMAR PERIYADAN**  
Director

Place : Chennai  
Date : April 15, 2011

Place : Bangalore  
Date : April 15, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Schedule</u>	<u>2010-2011 Rupees</u>	<u>2009-2010 Rupees</u>
<b>INCOME</b>			
Sales	13	10,814,661	200,503,640
Other Income	14	10,923,183	14,927,385
Increase / (Decrease) in WIP		-	(5,474,883)
<b>TOTAL - INCOME</b>		<b>21,737,844</b>	<b>209,956,142</b>
<b>EXPENDITURE</b>			
Employee Cost	15	8,755,388	142,558,148
Administrative Expenses	16	5,374,245	40,300,592
Depreciation		4,891,395	5,651,464
<b>TOTAL - EXPENDITURE</b>		<b>19,021,028</b>	<b>188,510,203</b>
<b>Income Before Taxes</b>		<b>2,716,816</b>	<b>21,445,938</b>
Provision for Income Tax		500,000	4,350,000
Short Provision for Income Tax for earlier years now provided		-	73,503
Provision for Deffered Tax Asset		(7,953,823)	5,754,061
Excess Provision for Fringe Benefit Tax for earlier years now w/back		-	1,040
Provision for bad and doubtful debts written back		(2,421,090)	-
<b>Income after Taxes</b>		<b>12,591,729</b>	<b>11,267,334</b>
Add : Prior Period Income		-	526,691
		<b>12,591,729</b>	<b>11,794,025</b>
Balance brought forward from Previous year		<b>286,990,146</b>	<b>275,196,121</b>
<b>Profit available for Appropriation</b>		<b>299,581,875</b>	<b>286,990,146</b>
Appropriation			
Proposed Dividend		-	-
Corporate Tax on Dividend		-	-
Transfer to General Reserve		-	-
<b>Balance surplus carried to Balance sheet</b>		<b>299,581,875</b>	<b>286,990,146</b>
Earnings per Share		<b>74.86</b>	<b>70.12</b>

Schedule 13 to 16 and Significant Accounting Policies and Notes to Accounts form part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our report of even date.  
As per our report attached

For and on behalf of the Board

**For S. V. VISVANATHAN & ASSOCIATES**  
Chartered Accountants

**R. MUGUNTHAN**  
Partner  
Membership No. 021397

**M. V. GOVINDARAJAN**  
Director

**GOPAKUMAR PERIYADAN**  
Director

Place : Chennai  
Date : April 15, 2011

Place : Bangalore  
Date : April 15, 2011





**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised Capital</b>				
4,00,000 Equity Shares of Rs. 10 each		<u>4,000,000</u>		<u>4,000,000</u>
<b>Issued, Subscribed and Paid up Capital</b>				
1,68,197 Equity Shares of Rs. 10 each fully paid up		<u>1,681,970</u>		<u>1,681,970</u>
<b>TOTAL</b>		<u><b>1,681,970</b></u>		<u><b>1,681,970</b></u>
<b>SCHEDULE - 2</b>				
<b>RESERVES AND SURPLUS</b>				
General Reserve		<u>1,000,000</u>		<u>1,000,000</u>
Surplus in Profit & Loss Account		<u>299,581,873</u>		<u>286,990,146</u>
<b>TOTAL</b>		<u><b>300,581,873</b></u>		<u><b>287,990,146</b></u>
<b>SCHEDULE - 3</b>				
<b>UNSECURED LOANS</b>				
From Holding company		<u>-</u>		<u>10,000,000</u>
<b>TOTAL</b>		<u><b>-</b></u>		<u><b>10,000,000</b></u>
<b>SCHEDULE - 4</b>				
<b>DEFERRED TAX LIABILITY</b>				
As per Last Balance sheet		-		<u>1,620,185</u>
Add : Transfer during the year		-		<u>5,754,061</u>
Less: Transfer from GDA Systems P Ltd pursuant to Amalgamation		-		<u>-</u>
<b>Balance</b>		<u><b>-</b></u>		<u><b>7,374,246</b></u>

**SCHEDULE - 5****FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2010	Additions	Sales / Transfers	Cost as at 31.03.2011	Upto 01.04.2010	For the period	Sales / Transfers	Upto 31.03.2011	As at 31.03.2011	As at 01.04.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computers	29,970,829	-	280,400	<b>29,690,429</b>	23,027,961	4,811,385	129,506	<b>27,709,839</b>	<b>1,980,590</b>	6,942,868
Office Equipments	890,654	-	74,578	<b>816,076</b>	295,977	38,654	10,181	<b>324,450</b>	<b>491,625</b>	594,677
Electrical Fittings	164,596	-	-	<b>164,596</b>	88,332	7,818	-	<b>96,151</b>	<b>68,445</b>	76,264
Furniture & Fittings	758,553	-	228,744	<b>529,809</b>	238,169	33,537	77,039	<b>194,667</b>	<b>335,142</b>	520,384
<b>Total</b>	<b>31,784,632</b>	-	<b>583,722</b>	<b>31,200,909</b>	<b>23,650,439</b>	<b>4,891,394</b>	<b>216,726</b>	<b>28,325,107</b>	<b>2,875,802</b>	8,134,193
<i>Previous year</i>	46,178,902	1,314,485	15,708,756	31,784,632	26,899,433	5,651,464	8,900,458	23,650,439	8,134,193	19,279,469

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 6</b>				
<b>DEFERRED TAX ASSETS</b>				
As per Last Balance sheet		7,374,246		—
Add : Transfer during the year		7,953,823		—
Less: Transfer from GDA Systems P Ltd pursuant to Amalgamation		—		—
<b>Balance</b>		<b>579,577</b>		<b>—</b>
<b>SCHEDULE - 7</b>				
<b>WORK-IN-PROGRESS</b>				
WIP		—		933,725
<b>TOTAL</b>		<b>—</b>		<b>933,725</b>
<b>SCHEDULE - 8</b>				
<b>SUNDRY DEBTORS (UNSECURED - CONSIDERED GOOD)</b>				
Debts outstanding for a period exceeding 6 months				
Considered good (includes debts due from Holding Companies Rs. 61,415,625) (Previous year Rs. 144,084,623)		61,873,852		36,042,139
Considered doubtful		—		2,421,090
		<b>61,873,852</b>		<b>38,463,229</b>
Other debts				
Considered good		—		118,838,731
		<b>61,873,852</b>		<b>157,301,960</b>
Less : Provision for Bad and doubtful debts		—		2,421,090
<b>TOTAL</b>		<b>61,873,852</b>		<b>154,880,870</b>
<b>SCHEDULE - 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash and Cheques on hand		552		3,425
Balances with scheduled Banks				
In Current Account		2,259,930		5,865,908
In Deposit Account		105,206		165,428,650
<b>TOTAL</b>		<b>2,365,687</b>		<b>171,297,983</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 10</b>				
<b>LOANS AND ADVANCES (UNSECURED - CONSIDERED GOOD)</b>				
Advances recoverable in cash or kind or for value to be received				
Due From Others (Due From Others includes Rs. 223,460,418 representing ICD and Rs. 4,244,313 towards other dues from Holding company's Holding Company)		227,708,731		918,807
Prepaid Expenses		10,967		559,679
Telephone Deposit		-		4,000
Rent Advance		60,000		60,000
Income Tax & TDS (Net of Provision)		6,458,220		6,075,529
Input Service tax		4,382,908		3,847,914
Other Deposits		6,521		3,652,921
<b>TOTAL</b>		<b>238,627,348</b>		<b>15,118,850</b>

**SCHEDULE - 11****CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

## Sundry Creditors

Due to SSI Units

-

-

Others

4,058,421

39,408,113

(Others include debts due to Holding Companies Rs. Nil)  
(Previous year Rs. 17,013,447)**TOTAL****4,058,421****39,408,113****SCHEDULE - 12****PROVISIONS**

Proposed Dividend

-

-

Tax on Proposed Dividend

-

-

Provision for Tax

-

-

Provision for FBT

-

341,151

Provision for Gratuity

-

3,794,402

**TOTAL****-****4,135,553****SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 13</b>				
<b>SALES</b>				
Export	6,302,953		205,246,436	
Domestic	2,211,692		12,228,429	
		8,514,645		217,474,865
Exchange Variation (Net)		2,300,016		(16,971,225)
<b>TOTAL</b>		<b>10,814,661</b>		<b>200,503,640</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 14</b>				
<b>OTHER INCOME</b>				
Interest Received (TDS - Rs. 775,398; Previous Year Rs. 1,480,138)		9,432,134		12,286,873
Interest Received - others		1,491,048		-
Other Income - Lease Rental		-		2,500,000
Miscellaneous Income		-		140,512
<b>TOTAL</b>		<b>10,923,183</b>		<b>14,927,385</b>
<b>SCHEDULE - 15</b>				
<b>EMPLOYEE COST</b>				
Salries & Wages		65,635		114,119,302
Professional fee - IT services		134,507		1,803,666
Consultancy & Sub contracting expenses		8,514,645		3,143,449
Recruitment		35,000		149,233
Staff Welfare		5,601		1,063,865
Employee Development		-		31,506
Reimbursement of tools Cost		-		22,247,127
<b>TOTAL</b>		<b>8,755,388</b>		<b>142,558,148</b>
<b>SCHEDULE - 16</b>				
<b>ADMINISTRATIVE EXPENSES</b>				
Travelling Expenses		267,031		2,766,150
Repairs & Maintenance				
Building		349,914		438,529
Computers & Others		7,000		611,507
Rent - Building		1,352,209		9,728,161
Sales Promotion Expenses		8,761		105,847
Telephone		57,773		235,747
Administrative Charges		9,894		1,244,971
Interest & Bank Charges		777,909		2,216,873
Electricity		-		2,899,196
Insurance		54,376		19,153
Taxes & Fees		265,312		613,472
Internet Charges		-		1,252,661
Rent - Furniture		-		-
Salaries - Administrative Staff		183,899		1,371,874
Auditors Remuneration		93,565		138,788
Loss on Sale of Asset		366,996		5,131,869
R&D Expenses		167,109		654,261
Reimbursement of Management expenses		-		9,503,454
Bad Debts Written off		1,412,497		-
Provision for doubtful debts		-		1,368,080
<b>TOTAL</b>		<b>5,374,245</b>		<b>40,300,592</b>

# **NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

## **I. SIGNIFICANT ACCOUNTING POLICIES**

### **a) General**

The company is consistently following the accrual method of accounting and the Financial Statements are prepared on the basis as going concern basis. The accounting method followed by the company complies with the applicable accounting standards issued by the Institute of Chartered Accountants of India and also relevant provisions of the Companies Act, 1956.

### **b) Depreciation**

Depreciation on Fixed Assets is calculated on straight line basis at the rates specified in Schedule XIV of the Companies Act.

### **c) Revenue Recognition**

Sales represents billing done for software development services rendered by the Company. Percentage completion method is followed in respect of fixed price contracts.

### **d) Fixed Asset**

Fixed Assets are stated at cost which includes cost of the Assets Freight. Installation, borrowing, duties and taxes and other incidental expenses incurred during the construction/installation stage.

### **e) Foreign Currency Transactions**

Income and Expenditure items involving foreign exchange are translated at the Exchange rate prevailing on the dates of transaction. All fluctuations arising from Foreign exchange transactions are dealt with in the profit and loss account gains and Losses are accounted for on realization.

### **f) Employee benefits / retirement benefit of employees**

- a) Gratuity benefits are provided on the basis of management estimate rather than on the basis of actuarial valuation.
- b) Leave encashment are accounted on accrual basis.
- c) Provident Fund (PF) and Employees State Insurance (ESI) contributions are made to the respective authorities.

### **g) Earnings per share**

The Earnings considered in ascertaining the Company's earning per share comprises of Net Loss/Profit after tax and include post tax adjustments of prior period and extra – ordinary items.

### **h) Taxation**

Provision for current tax is made on the basis of estimated taxable income for the Current accounting year in accordance with the Income Tax Act, 1961.

The Company is eligible for tax exemption under Section 10A of the Income Tax Act, 1961.

Deferred Tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date.

### **i) Impairment of assets**

An asset is impaired when the carrying amount of the assets exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

### **j) Provisions, contingent liability and contingent assets**

- a) Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and if is probable that there will be an outflow of resources.
- b) Contingent liabilities are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.
- c) Contingent liability under various fiscal laws includes those in respect of which the Company / Department in appeal.

## **II. NOTES TO ACCOUNTS**

- 1) Estimated amount of contracts remaining to be executed on capital account and are not provided for Rs. Nil [Previous Year Rs. Nil]
- 2) Contingent Liability not provided for in respect of:
  - i) Disputed demands by Employee State Insurance Corporation not acknowledged as Debts - Rs. 26,026 [Previous year Rs. 26,026]

## NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

- 3) Additional information pursuant to the provisions of Schedule VI of Companies Act, 1956

**i) Expenditure in foreign Currency on account of**

Nature of Expenses	31.03.2011	31.03.2010
a) Passage money	–	27,49,957
b) Procurement of Material/Capital items	–	9,38,489

**ii) Earnings in foreign Currency**

a) Software Sales / Service	63,02,953	18,82,75,211
-----------------------------	-----------	--------------

- 4) Interest Income of Rs. 10,923,183 [Previous year Rs. 12,286,873]

Tax deducted at source thereon Rs. 777,398 [Previous year Rs. 1,480,138]

- 5) Based on the information available with the company regarding the status of suppliers, there are no amounts due to small scale / Ancillary undertaking outstanding for more than 30 days on account of Principal and or interest as at the close of the year.
- 6) In the Opinion of the Board the current assets, loans and advances have a value on realization in the ordinary courses of business at least equal to the amount at which they are stated.
- 7) Income tax assessments completed up to Assessments year 2008-09.
- 8) Earning per share

	2010-2011	2009-2010
<b>Numerator</b>		
Net Profit attributable to Shareholders	Rs. 12,591,729	Rs. 11,794,025
<b>Denominator</b>		
Weighted Average Equity Shares Numbers	1,68,197	1,68,197
Basic and Diluted Earnings Per shares	Rs. 74.86	Rs. 70.12

- 9) Deferred Tax Asset

The Company has adopted Accounting Standard – 22 “Accounting for Taxes on Income” as per the clarifications issued by the Institute of Chartered Accountants of India from the year. The accumulated deferred tax amounting to Rs. (79,53,823) on account of timing difference between book and Income tax depreciation is adjusted in the Profit and Loss Account.

Opening Timing difference on account of Depreciation during Tax Holiday Rs. 73,74,246.

Closing Timing difference on account of Depreciation during Tax holiday Rs. 79,53,823.

Deferred tax Assets Rs. 5,79,577.

- 10) Disclosure in respect of provisions pursuant to Accounting standard - 29

Particulars	Opening Balance as on 01.04.10	Provided during the year	Utilised during the year	Reversed during the year	Closing Balance as on 31.03.11
Income Tax	43,50,000	5,00,000	–	–	48,50,000
FBT	3,41,151	–	–	341,151	–

- 11) Balance of Certain creditors, debtors, loans and advances given are subject to confirmation and reconciliation, if any. However in the opinion of the management, there would not be any material impact on financial statements.

- 12) Audit fees includes (incl. Service Tax) :

Particulars	31.03.2011	31.03.2010
For Audit	36,500	36,951
For Taxation	25,000	24,266
For Transfer Pricing	50,000	55,150
For others	–	6,618
For Reimbursement	1,500	9,185

## NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011 (Contd.)

13) Disclosure of interest of related parties pursuant to Accounting Standard 18

a. Name of the Related Parties with whom the Company had transactions during the year:

- i) Holding Company - GDA Technologies Inc., USA
- ii) Holding Company of Holding Company - Larsen & Toubro Infotech Limited

b. The following transaction were carried out with the related parties in the ordinary course of business during the year:

	Holding Company	Holding Company of Holding Company
i) Recoverable Expenses		
i) incurred for related parties	12,49,861	11,227,409
ii) incurred by related parties	92,816	-
ii) Purchase of Materials	1,05,865	-
iii) Interest receivable	-	1,333,284
iv) Interest paid during the year	-	2,08,082
v) Trade Receivables	6,14,15,625	227,704,731

14) Segmental Reporting

The Company operates materially in one business segment – Software Development.

15) The figures of the previous year have been re-grouped / re-arranged wherever necessary so as to make them comparable with those of the current year.

As per our report attached

For and on behalf of the Board

**For S. V. VISVANATHAN & ASSOCIATES**

*Chartered Accountants*

**R. MUGUNTHAN**

*Partner*

*Membership No. 021397*

**M. V. GOVINDARAJAN**

*Director*

**GOPAKUMAR PERIYADAN**

*Director*

*Place : Chennai*

*Date : April 15, 2011*

*Place : Bangalore*

*Date : April 15, 2011*

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

16. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Deferred Tax Assets

Accumulated Losses

Miscellaneous Expenditure

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover

Total Expenditure

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

Earnings Per Share in Rs. (Basic)

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. (ITC Code)

Product Descriptions

For and on behalf of the Board

Place : Bangalore  
Date : April 15, 2011

**M. V. GOVINDARAJAN**  
Director

**GOPAKUMAR PERIYADAN**  
Director



## DIRECTORS' REPORT

The Directors have pleasure in presenting their Third Annual Report and Accounts of the Company for the year ended March 31, 2011.

### FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

Particulars	<b>For the year ended March 31, 2011</b>	<i>For the year ended March 31, 2010</i>
		(Rs. in Lakh)
<b>Gross Income</b>	<b>569.38</b>	536.42
<b>Profit before Tax</b>	<b>21.52</b>	287.48
Provision for Tax	<b>8.00</b>	6.25
<b>Profit after Tax</b>	<b>13.52</b>	281.23
Add : Balance brought forward from previous year	<b>223.29</b>	(1.69)
<b>Balance available for appropriation</b>	<b>236.81</b>	279.54
Appropriations:		
Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	<b>3.00</b>	56.25
<b>Surplus carried forward to Balance Sheet</b>	<b>233.81</b>	223.29

### APPROPRIATIONS

The Company proposes to transfer Rs. 3 lakh (*Previous year Rs. 56.25 lakh*) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934 and retain Rs. 233.81 lakh (*Rs. 223.29 lakh*) in the Profit and Loss Account of the Company.

### DIVIDEND

The Directors do not recommend any dividend for the year ended March 31, 2011.

### REVIEW OF OPERATIONS

During the year, the Company made strategic investments of Rs. 49,500 lakh in its wholly owned subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Company Limited and India Infrastructure Developers Limited, to provide capital to these companies to enable them to raise resources for their continued business growth.

As a matter of prudence, it also made a provision of Rs. 4,500 lakh for diminution of the value of its investment in an Associate Company. This led to the Profit Before Tax during the year ended March 31, 2011 being lower than the corresponding figure for the preceding financial year.

### RESOURCES

During the year under review, Larsen & Toubro Ltd (L&T), the holding company, had subscribed to 63,432,835 Equity Shares of Rs. 10 each, for cash at a premium of Rs. 57 per share, aggregating to Rs. 42,500 lakh. The paid up capital of the Company increased to Rs. 141,702.44 lakh as at March 31, 2011 from Rs. 135,359.16 lakh as at March 31, 2010.

The Company has also raised an inter-corporate deposit of Rs. 35,600 lakh from its holding company, Larsen & Toubro Limited to provide funds for the Company's operations.

### Initial Public Offer

With a view to making an initial public offering ("IPO") of equity shares, the Company has filed a draft red herring prospectus ("DRHP") dated March 29, 2011 prepared in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations, 2009 with the Securities and Exchange Board of India ("SEBI") on March 30, 2011 for an issue size aggregating to Rs. 175,000 lakh. The issue structure includes a potential a pre-IPO placement of up to Rs. 40,000 lakh. The Board believes that this step will enable the Company to raise resources to meet the growth needs.

### FIXED DEPOSITS

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

### CHANGE IN THE NAME OF THE COMPANY

During the year, the Company has changed its name to L&T Finance Holdings Limited pursuant to a Special Resolution passed by the Shareholders at a general meeting held on September 1, 2010. Pursuant to the change of name, a fresh certificate of incorporation was granted to the Company by the Registrar of Companies on September 6, 2010.

### APPOINTMENT OF CHAIRMAN

The Board has appointed Mr. Y. M. Deosthalee as Chairman of the Company with effect from September 25, 2010. The Board, at its meeting of October 25, 2010, has also approved the appointment of Mr. Deosthalee as Chairman & Managing Director of the Company with effect from the date of listing of the Company, subject to approval by the Shareholders of the Company and other approvals as may be required.

**L&T FINANCE HOLDINGS LIMITED**  
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**DIRECTORS**

During the year, Mr N. Sivaraman, Director of the Company has been appointed as President and Whole-time Director of the Company. Further, the Company has appointed the following persons as Additional Directors during the year.

- ❖ Mr. A. K. Jain
- ❖ Mr. Shailesh Haribhakti
- ❖ Mr. B. V. Bhargava
- ❖ Mr. Subramaniam N.
- ❖ Mr. M. Venugopalan
- ❖ Mr. P. V. Bhide

All the Additional Directors hold office up to the date of ensuing Annual General Meeting of the Company and are eligible for re-appointment. Mr. R. Shankar Raman, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

**CORPORATE GOVERNANCE**

A separate section on Corporate Governance standards followed by the Company is enclosed as an Annexure to this report.

**EMPLOYEE STOCK OPTION SCHEME**

The Company has by a board resolution dated September 25, 2010 and Shareholders' resolution dated November 29, 2010, instituted an Employee Stock Option (ESOP) Scheme.

A brief note on the said ESOP scheme as well as details of grants thereunder are given in note 2 of Schedule 11 of the attached financial statements.

**AUDITORS**

The Company's Statutory Auditors, M/s. Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Board recommends re-appointment of the firm as Statutory Auditors.

**PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER**

Mr. N. Sivaraman, President & Whole-time Director of the Company, is on deputation from Larsen & Toubro Limited, the holding company. During the year, in accordance with the arrangement between Larsen & Toubro and the Company, the remuneration of Mr. Sivaraman was paid by Larsen & Toubro Limited and therefore, there are no particulars required to be disclosed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975. Please refer to Note No. 7 to Schedule 11 to the Accounts for the year ended March 31, 2011.

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

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to the Company.

There were no foreign exchange earnings and expenditure during the year under review.

**DEPOSITORY SYSTEM**

The Equity shares of the Company are admitted with Depositories – National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's 1,417,024,215 shares aggregating to 99.99% are held in Demat Mode.

**SUBSIDIARY COMPANIES**

The Ministry of Corporate Affairs vide its Circular No 2/2011 dated February 8, 2011 had granted general exemptions to holding company from attaching accounts of subsidiary companies, provided prescribed conditions are fulfilled.

Pursuant to the compliance with the said circular, the Board of Directors has, at its meeting held on April 26, 2011, passed a resolution giving consent for not attaching the Balance Sheet of the subsidiary companies. The audited consolidated financial statements prepared are in accordance with the said circular which form part of this report. Consequently, the financial statements of the subsidiaries are not attached to the Accounts of the Company.

As required by the said circular, the Company has given the information on subsidiary companies in the consolidated financial statements. The Shareholders of the Company and subsidiary companies who wish to have a copy of the accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be available for inspection by any shareholder at the Registered Office of the Company and the subsidiaries on any working day during business hours.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

2. 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, 2011 and of the profit of the Company for the year ended on that date;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the annual accounts have been prepared on a going concern basis and
5. Proper systems are in place to ensure compliance of all laws applicable to the Company.

#### **AUDITORS' REPORT**

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

#### **RESERVE BANK OF INDIA (RBI) GUIDELINES**

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2011.

#### **ACKNOWLEDGEMENT**

The Directors wish to thank Reserve Bank of India and other Regulatory / Government Authorities for their continued co-operation and support.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**  
Chairman

**N. SIVARAMAN**  
President and Whole-time Director

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## **CORPORATE GOVERNANCE REPORT**

The Company has complied with the requirements of corporate governance contained in the listing agreements to be entered into with the Stock Exchanges, particularly those in relation to the composition of the Board of Directors, constitution of committees such as Audit Committee, Nomination & Remuneration Committee and Shareholders' / Investors' Grievance Committee. Further, the provisions of the listing agreements to be entered into with the Stock Exchanges become applicable to the Company at the time of seeking listing and trading approval with the Stock Exchanges.

The Company undertakes to take all necessary steps to comply with all the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 on corporate governance and adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

#### **COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY**

The Company believes that there is a need to view Corporate Governance as more than just regulatory requirements as there exists a fundamental link with the organisation of business, corporate responsibility and shareholder wealth maximisation.

The Company aims at sustained value creation by gainfully deploying its strong parentage with optimum utilization of the resources.

#### **COMPOSITION OF BOARD**

Currently, the Board comprises of nine Directors and the Chairman of the Board is a non-executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, the composition of the Board meets the requirements in terms of non-executive and independent Directors. Mr. N. Sivaraman, President and Whole-time Director, is in charge of the operations of the Company.

Other than Mr. N. Sivaraman, all the members of the Board of the Company are independent in the sense that none of them is involved in the day-to-day management of the Company. The Directors, Mr. Y. M. Deosthalee, Chairman, Mr. R. Shankar Raman are in the services of Larsen & Toubro Ltd. Pursuant to Clause 49 of the Listing Agreement, Mr. A. K. Jain, Mr. Shailesh Haribhakti, Mr. B. V. Bhargava, Mr. Subramaniam N., Mr. M. Venugopalan and Mr. P. V. Bhide are Independent Directors.

#### **MEETINGS OF THE BOARD**

The Meetings of the Board are generally held at the Registered Office of the Company at L&T House, Ballard Estate, Mumbai 400 001 and at its Corporate office at Metropolitan, 8th floor, Bandra Kurla Complex, Mumbai 400 051. During the year under review, 6 meetings were held on April 6, 2010, September 25, 2010, October 25, 2010, December 3, 2010, January 31, 2011 and March 22, 2011.

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Chairman or Whole Time Director and circulates the same in advance to the Directors. Every Director is free to suggest inclusion of items on the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. The minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft minutes are circulated amongst the Members of the Board for their perusal. Comments, if any,

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received from the Directors are also incorporated in the Minutes, in consultation with the Chairman. The minutes are approved by the Members of the Board at the next Meeting. Senior management personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary.

The following composition of the Board of Directors is as on March 31, 2011. Their attendance at the Meetings during the year and at the last Annual General Meeting as also number of other Directorships as on March 31, 2011 are as follows:

Name of Director	Nature of Directorship	Meetings held during the year	No of Board Meetings attended	Attendance at last AGM	No of other Directorships
Mr. Y. M. Deosthalee	Director	6	6	Present	9
Mr. N. Sivaraman	Whole-time director	6	6	Absent	7 (2)
Mr. R. Shankar Raman	Director	6	5	Present	5
Mr. B .V. Bhargava*	Director	6	5	NA	10
Mr. S. V. Haribhakti*	Director	6	5	NA	14(7)
Mr. N. Subramaniam*	Director	6	3	NA	1(6)
Mr. M. Venugopalan**	Director	6	4	NA	3(3)
Mr. A. K. Jain*	Director	6	5	NA	2
Mr. P. V. Bhide***	Director	6	1	NA	5(1)

\* Appointed on September 25, 2010

\*\* Appointed on October 25, 2010

\*\*\* Appointed on March 22, 2011

- None of the above Directors are related inter-se.
- None of the Directors hold the office of director in more than the permissible number of companies under the Companies Act, 1956.
- Figures in bracket in nos. of directorship column indicate directorship of private companies.

**Information to the Board:**

The Board of Directors has complete access to the information within the Company, which inter alia includes -

- Annual revenue budgets and capital expenditure plans.
- Quarterly results and results of operations of Independent Company and business segments.
- Financing plans of the Company.
- Minutes of meeting of Board of Directors, Audit Committee, Nomination & Remuneration Committee, Shareholders' / Investors' Grievance Committee. IPO Committee.
- Details of any joint venture, acquisitions of companies or collaboration agreement
- Any materially relevant default, if any, in financial obligations to and by the Company or substantial non-payment for services rendered, if any.
- Any issue, which involves possible public liability claims of substantial nature, including any Judgment or Order, if any, which may have strictures on the conduct of the Company.
- Developments in respect of human resources.
- Compliance or Non-compliance of any regulatory, statutory nature or listing requirements and investor service such as non-payment of dividend, delay in share transfer, etc., if any.

**Post-meeting internal communication system:**

The important decisions taken at the Board / Committee meetings are communicated to the concerned departments / Independent Company promptly.

**BOARD COMMITTEES**

The Board has constituted the following committees:

- Audit Committee;
- Shareholders' / Investors' Grievance Committee;
- Nomination & Remuneration Committee; and
- IPO Committee.

**(a) Audit Committee**

The Audit Committee of the Board was re-constituted by the Directors by a Board resolution dated September 25, 2010 pursuant to Section 292A of the Companies Act. The Audit Committee comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. R. Shankar Raman	Member	Non-executive
Mr. B. V. Bhargava	Member	Independent

Terms of reference of the Audit Committee includes:

1. Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
2. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
4. Approving of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - i. matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act;
  - ii. changes, if any, in accounting policies and practices and reasons for the same;
  - iii. major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. significant adjustments made in the financial statements arising out of audit findings;
  - v. compliance with listing and other legal requirements relating to financial statements;
  - vi. disclosure of any related party transactions; and
  - vii. qualifications in the draft audit report.
6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
8. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
9. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
10. Discussing with the internal auditors on any significant findings and follow up thereon.
11. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
12. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
13. Looking into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
14. Review of information as prescribed under Clause 49 of the listing agreement.

Meetings:

The Committee met twice during the year on October 25, 2010 and January 31, 2011. The attendance of Members at the Meetings was as follows:

Name	Status	No. of meetings during the year	No. of Meetings Attended
Mr. S. V. Haribhakti	Chairman	2	2
Mr. R. Shankar Raman	Member	2	2
Mr. B. V. Bhargava	Member	2	2

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise.

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**(b) Shareholders' / Investors' Grievance Committee**

The Shareholders' / Investors' Grievance Committee was constituted by the Directors by a Board resolution dated September 25, 2010 and comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Ajit Kumar Jain	Chairman	Independent
Mr. R. Shankar Raman	Member	Non-executive
Mr. Subramaniam N.	Member	Independent

The Shareholders' / Investors' Grievance Committee is responsible for the redressal of shareholders and investors' grievances such as non receipt of share certificates, annual report and payment and receipt of dividend.

Meetings:

No Meeting was held during the year.

**(c) Nomination & Remuneration Committee (N&R Committee)**

The Nomination & Remuneration Committee was constituted by the Directors by a Board resolution dated September 25, 2010 and reconstituted pursuant to a Board resolution dated October 25, 2010. The Nomination & Remuneration Committee comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. Subramaniam N.	Member	Independent
Mr. Y. M. Deosthalee	Member	Non-executive
Mr. M. Venugopalan	Member	Independent

The Nomination & Remuneration Committee determines the Company's remuneration policy, having regard to performance standards and existing industry practice. Under the existing policies of the Company, the Nomination & Remuneration Committee, inter alia, determines the remuneration payable to the Directors.

Apart from discharging the above mentioned basic functions, the Nomination & Remuneration Committee also discharges the following functions:

- Framing policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of the top executives;
- Formulating strategies for attracting and retaining employees and employee development programmes; and
- Implementing the provisions of the ESOPs Scheme in accordance with the provisions of ESOP Guidelines and our Company's corporate authorisations.

Meetings

The Committee met thrice during the year on October 25, 2010, November 4, 2010 and March 22, 2011. The attendance of Members at the Meetings was as follows:

Name	Status	No. of meetings during the year	No. of Meetings Attended
Mr. S. V. Haribhakti	Chairman	3	3
Mr. Subramaniam N.	Member	3	3
Mr. Y. M. Deosthalee	Member	3	3
Mr. M. Venugopalan	Member	3	3

**Board Membership Criteria**

While screening, selecting and recommending to the Board new members, the Committee ensures that the Board is objective, there is absence of conflict of interest, ensures availability of diverse perspectives, business experience, legal, financial & other expertise, integrity, managerial qualities, practical wisdom, ability to read & understand financial statements, commitment to ethical standards and values of the Company and ensure healthy debates & sound decisions.

While evaluating the suitability of a Director for re-appointment, besides the above criteria, the Committee considers the past performance, attendance & participation in and contribution to the activities of the Board by the Director.

**Remuneration of Directors**

All the Directors of the Company except Mr. N. Sivaraman are non-executive. By virtue of the terms of appointment entered with the Company, Mr. N. Sivaraman is not entitled to sitting fees for the meetings of the Board and / any committee thereof. The Directors on the Board who are in the services of Larsen and Toubro Limited draw remuneration from Larsen and Toubro Limited and are not paid any sitting fees separately for attending the meetings of the Board and / any Committee of the company. The independent Directors on the Board are paid sitting fees of Rs. 20,000 per meeting for attending the meetings of the Board and / or any committee thereof and do not draw any other remuneration.

The remuneration policy of Directors is decided by the N&R Committee.

Details of remuneration paid / payable to Directors for the year ended March 31, 2011

The details of remuneration paid / payable to the Non-Executive Directors is as follows:

(Rupees)

Names	Sitting Fees for Board Meeting	Sitting Fees for Committee Meeting	Total
Mr.Y.M.Deosthalee	0	0	0
Mr.R. Shankar Raman	0	0	0
Mr.B.V Bhargava	100,000	40,000	140,000
Mr.S.V Haribhakti	100,000	60,000	160,000
Mr.N. Subramaniam	60,000	20,000	80,000
Mr. M.Venugopalan	80,000	20,000	100,000
Mr. A. K. Jain	100,000	0	100,000
Mr.P.V. Bhide	20,000	0	20,000

**(d) IPO Committee**

The IPO Committee of the Company was constituted by the Directors at their Board meeting held on September 25, 2010 and handles matters related to the proposed IPO of the Company such as the appointment of various intermediaries including merchant bankers, registrars, printers, advertisement and publicity agents, legal counsels and bankers to the Issue, submission of applications and documents to statutory and other authorities from time to time, determination of the price band and the issue price and other aspects related thereto, as may be delegated by the Board in this regard.

**Meetings**

The Committee met twice during the year on September 27, 2010 and March 29, 2011.

**OTHER INFORMATION**

**Training of Directors**

All the directors of the Company are aware and are also updated as and when required, of their role, responsibilities & liabilities.

The Company holds Board meetings at its registered office and at its Corporate office.

**Information to directors**

The Board of Directors has complete access to the information within the Company.

Presentations are made regularly to the Board / Nomination and Remuneration Committee (N&R) / Audit Committee (AC) (minutes of AC & N&R are circulated to the Board), where Directors get an opportunity to interact with senior managers. Presentations, inter alia, cover business strategies, management structure, HR policy, management development and succession planning, quarterly and annual results, budgets, treasury policy, review of Internal Audit, risk management framework, operations of subsidiaries and associates, etc.

**Internal Auditors**

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company. The Company also has an internal audit department which carries out audits in designated areas.

**Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**Risk Management Framework**

The Company has in place mechanisms to inform Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework .

**Statutory Auditors**

The Company has obtained a certificate from the auditors certifying their independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors in view of the domain knowledge acquired by the Auditors over a period of time. Mr. Miliind Phadke has signed the audit report for FY 2010-11 on behalf of M/s. Sharp & Tannan, Chartered Accountants.

**Code of Conduct**

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel.



L&T FINANCE HOLDINGS LIMITED  
(Formerly L&T Capital Holdings Limited)

**General Body Meetings**

**Location and time of the previous Annual General Meeting(s):**

Year	Location	Date	Time
2009	L&T House, Ballard Estate, Mumbai – 400 001	June 16, 2009	11.30 AM
2010	L&T House, Ballard Estate, Mumbai – 400 001	August 23, 2010	10.30 AM

**Special Resolutions passed in previous three years**

General Body Meeting	Date	Resolution
Annual General Meeting	June 16, 2009	Appointment of Manager
Extra Ordinary Meeting	October 28, 2009	Issue of Share on Preferential basis
Extra Ordinary Meeting	March 29, 2010	Issue of Share on Preferential basis
Extra Ordinary Meeting	September 1, 2010	Change in the name of the Company
Extra Ordinary Meeting	September 13, 2010	Issue of Share on Preferential basis
Extra Ordinary Meeting	September 13, 2010	Alteration of Articles of Associations
Extra Ordinary Meeting	September 25, 2010	Approval for Initial Public Offer
Extra Ordinary Meeting	November 29, 2010	Institution of ESOP Scheme
Extra Ordinary Meeting	March 24, 2011	Extension of Issue size of Initial Public Offer

**Securities Dealing Code**

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations 1992, a Securities Dealing Code for prevention of insider trading is in place which will be effective upon listing of the equity shares. The objective of the Code is to prevent purchase and / or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Designated Persons (Directors, Advisors, Officers and other concerned employees / persons) are prevented from dealing in the Company's shares during the closure of Trading Window. To deal in securities beyond specified limit, permission of Compliance Officer is also required. All the Designated Employees are also required to disclose related information periodically as defined in the Code. Directors and designated employees who buy and sell shares of the Company are prohibited from entering into an opposite transaction i.e sell or buy any shares of the Company during the next six months following the prior transactions. Directors and designated employees are also prohibited from taking positions in the derivatives segment of the Company' shares.

**Disclosures**

During the financial year ended March 31, 2011:

- There was no materially significant related party transactions with the Directors that have a potential conflict with the interests of the Company.
- The related party transactions as required under AS 18 have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 while preparing the Financial Statements.
- Though not applicable, the Company has adhered to few mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by clause 49 of the Listing Agreement.

**Listing Fees to Stock Exchanges**

Annual Listing fees to Stock Exchanges were paid within timelines.

**Registrar and Share Transfer Agents (RTA)**

Sharepro Services (India) Private Limited, Andheri, Mumbai.

**Address for correspondence**

L&T Finance Holdings Limited,  
Metropolitan  
8th floor, Bandra Kurla Complex, Mumbai 400 051.  
Tel. No. (022) 6737 2951  
Fax No. (022) 6737 2900



**L&T FINANCE HOLDINGS LIMITED**  
**(Formerly L&T Capital Holdings Limited)**

Shareholder correspondence may be directed to the Company's Registrar and Share Transfer Agent, whose address is given below:

1. Sharepro Services (India) Private Limited  
Unit : L&T Finance Holdings Limited  
Samhita Warehousing Complex,  
Bldg. No.13 AB, 2nd Floor  
Sakinaka Telephone Exchange Lane,  
Off Andheri – Kurla Road, Sakinaka  
Mumbai – 400 072.  
Tel No. : (022) 6772 0300 / 6772 0400  
Fax No. (022) 2859 1568 / 2850 8927  
E-Mail : Lnt@shareproservices.com;  
Sharepro@shareproservices.com
2. Sharepro Services (India) Private Limited  
Unit : L&T Finance Holdings Limited  
912, Raheja Centre, Free Press Journal Road,  
Nariman Point, Mumbai 400 021.  
Tel : (022) 6613 4700  
Fax : (022) 2282 5484

**Non-mandatory requirements on Corporate Governance recommended under the Clause 49 of the Listing Agreement**

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement:

1. A Nomination & Remuneration Committee has been formed. The Committee comprises of three independent Directors and the Chairman of the Company.
2. Whistle Blower policy for L&T and its group companies is in place.
3. Access to the Audit Committee of the Board is also available.

**Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

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

**Y. M. DEOSTHALEE**  
*Chairman*

**N. SIVARAMAN**  
*President and Whole-time Director*

*Place : Mumbai*  
*Date : April 26, 2011*

## AUDITORS' REPORT

We have audited the attached Balance Sheet of L&T Finance Holdings Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and
  - (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule '11' and the Notes on the Financial Statements in Schedule '12' appearing 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:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
*Partner*  
Membership No. 33013

Place : Mumbai,  
Date : April 26, 2011

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## ANNEXURE TO AUDITOR'S REPORT

(Referred to paragraph (1) of our report of even date)

- (i) The Company has no fixed assets. Accordingly, reporting under paragraph 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company is a non-banking finance Company and does not hold any inventories. Accordingly, reporting on Paragraph 4(ii)(a), (b) and (c) of the Order is not applicable.
- (iii) (a) According to the information and explanations given to us, 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, reporting under Paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.  
(b) According to the information and explanations given to us, 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, reporting under Paragraph 4(iii)(f) and (g) of the Order is not applicable.

**L&T FINANCE HOLDINGS LIMITED**  
**(Formerly L&T Capital Holdings Limited)**

- (iv) In our opinion and according to the information and explanations given to us, the Company has no fixed assets and inventory. The Company has also not commenced sale of its products. Accordingly, reporting under paragraph 4(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, the Company, being a non-banking finance Company. Accordingly, reporting under paragraph 4(viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.  
(b) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, wealth tax, service tax and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has not been registered for a period of more than five years. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given 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. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly reporting under paragraph 4(xiv) of the Order is not applicable.
- (xv) The Company has not given guarantees for loans taken by others from banks or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
- (xvi) The Company has not taken any term loans. Accordingly, reporting under paragraph 4(xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) During the year, the Company has made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has not issued any debentures during the period. Accordingly, reporting under paragraph 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the period. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*Registration No. 109982W*  
*by the hand of*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

*Place : Mumbai,*  
*Date : April 26, 2011*

## BALANCE SHEET AS AT MARCH 31, 2011

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	14,170,244,260		13,535,915,910	
Share application money pending allotment		–		2,750,000,000	
Reserves and Surplus	2	3,646,197,509		27,954,140	
			17,816,441,769		16,313,870,050
<b>Employee stock options outstanding</b>		84,662,486		–	
Less: Deferred employee compensation expenses		72,403,110		–	
			12,259,376		–
<b>Loan Funds</b>					
Unsecured Loans	3		3,560,000,000		–
<b>TOTAL</b>			<b>21,388,701,145</b>		<b>16,313,870,050</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>			–		–
<b>Investments</b>	4		21,187,779,461		16,292,779,461
<b>Current Assets, Loans and Advances</b>	5				
Sundry Debtors		–		–	
Cash and Bank Balances		2,976,824		58,069	
Other Current Assets		–		–	
Loans and Advances		199,725,595		22,783,405	
		202,702,419		22,841,474	
<b>Less: Current Liabilities and Provisions</b>	6				
Liabilities		980,735		1,125,885	
Provisions		800,000		625,000	
		1,780,735		1,750,885	
<b>Net Current Assets</b>			200,921,684		21,090,589
<b>TOTAL</b>			<b>21,388,701,145</b>		<b>16,313,870,050</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	11				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	12				

The Schedules referred to above form an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**N. SURYANARAYANAN**  
Manager & Company Secretary

**Y. M. DEOSTHALEE**  
Chairman

**N. SIVARAMAN**  
President & Wholetime Director

Place : Mumbai  
Date : April 26, 2011

Place : Mumbai  
Date : April 26, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	20010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Income from operations	7	56,937,773	53,642,073
Other income		–	–
<b>TOTAL</b>		<b>56,937,773</b>	<b>53,642,073</b>
<b>EXPENDITURE</b>			
Administration and other expenses	8	6,356,015	24,894,002
Provisions and contingencies	9	45,000,000	–
Interest and other finance charges	10	3,429,863	–
<b>TOTAL</b>		<b>54,785,878</b>	<b>24,894,002</b>
<b>Profit before taxes</b>		<b>2,151,895</b>	<b>28,748,071</b>
Provision for current taxes		800,000	625,000
Provision for deferred tax [Note No. 5 (b) of Schedule 12]		–	–
<b>Profit after taxes</b>		<b>1,351,895</b>	<b>28,123,071</b>
Balance brought forward from previous year		22,329,139	(168,931)
<b>Profit available for appropriation</b>		<b>23,681,034</b>	<b>27,954,140</b>
<b>Appropriations</b>			
Transfer to Reserve u/s. 45-IC of RBI Act,1934		300,000	5,625,000
<b>Balance carried to Balance Sheet</b>		<b>23,381,034</b>	<b>22,329,140</b>
<b>Basic Earnings per equity share</b>	} [Note No. 4 of Schedule 12]	<b>0.00</b>	<b>0.03</b>
<b>Diluted Earning per equity share</b>		<b>0.00</b>	<b>0.02</b>
Nominal value per Equity Share		<b>10.00</b>	<b>10.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	11		
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	12		

The Schedules referred to above form an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**N. SURYANARAYANAN**  
Manager & Company Secretary

**Y. M. DEOSTHALEE**  
Chairman

**N. SIVARAMAN**  
President & Wholetime Director

Place : Mumbai  
Date : April 26, 2011

Place : Mumbai  
Date : April 26, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Profit before tax as per Profit and Loss Account</b>	2,151,895	28,748,071
<b>Adjustment for:</b>		
Dividend received on investments	(54,374,354)	(51,228,095)
Provision for diminution in value of investments	45,000,000	-
<b>Operating profit before working capital changes</b>	(7,222,459)	(22,480,024)
<b>Adjustment for :</b>		
(Increase) / Decrease in loans and advances	(163,287,935)	(22,783,405)
Increase / (Decrease) in trade and other payables	(145,150)	1,609,149
<b>Cash generated from operations</b>	(170,655,544)	(43,654,280)
Direct taxes paid	(800,000)	(625,000)
<b>Net cash flow from operating activities (A)</b>	(171,455,544)	(44,279,280)
<b>B. Cash flows from investing activities</b>		
Add : Inflows from investing activities		
Sale of long term investments	-	-
Sale of shares of subsidiary / associate companies	10,000,000	-
Interest and dividend received on investments	54,374,354	51,228,095
	64,374,354	51,228,095
Less : Outflow from investing activities		
Purchase of shares of subsidiary companies	(4,950,000,000)	(4,011,000,000)
Purchase of long term investments	-	(1,516,363,551)
	(4,950,000,000)	(5,527,363,551)
<b>Net cash from investing activities (B)</b>	(4,885,625,646)	(5,476,135,456)
<b>C. Cashflows from financing activities</b>		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	1,499,999,945	13,515,415,910
Advance received as share application money	-	(8,015,415,910)
Increase in unsecured loans	3,560,000,000	-
	5,059,999,945	5,500,000,000
Less : Outflows from financing activities	-	-
	-	-
<b>Net cash generated (used in) / from financing activities (C)</b>	5,059,999,945	5,500,000,000
<b>Net cash increase / (decrease) in cash and cash equivalents (A+B+C)</b>	2,918,755	(20,414,736)
<b>Cash and cash equivalents as at beginning of the year</b>	58,069	20,472,805
<b>Cash and cash equivalents as at end of the year</b>	2,976,824	58,069

### NOTES

- Cash Flow Statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Cash and cash equivalents represent cash and bank balances.

As per our report of even date

For and on behalf of the Board

### SHARP & TANNAN

Chartered Accountants  
Registration No. 109982W  
By the hand of

### MILIND P. PHADKE

Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2011

### N. SURYANARAYANAN

Manager & Company Secretary

Place : Mumbai  
Date : April 26, 2011

### Y. M. DEOSTHALEE

Chairman

### N. SIVARAMAN

President & Wholetime Director

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2011	Rupees	As at 31.03.2010	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
5,000,000,000 Equity shares of Rs. 10 each		<b>50,000,000,000</b>		<i>50,000,000,000</i>
<b>Issued and subscribed</b>				
1,417,024,426 Equity shares of Rs. 10 each <i>(previous year 1,353,591,591 Equity shares of Rs. 10 each)</i>		<b>14,170,244,260</b>		<i>13,535,915,910</i>
<i>Of the above:</i>				
1,417,024,221 <i>(previous year 1,353,591,386) Equity shares are held by Larsen &amp; Toubro Limited, the holding Company and its nominees.</i>				
<b>TOTAL</b>		<b>14,170,244,260</b>		<i>13,535,915,910</i>
 <b>SCHEDULE - 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Reserve u/s. 45-IC of RBI Act, 1934</b>				
As per last Balance Sheet		<b>5,625,000</b>		-
Add : Transferred from Profit and Loss Account		<b>300,000</b>		<i>5,625,000</i>
		<b>5,925,000</b>		<i>5,625,000</i>
<b>General Reserve</b>				
As per last Balance Sheet		-		-
Add : Created during the year		<b>1,219,880</b>		-
		<b>1,219,880</b>		-
<b>Securities Premium Account</b>				
As per last Balance Sheet		-		-
Add : Received during the year		<b>3,615,671,595</b>		-
		<b>3,615,671,595</b>		-
<b>Profit and Loss Account</b>				
		<b>23,381,034</b>		<i>22,329,140</i>
<b>TOTAL</b>		<b>3,646,197,509</b>		<i>27,954,140</i>
 <b>SCHEDULE - 3</b>				
<b>UNSECURED LOANS</b>				
Short term loan		<b>3,560,000,000</b>		-
<b>TOTAL</b>		<b>3,560,000,000</b>		-
 <b>SCHEDULE - 4</b>				
<b>INVESTMENTS (At cost)</b>				
<b>Long term investments</b>				
(i) Subsidiary companies: (unquoted)				
(a) Fully paid equity shares		<b>19,671,415,910</b>		<i>14,731,415,910</i>
(ii) Associate Company: (unquoted)		<b>45,000,000</b>		<i>45,000,000</i>
(iii) Others: (quoted)		<b>1,516,363,551</b>		<i>1,516,363,551</i>
		<b>21,232,779,461</b>		<i>16,292,779,461</i>
Less: Provision for diminution in value of investment		<b>45,000,000</b>		-
<b>TOTAL</b>		<b>21,187,779,461</b>		<i>16,292,779,461</i>

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Note :				
<b>Quoted investments</b>				
Book value		1,516,363,551		1,516,363,551
Market value		4,206,502,870		2,750,572,416
<b>Unquoted Investments</b>				
Book value		45,000,000		45,000,000
<b>Particulars of investments :</b>				
<b>Long term investments</b>				
<b>Fully paid equity shares</b>				
<b>Subsidiary Company :</b>				
L&T Finance Limited	10,159,815,910		6,409,815,910	
230,922,269 ( <i>previous year 212,172,269</i> ) shares of Rs. 10 each (18,750,000 shares purchased during the year)				
L&T Infrastructure Finance Company Limited	8,501,000,000		7,751,000,000	
702,150,000 ( <i>previous year 683,400,000</i> ) shares of Rs. 10 each (18,750,000 shares purchased during the year)				
India Infrastructure Developers Limited	1,010,600,000		560,600,000	
101,060,000 ( <i>previous year 56,060,000</i> ) shares of Rs. 10 each (45,000,000 shares purchased during the year)				
L&T Aviation Services Private Limited	–		10,000,000	
Nil ( <i>previous year 1,000,000 shares</i> ) of Rs. 10 each (sold during the year)				
		19,671,415,910		14,731,415,910
<b>Associate Company: (unquoted)</b>				
NAC Infrastructure Equipment Limited	45,000,000		45,000,000	
4,500,000 shares of Rs. 10 each				
Less: provision for diminution in value of investment	45,000,000			
		–		45,000,000
<b>Others: (quoted)</b>				
Federal Bank Limited	1,237,648,479		1,237,648,479	
7,995,619 shares of Rs. 10 each				
City Union Bank Limited	278,715,072		278,715,072	
19,195,012 shares of Rs. 1 each				
		1,516,363,551		1,516,363,551
<b>TOTAL</b>		<b>21,187,779,461</b>		<b>16,292,779,461</b>

### SCHEDULE - 5

#### CURRENT ASSETS, LOANS AND ADVANCES

##### Cash and Bank Balances

Cash in hand	–		–	
Balances with Scheduled Banks				
on current account	2,976,824		58,069	
on deposit account	–		–	
		2,976,824		58,069



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>Loans and Advances</b>				
Unsecured, considered good				
Loans including interest accrued thereon		-		22,503,699
Advances recoverable in cash or in kind or for value to be received		<b>199,725,595</b>		<b>279,706</b>
<b>TOTAL</b>		<b>202,702,419</b>		<b>22,841,474</b>

### SCHEDULE - 6

#### CURRENT LIABILITIES AND PROVISIONS

##### Liabilities

Sundry creditors				
Micro and small enterprises	-		-	
Other than micro and small enterprises	<b>980,735</b>		<b>1,125,885</b>	
Security deposits	-		-	
Interest accrued but not due	-		-	
		<b>980,735</b>		<b>1,125,885</b>
<b>Provisions for</b>				
Current taxes	<b>800,000</b>		<b>625,000</b>	
Others	-		-	
		<b>800,000</b>		<b>625,000</b>
<b>TOTAL</b>		<b>1,780,735</b>		<b>1,750,885</b>

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 7</b>				
<b>INCOME FROM OPERATIONS</b>				
Dividend income				
Subsidiary companies	-		-	
Other investments	<b>54,374,354</b>		<b>51,228,095</b>	
		<b>54,374,354</b>		<b>51,228,095</b>
Interest income				
Interest received on inter corporate deposits	<b>2,563,419</b>		<b>2,144,132</b>	
Other interest	-		<b>269,846</b>	
		<b>2,563,419</b>		<b>2,413,978</b>
<b>TOTAL</b>		<b>56,937,773</b>		<b>53,642,073</b>

### SCHEDULE - 8

#### ADMINISTRATIVE AND OTHER EXPENSES

Professional fees	<b>1,154,662</b>	<b>56,545</b>
Travelling and conveyance	<b>192,602</b>	
Filing fees	<b>7,550</b>	<b>19,804,388</b>
Stamp duty	<b>4,250,000</b>	<b>4,957,809</b>
Directors sitting fees	<b>580,000</b>	-

## **SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	2010-11		2009-10
	Rupees	Rupees	Rupees
Auditors remuneration			
Audit fees	50,000		12,000
Tax audit fees	20,000		9,250
Certification	17,979		-
		87,979	21,250
Miscellaneous expenses		83,222	54,010
<b>TOTAL</b>		<b>6,356,015</b>	<b>24,894,002</b>

### **SCHEDULE - 9**

#### **PROVISIONS AND CONTINGENCIES**

Provision for diminution in value of investments	45,000,000	-
<b>TOTAL</b>	<b>45,000,000</b>	<b>-</b>

### **SCHEDULE - 10**

#### **INTEREST AND OTHER FINANCE CHARGES**

Interest on unsecured loans	3,429,863	-
Others	-	-
<b>TOTAL</b>	<b>3,429,863</b>	<b>-</b>

### **SCHEDULE - 11**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, notified by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affects the reported amounts of income and expenses of the period, the reported balances of assets and liabilities as of the date of the financial statements.

##### **B. Investments**

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary nature.

Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification.

##### **C. Revenue Recognition**

Revenue is recognized based on the nature of activity when consideration can be reliably measured and there exists reasonable certainty of its recovery. Income from investments is accounted on accrual basis.

##### **D. The Company complies with the guidelines issued by the Reserve Bank of India in respect of prudential norms for income recognition.**

##### **E. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credit computed in accordance with the provisions of the Income-Tax Act, 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and the laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax asset are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

### F. Employee Stock Ownership Schemes

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the excess of fair value of the share over the exercise price of the option is treated as discount and accounted as employee compensation cost over the vesting period.

#### SCHEDULE - 12

#### NOTES ON THE FINANCIAL STATEMENTS

- 1) During the year, the Company has issued and allotted 63,432,835 equity shares of Rs. 10 each to Larsen & Toubro Limited at issue price of Rs. 67 per share.
- 2) Stock option scheme

The Company has formulated Employee Stock Option Scheme 2010 (ESOP Scheme-2010) in the year 2010-11, for which intrinsic value method is used.

The Plan is designed to provide stock options to employees of the Company, its subsidiaries and holding Company. All grants under the Plan are to be issued and allotted by the Nomination and Remuneration Committee of the Company. The options are to be granted to the eligible employees based on certain criteria and approval of the Committee and as per the respective Employee Stock Option Agreements that the Company enters into with them.

The Company has granted 10,750,000 options on November 30, 2010.

Options have been granted at an exercise price which will be at a discount of 15% of the issue price of equity shares being offered in the initial public offering (IPO) which is under consideration.

The Employees shall be allotted a pre-defined number of equity shares against each option and the options will vest over a period of four years from the date of grant at a pre-defined percentage of the total vesting, which shall each be subject to the conditions as per respective Employee Stock Option Agreements that the Company enters into with them.

Options can be exercised anytime within a period of 7 years from the date of grant and would be settled by way of equity.

The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method wherein the fair market value of equity shares has been determined by an independent valuer.

The details of the grant under the aforesaid scheme are summarized below:

Sr. No.	Particulars	2010-11
1.	Grant price – Rupees	<b>The exercise price of the options would be a price which will be at a discount of 15% of the Issue Price.</b>
2.	Grant date	<b>November 30, 2010</b>
3.	Options granted and outstanding at the beginning of the year	-
4.	Options granted during the year	<b>10,750,000</b>
5.	Options cancelled / lapsed during the year	<b>134,600</b>
6.	Options exercised during the year	-
7.	Options granted and outstanding at the end of the year of which –	
	Options vested	-
	Options yet to vest	<b>10,615,400</b>

Information in respect of options outstanding as at March 31, 2011

Range of exercise price	31.03.2011		31.03.2010	
	Number of options	Weighted average remaining life	Number of options	Weighted average remaining life
The exercise price of the options would be a price of 15% discount to the Issue Price of IPO.	<b>10,615,400</b>	<b>3.5 years</b>	-	-

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

(i)	Diluted Earning per Share (EPS) pursuant to issue of shares on excise of Options calculated in accordance with Accounting standard (AS) 20	Diluted EPS Rs. 0.00
(ii)	The difference between employee compensation cost using intrinsic value method and the fair value of the Options and impact of this difference on profits and on EPS.	Had fair value method been adopted for expensing the ESOP compensation the impact on Profit After Tax, EPS (both basic and diluted) would be Nil as L&T Finance Holdings Limited would have recovered the same from its subsidiaries as grants have been issued to employees of the respective companies.
<b>Method and significant assumptions used to estimate the fair value of Options granted during the year.</b>		
(a)	model used	Black-Scholes Method
(b)	inputs to that model	
(i)	Weighted average risk-free interest rate	7.93%
(ii)	Weighted average expected Options Life	3.5 years
(iv)	Weighted average expected dividends	Rs. 0.33 per option
(iii)	Weighted average expected volatility	41.81 %
(v)	Weighted average share price	Rs. 60.42 per share
(vi)	Weighted average exercise price	Rs. 51.357 per share
(vii)	Attrition Rate	12 %
(viii)	the method used to determine expected volatility, including an explanation of the extent to which expected volatility was based on historical volatility	The expected volatility has been calculated entirely based on the historic volatility of peer companies, as historical data of the Company (unlisted) is not available.

Other information regarding employee share-based payment plans is as below:

Rs. in Lakh

Particulars	2010-11	2009-10
Expense arising from employee share-based payment plans	122.59	Nil
Expense arising from equity settled share based payment plans	122.59	Nil
Liability arising from employee share-based payment plans	Nil	Nil

During the year, the Company has recovered Rs. 122.59 lakhs (*previous year Rs. Nil*) from its subsidiary companies towards the stock options granted to their employees, pursuant to the employee stock option schemes.

3) i) Segment Reporting

Primary Segment (Business Segment)

The Company operates mainly in the business segment of investments activity. The other business segment not have income and / or assets more than 10% of the total income and / or assets of the Company. Accordingly, separate segment information for different business segments is not disclosed.

Secondary Segment (Geographical Segment)

The Company operates only in the domestic market. As a result separate segment information for different geographical segments is also not disclosed.

(ii) Related Party Disclosure

i. List of related parties who exercises control:

Larsen & Toubro Limited Holding Company

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

ii. List of related parties over which control exists:

Sr. No.	Name of the related party	Relationship
1	L&T Finance Limited	Wholly Owned Subsidiary Company
2	L&T Infrastructure Finance Company Limited	Wholly Owned Subsidiary Company
3	India Infrastructure Developers Limited	Wholly Owned Subsidiary Company
4	NAC Infrastructure Equipment Limited	Associate Company

iii. Names of the related parties with whom transactions were carried out during the year and description of relationship:

Holding Company	
1	Larsen & Toubro Limited

Subsidiary companies	
1	L&T Finance Limited
2	L&T Infrastructure Finance Company Limited
3	India Infrastructure Developers Limited

iv. Description of the nature transactions:

No.	Name of Company	Relation-ship	Nature of transaction	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Holding Company	<b>Transaction</b>						
			Equity shares issued	42,500.00	-	-	1351.54	-	-
			Share application money	-	-	-	27500.00	-	-
			Purchase of Investments	-	-	-	2535.45	-	-
			Sale of investments	100.00	-	-	-	-	-
			Inter corporate borrowing	35,600.00	-	-	-	-	-
			<b>Expenditure</b>						
Common Administration Exp.	10.71	-	-	0.51	0.51	-			
Interest paid on inter corporate borrowing	34.30	-	-	-	-	-			
2	L&T Finance Limited	Subsidiary Company	<b>Transaction</b>						
			Subscription to equity shares	37,500.00	-	-	15,000.00	-	-
			Inter Corporate Deposits	868.00	-	-	834.00	-	-
			Excess amount received refundable	-	-	-	10.29	-	-
			Expenses reimbursement	514.53	-	-	0.16	0.16	-
			ESOP charges	105.59	-	21.72	-	-	-
			<b>Income</b>						
Interest on ICD	23.93	-	-	21.40	-	-			
3	India Infrastructure Developers Limited	Subsidiary Company	<b>Transaction</b>						
			Subscription to equity shares	4,500.00	-	-	-	-	-
			Reimbursement of expenses payable	709.73	-	-	-	-	-
			Inter Corporate Deposits	-	-	-	225.00	-	-
			<b>Income</b>						
Interest on Inter Corporate Deposit	1.70	-	-	0.04	-	0.04			
4	L&T Infrastructure Finance Company Limited	Subsidiary Company	<b>Transaction</b>						
			Subscription to equity shares	7,500.00	-	-	27,510.00	-	-
			ESOP charges	17.00	-	17.00	-	-	

## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

No.	Name of Company	Relation-ship	Nature of transaction	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
5	L&T Aviation Services Pvt. Ltd.	Subsidiary Company	<b>Transaction</b> Subscription to equity shares	-	-	-	100.00	-	-
6	L&T Capital Company Ltd.	Fellow Subsidiary Company	<b>Transaction</b> Purchase of Investments	-	-	-	12,376.48	-	-

4) Earning per Share

Particulars		2010-11	2009-10
<b>Basic</b>			
Profit after tax as per Profit and Loss Account (Rs. lakh)	A	13.52	281.23
Weighted average number of equity shares outstanding	B	1,387,132,789	1,219,936,113
Basic EPS (Rupees)	A / B	0.00	0.03
<b>Diluted</b>			
Profit after tax as per Profit and Loss Account (Rs. lakh)	A	13.52	281.23
Weighted average number of equity shares outstanding	B	1,387,132,789	1,219,936,113
Add: Weighted average number of equity shares on account of employee stock options	C	135,989	-
Add: Weighted average number of equity shares on account of share application money	D	19,454,099	337,354
Weighted average number of shares outstanding for diluted EPS	E = B + C + D	1,406,722,877	1,220,273,467
Diluted EPS	A / D	0.00	0.02
Nominal value of shares (Rs.)		10.00	10.00

5) Provision for current taxes

		2010-11	2009-10
(a)	Income tax (Rs. lakh)	8.00	6.25

- (b) The Company has a deferred tax asset of Rs. 0.77 lakh (*previous year Rs. 0.77 lakh*) in respect of deduction of preliminary expenses as per Income Tax Act, 1961 lower than as per books of account. The Company has not accounted for the deferred tax asset on ground of prudence.
- 6) The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011.
- 7) The President & Wholetime Director is on deputation from the Parent Company and compensation debited to the Company is in accordance with the agreement between the Companies. During the year, in accordance with the agreement with the Parent Company, the Company has not received any debit for compensation paid to him.
- 8) Manager is on deputation from the Parent Company and his compensation is debited to the extent of debit received from the Parent Company
- 9) The Company does not have any contingent liability as at March 31, 2011.
- 10) Previous year figures have been regrouped / reclassified wherever necessary.
- 11) Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007

Rupees in Lakhs

	Particulars	Amount Outstanding	Amount Overdue
	<b>Liability Side</b>		
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	-	-
	: Unsecured	-	-
	(Other than falling within the meaning of Public Deposits)		
	(b) Deferred credits	-	-
	(c) Term loans	-	-

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Particulars			
Liability Side		Amount Outstanding	Amount Overdue
	(d) Inter-corporate Loans and borrowings	35,600	–
	(e) Commercial paper	–	–
	(f) Public deposits *	–	–
	(g) Other loans (Foreign Currency Loan)	–	–
	(h) Lease finance	–	–
2	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :		
	(a) In the form of Unsecured debentures	–	–
	(b) in the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	–	–
	(c) Other Public deposits	–	–
<b>Asset Side</b>			
3	Break-up of Loans and Advances including bills receivables [Other than those included in (4) below]		
	(a) Secured		–
	(b) Unsecured		–
4	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards EL / HP activities		
			<b>Amount Outstanding</b>
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial Lease		–
	(b) Operating Lease		–
	(ii) Stock on hire including hire charges under sundry debtors		
	(a) Assets on Hire		–
	(b) Repossessed Assets		–
	(iii) Hypothecation loans counting towards EL / HP activities		
	(a) Loans where assets have been repossessed		–
	(b) Loans other than (a) above		–
5	Break-up of Investments		
	Current Investments		
	1. Quoted		
	(i) Shares : (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		–
	2. Unquoted :		
	(i) Shares : (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		–

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	Long Term Investments	
	1. Quoted	
	(i) Shares : (a) Equity	15,163.63
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of Mutual Funds	—
	(iv) Government Securities	—
	(v) Others (please specify)	—
		<b>Amount Outstanding</b>
	2. Unquoted :	
	(i) Shares : (a) Equity	196,714.16
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of Mutual Funds	—
	(iv) Government Securities	—
	(v) Others (please specify)	—

		Secured	Unsecured	Total
6	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances Category Amount net of provisions			
	1. Related Parties			
	Subsidiaries	—	—	—
	Companies in the same group	—	—	—
	Other related parties	—	—	—
	2. Other than related parties	—	—	—
	<b>Total</b>	—	—	—
7	Investor group-wise classification of all investments (current and long term in shares and securities) (both quoted and unquoted): Category	<b>Market Value</b>	<b>breakup or fair value or NAV</b>	<b>Book Value</b>
			<b>Rs. in Lakhs</b>	<b>Rs. in Lakhs</b>
	1) Related Parties			
	a) Subsidiaries		196,714.16	196,714.16
	b) Companies in the same group		—	—
	c) Other related parties		—	—
	2. Other than related parties		42,065.03	15,163.63
	<b>TOTAL</b>		<b>175269.88</b>	<b>162,927.80</b>
8	Other information			
	(i) Gross Non-Performing Assets			
	(a) Related parties			—
	(b) Other than related parties			—
	(ii) Net Non-Performing Assets			
	(a) Related parties			—
	(b) Other than related parties			—
	(iii) Assets acquired in satisfaction of debt			—

12) Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per their circular RBI/2008-09/116 DNBS(PD). CC.No. 125/03.05.002 / 2008-009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:

1) **CRAR:**

	Items	2010-11	2009-10
i)	CRAR (%)	79.88%	100%
ii)	CRAR – Tier I Capital (%)	79.88%	100%
iii)	CRAR – Tier II Capital (%)	—	—



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

### 2) Exposures:

#### Exposure to Real Estate Sector

Category		2010-11	2009-10
a)	Direct exposure		
(i)	Residential Mortgages –	Nil	Nil
	Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lakh may be shown separately)		
(ii)	Commercial Real Estate –	Nil	Nil
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;		
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures –	Nil	Nil
	a. Residential		
	b. Commercial Real Estate		
b)	Indirect Exposure	Nil	Nil
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

### 3) Asset Liability Management:

#### Maturity pattern of certain items of assets and liabilities

(Rs. in Lakh)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities:</b>									
Borrowings from banks	–	–	–	–	–	–	–	–	Nil
Market Borrowings	–	–	–	–	35,600.00	–	–	–	35,600.00
<b>Assets:</b>									
Advances	–	–	–	–	–	–	–	–	Nil
Investments	–	–	–	–	–	–	–	211,877.79	211,877.79

As per our report of even date

For and on behalf of the Board

#### SHARP & TANNAN

Chartered Accountants  
Registration No. 109982W  
By the hand of

#### MILIND P. PHADKE

Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2011

#### N. SURYANARAYANAN

Manager & Company Secretary

Place : Mumbai  
Date : April 26, 2011

#### Y. M. DEOSTHALEE

Chairman

#### N. SIVARAMAN

President & Wholetime Director

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

## II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Fund  
Total Liabilities

Total Assets

Paid-Up Capital (Including Advance)

Reserves & Surplus

Application of Funds  
Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

Net Current Assets / (Liabilities)

Miscellaneous Expenditure

Accumulated Losses

## IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

Profit / Loss Before Tax

Profit / Loss After Tax

Earnings Per Share in Rs.

Dividend Rate %

## V. Generic Names of Three Principal Products / Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Description

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**N. SURYANARAYANAN**  
Manager & Company Secretary

**Y. M. DEOSTHALEE**  
Chairman

**N. SIVARAMAN**  
President & Wholetime Director

Place : Mumbai  
Date : April 26, 2011

Place : Mumbai  
Date : April 26, 2011

**INFORMATION ON SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956**

Rupees Lakh

Sr. No	Particulars	L&T Finance Limited	L&T Infrastructure Finance Company Limited	India Infrastructure Developers Limited	L&T Investment Management Limited	L&T Mutual Fund Trustee Limited
	Financial year ending on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
1	Share Capital	23,092.23	70,215.00	10,106.00	15,000.00	5.00
2	Reserves	150,145.25	58,624.49	(586.48)	(12,444.13)	(0.56)
3	Liabilities	955,245.92	641,090.37	52,205.99	644.69	3.58
4	Total Liabilities	1,128,483.40	769,929.86	61,725.51	3,200.56	8.02
5	Total Assets	1,128,483.40	769,929.86	61,725.51	3,200.56	8.02
6	Long Term Investments					
	– fellow subsidiaries	–	–	–	–	–
	– Others	20,185.44	34,999.99	700.00	–	1.18
	Current investments	5.49	–	–	2,186.11	–
	Total investments (excluding subsidiary companies)	20,190.93	34,999.99	700.00	2,186.11	1.18
7	Turnover	139,753.50	70,397.46	500.02	860.82	5.41
8	Profit before taxation	34,985.42	29,397.69	177.42	(3,957.49)	(3.82)
9	Provision for taxation	11,941.00	9,315.00	66.00	0.17	–
10	Profit after taxation	23,044.42	20,082.69	111.42	(3,957.66)	(3.82)
11	Interim dividend - Equity	–	–	–	–	–
12	Interim dividend - Preference	–	–	–	–	–
13	Proposed dividend - Equity	–	–	–	–	–
14	Proposed dividend - Preference	–	–	–	–	–

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2011

**N. SURYANARAYANAN**

Manager & Company Secretary

Place : Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**

Chairman

**N. SIVARAMAN**

President & Wholetime Director

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the fifth Annual Report of your Company with the audited accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

The summarized financial results of your Company are given hereunder:

Particulars	For the year ended 31.03.2011 Rs. Lakhs	For the year ended 31.03.2010 Rs. Lakhs
<b>Gross Income</b>	<b>70,397.46</b>	45,042.32
Profit Before Tax	<b>29,397.69</b>	16,531.92
Provision for Tax & Fringe Benefit Tax	<b>9,315.00</b>	5,446.19
Profit After Tax	<b>20,082.69</b>	11,085.73
<b>Add</b> : Balance brought forward from previous year	<b>17,974.10</b>	9,721.37
Balance available for appropriation	<b>38,056.79</b>	20,807.10
<b>Appropriations:</b>		
Special reserve u/s 45-IC of Reserve Bank of India Act, 1934	<b>4,017.00</b>	2,225.00
Special Reserve u/s 36(1) (viii) of the Income Tax Act, 1961	<b>1,165.00</b>	608.00
Transfer to Debenture Redemption Reserve	<b>7,000.00</b>	-
<b>Surplus carried forward to Balance Sheet</b>	<b>25,874.79</b>	17,974.10

### APPROPRIATIONS

Your Company proposes to transfer Rs. 4,017.00 lakh (*Previous year Rs. 2,225.00 lakh*) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934; Rs. 1,165.00 lakh (*Previous year: Rs. 608.00 lakh*) to Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961; Rs. 7,000.00 lakh (*Previous year: Rs. Nil*) to Debenture Redemption Reserve and retain Rs. 25,874.79 lakh (*Previous year: Rs. 17,974.10 lakh*) in the Profit and Loss Account of your Company.

### DIVIDEND

Your Directors have considered it financially prudent in the long-term interests of your Company to reinvest the profits into the business of your Company to build a strong reserve base and grow the business of your Company. No dividend has therefore been recommended for the year ended March 31, 2011.

### PERFORMANCE OF THE COMPANY

Your Company achieved significant growth during 2010-11, highlights of which are given below:

- Gross Assets against grant of financial assistance grew 75% from Rs. 431,349.88 lakh as at March 31, 2010 to Rs. 753,648.95 lakh as at March 31, 2011.
- Total income grew by 56% from Rs. 45,042.32 lakh in 2009-10 to Rs. 70,397.46 lakh in 2010-11.
- Profit Before Tax (PBT) grew by 78% from Rs. 16,531.92 lakh in 2009-10 to Rs. 29,397.69 lakh in 2010-11.
- Profit After Tax (PAT) grew by 81% from Rs. 11,085.73 lakh in 2009-10 to Rs. 20,082.69 lakh in 2010-11.
- Capital Adequacy Ratio was 16.50% compared to the statutory requirement of 15% as at March 31, 2011.

The performance was facilitated by continued investment flow into infrastructure projects.

### CLASSIFICATION AS INFRASTRUCTURE FINANCE COMPANY

During the year, Reserve Bank of India had introduced a new classification, "Infrastructure Finance Company" for Non Banking Financial Companies meeting prescribed conditions. In response to your Company's application, Reserve Bank of India has issued a Certificate of Registration on July 7, 2010, classifying your Company as an Infrastructure Finance Company.

### RESOURCES

The growth in your Company's portfolio against financial assistance has led to increased funding requirements.

During the year under review, L&T Finance Holdings Limited, the holding company, had additionally subscribed to 1,87,50,000 Equity Shares of Rs. 10 each, for cash at a premium of Rs. 30 per share, aggregating to Rs. 7,500 lakh. The paid-up capital of your Company increased to Rs. 70,215 lakh as at March 31, 2011 from Rs. 68,340 lakh as at March 31, 2010.

Your Company, consequent to being classified as an "Infrastructure Finance Company" raised long term resources of Rs. 65,621.55 lakhs through 2 public issues of long term infrastructure bonds entitled to benefits under Section 80CCF of Income Tax Act, 1961.

Your Company has also sourced borrowed funds from different sources for varying tenors.

The foregoing raising of resources led to aggregate borrowings as at March 31, 2011 increasing to Rs. 619,352.57 lakh from Rs. 323,675.58 lakh as at the end of the preceding financial year.

#### **FIXED DEPOSITS**

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

#### **DIRECTORS**

Mr. K. Venkatesh resigned as a director with effect from August 14, 2010. He was a director of your Company since January 12, 2007.

Mr. Richard Tinsley resigned as a director of your Company with effect from August 13, 2010. He was a director of your Company since April 18, 2006.

Your Directors place on record their appreciation of the valuable advice and contribution made by Mr. Venkatesh and Mr. Tinsley during their tenure as Directors of your Company, in particular, during the formative years of your Company.

Pursuant to the provisions of the Companies Act, 1956, Dr. R. H. Patil and Mr. N. Sivaraman, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

#### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

A gist of compliance with the said guidelines is furnished in the Corporate Governance Report forming part of this Report.

#### **AUDITORS**

Your Company's Statutory Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed. The Board recommends re-appointment of the firm as Statutory Auditors.

#### **PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER**

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made thereunder is given in separate Annexure to this report and forms part of this report. None of the employees listed in the said Annexure is related to any Director of your Company. The same will be furnished to the shareholders on request.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

In view of the nature of activities which are being carried on by your Company, Rules 2A and 2B of The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to your Company.

The information on foreign exchange outgo is furnished in the Notes to the Accounts. There were no foreign exchange earnings during the year.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. 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 your Company at the end of the financial year and of the profit or loss of your Company for that year;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
4. The Directors have prepared the annual accounts on a going concern basis.
5. Proper systems are in place to ensure compliance of all laws applicable to your Company.

#### **AUDITORS' REPORT**

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

**RESERVE BANK OF INDIA (RBI) GUIDELINES**

Your Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2011.

**ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees to the growth of your Company. Their unstinted support has been and continues to be integral to your Company's ongoing success. Your Directors wish to thank your Company's clients and business associates for their support to the growth of your Company. Your Directors also wish to thank the Central and State Governments, Reserve Bank of India and other Regulatory / Government Authorities, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : April 19, 2011

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

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## **CORPORATE GOVERNANCE REPORT**

The Board of Directors, along with its committees provides leadership and guidance to your Company's management and directs, supervises and controls the activities of your Company. At present, the Board comprises of four Directors viz. Mr. Y. M. Deosthalee, Mr. N. Sivaraman, Dr. R. H. Patil and Mr. B. V. Bhargava. All the directors are non-executive directors. Mr. Deosthalee and Mr. Sivaraman are connected with Larsen & Toubro Limited, the ultimate Holding Company in various capacities. Mr. Deosthalee is also the Chairman of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same.

Mr. Suneet Maheshwari is the Chief Executive of your Company and functions under the superintendence and control of the Board of Directors.

The Board functions either as a full Board or through various committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. The six core committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Investment & Credit Committee
- Nomination & Compensation Committee
- Risk Management Committee

The details of various committees of your Company are as under:

**AUDIT COMMITTEE**

The Audit Committee has been set up pursuant to Section 292A of the Act as well as the RBI directions for NBFCs. The Committee currently comprises of 3 Directors as per details given below:

**Composition of Audit Committee**

Dr. R. H. Patil  
Mr. B. V. Bhargava  
Mr. N. Sivaraman

**Role of the Committee**

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956. The Audit Committee met 4 times during the year.

**COMMITTEE OF DIRECTORS (COD)**

The Committee currently comprises of 2 Directors as per details given below.

**Composition of COD**

Mr. Y. M. Deosthalee  
Mr. N. Sivaraman

**Role of the Committee**

The COD has been entrusted with the powers of general management of the affairs of your Company. The Committee met 15 times during the year.

#### **ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)**

The Committee is chaired by Mr. Sivaraman and consists of 7 other members holding senior executive positions in various functions in Larsen & Toubro Limited, L&T Finance Limited, and other subsidiaries in Larsen & Toubro's financial services.

##### **Role of the Committee**

- Monitoring market risk management systems, compliance with the asset-liability management policy and prudent gaps and tolerance limits and reporting systems set out by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;
- Deciding the business strategy of your Company (on the assets and liabilities sides) in line with your Company's budget and decided risk management objectives;
- Reviewing the effects of various possible changes in the market conditions related to the Balance Sheet and recommend the action needed to adhere to your Company's internal limits;
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- Product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services / products, etc.;
- Articulating the current interest rate view of your Company and deciding the future business strategy on this view; and
- Deciding on the source and mix of liabilities or portfolio sale of loan assets.

The ALCO met 9 times during the year under review.

#### **INVESTMENT & CREDIT COMMITTEE (ICC)**

The Investment & Credit Committee of your Company is chaired by Mr. B. V. Bhargava, also comprises of Mr. Y. M. Deosthalee and Mr. Sivaraman and 3 senior executives.

##### **Role of the Committee**

The ICC reviews all credit/investment proposals seeking financial assistance from your Company. The Committee takes decisions in accordance with the Investment and Credit Policy approved by the Board.

The Committee met 29 times during the year under review.

#### **NOMINATION & COMPENSATION COMMITTEE**

The Committee currently comprises of 4 members as per details given below.

##### **Composition of Nomination & Compensation Committee**

Mr. Y. M. Deosthalee

Mr. N. Sivaraman

Mr. Suneet Maheshwari

Head-HR, L&T Financial Services

##### **Role of the Committee**

- To ensure 'fit and proper' status of existing / proposed Directors by obtaining necessary information and declaration from them and undertake a process of due diligence to determine the suitability of the person(s) for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other relevant factors.
- To obtain annual declaration confirming that the information already provided had not undergone change and if there is any change, requisite details would be furnished by the Directors forthwith.
- To focus on evaluating senior level employees, their remuneration, promotions etc.

#### **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee of your Company is chaired by Dr. R. H. Patil and includes Mr. N. Sivaraman and three senior executives as members.

##### **Role of the Committee**

The Risk Management Committee reviews inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk, and suggests remedial actions as required.

The Committee met thrice during the year under review.

#### **DISCLOSURES**

During the financial year ended March 31, 2011:

- There was no materially significant related party transaction with the Directors that had a potential conflict with the interests of your Company.
- The related party transactions have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- Though not applicable, your Company has adhered to a few mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Listing Agreement.

## L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

- Your Company has implemented some of the recommendations given in the “Corporate Governance – Voluntary Guidelines 2009” by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.

### Means of Communication

- Half Yearly Results are communicated through newspaper advertisements in prominent national dailies.
- Annual Reports, official news releases and presentations are displayed on the website of the Company <http://www.ltinfra.com>

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

Your Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India and is in the process of implementing many of the suggestions. A gist of the compliance of your Company with the said guidelines is given below, to the extent not covered by the Corporate Governance Statement in the earlier part of this Report :

### Separation of Offices of Chairman & Chief Executive

The roles and offices of Chairman and Chief Executive are separated. Mr. Y. M. Deosthalee chairs the meetings of the Board whereas Mr. Suneet Maheshwari is the Chief Executive of your Company.

### Remuneration of Directors

All the Directors of your Company are non-executive. The Directors on the Board, who are in the services of Larsen and Toubro Limited, draw remuneration from Larsen and Toubro Limited. The other Directors on the Board are paid sitting fees for attending the meetings of the Board and/or any committee thereof and do not draw any other remuneration.

### Independent Directors

All the members of the Board of your Company are independent in the sense that none of them is involved in the day-to-day management of your Company.

### Number of Companies in Which an Individual may become a Director

Your Company has apprised its Board members about the restriction on number of other directorships and expects in due course to comply with the same.

### Responsibilities of the Board

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

Your Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions.

The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

### Statutory Auditors

Your Company has obtained a certificate from the auditors certifying their independence and arm's length relationship with your Company. Your Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

### Internal Auditors

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to your Company.

### Internal Control

The Board ensures the effectiveness of your Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### Secretarial Audit

The Secretarial Audit is conducted annually by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : April 19, 2011

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director



## AUDITORS' REPORT

### TO THE MEMBERS OF L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of L&T INFRASTRUCTURE FINANCE COMPANY LIMITED ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("CARO" / "Order") issued by the Central Government in terms of Section 227(4A) 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 in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 117366W)

**SANJIV V. PILGAONKAR**  
Partner  
Membership No. 39826

Place : Mumbai  
Date : April 19, 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business / activities during the year, clauses (viii) and (xiii) of paragraph of 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physically verified during the period by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

## L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

- (iii) In our opinion and according to the information and explanations given to us, the Company does not have inventory.
- (iv) The Company has neither granted nor taken loans, secured or unsecured, to or from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for sale of services. The nature of the Company's business is such that it does not involve any sale of goods or purchase of inventory. Further, during the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) To the best of our knowledge and belief and according to the information and explanations given to us, there have been no contracts or arrangements during the period that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposits from the public under the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (ix) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Service Tax, Cess and any other material statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, there were no sums payable during the period on account of Employees State Insurance, Investor Education and Protection Fund, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and corresponding Cess.
  - (b) There were no undisputed amounts payable in respect of Income Tax, Service Tax and Cess and other material dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
  - (c) There were no disputed Income Tax, Service Tax and Cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses as at the year end. The Company has not incurred cash losses during the financial year covered by our audit and in immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any 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 Company is not a dealer or trader in share securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
- (xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvi) According to the information and explanations given to us and on the basis of the maturity profile of assets and liabilities with a maturity period of one year, as given in the Asset Liability Management Report, we report that funds raised on short-term basis have not been used during the year for long- term investment
- (xvii) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie not prejudicial to the interests of the Company.
- (xviii) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 5,250 debentures of Rs. 1,000,000 each and Rs. 6,562,155 debentures of Rs. 1,000 each. The Company has created security in respect of the debentures issued.
- (xix) According to the information and explanation given to us and on the basis of records produced before us and verified by us, the Company has raised Rs. 6,562,155,000 by public issue of long term infrastructure bonds (Face value Rs. 1000 each) during the period covered by our audit. On the basis of examination of the records produced before us and the information and explanations given to us the money raised through public issue has been used for the purpose of infrastructure lending.
- (xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company except unsuccessful attempts made to encash fraudulent cheques was noticed or reported during the period.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 117366W)

**SANJIV V. PILGAONKAR**  
Partner  
Membership No. 39826

Place : Mumbai  
Date : April 19, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		7,021,500,000		6,834,000,000
Reserves and Surplus	2		5,862,448,831		3,291,679,795
<b>Loan Funds</b>					
Secured Loans	3		55,435,256,873		27,467,557,910
Unsecured Loans	4		6,500,000,000		4,900,000,000
<b>Deferred Tax Liabilities (net)</b> (Refer Note 10 in Schedule 21)			46,000,000		–
<b>TOTAL</b>			<b>74,865,205,704</b>		<b>42,493,237,705</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5		18,418,547		13,864,503
Less: Depreciation and amortisation			8,440,762		5,875,595
Net Block			9,977,785		7,988,908
Capital Work In process [Including Capital advance Rs. 3,300,000 (Previous year Rs. Nil)]			14,557,931		–
			24,535,716		7,988,908
<b>Investments</b>	6		3,499,998,827		250,000,000
<b>Deferred Tax Assets (net)</b> (Refer Note 10 in Schedule 21)			–		119,500,000
<b>Infrastructure Loans</b>	7		71,654,900,533		42,554,387,932
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	8		34,999,293		4,153,825
Cash and Bank Balance	9		341,988,972		50,943,273
Other Current Assets	10		328,895,039		119,352,075
Loans and Advances	11		572,661,356		303,053,113
			1,278,544,660		477,502,286
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	12		1,940,457,575		911,422,014
Provisions	13		187,322,326		4,719,407
			2,127,779,901		916,141,421
<b>Net Current Assets / (Liabilities)</b>			<b>(849,235,241)</b>		<b>(438,639,135)</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off)	14		535,005,869		–
<b>TOTAL</b>			<b>74,865,205,704</b>		<b>42,493,237,705</b>
<b>NOTES TO THE ACCOUNTS</b>	21				

In terms of our report attached  
For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board

**SANJIV V. PILGAONKAR**  
Partner

**N. SURYANARAYANAN**  
Chief Financial Officer

**SUNEET K. MAHESHWARI**  
Manager

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

Place : Mumbai  
Date : April 19, 2011

Place : Mumbai  
Date : April 19, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
<b>INCOME</b>			
Operating and Other Income	15	7,039,746,244	4,504,232,402
<b>TOTAL</b>		<b>7,039,746,244</b>	<b>4,504,232,402</b>
<b>EXPENDITURE</b>			
Interest & Other Charges	16	3,801,670,329	2,462,910,643
Employee Cost	17	132,772,915	82,248,856
Establishment Expenses	18	49,822,242	26,431,873
Other Expenses	19	55,251,615	23,369,264
Provisions and Contingencies	20	57,848,462	253,600,000
Depreciation / Amortisation		2,611,645	2,479,602
<b>TOTAL</b>		<b>4,099,977,208</b>	<b>2,851,040,238</b>
<b>Profit Before Tax</b>		<b>2,939,769,036</b>	<b>1,653,192,164</b>
Provision for tax			
Current Tax		766,000,000	633,000,000
Deferred Tax		165,500,000	(93,500,000)
Fringe Benefit Tax for earlier year		-	43,400
Income Tax for earlier year		-	5,076,185
		<b>931,500,000</b>	<b>544,619,585</b>
<b>Profit After Tax</b>		<b>2,008,269,036</b>	<b>1,108,572,579</b>
Add : Balance as per last Balance Sheet		1,797,409,795	972,137,216
<b>Available for Appropriation</b>		<b>3,805,678,831</b>	<b>2,080,709,795</b>
Appropriations			
Special Reserve under Section 45-IC of Reserve Bank of India Act, 1934		401,700,000	222,500,000
Special Reserve under Section 36(1)(viii) of Income Tax Act, 1961		116,500,000	60,800,000
Debenture Redemption Reserve		700,000,000	-
<b>Balance carried to Balance Sheet</b>		<b>2,587,478,831</b>	<b>1,797,409,795</b>
<b>Earnings Per Share of Rs. 10 each (Basic &amp; Diluted) (Rs.)</b>		<b>2.94</b>	<b>2.21</b>
(Refer Note 9 in Schedule 21)			
<b>NOTES TO THE ACCOUNTS</b>	<b>21</b>		

In terms of our report attached  
For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board

**SANJIV V. PILGAONKAR**  
Partner

**N. SURYANARAYANAN**  
Chief Financial Officer

**SUNEET K. MAHESHWARI**  
Manager

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

Place : Mumbai  
Date : April 19, 2011

Place : Mumbai  
Date : April 19, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
<b>A Cash flow from operating activities</b>		
Profit Before Taxation	2,939,769,036	1,653,192,164
<b>Adjustment for:</b>		
Depreciation / Amortisation	2,611,645	2,479,602
Provision for Compensated Absences	3,211,122	772,672
Provision for gratuity	938,797	720,849
Obsolescences of Tangible Assets	164,181	334,655
Debenture issue expenses written off	14,994,021	-
Profit on sale of current investments	-	(778,918)
Dividend on current investments	(16,041,238)	(15,744,796)
Dividend on long term investments	(881,775)	-
Interest on Bank Deposits	(915,527)	(93,472)
Interest on Income Tax Refund	-	(451,625)
Provision on Standard Assets	32,700,000	174,600,000
Provision on Non Performing Assets	25,148,462	79,000,000
<b>Operating profit before working capital changes</b>	<b>3,001,698,724</b>	<b>1,894,031,131</b>
<b>Adjustment for :</b>		
Infrastructure Loans Disbursed (net of repayment)	(28,979,908,063)	(20,224,517,716)
Subscription of Preference Shares	(2,250,000,000)	-
(Increase) / Decrease in Sundry Debtors	(30,845,468)	(4,153,825)
(Increase) / Decrease in loans and advances	(145,179,699)	(31,170,543)
Increase in other current assets	(209,536,001)	(34,454,279)
Decrease in trade and other payables	837,492,948	795,333,666
<b>Cash used in operations</b>	<b>(27,776,277,559)</b>	<b>(17,604,931,566)</b>
Direct taxes paid	(890,428,544)	(665,324,288)
<b>Net cash used in operating activities (A)</b>	<b>(28,666,706,103)</b>	<b>(18,270,255,854)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets (Net of corresponding liabilities)	(17,253,701)	(4,087,646)
Purchase of current investments (including Term Deposits for a period of greater than 3 months)	(32,049,747,702)	(23,040,259,692)
Sale of current investments	32,049,747,702	23,941,038,610
Investment in Equity Shares	(500,283,787)	-
Investment in Cumulative Convertible Debentures	(499,715,040)	-
Dividend received on current investments	16,041,238	15,744,796
Dividend received on long term investments	881,775	-
Interest on Bank Deposits	908,564	10,598
<b>Net cash from / (used in) investing activities (B)</b>	<b>(999,420,951)</b>	<b>912,446,666</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from Issue of Share Capital (including Share Premium)	750,000,000	2,751,000,000
Proceeds from long term borrowings	36,163,437,192	21,920,029,341
Repayment of long term borrowings	(6,592,882,192)	(9,858,329,341)
(Repayments) / Proceeds from other borrowings	(2,856,037)	2,593,852,743
Debenture issue expenses	(360,526,210)	-
<b>Net cash generated from financing activities (C)</b>	<b>29,957,172,753</b>	<b>17,406,552,743</b>
<b>Net Decrease in cash and cash equivalents (A+B+C)</b>	<b>291,045,699</b>	<b>48,743,555</b>
<b>Cash and cash equivalents as at beginning of the year</b>	<b>50,443,273</b>	<b>1,699,718</b>
<b>Cash and cash equivalents as at end of the year (Refer note below)</b>	<b>341,488,972</b>	<b>50,443,273</b>
<b>Net Decrease in cash and cash equivalents</b>	<b>291,045,699</b>	<b>48,743,555</b>
<b>Note:</b>		
Cash and Bank Balance as at end of the period (Refer Schedule 9)	341,988,972	50,943,273
Less: Term Deposits for a period of greater than 3 months	500,000	500,000
Cash and cash equivalents as at end of the period	<b>341,488,972</b>	<b>50,443,273</b>

In terms of our report attached

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board

**SANJIV V. PILGAONKAR**  
Partner**N. SURYANARAYANAN**  
Chief Financial Officer**SUNEET K. MAHESHWARI**  
Manager**Y. M. DEOSTHALEE**  
Director**N. SIVARAMAN**  
DirectorPlace : Mumbai  
Date : April 19, 2011Place : Mumbai  
Date : April 19, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
200,00,00,000 nos (Previous Year 200,00,00,000 nos) Equity shares of Rs. 10 each		20,000,000,000		20,000,000,000
<b>Issued, Subscribed and Paid-Up</b>				
Issued 702,150,000 (Previous Year 683,400,000) Equity shares of Rs. 10 each [All shares are held by L&T Finance Holdings Limited, the Holding Company; Larsen & Toubro Limited, the Ultimate Holding Company]		7,021,500,000		6,834,000,000
<b>TOTAL</b>		<b>7,021,500,000</b>		<b>6,834,000,000</b>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Special Reserve under Section 45-IC of Reserve Bank of India Act, 1934</b>				
Opening Balance	478,470,000		255,970,000	
Add: Transfer from Profit and Loss Account	401,700,000		222,500,000	
		880,170,000		478,470,000
<b>Reserve u/s 36(1)(viii) of Income tax Act</b>				
Opening Balance	98,800,000		38,000,000	
Add: Transfer from Profit & Loss Account	116,500,000		60,800,000	
		215,300,000		98,800,000
<b>Securities Premium Account</b>				
Opening Balance	917,000,000		–	
Add: Addition during the year	562,500,000		917,000,000	
		1,479,500,000		917,000,000
<b>Debenture Redemption Reserve</b>				
Opening Balance	–		–	
Add: Transfer from Profit & Loss Account	700,000,000		–	
		700,000,000		–
<b>Surplus in Profit and Loss Account</b>				
		2,587,478,831		1,797,409,795
<b>TOTAL</b>		<b>5,862,448,831</b>		<b>3,291,679,795</b>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
Term Loan from Banks (Refer Note 4(i) in Schedule 21)		33,316,700,000		14,558,300,000
Bank Overdraft		756,401,873		2,359,257,910
Secured Redeemable Non Convertible Debentures (Refer Note 5 in Schedule 21)		21,362,155,000		10,550,000,000
<b>TOTAL</b>		<b>55,435,256,873</b>		<b>27,467,557,910</b>
<b>SCHEDULE 4</b>				
<b>UNSECURED LOANS</b>				
<b>Long Term:</b>				
Term Loan from Others		1,500,000,000		1,500,000,000
<b>Short Term:</b>				
Term Loan from Banks (Refer Note 4(ii) in Schedule 21)		–		1,000,000,000
Unsecured Redeemable Non Convertible Debentures		–		850,000,000
Commercial Paper		5,000,000,000		1,550,000,000
(Maximum Balance during the year Rs. 13,300,000,000, Previous Year Rs. 2,250,000,000)				
<b>TOTAL</b>		<b>6,500,000,000</b>		<b>4,900,000,000</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)****SCHEDULE 5****FIXED ASSETS (at Cost less Depreciation)**

Description	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BOOK VALUE	
	Opening as at 01.04.2010	Additions during the period	Deductions	Closing as at 31.03.2011	Up to 01.04.2010	Charge during the period	Deductions	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSET</b>										
Computers	7,121,361	1,783,538	24,222	<b>8,880,677</b>	3,075,109	1,289,493	14,470	<b>4,350,132</b>	<b>4,530,545</b>	4,046,252
Furniture & Fittings	720,542	203,063	-	<b>923,605</b>	279,346	172,100	-	<b>451,446</b>	<b>472,159</b>	441,196
Office Equipment	1,927,124	1,652,090	186,437	<b>3,392,777</b>	130,214	161,321	32,008	<b>259,527</b>	<b>3,133,250</b>	1,796,910
<b>INTAGIBLE ASSETS</b>										
Software	4,095,476	1,126,012	-	<b>5,221,488</b>	2,390,926	988,731	-	<b>3,379,657</b>	<b>1,841,831</b>	1,704,550
<b>TOTAL</b>	<b>13,864,503</b>	<b>4,764,703</b>	<b>210,659</b>	<b>18,418,547</b>	<b>5,875,595</b>	<b>2,611,645</b>	<b>46,478</b>	<b>8,440,762</b>	<b>9,977,785</b>	
<i>Previous Year</i>	<i>10,982,897</i>	<i>3,602,563</i>	<i>720,957</i>	<i>13,864,503</i>	<i>3,782,295</i>	<i>2,479,602</i>	<i>386,302</i>	<i>5,875,595</i>		<i>7,988,908</i>

<u>Number of Shares / Units</u>	<u>Face Value Rupees</u>	<u>As at 31.03.2011 Rupees</u>	<u>As at 31.03.2010 Rupees</u>
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**SCHEDULE 6****INVESTMENTS (AT COST)****Long Term, Non Trade, Unquoted, Fully paid****Equity Shares**

BSCPL Infrastructure Ltd. (Previous year - 281,150 nos; bonus shares received - 281,150 nos)	436,300	10	<b>250,000,000</b>	250,000,000
Tikona Digital Networks Pvt. Ltd.	100	10	<b>284,000</b>	-
Bhoruka Power Corporation Ltd.	587,850	10	<b>499,999,787</b>	-

**Compulsory Convertible Debentures**

Tikona Digital Networks Pvt. Ltd.	175,956	2,840	<b>499,715,040</b>	-
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**Cumulative Redeemable Preference Shares**

Anrak Aluminium Limited	125,000,000	10	<b>1,250,000,000</b>	-
KSK Energy Ventures Limited	100,000,000	10	<b>1,000,000,000</b>	-

**TOTAL**

<b>3,499,998,827</b>	<b>250,000,000</b>
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**Details of investments purchased and redeemed during the Year**

	<b>Number of Units</b>	<b>Cost</b>
Birla Sunlife Savings Fund - Institutional - Daily Dividend	<b>526,457,014.048</b>	5,268,150,048
Birla Sunlife Cash Plus - Institutional - Daily Dividend	<b>2,183,269,902.974</b>	21,875,272,793
Birla sunlife Cash Managerst Inst. - Daily Dividend	<b>225,550,186.689</b>	2,256,178,517
IDFC Money Manager Fund- Daily Dividend - TP Super Instl Plan C	<b>130,977,874.103</b>	1,309,975,208
IDFC Cash Fund- Daily Dividend - Instl Plan C Daily Dividend	<b>133,983,617.653</b>	1,340,171,136

**Details of investments purchased and redeemed during the previous year**

	<b>Number of Units</b>	<b>Cost</b>
Birla Sunlife Savings Fund - Institutional - Daily Dividend	<b>915,549,957.472</b>	9,161,725,314
Birla Sunlife Cash Plus - Institutional - Daily Dividend	<b>926,017.529</b>	10,003,119
Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend	<b>1,374,170,390.399</b>	13,768,500,227
IDFC Money Manager Fund - TP - Super Institutional Plan C - Daily Dividend	<b>10,001,602.965</b>	100,031,032



**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.03.2011 <u>Rupees</u>	As at 31.03.2010 <u>Rupees</u>
<b>SCHEDULE 7</b>		
<b>INFRASTRUCTURE LOANS (SECURED)</b>		
Term Loans	66,015,055,017	42,884,987,932
Debentures (Refer Note 8 in Schedule 21)	5,849,840,978	–
Less: Provision on Standard Assets	105,847,000	251,600,000
Less: Provision on Non Performing Assets	104,148,462	79,000,000
<b>TOTAL</b>	<b>71,654,900,533</b>	<b>42,554,387,932</b>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured - Considered Good - Less than six months	34,999,293	4,153,825
<b>TOTAL</b>	<b>34,999,293</b>	<b>4,153,825</b>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCE</b>		
Cash on Hand	15,713	12,411
Balances with Schedule Bank :		
In Current Account	341,473,259	430,862
In Fixed Deposit Account	500,000	50,500,000
<b>TOTAL</b>	<b>341,988,972</b>	<b>50,943,273</b>
<b>SCHEDULE 10</b>		
<b>OTHER CURRENT ASSETS</b>		
Accrued Interest		
On Infrastructure Loans	290,169,476	119,223,413
On Fixed Deposits	135,625	128,662
Accrual of Fee Income	38,589,938	–
<b>TOTAL</b>	<b>328,895,039</b>	<b>119,352,075</b>
<b>SCHEDULE 11</b>		
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Deposits	50,530,580	3,639,600
Advances Recoverable in Cash or Kind (Refer Note 15 in Schedule 21)	152,116,793	53,828,074
Advance Payment of Income Tax (Net)	369,994,344	245,390,800
Advance Payment of Fringe Benefit Tax (Net)	19,639	194,639
<b>TOTAL</b>	<b>572,661,356</b>	<b>303,053,113</b>



**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors:- other than Micro, Small and Medium Enterprises (Refer Note 14 in Schedule 21)		
For Expenses	221,434,731	35,485,089
For Capital goods	2,068,933	-
	<b>223,503,664</b>	<i>35,485,089</i>
Interest Accrued but not Due	988,279,448	486,095,175
Advance from Customers	2,841,110	5,289,069
Income Received in Advance	359,172,156	203,329,964
Other Liabilities	366,661,197	181,222,717
<b>TOTAL</b>	<b>1,940,457,575</b>	<i>911,422,014</i>
<b>SCHEDULE 13</b>		
<b>PROVISIONS</b>		
Contingent Provisions against Standard Assets	178,453,000	-
Gratuity	2,904,728	1,965,931
Compensated Absences	5,964,598	2,753,476
<b>TOTAL</b>	<b>187,322,326</b>	<i>4,719,407</i>
<b>SCHEDULE 14</b>		
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>		
Debenture issue Expenses	549,999,890	-
Less: Written off during the year/period	14,994,021	-
<b>TOTAL</b>	<b>535,005,869</b>	-

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	<b>Year ended</b>	<i>Year ended</i>
	<b>31.03.2011</b>	<i>31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE 15</b>		
<b>OPERATING AND OTHER INCOME</b>		
<b>Operating Income</b>		
Interest on Infrastructure loans	6,437,654,752	4,391,916,140
Interest on Debentures	196,353,601	-
Dividend Income from Preference Shares (long term)	23,232,877	-
Other Income from Preference Shares	124,202,054	-
Fees	240,464,420	95,247,451

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)**

	Year ended 31.03.2011 Rupees	Year ended 31.03.2010 Rupees
<b>Other Income</b>		
Interest on Bank Deposits	915,527	93,472
(Tax deducted at Source Rs. 91,527 Previous year Rs. 5,922)		
Profit on sale of Current Investments	-	778,918
Dividend Income on Current Investments	16,041,238	15,744,796
Dividend Income on Long term Investment	881,775	-
Interest on Income Tax Refund	-	451,625
<b>TOTAL</b>	<b>7,039,746,244</b>	<b>4,504,232,402</b>
<b>SCHEDULE 16</b>		
<b>INTEREST &amp; OTHER CHARGES</b>		
Interest on Term Loans	2,256,595,996	1,721,814,053
Interest on Bank Overdraft	29,908,097	13,137,792
Interest on Debentures	1,463,872,361	664,010,363
Other Charges	51,293,875	63,948,435
<b>TOTAL</b>	<b>3,801,670,329</b>	<b>2,462,910,643</b>
<b>SCHEDULE 17</b>		
<b>EMPLOYEE COST</b>		
Salaries	102,451,471	61,712,742
Contribution to Provident Fund	4,352,262	3,384,033
Staff Gratuity	938,797	720,849
Staff Welfare	4,209,629	4,769,650
Reimbursement of Staff Cost	20,820,756	11,661,582
<b>TOTAL</b>	<b>132,772,915</b>	<b>82,248,856</b>
<b>SCHEDULE 18</b>		
<b>ESTABLISHMENT EXPENSES</b>		
Rent	44,524,662	24,160,615
Electricity Charges	1,082,791	407,525
Property Maintenance	4,214,789	1,863,733
<b>TOTAL</b>	<b>49,822,242</b>	<b>26,431,873</b>
<b>SCHEDULE 19</b>		
<b>OTHER EXPENSES</b>		
Telephone, Postage and Courier	2,437,959	1,534,833
Printing & Stationery	2,170,389	1,403,880
Membership & Subscription	3,684,244	2,688,153
Insurance	9,279	12,230
Training and Conference	1,825,322	1,054,501

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)**

	<b>Year ended 31.03.2011</b>	<i>Year ended 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
Travelling and Conveyance	<b>12,276,375</b>	<i>5,568,773</i>
Advertising & Publicity	<b>6,882,794</b>	<i>–</i>
Professional Fees	<b>13,089,532</b>	<i>5,685,282</i>
Auditors' Remuneration (Refer Note 11 in Schedule 21)	<b>5,622,254</b>	<i>1,054,985</i>
Directors' Fees	<b>700,000</b>	<i>500,000</i>
Obsolescences of Tangible Assets	<b>164,181</b>	<i>334,655</i>
Miscellaneous Expenses	<b>6,389,286</b>	<i>3,531,972</i>
<b>TOTAL</b>	<b>55,251,615</b>	<i>23,369,264</i>
 <b>SCHEDULE 20</b>		
<b>PROVISIONS AND CONTINGENCIES</b>		
Provision on Standard Assets	<b>32,700,000</b>	<i>174,600,000</i>
Provision for Non Performing Assets	<b>25,148,462</b>	<i>79,000,000</i>
<b>TOTAL</b>	<b>57,848,462</b>	<i>253,600,000</i>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - 21**

#### **NOTES FORMING PART OF THE ACCOUNTS**

##### **1. SIGNIFICANT ACCOUNTING POLICIES**

###### **A. Basis of Accounting**

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof along with the applicable guidelines issued by Reserve Bank of India ("RBI").

###### **B. Use of Estimate**

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

###### **C. Tangible and Intangible Fixed Assets**

Tangible fixed assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

Intangible fixed assets comprising of software are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to the revenue account.

###### **D. Investments**

The Company being regulated as a Non Banking Financial Company (NBFC) by the RBI, investments are classified under two categories i.e. Current and Long Term and are valued in accordance with the RBI guidelines and the Accounting Standard (AS) 13 on 'Accounting for Investments' issued by the Institute of Chartered Accountants of India.

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

###### **E. Advances**

Advances are classified under four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets in accordance with the RBI guidelines.

In respect of Loans and Debentures / Bonds in the nature of an advance, where interest is not serviced, provision for diminution is made as per the parameter applicable to Non-Performing Advances.

Provision on restructured advances is made at in accordance with the guidelines issued by the RBI.

Provision on Standard Assets is made as per the provisioning policy of the Company subject to minimum as stipulated in RBI Guidelines or where additional specific risks are identified by the management, based on such identification.

###### **F. Foreign Currency Transactions, Forward Contracts and Derivatives**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of each transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Premium in respect of forward contracts is charged to revenue over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

###### **G. Revenue Recognition**

(a) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

(b) Interest from interest-bearing assets is recognised on an accrual basis over the life of the asset based on the constant effective yield. The effective interest is determined on the basis of the terms of the cash flows under the contract including related fees, premiums, discounts or debt issuance costs, if any.

(c) Revenue from the various services the Company render are recognised when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectability is reasonably assured.

(d) Dividend is accounted when the right to its receipt is established.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **H. Employee Benefits**

#### **Defined-Contribution Plans**

The Company offers its employee defined contribution plans in the form of provident fund and family pension fund. Provident fund and family pension funds cover substantially all regular employees. Contributions are paid during the year into separate funds under certain fiduciary-type arrangements. Both the employees and the Company pay predetermined contributions into provident fund and family pension fund. The contributions are normally based on a certain proportion of the employee's salary.

#### **Defined-Benefits Plans**

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. The gratuity scheme is not funded. Commitments are actuarially determined at year-end. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits", actuarial valuation is based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to Profit and Loss Account.

#### **Other Employee Benefits**

Compensated Absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in the 12 months immediately following the year end are reported as expense during the year in which the employees perform services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit after deducting amounts already paid.

Where there are restrictions on availment / encashment of such benefits or where the availment is otherwise not expected to wholly occur in the next 12 months, the liability on account of the benefits is actuarially determined using the Projected Unit Credit method.

### **I. Depreciation and Amortisation**

#### **Tangible Assets**

Depreciation on fixed assets is provided using the straight line method, at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than Rs. 5,000 each are written off in the year of capitalisation.

#### **Intangible Assets**

Licenses for computer software are amortised over the estimated useful life not exceeding 3 years.

### **J. Impairment of assets**

Tangible fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's net selling price or its value in use.

### **K. Operating Leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account, on a straight line basis, over the lease term.

### **L. Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provision of Income Tax Act, 1961.

Deferred tax is recognised on timing differences, between taxable income and accounting income that originated in one period and is capable of reversal in one or more subsequent periods. Deferred tax assets are recognised with regard to all deductible timing differences to the extent it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. The carrying amounts of deferred tax assets are reviewed at each Balance Sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred tax asset to be utilised.

### **M. Provisions, Contingent liabilities and Contingent assets**

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised.

### **N. Cash Flow Statement**

The Cash Flow Statement is prepared in accordance with indirect method as explained in the Accounting Standards on Cash flow Statements (AS) 3 issued by the Institute of Chartered Accountants of India.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****O. Cash and Cash Equivalents**

Cash and Bank Balances that have insignificant risk of change in value, which have durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

**P. Share Issue Expenses**

Share issue expense is charged off to the Profit & Loss account in the year in which it is incurred.

**Q. Debenture Issue Expenses**

Expenses incurred on issue of debentures are amortised over the tenor of the debentures from the month in which debentures are allotted.

## 2. Contingent liabilities not provided for:

Non Fund based Exposure: Rs. 103,641,502 (*Previous year: Rs. NIL*)

Income Tax liability in respect of matters in Appeal for Assessment Year 2007-08: Rs. NIL (*Previous year: Rs. 492,631*).

## 3. The Company's main business is to provide finance for infrastructure projects. All other activities revolve around the main business. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of Accounting Standard (AS) 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

## 4. Term Loans from Banks are secured by hypothecation of specific receivables.

(i) Amounts due within a year in respect of secured term loan from banks aggregate Rs. 1,841,500,000 (*Previous Year Rs. 1,416,600,000*)

(ii) Amounts due within a year in respect of unsecured term loan from banks aggregate Rs. Nil. (*Previous Year Rs. 1,000,000,000*).

## 5. (i) Secured, Redeemable, Non Convertible Debentures (privately placed):

Series	Face Value per debenture (Rs.)	Date of allotment	Amount (Rs.)	Interest Rate (%)	Redeemable at face value
Series "A" of 2009-10	1,000,000	1-Jun-2009	1,800,000,000	9.00% p.a.	At the end of 3 years from the date of allotment
Series "B" of 2009-10	1,000,000	30-Jun-2009	750,000,000	8.75% p.a.	At the end of 728 days from the date of allotment
Series "C" of 2009-10	1,000,000	8-Jul-2009	1,500,000,000	8.75% p.a.	At the end of 2 years from the date of allotment
Series "D" of 2009-10	1,000,000	5-Aug-2009	1,250,000,000	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.20% p.a. and cap of 8.25% p.a.	At the end of 2 years from the date of allotment
Series "E" of 2009-10	1,000,000	5-Aug-2009	1,250,000,000	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.25% p.a. and cap of 8.30% p.a.	At the end of 25 months from the date of allotment
Series "G" of 2009-10	1,000,000	23-Sep-2009	1,000,000,000	8.15% p.a.	At the end of 601 days from the date of allotment
Series "K" of 2009-10	1,000,000	2-Feb-2010	2,000,000,000	7.50% p.a.	At the end of 2 years from the date of allotment
Series "A" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 2 years from the date of allotment
Series "B" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 3 years from the date of allotment
Series "C" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 4 years from the date of allotment
Series "D" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 5 years from the date of allotment

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Series	Face Value per debenture (Rs.)	Date of allotment	Amount (Rs.)	Interest Rate (%)	Redeemable at face value
Series "E" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 6 years from the date of allotment
Series "F" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 7 years from the date of allotment
Series "G" of 2010-11	1,000,000	16-Apr-2010	750,000,000	8.91% p.a.	At the end of 8 years from the date of allotment
			<b>14,800,000,000</b>		

Security: The Debentures are secured by mortgage of an immovable property created under the terms of an operating lease arrangement and hypothecation of specific receivables.

(ii) Long Term Infrastructure Bonds - Secured, Redeemable, Non Convertible Debentures (public issue):

Series	Face Value per debenture (Rs.)	Date of allotment	Amount (Rs.)	Interest Rate (%)	Redeemable at face value
Series 2010A – Scheme 1	1,000	02-Dec-2010	190,820,000	7.75% p.a. payable annually	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 7 years from the date of allotment
Series 2010A – Scheme 2	1,000	02-Dec-2010	471,717,000	7.75% p.a. compounded annually payable at maturity	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 7 years from the date of allotment
Series 2010A – Scheme 3	1,000	02-Dec-2010	628,978,000	7.50% p.a. payable annually	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years from the date of allotment
Series 2010A – Scheme 4	1,000	02-Dec-2010	1,270,640,000	7.50% p.a. compounded annually payable at maturity	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years from the date of allotment
Series 2011A – Scheme 1	1,000	23-Mar-2011	906,927,000	8.20% p.a. payable annually	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years and 7 years from the date of allotment
Series 2011A – Scheme 2	1,000	23-Mar-2011	3,093,073,000	8.30% p.a. compounded annually payable at maturity	At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years and 7 years from the date of allotment
			<b>6,562,155,000</b>		

Security: The Debentures are secured by mortgage of an immovable property created under the terms of an operating lease arrangement and hypothecation of specific receivables.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

6. As per the Accounting Standard (AS) 18 on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, the related parties, nature and volume of transactions carried out with them in the ordinary course of business are as follows:

Name of the Party	Relationship	Nature of Transaction	Payments / Reimbursement (Rs.)	Recovery / Receipt (Rs.)	Balance o/s	
					Dr (Rs.)	Cr (Rs.)
L&T Finance Holdings Ltd. (Previously known as L&T Capital Holdings Ltd.)	Holding Company	Equity Shares Issued (including Share Premium)	- (-)	750,000,000 (2,751,000,000)	- (-)	- (-)
		Other Expenses	1,700,080 (-)			1,700,080 (-)
Larsen & Toubro Ltd.	Ultimate Holding Company	Inter Corporate Deposit Received / Paid	3,900,000,000 (-)	3,900,000,000 (1,500,000,000)	- (-)	1,500,000,000 (1,500,000,000)
		Secured Debentures issued	- (-)	1,750,000,000 (2,000,000,000)	- (-)	3,750,000,000 (2,000,000,000)
		Interest on Inter Corporate Deposit	116,876,714 (28,664,384)	- (-)		
		Interest on secured debentures	299,517,123 (23,835,616)	- (-)		
		Reimbursement of staff cost	22,706,998 (12,866,848)	- (-)		
		Other Expenses	3,841,136 (843,485)	- (-)		
		Deputation Cost and Other Expenses Recovered	- (-)	8,876,968 (8,017,766)		
		Loans & Advances (Deputation cost recoverable)			- (829,711)	
		Sundry Creditors				2,832,536 (-)
L&T Infrastructure Development Projects Ltd.	Fellow Subsidiary Company	Fee Income	- (-)	25,320,468 (-)		
		Deputation Cost and Other Expenses Recovered	- (-)	5,903,601 (5,299,087)		
		Loans & Advances (Deputation cost recoverable)			25,320,468 (-)	- (-)
L&T Finance Ltd.	Fellow Subsidiary Company	Rent Paid	25,626,552 (11,126,513)	- (-)		
		Deputation Cost and Other Expenses Recovered	- (-)	3,169,099 (5,194,621)		
		Reimbursement of staff cost	789,652 (749,921)	- (-)		



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Name of the Party	Relationship	Nature of Transaction	Payments / Reimbursement (Rs.)	Recovery / Receipt (Rs.)	Balance o/s	
					Dr (Rs.)	Cr (Rs.)
		Other Expenses	<b>781,218</b> (93,556)	- (-)		
		Purchase of Loan Assets	<b>2,940,855,819</b> (3,028,300,000)	- (-)		
		Sell down of Loan Assets	- (-)	- (3,282,536,239)		
		Interest on Purchase/ Sale of Loan Assets	- (1,478,715)	<b>620,901</b> (1,958,740)		
		Loans & Advances			<b>558,812</b> (-)	- (-)
		Sundry Creditors			- (-)	- (4,268,928)
L&T Power Development Ltd.	Fellow Subsidiary Company	Deputation Cost and Other Expenses Recovered		<b>263,211</b> (-)		
		Loans & Advances (Deputation cost recoverable)			<b>236,889</b> (-)	
L&T-MHI Boilers Pvt Ltd	Fellow Subsidiary Company	Deputation Cost and Other Expenses Recovered		<b>1,064,180</b> (838,443)		
		Loans & Advances (Deputation cost recoverable)			- (262,038)	- (-)
L&T Transco Pvt Ltd	Fellow Subsidiary Company	Deputation Cost and Other Expenses Recovered		<b>1,090,501</b> (1,372,629)		
L&T Seawoods Pvt Ltd	Fellow Subsidiary Company	Fee Income		- (2,757,500)		
		Other Expenses Recovered		- (122,878)		
L&T Shipbuilding Ltd	Fellow Subsidiary Company	Fee Income		<b>39,095,835</b> 39,095,835)		
		Other Expenses Recovered		<b>164,951</b> (316,581)		
L&T Uttaranchal Hydropower Ltd	Fellow Subsidiary Company	Fee Income		<b>19,432,102</b> (1,103,000)		
		Other Expenses	- (831,726)	<b>3,651</b> (-)		
L&T Special Steels & Heavy Forgings Pvt Ltd	Fellow Subsidiary Company	Fee Income		<b>20,295,200</b> (1,764,800)		
L&T Devihalli Hassan Tollway Pvt. Ltd.	Fellow Subsidiary Company	Fee Income		<b>4,412,000</b> (-)		
		Other Expenses		<b>39,578</b> (-)		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Name of the Party	Relationship	Nature of Transaction	Payments / Reimbursement (Rs.)	Recovery / Receipt (Rs.)	Balance o/s	
					Dr (Rs.)	Cr (Rs.)
L&T Bangalore Airport Hotel Ltd	Fellow Subsidiary Company	Fee Income		10,754,250 (-)	9,678,825	
Nabha Power Ltd	Fellow Subsidiary Company	Fee Income		79,416,000 (-)		
		Other Expenses		216,293 (-)		
L&T Capital Company Ltd	Fellow Subsidiary Company	Rent Recovered		794,160 (-)		
		Other Expenses	602,653 (-)			
Mr. Suneet K. Maheshwari	Key Management Personnel - Manager	Remuneration	4,889,910 (4,687,910)	- (-)		

Note: 1: Figures in brackets relates to the Previous Year.

2: Transactions shown above are inclusive of Service Tax, if any.

7. The Company holds certain premises under operating leases. Rent includes gross expenses of Rs. 44, 524,662 (Previous Year Rs. 24,160,615). The committed lease rentals in the future are :

Particulars	Amount in Rs.	Amount in Rs.
	2010-11	2009-10
Not later than one year	36,797,440	21,377,700
Later than one year and not later than five years	32,560,208	10,447,200
Later than five years	-	-

8. Infrastructure Loan : Debentures

Name of Company	Number of Debenture	Face Value	As at 31.03.2011	As at 31.03.2010
		Rs.	Rs.	Rs.
<b>(A) Debentures (Redeemable)</b>				
Emas Expressway Pvt. Ltd.	360	500,000	174,222,000	-
	1440	1,000,000	1,393,776,000	
MAPEX Infrastructure Pvt. Ltd.	640	500,000	317,615,696	-
	2560	1,000,000	2,464,227,282	-
Ind Bharat Power Madras Ltd.	50	10,000,000	500,000,000	-
<b>(B) Debenture (Convertible)</b>				
IOT Utkal Energy Services Ltd.	100,000,000	10	1,000,000,000	-
			5,849,840,978	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 9. Earnings per share ("EPS") computed in accordance with (AS) 20:

<b>Basic &amp; Diluted</b>	<b>Amount in Rs.</b>	
	<b>2010-11</b>	<b>2009-10</b>
Profit after tax as per Profit and Loss Account	<b>2,008,269,036</b>	1,108,572,579
Number of Equity shares	<b>702,150,000</b>	683,400,000
Weighted average number of equity shares for computation of Basic & Diluted Earnings per share	<b>683,554,110</b>	501,507,397
Nominal Value of Shares (Rs. )	<b>10</b>	10
Earnings per share (Rs.)	<b>2.94</b>	2.21

## 10. In compliance with the Accounting Standard (AS) 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax liability (net) in the Profit &amp; Loss Account on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

<b>Component</b>	<b>2010-11</b>		<b>2009-10</b>	
	<b>Amount in Rs.</b>		<b>Amount in Rs.</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Depreciation		<b>1,280,450</b>		1,185,027
Provision on Standard Assets	<b>92,255,350</b>		83,581,520	
Provision on Non Performing Assets	<b>33,796,176</b>		26,243,800	
Debenture issue expenses		<b>173,609,404</b>		
Others	<b>2,838,328</b>		10,859,707	
	<b>128,889,854</b>	<b>174,889,854</b>	120,685,027	1,185,027
Net Deferred Tax Asset / liability		<b>46,000,000</b>	119,500,000	

\*No deferred tax liability has been recognised on Special Reserve created under Section 36(1)(viii) of the Income Tax Act, 1961 based on the Management's evaluation that the possibility of withdrawal there from is remote.

## 11. Auditors' Remuneration\*

	<b>Amount in (Rs.)</b>	
	<b>2010-11</b>	<b>2009-10</b>
Audit Fees	<b>1,150,000</b>	600,000
Tax Audit Fees	<b>200,000</b>	200,000
Tax Matters	<b>62,000</b>	-
Other Service	<b>4,185,000</b>	250,000
Reimbursement of Expenses	<b>25,254</b>	4,985
	<b>5,622,254</b>	1,054,985

\* Net of Service Tax set off

It excludes Rs. 2,400,000 paid to Auditors for professional fee in connection with issuance of long term Infrastructure Bonds. The said fee along with other expenses is being amortized over the tenure of the Infrastructure Bonds.

## 12. Expenditure in Foreign Currencies

	<b>Amount in (Rs.)</b>	
	<b>2010-11</b>	<b>2009-10</b>
Directors' Sitting Fees	<b>40,000</b>	40,000
Others	<b>359,884</b>	329,748

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****13. Managerial Remuneration**

The reimbursement of staff cost includes Rs. 4,889,910 (*Previous Period Rs. 4,687,910*) paid by Larsen & Toubro Limited (the "Ultimate Holding Company") to the Manager of the Company as remuneration comprising salary and allowances of Rs. 4,683,450 (*Previous Period Rs. 4,487,750*) and contribution to provident fund of Rs. 206,460 (*Previous Period Rs. 200,160*). There are no reimbursements in respect of gratuity or other employee benefits if any which are determined actuarially for the entity as whole i.e. ultimate holding company and figures in respect of individual employees are not available.

14. On the basis of replies received by the Company in response to enquiries made, there are no dues payable as at the year end to Micro, Small and Medium Enterprises nor are there other particulars that are required to be disclosed under the Companies Act, 1956 or the Micro, Small and Medium Enterprises Development Act, 2006.

15. Advance given to the companies under same management as per Section 370(IB) of The Companies Act, 1956 is as under:

Name of the Company	Amount in (Rs.)	
	Maximum Balance Outstanding	Closing Balance
Larsen & Toubro Ltd	– (2,785,550)	– (829,711)
L&T-MHI Boilers Pvt. Ltd.	– (360,570)	– (262,038)
L&T Finance Ltd.	1,762,866 (–)	558,812 (–)
L&T Power Development Ltd.	236,889 (–)	236,889 (–)

*Figures in brackets relates to the Previous Year*

**16. Employee Benefits****I. Defined-Contribution Plans**

The Company offers its employee defined contribution plans in the form of provident fund and family pension fund. Provident fund and family pension funds cover substantially all regular employees. Contributions are paid during the year into separate funds under certain fiduciary-type arrangements. Both the employees and the Company pay predetermined contributions into provident fund and family pension fund. The contributions are normally based on a certain proportion of the employee's salary. The Company recognised charges of Rs. 4,352,262 (*Previous Period Rs. 3,384,033*) for provident fund contribution in the Profit & Loss Account.

**II. Defined-Benefit Plans**

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. The gratuity scheme is not funded. Commitments are actuarially determined at year-end. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits", actuarial valuation is based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to Profit and Loss account. The following tables set out the amounts recognised in the Company's financial statements as at March 31, 2011 in respect of Gratuity benefits:

a) The amounts recognised in the Balance Sheet are as follows:

Name of the Company	Amount in (Rs.)	
	2010-11	2009-10
Present Value of Funded Obligations	–	–
Fair Value of Plan Assets	–	–
Present Value of Unfunded Obligations	3,353,260	1,965,931
Unrecognised Past Service Cost	448,533	–
Amount not Recognised as an Asset (limit in Para 59 (b))	–	–
Net Liability	2,904,728	1,965,931
Amounts in Balance Sheet		
Liability	2,904,728	1,965,931
Assets	–	–
Net Liability	2,904,728	1,965,931

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b) The amounts recognised in the Profit and Loss Account are as follows:

Name of the Company	Amount in (Rs.)	
	2010-11	2009-10
Current Service Cost	683,728	603,375
Interest on Defined Benefit Obligation	222,281	138,488
Expected Return on Plan Assets	-	-
Net Actuarial Losses / (Gains) recognised in the Year	(56,919)	(21,014)
Past Service Cost	89,707	-
Losses / (Gains) on "Curtailments & Settlements"	-	-
Losses / (Gains) on "Acquisition / Divestiture"	-	-
Effects of the limit in Para 59(b)	-	-
Total, included in "Employee Benefit Expense"	938,797	720,849
Actual Return on Plan Assets	-	-

c) Reconciliation of Benefit Obligation &amp; Plan Assets for the period

Name of the Company	Amount in (Rs.)	
	2010-11	2009-10
<b>Change in Defined Benefit Obligation</b>		
Opening Defined Benefit Obligation	1,965,931	1,245,082
Current Service Cost	683,728	603,375
Interest Cost on Defined Benefit Obligation	222,281	138,488
Actuarial Losses / (Gain) recognized	(56,919)	(21,014)
Past Service Cost	538,239	-
Actuarial Losses / (Gain) due to "Curtailement & Settlements"	-	-
Liabilities Extinguished on "Settlements"	-	-
Liabilities assumed on Acquisition / (Settled on Divestiture)	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
Closing Defined Benefit Obligation	3,353,260	1,965,931
<b>Change in Fair Value of Plan Assets</b>		
Opening Fair Value of Plan Assets	-	-
Expected Return on Plan Assets	-	-
Actuarial Gain / (Losses)	-	-
Assets Distributed on Settlements	-	-
Contributions by Employer	-	-
Assets Acquired on Acquisition / Distributed on Divestiture	-	-
Exchange Difference on Foreign Plans	-	-
Benefits Paid	-	-
<b>Closing Fair Value of Plan Assets</b>	-	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## d) Experience Adjustment

	Amount in Rs.			
	2010-11	2009-10	2008-09	2007-08
Defined Benefit Obligation	3,353,260	1,965,931	1,245,082	658,018
Plan Assets	-	-	-	-
Surplus / (Deficit)	(3,353,260)	(1,965,931)	(1,245,082)	(658,018)
Experience. Adjustments on Plan Liabilities	(106,995)	(276,160)	(252,164)	54,402
Experience. Adjustments on Plan Assets	-	-	-	-

## e) Financial assumptions at the valuation date

	Amount in (Rs.)	
	2010-11	2009-10
Discount Rate (per annum)	8.30%	8.40%
Expected Rate of Return on Assets (per annum)	Not Applicable	Not Applicable
Salary Escalation Rate (per annum)	7.00%	7.00%
Mortality Rate	Published rates under the LIC (1994-96) mortality tables.	Published rates under the LIC (1994-96) mortality tables.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors.

The contributions expected to be made by the Company during the financial year 2011-12 amounts to Rs. 11, 25,000 (Previous Year Rs. 900,000)

17. A Special Reserve has been created in terms of Section 36(1)(viii) of the Income Tax Act, 1961 out of distributable profits of the Company.
18. Debenture Redemption Reserve has been created in terms of Section 117C of the Companies Act, 1956 out of distributable profits of the Company.
19. During the financial year 2009-10, in respect of a loan classified as a part of "Non Performing Assets", the Company invoked pledge of 6,946,000 equity shares in the borrower Company, pledged with it as collateral by the borrower. Out of the said equity shares, 28,000 nos. were sold upto March 31, 2011 and the proceeds adjusted against the interest and related costs outstanding against the said loan. As and when the balance shares are sold, the proceeds would be adjusted against the overdue portion of the loan then remaining outstanding.
20. The Company has provided Bank Guarantees aggregating to Rs. 60,000,000 to National Stock Exchange of India Limited for performance of its obligations as an Issuer in respect of public issue of long term infrastructure bonds.
21. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advance): Rs. 21,200,000 (Previous year Rs. Nil).
22. Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. L&T Finance Holdings Limited), stock options were granted to the employees of the Company during the current year. Total cost incurred by the holding Company, in respect of the same was Rs. 11,740,646. The same is being recovered over the period of vesting by the holding Company. Accordingly, cost of Rs. 1,700,080 (previous year Rs. Nil) has been recovered by the holding company in current year. Balance Rs. 10,040,566 (previous year Rs. Nil) will be recovered in future periods.
23. Financial assistance provided through subscription of Cumulative Redeemable Preference Shares aggregating Rs. 2,250,000,000, (previous year Rs. Nil) although classified as a part of Investments in the Balance Sheet as at March 31, 2011, has been grouped as a part of Operating Cash Flows in the Cash Flow Statement for the year ended on that date as such assistance forms a part of the main revenue producing activities of the Company
24. During the year, the Company has raised Rs. 6,562,155,000 from the public issue of long term infrastructure bonds entitled to benefits under Section 80CCF of Income Tax Act, 1961. The said amount has been fully utilised towards 'infrastructure lending' as defined by the Reserve Bank of India upto March 31, 2011.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

25. The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of RBI circular (Ref. No. DNBS.200/CGM (PK) - 2008) dated August 1, 2008.

(i) Capital to Risk Assets Ratio (CRAR)	2010-11	2009-10
CRAR (%)	16.50%	23.27%
CRAR - Tier I Capital (%)	16.26%	23.27%
CRAR - Tier II Capital (%)	0.24%	-

(Rs. in Crores)

(ii) Exposure to Real Estate Sector	2010-11	2009-10
<b>a) Direct Exposure</b>		
Residential Mortgages	-	-
Infrastructure Real Estate (SEZs, Industrial Parks, IT Parks)	851.03	211.98
Commercial Real Estate	29.07	156.63
Investment in Mortgage Backed Securities(MBS) and other securitised exposures	-	-
<b>b) Indirect Exposure</b>	-	-

(Rs. in Crores)

(iii) Maturity pattern of certain items of assets and liabilities									
	one month	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks	- (-)	8.33 (5.00)	10.00 (12.50)	23.33 (291.75)	218.13 (168.33)	996.62 (586.64)	1900.93 (682.53)	249.97 (45.00)	3407.31 (1791.75)
Market Borrowings	25.00 (110.00)	350.00 (-)	75.00 (25.00)	475.00 (50.00)	350.00 (155.00)	480.00 (1105.00)	739.96 (-)	291.26 (-)	2786.22 (1445.00)
<b>Assets</b>									
Advances	77.66 (183.53)	157.20 (63.51)	95.96 (62.58)	545.76 (165.39)	1077.43 (650.09)	2405.54 (1576.67)	1416.38 (918.85)	1410.56 (667.88)	7186.49 (4288.50)
Investments	- (-)	- (-)	- (-)	- (-)	- (-)	66.00 (-)	34.00 (-)	249.99 (25.00)	349.99 (25.00)

Figures in brackets relates to the Previous Year.

26. The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of RBI circular (Ref. No. DNBS.193 DG (VL) - 2007 dated February 22, 2007.

**Schedule to the****Balance Sheet of a non-deposit taking non-banking financial Company**

(as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding)

Companies Prudential Norms (Reserve Bank) Directions, 2007)

1. Borrower group-wise classification of assets financed : (see footnote 2 below)

Category	Amount (net of Provisions) Rs.	
	2010-11	2009-10
1. Related Parties **		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	71,760,747,533	42,805,987,932
<b>TOTAL</b>	<b>71,760,747,533</b>	<b>42,805,987,932</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

2. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): (see footnote 3 below)

Category	2010-11		2009-10	
	Market Value / Breakup Value / Fair value / NAV Rs.	Book Value (Net of Provisions) Rs.	Market Value / Breakup Value / Fair value / NAV Rs.	Book Value (Net of Provisions) Rs.
1. Related Parties **				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties @	<b>3,499,998,827</b>	<b>3,499,998,827</b>	250,000,000	250,000,000
<b>TOTAL</b>	<b>3,499,998,827</b>	<b>3,499,998,827</b>	250,000,000	250,000,000

@ being cost of unquoted investments.

\*\* As per Accounting Standard issued by the Institute of Chartered Accountants of India (see footnote 3 below)

3. Other information

Particulars	2010-11	2009-10
	Amount Rs.	Amount Rs.
(i) Gross Non-Performing Assets	<b>483,841,353</b>	789,237,642
(a) Related parties	-	-
(b) Other than related parties	<b>483,841,353</b>	789,237,642
(ii) Net Non-Performing Assets	<b>379,692,891</b>	710,237,642
(a) Related parties	-	-
(b) Other than related parties	<b>379,692,891</b>	710,237,642
(iii) Assets acquired in satisfaction of debt	-	-

4. No Loans (availed by the Company) remain overdue as on March 31, 2011 and March 31, 2010.

**Footnotes:**

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
  - Provisioning norms have been applied as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
  - All Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value / Net Asset Value in respect of unquoted investments have been disclosed irrespective of whether they are classified as long term or current.
27. Previous year's figures are regrouped / rearranged wherever necessary.

In terms of our report attached

For and on behalf of the Board

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**SANJIV V. PILGAONKAR**  
Partner

**N. SURYANARAYANAN**  
Chief Financial Officer

**SUNEET K. MAHESHWARI**  
Manager

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

Place : Mumbai  
Date : April 19, 2011

Place : Mumbai  
Date : April 19, 2011



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

28. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.  State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="187500"/>

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="74865206"/>	Total Assets	<input type="text" value="74865206"/>
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**Sources of Fund**

Paid-up Capital	<input type="text" value="7021500"/>	Reserves & Surplus	<input type="text" value="5862449"/>
Secured Loans	<input type="text" value="55435257"/>	Unsecured Loans	<input type="text" value="6500000"/>
Deferred Tax Liabilities	<input type="text" value="46000"/>		

**Application of Funds**

Net Fixed Assets	<input type="text" value="24536"/>	Investments	<input type="text" value="349999"/>
Infrastructure Loans	<input type="text" value="71654900"/>	Net Current Assets	<input type="text" value="849235"/>
Deferred Tax Asset	<input type="text" value="NIL"/>	Misc. Expenditure	<input type="text" value="535006"/>

**IV. Performance of Company** (Amount in Rs. Thousands)

Total Income	<input type="text" value="7039746"/>	Total Expenditure	<input type="text" value="4099977"/>
Profit Before Tax	<input type="text" value="2939769"/>	Profit After Tax	<input type="text" value="2008269"/>
Earning per Share (in Rs.)	<input type="text" value="2.94"/>	Dividend Rate %	<input type="text" value="NIL"/>

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)

Item Code No. (ITC Code)   
Product Descriptions

For and on behalf of the Board

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report with Audited Accounts for the year ended March 31, 2011.

**FINANCIAL RESULTS**

The summarised financial results of your Company for the year ended March 31, 2011 are as under:

(Rs. in Lakh)

Particulars	For the year ended 31.03.2011	For the year ended 31.03.2010
<b>Gross Income</b>	<b>500.02</b>	330.46
Profit / (Loss) before Tax	<b>177.42</b>	302.64
Provision for Tax	<b>66.00</b>	22.80
<b>Profit / (Loss) after Tax</b>	<b>111.42</b>	279.84
Transfer to Special Reserve u/s 45-IC of RBI Act, 1934	<b>23.00</b>	55.97
Add: Balance brought forward from previous years	<b>(1,450.83)</b>	(1,674.70)
<b>Profit / (Loss) carried forward to Balance Sheet</b>	<b>(1,362.41)</b>	(1,450.83)

**DIVIDEND**

The Directors do not recommend payment of any dividend for the year.

**YEAR IN RETROSPECT / PERFORMANCE OF THE COMPANY**

The Company was formed to provide 2 X 45 MW captive cogeneration plant on lease to Indian Petrochemicals Corporation Limited (merged with Reliance Industries Limited) at Gandhar. The secondary lease period has commenced from February 15, 2008. During the year ended March 31, 2011, the Company registered a total income of Rs. 500.02 Lakhs, Profit before Tax of Rs. 177.42 Lakhs and Profit after Tax of Rs. 111.42 Lakhs.

**DEPOSITS**

Since its inception, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

**DIRECTORS**

Mr. A. K. Chhatwani resigned from the Board of Directors with effect from July 30, 2010. The Directors record their appreciation of the valuable services rendered by Mr. A. K. Chhatwani as a Director of the Company.

Mr. N. Hariharan was appointed as a Director in the casual vacancy caused by the resignation of Mr. A. K. Chhatwani with effect from July 30, 2010.

Pursuant to the provisions of the Companies Act, 1956, Mr. P. S. Kapoor and Mr. N. Hariharan, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.

**AUDITORS**

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if reappointed. The Board recommends re-appointment of the firm as Statutory Auditors.

**PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER**

Your Company did not have any employee as on March 31, 2011 drawing remuneration in excess of the amount specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

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

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to the Company.

There were no foreign exchange earnings and expenditure during the year under review.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company confirms that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. The Directors have selected such accounting policies and applied 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 your Company at the end of the financial year and of the profit or loss of Company for that year;

3. 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 your Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis; and
5. Proper systems are in place to ensure compliance of all laws applicable to the Company.

#### **AUDITORS' REPORT**

The Auditor's Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further clarification under Section 217(3) of the Companies Act, 1956.

#### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

Your Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs, Government of India and is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below:

#### **Remuneration of Directors**

All the Directors were nominated by Larsen & Toubro Limited (L&T) and are employees of L&T. The Directors are not paid any sitting fees for attending the Meetings of the Board and / or any Committees thereof and are not drawing any remuneration from the Company.

#### **Independent Directors**

All the members of the Board are independent in the sense that none of them is involved in the day-to-day management of the Company.

#### **Numbers of Companies in which an Individual may become a Director**

The Company has apprised its Board members about the restriction on number of other directorships and expects in due course to comply with the same.

#### **Responsibilities of the Board**

Presentation to the Board in areas such as financial results, budgets, business prospects etc., give the Directors an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The systems of risk management and compliance with statutory requirements are in place.

#### **Audit Committee of the Board**

The Audit Committee consists of three Executive Directors. The Audit Committee was reconstituted on July 30, 2010 pursuant to the appointment of Mr. N. Hariharan in place of Mr. A. K. Chhatwani. The present members of the Committee are:

Mr. N. Sivaraman – Chairman

Mr. P. S. Kapoor

Mr. N. Hariharan

The Audit Committee functions as an Audit Committee for the purposes of Section 292A of the Companies Act, 1956 as well as the RBI directions for NBFC's. The Committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

#### **Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time. However, the signing partners are rotated at regular frequency.

#### **Internal Auditors**

The Corporate Audit Services department of L&T provides internal audit services to the Company.

#### **Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance control and risk management controls.

#### **Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial Department of L&T, which has competent professionals to carry out the said audit.

## INDIA INFRASTRUCTURE DEVELOPERS LIMITED

### **Details of related party transactions**

The Board hereby states that the details of all the related party transactions form part of the accounts as required under AS-18 and the same are given in note 4 of Schedule 12 of the attached Financial Statements.

### **RESERVE BANK OF INDIA (RBI) GUIDELINES**

Your Company has complied with all the applicable regulations of the Reserve Bank of India.

### **ACKNOWLEDGEMENTS**

Your Company maintained cordial relationship with Reserve Bank of India and other Regulatory Authorities during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support.

On behalf of the Board

*Place: Mumbai*  
*Date : May 12, 2011*

**N. SIVARAMAN**  
*Director*

**N. HARIHARAN**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF INDIA INFRASTRUCTURE DEVELOPERS LIMITED

We have audited the attached Balance Sheet of India Infrastructure Developers Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and
  - (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule '12' and the Notes on the Financial Statements in Schedule '13' appearing 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:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

Place : Mumbai  
Date : April 26, 2011

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management during the year. In respect of leased assets, the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
2. The Company is a non-banking finance Company and does not hold any inventories. Accordingly, reporting on Paragraph 4(ii)(a), (b) and (c) of the Order is not applicable.

## INDIA INFRASTRUCTURE DEVELOPERS LIMITED

3. (a) According to the information and explanations given to us, 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 reporting under Paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.  
(b) According to the information and explanations given to us, 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 reporting under Paragraph 4(iii)(f) and (g) of the Order is not applicable.
4. 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 and for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
5. According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
7. The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Company, being a non-banking finance company, accordingly reporting under paragraph 4(viii) of the Order is not applicable.
9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.  
(b) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, wealth tax, service tax and cess that have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has accumulated losses as at March 31, 2011. It has not incurred cash losses in the financial year or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank as at the Balance Sheet date.
12. Based on our examination of documents and records, we are of the opinion that the Company has not granted the loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under Paragraph 4(xiii) of the Order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under Paragraph 4(xv) of the Order is not applicable.
16. According to the information and explanations given to us, the Company has not availed any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments.
18. During the year, the Company has made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion and according to the information and explanation given to us, the price at which shares have been issued is not prejudicial to the interest of the Company.
19. The Company has not issued any debentures during the year. Accordingly, reporting under Paragraph 4(xix) of the Order is not applicable.
20. The Company has not raised any money by public issue during the year. Accordingly, reporting on Paragraph 4(xx) of the Order is not applicable.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instances of material fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*By the hand of*

**MILIND P. PHADKE**  
*Partner*  
Membership No. 33013

*Place : Mumbai*  
*Date : April 26, 2011*

## **AUDITORS REPORT TO THE BOARD OF DIRECTORS**

We have verified the books of account and other relevant records of India Infrastructure Developers Limited for the year ended March 31, 2011. In accordance with paragraph 2 of the Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 1998 notified by the Reserve Bank of India under Section 45MA of the Reserve Bank of India Act, 1934 and as required by paragraphs 3 and 4 of the said directions, we report that:

- 1 the Company, being a company incorporated after January 9, 1997, had applied for registration to the Reserve Bank of India on November 22, 1999 as provided in Section 45-IA of the Reserve Bank of India Act, 1934. The Company has since been granted the registration on February 26, 2003 and the registration number is N – 13.01660;
- 2 the Board of Directors have passed resolutions on October 25, 1999 and on January 6, 2003 stating that the Company which has not accepted till date any public deposits as defined under Non-Banking Financial Companies (Reserve Bank) Directions, 1998 shall not accept any public deposits without Reserve Bank of India's prior approval in writing;
- 3 the Company has not accepted any public deposits till date and during the year; and
- 4 on our examination of the books of account and on the basis of such checks and tests deemed necessary to form an opinion and on the basis of the information and explanations given to us, we confirm that the Company has complied with the prudential norms, relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts, as applicable.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*By the hand of*

*Place : Mumbai*  
*Date : April 21, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,010,600,000		560,600,000	
Reserves and Surplus	2	77,592,849		75,292,849	
			1,088,192,849		635,892,849
<b>Loan Funds</b>					
Unsecured Loans	3		5,195,123,200		1,272,500,000
<b>TOTAL</b>			<b>6,283,316,049</b>		<b>1,908,392,849</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	4	4,170,854,546		4,177,085,703	
Less: Depreciation		1,807,292,401		1,813,509,974	
Net block		2,363,562,145		2,363,575,729	
Less: Lease adjustment		2,362,890,033		2,362,890,033	
			672,112		685,696
<b>Investments</b>	5		70,000,000		-
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	6	-		-	
Cash and Bank Balances		70,115,859		183,821	
Loans and Advances		6,031,763,929		1,765,510,795	
		6,101,879,788		1,765,694,616	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	7	3,856,446		790,360	
Provisions		21,620,000		2,280,000	
		25,476,446		3,070,360	
<b>Net Current Assets</b>			6,076,403,342		1,762,624,256
<b>Profit and Loss Account</b>			136,240,595		145,082,897
<b>TOTAL</b>			<b>6,283,316,049</b>		<b>1,908,392,849</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	12				
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	13				

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**N. D. JAIN**  
Manager

**N. SIVARAMAN**  
Director

**N. HARIHARAN**  
Director

Place : Mumbai  
Date : April 26, 2011

Place : Mumbai  
Date : April 26, 2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011**

	<u>Schedule</u>	<u>2010-11 Rupees</u>	<u>2009-10 Rupees</u>
<b>INCOME</b>			
Lease rentals		4,400,000	4,942,465
Interest and other income	8	45,602,057	28,103,578
<b>TOTAL</b>		<b>50,002,057</b>	<b>33,046,043</b>
<b>EXPENDITURE</b>			
Administration and other expenses	9	4,880,582	1,048,631
Provisions and contingencies	10	15,020,000	-
Interest and other finance charges	11	12,345,589	260,548
Depreciation		13,584	1,472,928
<b>TOTAL</b>		<b>32,259,755</b>	<b>2,782,107</b>
<b>Profit before taxes</b>		<b>17,742,302</b>	<b>30,263,936</b>
Provision for current taxes		6,600,000	2,280,000
Provision for deferred tax [Refer note no F (b) of Schedule 13]		-	-
<b>Profit after taxes</b>		<b>11,142,302</b>	<b>27,983,936</b>
Balance brought forward from previous year		(145,082,897)	(167,469,833)
<b>Profit available for appropriation</b>		<b>(133,940,595)</b>	<b>(139,485,897)</b>
Appropriations :			
Transfer to Reserve u/s. 45-IC of RBI Act, 1934		2,300,000	5,597,000
<b>Balance carried to Balance Sheet</b>		<b>(136,240,595)</b>	<b>(145,082,897)</b>
<b>Earnings Per Share (Basic and Diluted)</b>		<b>0.20</b>	<b>0.50</b>
Nominal value per Equity Share [Refer note no. E of schedule 13]		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	12		
<b>NOTES ON THE FINANCIAL STATEMENTS</b>	13		

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**N. D. JAIN**  
Manager

**N. SIVARAMAN**  
Director

**N. HARIHARAN**  
Director

Place : Mumbai  
Date : April 26, 2011

Place : Mumbai  
Date : April 26, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
Profit before tax as per Profit and Loss Account	17,742,302	30,263,936
Adjustment for:		
Depreciation	13,584	1,472,928
(Profit) / Loss on sale of investments (net)	-	179,750
Interest income received on investments	-	27,923,828
Provision on standard assets	15,020,000	-
<b>Operating profit before working capital changes</b>	<b>32,775,886</b>	<b>59,840,442</b>
Adjustment for :		
(Increase) / Decrease in trade and other receivables and advances	(4,263,233,134)	(1,745,844,929)
Increase / (Decrease) in trade and other payables	3,066,086	232,572
<b>Cash generated from operations</b>	<b>(4,227,391,162)</b>	<b>(1,685,771,915)</b>
Direct taxes paid	(5,300,000)	(2,280,000)
<b>Net cash flow from operating activities (A)</b>	<b>(4,232,691,162)</b>	<b>(1,688,051,915)</b>
<b>B. Cash flows from investing activities</b>		
Add : Inflows from investing activities		
Sale of investments	-	443,500,000
Interest and dividend received on investments	-	(28,103,578)
	-	415,396,422
Less : Outflow from investing activities		
Purchase of investments	70,000,000	-
	70,000,000	-
<b>Net cash from investing activities (B)</b>	<b>(70,000,000)</b>	<b>415,396,422</b>
<b>C. Cash flows from financing activities</b>		
Add : Inflows from financing activities		
Proceeds from issue of share capital	450,000,000	-
Increase in unsecured loans	3,922,623,200	1,272,500,000
	4,372,623,200	1,272,500,000
Less : Outflows from financing activities	-	-
	-	-
<b>Net cash generated (used in) / from financing activities (C)</b>	<b>4,372,623,200</b>	<b>1,272,500,000</b>
<b>Net cash increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>69,932,038</b>	<b>(155,493)</b>
<b>Cash and cash equivalents as at beginning of the year</b>	<b>183,821</b>	<b>339,314</b>
<b>Cash and cash equivalents as at end of the year</b>	<b>70,115,859</b>	<b>183,821</b>

**Notes:**

- Cash Flow Statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

By the hand of

**MILIND P. PHADKE**

Partner

Membership No. 33013

**N. D. JAIN**

Manager

**N. SIVARAMAN**

Director

**N. HARIHARAN**

Director

Place : Mumbai

Date : April 26, 2011

Place : Mumbai

Date : April 26, 2011

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
102,000,000 Equity shares of Rs. 10 each (Previous year 57,000,000 Equity shares of Rs. 10 each)		<b>1,020,000,000</b>		570,000,000
<b>TOTAL</b>		<b>1,020,000,000</b>		<b>570,000,000</b>
<b>Issued and Subscribed</b>				
101,060,000 Equity shares of Rs. 10 each (Previous year 56,060,000 Equity shares of Rs. 10 each) All shares are held by L&T Finance Holdings Limited, the holding Company (formerly L&T Capital Holdings Limited) and its nominees		<b>1,010,600,000</b>		560,600,000
<b>TOTAL</b>		<b>1,010,600,000</b>		<b>560,600,000</b>

<b>SCHEDULE - 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Reserve u/s. 45-IC of RBI Act, 1934</b>				
As per last Balance Sheet		<b>75,292,849</b>		69,695,849
Add : Transferred from Profit and Loss Account		<b>2,300,000</b>		5,597,000
<b>TOTAL</b>		<b>77,592,849</b>		<b>75,292,849</b>

<b>SCHEDULE - 3</b>				
<b>UNSECURED LOANS</b>				
Short term loans and advances				
From:				
Bank		<b>5,000,000,000</b>		–
Commercial papers		<b>195,123,200</b>		–
Others		–		1,272,500,000
<b>TOTAL</b>		<b>5,195,123,200</b>		<b>1,272,500,000</b>

FIXED ASSETS	GROSS BLOCK (AT COST)				Depreciation				Net Block		Lease Adjustment	Net Block After Lease Adjustment	
	As at 01.04.2010	Additions	Deductions	As At 31.03.2011	Upto 31.03.2010	For the year	Deductions	upto 31.03.2011	As at 31.03.2011	As at 31-03-2010	upto 31.03.2011	As at 31.03.2011	As at 31-03-2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Owned assets</b>													
Building	833,000	–	–	<b>833,000</b>	147,306	13,584	–	<b>160,890</b>	<b>672,110</b>	685,694	–	<b>672,110</b>	685,694
Computer	35,700	–	35,700	–	35,700	–	35,700	–	–	–	–	–	–
<b>SUB TOTAL</b>	<b>868,700</b>	–	<b>35,700</b>	<b>833,000</b>	<b>183,006</b>	<b>13,584</b>	<b>35,700</b>	<b>160,890</b>	<b>672,110</b>	<b>685,694</b>	–	<b>672,110</b>	<b>685,694</b>
<b>Assets given on lease</b>													
Building	106,133,487	–	–	<b>106,133,487</b>	35,064,269	–	–	<b>35,064,269</b>	<b>71,069,218</b>	71,069,218	<b>71,069,217</b>	<b>1</b>	<b>1</b>
Plant and machinery	4,070,083,516	–	6,195,457	<b>4,063,888,059</b>	1,778,262,699	–	6,195,457	<b>1,772,067,242</b>	<b>2,291,820,817</b>	2,291,820,817	<b>2,291,820,816</b>	<b>1</b>	<b>1</b>
Computer	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>SUB TOTAL</b>	<b>4,176,217,003</b>	–	<b>6,195,457</b>	<b>4,170,021,546</b>	<b>1,813,326,968</b>	–	<b>6,195,457</b>	<b>1,807,131,511</b>	<b>2,362,890,035</b>	<b>2,362,890,035</b>	<b>2,362,890,033</b>	<b>2</b>	<b>2</b>
<b>TOTAL</b>	<b>4,177,085,703</b>	–	<b>6,231,157</b>	<b>4,170,854,546</b>	<b>1,813,509,974</b>	<b>13,584</b>	<b>6,231,157</b>	<b>1,807,292,401</b>	<b>2,363,562,145</b>	<b>2,363,575,729</b>	<b>2,362,890,033</b>	<b>672,112</b>	<b>685,696</b>
Previous Year	4,186,088,433	–	9,002,730	4,177,085,703	1,818,945,651	1,472,928	6,908,605	1,813,509,974	2,363,575,729	2,367,142,782	2,362,890,033	685,696	–

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 5</b>				
<b>INVESTMENTS At cost</b>				
<b>Current investments</b>				
<b>Mutual funds:</b>				
L&T Monthly Income Plan - cumulative 3,599,064.243 units of Rs. 19.4495 each-(purchased during the year)		70,000,000		-
<b>TOTAL</b>		<u>70,000,000</u>		<u>-</u>
<b>SCHEDULE - 6</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Sundry Debtors</b>				
Unsecured, considered good				
Debt outstanding for a period exceeding six months	-		-	
Other debts	-		-	
		-		-
<b>Cash and Bank Balances</b>				
Cash in hand				
Balances with Scheduled Banks				
on current account	70,115,859		183,821	
on deposit account	-		-	
		70,115,859		183,821
<b>Loans and Advances</b>				
Unsecured, considered good				
Loans including interest accrued thereon		6,007,452,314		1,746,500,000
Advances recoverable in cash or in kind or for value to be received		24,311,615		19,010,795
<b>TOTAL</b>		<u>6,101,879,788</u>		<u>1,765,694,616</u>
<b>SCHEDULE - 7</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Micro and small enterprises	-		-	
Other than micro and small enterprises	3,856,446		790,360	
		3,856,446		790,360
<b>Provisions for</b>				
Current taxes				
Provision on standard assets	6,600,000		2,280,000	
	15,020,000		-	
		21,620,000		2,280,000
<b>TOTAL</b>		<u>25,476,446</u>		<u>3,070,360</u>

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 8</b>				
<b>INTEREST AND OTHER INCOME</b>				
Interest income				
Interest received on inter corporate deposits (Tax deducted at source Rs. 2,591,187) (Previous year Rs. 2,792,383)	25,911,867		27,923,828	
Other interest	-		-	
		25,911,867		27,923,828
Other income		19,690,190		179,750
<b>TOTAL</b>		<b>45,602,057</b>		<b>28,103,578</b>

<b>SCHEDULE - 9</b>				
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>				
Filing fees		3,150,000		960
Stamp duty		450,000		-
Professional fees		551,500		18,900
Auditors remuneration				
Audit fees	90,000		90,000	
Tax audit fees	16,500		16,500	
Certification	159,157		25,126	
		265,657		131,626
Miscellaneous expenses		463,425		897,145
<b>TOTAL</b>		<b>4,880,582</b>		<b>1,048,631</b>

<b>SCHEDULE - 10</b>				
<b>PROVISIONS AND CONTINGENCIES</b>				
Provision on standard assets [Note no. H of Schedule 13]		15,020,000		-
<b>TOTAL</b>		<b>15,020,000</b>		<b>-</b>

<b>SCHEDULE - 11</b>				
<b>INTEREST AND OTHER FINANCE CHARGES</b>				
Interest		12,345,589		260,548
Others		-		-
<b>TOTAL</b>		<b>12,345,589</b>		<b>260,548</b>

**SCHEDULE - 12**  
**SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/ advances, etc. Differences, if any, between the actual results and estimates is recognized in the period in which the results are known.

**B. Revenue Recognition**

Income from lease transactions and bill discounting are accounted on accrual basis.

**C. Lease Equalisation**

Lease equalisation adjustment is the difference between capital recovery included in lease rentals and depreciation provided in books.

## **SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

### **D. Fixed Assets**

Assets held for own use and leased assets are stated at original cost less depreciation.

### **E. Depreciation**

#### (a) Owned assets:

Depreciation on assets held for own use has been provided on straight line method at the rates and in the manner specified in the Schedule XIV to the Companies Act, 1956.

Depreciation on additions / deductions is calculated pro rata from / to the month of additions / deductions.

#### (b) Leased assets:

Leased assets are depreciated over the primary period of lease. Accordingly, statutory depreciation on such assets is provided for on straight line method at the rates and in the manner specified in the Schedule XIV to the Companies Act, 1956 and the difference is adjusted through the lease equalisation and lease adjustment account.

However, with respect to assets where the primary period of lease is over, depreciation is provided for on straight line method at the rates and in the manner specified in the Schedule XIV to the Companies Act, 1956.

### **F. Investments**

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary nature.

Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification. .

### **G. Taxes on income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the income accounted in financial statements and the taxable income for the year, and quantified using the tax rate and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax asset relating to unabsorbed depreciation / business losses / losses under the head "Capital Gains" are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

Other deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## **SCHEDULE - 13**

### **NOTES ON THE FINANCIAL STATEMENTS**

A. During the year, the Company has issued and allotted 45,000,000 equity shares of Rs. 10 each to L&T Finance Holdings Limited.

B. Cash credit loan is secured by hypothecation of receivables.

C. Provision for current taxes has been made in terms of Section 115JB of the Income Tax Act, 1961.

#### D. i) Segment Reporting:

##### Primary Segment (Business Segment)

The Company operates mainly in the business segment of investments activity. The other business segments not have income and / or assets more than 10% of the total income and / or assets of the Company. Accordingly, separate segment information for different business segments is not disclosed.

##### Secondary Segment (Geographical Segment)

The Company operates only in the domestic market. As a result, separate segment information for different geographical segments is also not disclosed.

#### ii) Related Party Disclosures

List of related parties who exercises control:

<b>Sr. No.</b>	<b>Name of the related party</b>	<b>Relationship</b>
1	L&T Finance Holdings Limited	Holding Company

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

Names of the related parties with whom transactions were carried out during the year and description of relationship:

	<b>Ultimate Holding Company</b>
1	Larsen & Toubro Limited
	<b>Holding Company</b>
1	L&T Finance Holdings Limited
	<b>Fellow Subsidiaries companies</b>
1	L&T Finance Limited

Description of the nature of transactions:

Rs. Lakh

Name of the Company	Relation-ship	Nature of Transactions	2010-11			2009-10		
			Amount	Amount Due to	Amount Due from	Amount	Amount Due to	Amount Due from
Larsen & Toubro Ltd.	Ultimate Holding Company	<b>Transaction</b>						
		Inter corporate deposits	-	-	-	4,435.00	-	-
		Short term loan borrowed	-	-	-	125,00.00	12,500.0	-
		<b>Income :</b>						
		Interest on inter corporate deposits	-	-	-	131.23	-	-
		<b>Expenses:</b>						
		Interest on short term loan	91.67	-	-	2.57	-	-
		Overheads charged	2.57	-	-	1.55	1.55	-
		Accounts payable (Reimbursement)	0.29	-	-	0.30	0.30	-
L&T Finance Holdings Limited	Holding Company	<b>Transaction</b>						
		Equity shares issued	4,500.00	-	-	-	-	-
		Inter corporate deposits	-	-	-	225.00	225.00	-
		Accounts receivable	709.73	-	-	-	-	-
		<b>Expenses</b>						
		Interest on Inter corporate Deposits	1.70	-	-	0.03	0.03	-
L&T Finance Limited	Fellow Subsidiary	<b>Transaction</b>						
		Inter corporate deposits	4,973.50	-	-	4,435.00	-	-
		Inter corporate borrowings	2,000.00	-	-	-	-	-
		Purchase of receivables	60,074.52	-	-	17,465.00	-	-
		Accounts payable(reimbursement)	68.89	-	-	1.86	1.86	-
		<b>Income:</b>						
		Interest on Inter corporate deposit	259.12	-	-	-	-	-
		<b>Expenses:</b>						
		Interest on inter corporate borrowings	0.36	-	-	-	-	
L&T-Valdel Engineering Ltd.	Fellow Subsidiary	<b>Transaction</b>						
		Sale of fixed assets	-	-	-	14.47	-	-

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## E. Earnings per share:

	2010-11	2009-10
Profit after tax as per Profit and Loss Account (Rs. lakh)	111.42	279.84
Weighted average number of equity shares outstanding	56,429,863	56,060,000
Earnings per share (Basic and Diluted) (Rs.)	0.20	0.50
Nominal value of share (Rs.)	10.00	10.00

- F. The Company has a deferred tax asset of Rs. 1,082.41 lakh (*Previous year Rs. 1,294.28 lakh*) on account of net book value of fixed asset as per Income Tax Act, 1961, being higher than that as per books of account. However, the Company has not accounted for the deferred tax asset on the ground of prudence.
- G. The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011. This information is given in respect of such vendors as could be identified as 'Micro' and 'Small Enterprises' on the basis of information available with the Company.
- H. The Company has made provision of Rs. 150.20 Lakh on outstanding standard assets in accordance with Circular no. RBI/2010-11/370 dated January 17, 2011 issued by the Reserve Bank of India.
- I. The Company does not have any contingent liability as at March 31, 2011.
- J. Previous year figures have been regrouped wherever necessary.
- K. Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007

Particulars	(Rs. Lakh)	
	Amount Outstanding	Amount Overdue
<b>Liability Side</b>		
1 Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		–
(a) Debentures : Secured : Unsecured (Other than falling within the meaning of public deposits)	–	–
(b) Deferred Credits	–	–
(c) Term loans	50,000.00	–
(d) Inter-corporate loans and borrowings	–	–
(e) Commercial paper	1,951.23	–
(f) Public deposits *	–	–
(g) Other loans (Foreign Currency Loan)	–	–
(h) Lease finance	–	–
<b>Asset Side</b>		Amount Outstanding
2 Break-up of Loans and Advances including bills receivables [Other than those included in (4) below]		
(a) Secured		–
(b) Unsecured		60,077.49
4 Break-up of leased assets and Stock on hire and hypothecation loans counting towards EL/HP activities		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease		–
(b) Operating lease		5.42
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		–
(b) Repossessed assets		–
(iii) Hypothecation loans counting towards EL/HP activities		
(a) Loans where assets have been repossessed		–
(b) Loans other than (a) above		–





**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

	Secured	Unsecured	Total
7 Investor group-wise classification of all investments (current and long term in shares and securities) (both quoted and unquoted):			
Category			
1. Related Parties			
a) Subsidiaries		-	-
b) Companies in the same group		-	-
c) Other related parties		-	-
2. Other than related parties		700.00	700.00
TOTAL		-	-
Particulars			Amount Rs. Lakh
8 Other information			
(i) Gross Non-Performing Assets			
(a) Related parties			-
(b) Other than related parties			-
(ii) Net Non-Performing Assets			
(a) Related parties			-
(b) Other than related parties			-
(iii) Assets acquired in satisfaction of debt			-
L. Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per their circular RBI/2008-09/116 DNBS(PD). CC.No. 125/03.05.002/ 2008-009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:			

## 1) CRAR:

Items	2010-11	2009-10
i) CRAR (%)	15.65%	27.79%
ii) CRAR – Tier I Capital (%)	15.65%	27.79%
iii) CRAR – Tier II Capital (%)	-	-

## 2) Exposures:

## Exposure to Real Estate Sector

	Category	2010-11	2009-10
a) Direct exposure			
(i) Residential Mortgages –		Nil	Nil
	Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lakh may be shown separately)		
(ii) Commercial Real Estate -		Nil	Nil
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		Nil	Nil
	a. Residential		
	b. Commercial Real Estate		
b) Indirect Exposure		Nil	Nil
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

## 3) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

(Rs. Lakh)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities:</b>									
Borrowings from banks	-	50,000.00	-	-	-	-	-	-	50,000.00
Market Borrowings	-	-	1,951.23	-	-	-	-	-	1,951.23
<b>Assets:</b>									
Advances	22,568.35	28,578.28	8,927.90	-	-	-	243.27	-	60,317.80
Investments	-	-	-	-	-	700.00	-	-	700.00

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**N. D. JAIN**

Manager

**N. SIVARAMAN**

Director

**N. HARIHARAN**

Director

Place: Mumbai

Date :

Place: Mumbai

Date :

## SCHEDULE FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning per Share (in Rs.)

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product Descriptions

For and on behalf of the Board

Place : Mumbai  
Date : April 26, 2011

**N. D. JAIN**  
Manager

**N. SIVARAMAN**  
Director

**N. HARIHARAN**  
Director

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Sixteenth Annual Report of the Company with the audited accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

The summarized financial results of the Company for the year ended March 31, 2011 are as under:

Particulars	(Rs. Lakhs)	
	For the year ended 31.03.2011	For the year ended 31.03.2010
<b>Gross Income</b>	<b>139,753.50</b>	96,573.00
<b>Profit Before Tax</b>	<b>34,985.42</b>	23,632.24
Provision for Tax	<b>11,938.67</b>	7,985.00
<b>Profit After Tax</b>	<b>23,046.75</b>	15,674.24
Add: Balance brought forward from previous years	<b>21,415.45</b>	18,898.21
<b>Profit available for appropriation</b>	<b>44,462.20</b>	34,545.45
<b>Appropriations</b>		
Transfer to Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	<b>4,609.00</b>	3,130.00
Transfer to Debenture Redemption Reserve	<b>15,000.00</b>	10,000.00
<b>Surplus carried forward to Balance Sheet</b>	<b>24,853.20</b>	21,415.45

### APPROPRIATIONS

The Company proposes to transfer Rs. 4,609 Lakh (*Previous Year: Rs. 3,130 Lakh*) to Special Reserve Created u/s 45-IC of Reserve Bank of India Act, 1934 and Rs. 15,000 Lakh (*Previous Year Rs. 10,000 Lakh*) to Debenture Redemption Reserve and retain Rs. 24,853.20 Lakh (*Previous Year Rs. 21,415.45 Lakh*) in the Profit and Loss Account of the Company.

### DIVIDEND

The Directors have considered it financially prudent in the long-term interests of the Company to reinvest the profits into the business of the Company to build a strong reserve base and grow the business of the Company. No dividend has therefore been recommended for the year ended March 31, 2011.

### PERFORMANCE OF THE COMPANY

The Company has achieved significantly higher performance during the year under review, in comparison to the year ended March 31, 2010, the highlights of which are as below:

- 44% growth in Gross Portfolio Assets from Rs. 704,905.25 Lakhs as at March 31, 2010 to Rs. 1,015,672.81 Lakhs as at March 31, 2011.
- 45 % growth in Total Income from Rs. 96,573.00 Lakhs in 2009-10 to Rs. 139,753.50 Lakhs in 2010-11.
- 48 % growth in Profit Before Tax (PBT) from Rs. 23,632.24 Lakhs in 2009-10 to Rs. 34,985.42 Lakhs in 2010-11.
- 47 % growth in Profit After Tax (PAT) from Rs. 15,647.24 Lakhs in 2009-10 to Rs. 23,046.75 Lakhs in 2010-11.
- Capital Adequacy Ratio as at March 31, 2011 was 16.34% against the statutory requirement of 15%.

The higher performance was facilitated by higher credit offtake across sectors catered to by the Company, aided by the growth in India's economy, continued investment in infrastructure and remunerative agricultural prices. While inflation and consequent monetary tightening resulted in a more challenging environment for raising resources, the Company was able to offset the higher costs through higher operating efficiencies and continued focus on maintaining the quality of assets.

The Company has a small presence in Microfinance Sector in 7 states and is primarily engaged in lending on joint liability basis. The legislation enacted in Andhra Pradesh to regulate microfinance institutions has led to difficulties in collections in that state and also uncertainty as regards other states. Currently, the Company is following a cautious approach to Microfinance. The Company is awaiting the final contours of regulatory / legislative changes for re-shaping its business model in microfinance and in the meanwhile, has taken measures to offset the risks involved in the microfinance business.

### RESOURCES

The growth in Loans & Advances towards financing activities has led to increased funding requirements.

During the year under review, L&T Finance Holdings Limited, the Holding Company, had additionally subscribed to 1,87,50,000 Equity Shares of Rs. 10/- each, for cash at a premium of Rs. 190/- per share, aggregating to Rs. 375,00,00,000. The paid up capital of the Company increased to Rs. 2,30,92,22,690/- as at March 31, 2011 from Rs. 2,12,17,22,690/- as at March 31, 2010.

## L&T FINANCE LIMITED

The Company also raised funds through a mix of borrowings. During the year, the net borrowings have increased from Rs. 641,827.75 Lakhs to Rs. 884,742.76 Lakhs.

### FIXED DEPOSITS

During the year, the Company has not accepted any public deposits. The Company had stopped accepting fresh deposits as well as renewal of existing deposits. There were 47 deposits totaling to Rs. 4.61 Lakh, which were due for repayment and unclaimed by the Depositors. Regular intimations / reminders were sent to the depositors in respect of unclaimed deposits.

### DIRECTORS

Mr. Shailesh Haribhakti was appointed as an Additional Director of the Company on June 28, 2010. Due to other commitments, he resigned from the Board w.e.f. September 24, 2010. The Directors place on record their appreciation of the valuable contribution made by him during his tenure.

The Board at its meeting held on September 25, 2010 appointed Mr. Subramaniam N. as Additional Director of the Company. He holds office up to the date of the forthcoming Annual General Meeting but is eligible for re-appointment.

The Board at its meeting held on October 25, 2010 appointed Mr. P. V. Bhide as Additional Director of the Company. He holds office up to the date of the forthcoming Annual General Meeting but is eligible for re-appointment.

Pursuant to the provisions of the Companies Act, 1956, Mr. Y. M. Deosthalee and Mr. R. Shankar Raman, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

A gist of the compliance of the Company with the said guidelines is furnished in the Corporate Governance Report forming part of this Report.

### AUDITORS

The Company's Statutory Auditors, M/s. Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Statutory Auditors, if re-appointed. The Board recommends re-appointment of the firm as Statutory Auditors.

### PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made thereunder is given in separate Annexure to this report and forms part of this report. None of the employees listed in the said Annexure is related to any Director of the Company.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to the Company.

The information on foreign exchange outgo is furnished in the Notes to the Accounts. There were no foreign exchange earnings during the year.

### SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited Balance Sheet and Profit & Loss Account of L&T Investment Management Limited and L&T Mutual Fund Trustee Limited for the financial year ended March 31, 2011, along with the reports of the Auditors and Directors thereon are annexed and form part of the Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. 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 at the end of the financial year and of the profit or loss of the Company for that year;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis and
5. Proper systems are in place to ensure compliance of all laws applicable to the Company.

### AUDITORS' REPORT

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

### RESERVE BANK OF INDIA (RBI) GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2011.

**ACKNOWLEDGEMENT**

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's employees to the growth of the Company. Their unstinted support has been and continues to be integral to the Company's ongoing success. The Directors wish to thank the Company's clients and business associates for their support to the growth of the Company. The Directors also wish to thank the Central and State Governments, Reserve Bank of India and other Regulatory / Government Authorities, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

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

**Y. M. DEOSTHALEE**  
(Director)

**N. SIVARAMAN**  
(Director)

Place : Mumbai

Date : April 26, 2011

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## **CORPORATE GOVERNANCE REPORT**

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and directs, supervises and controls the activities of the Company. At present, the Board comprises of six Directors viz. Mr. Y. M. Deosthalee, Mr. S. Raghavan, Mr. R. Shankar Raman, Mr. N. Sivaraman, Mr. Subramaniam N. and Mr. P. V. Bhide. All the directors are non-executive directors. Mr. Deosthalee, Mr. Raghavan and Mr. Shankar Raman are connected with Larsen & Toubro Limited, the ultimate Holding Company in various capacities. Mr. Deosthalee is also the Chairman of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same.

Mr. Dinanath Dubhashi is the Chief Executive of the Company and functions under the superintendence and control of the Board of Directors.

The Board functions either as a full Board or through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. The six core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination & Compensation Committee
- Risk Management Committee

The details of various committees of the Company are as under:

**Audit Committee**

The Audit Committee has been set up pursuant to Section 292A of the Act, as well as the RBI directions for NBFCs. The Committee currently comprises of 3 Directors as per details given below:

**Composition of Audit Committee**

Mr. Y. M. Deosthalee
Mr. S. Raghavan
Mr. R. Shankar Raman

**Role of the Committee**

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956. The Audit Committee met 4 times during the year.

**Committee of Directors**

The Committee currently comprises of 3 Directors as per details given below.

**Composition of Committee of Directors (COD)**

Mr. Y. M. Deosthalee
Mr. N. Sivaraman
Mr. R. Shankar Raman

**Role of the Committee**

The COD has been entrusted with the powers of general management of the affairs of the Company. The Committee met 15 times during the year.

### **Asset-Liability Management Committee (ALCO)**

The Committee is chaired by Mr. Sivaraman and consists of 7 other members holding senior executive positions in Larsen & Toubro Limited, L&T Finance Limited, and other subsidiaries in Larsen & Toubro's financial services.

#### **Role of the Committee**

- Monitoring market risk management systems, compliance with the asset-liability management policy and prudent gaps and tolerance limits and reporting systems set out by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;
- Deciding the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- Reviewing the effects of various possible changes in the market conditions related to the Balance Sheet and recommend the action needed to adhere to the Company's internal limits;
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- Product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services / products, etc.;
- Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
- Deciding on the source and mix of liabilities or portfolio sale of loan assets.

The ALCO met 10 times during the year under review.

#### **Credit Committee**

The Credit Committee of the Company is broad-based, consisting of Mr. Sivaraman and Mr. Shankar Raman and 4 other senior executives from L&T Finance Limited and Larsen & Toubro Limited.

#### **Role of the Committee**

The Credit Committee reviews and approves various credit proposals as per the credit and lending authorisations approved by the Board. Credit decisions are supported by risk management guidelines and norms approved by the Board of Directors of the Company.

The Committee met 34 times during the year under review.

#### **Nomination & Compensation Committee**

The Committee currently comprises of 4 members as per details given below.

Composition of Nomination & Compensation Committee

Mr. Y. M. Deosthalee
Mr. N. Sivaraman
Mr. R. Shankar Raman
Head-HR, L&T Financial Services

#### **Role of the Committee**

- To ensure 'fit and proper' status of existing / proposed Directors by obtaining necessary information and declaration from them and undertake a process of due diligence to determine the suitability of the person(s) for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other relevant factors.
- To obtain annual declaration confirming that the information already provided had not undergone change and if there is any change, requisite details would be furnished by the Directors forthwith.
- To focus on evaluating senior level employees, their remuneration, promotions etc.

#### **Risk Management Committee**

The Committee currently comprises of Mr. Sivaraman & Mr. Shankar Raman and 2 other members.

#### **Role of the Committee**

- The Risk Management Committee is responsible for overseeing the management of the integrated risk which includes liquidity risk, interest rate risk and currency risk.

#### **Disclosures**

During the financial year ended March 31, 2011:

- There was no materially significant related party transaction with the Directors that had a potential conflict with the interests of the Company.
- The related party transactions have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- Though not applicable, the Company has adhered to a few mandatory and non mandatory requirements of Corporate Governance norms as prescribed by clause 49 of the Listing Agreement.
- The Company has implemented some of the recommendations given in the "Corporate Governance – Voluntary Guidelines 2009" by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.



**Means of Communication**

- Half Yearly Results are communicated through newspaper advertisements in prominent national dailies.
- Annual Reports, official news releases and presentations are displayed on the website of the Company <http://www.ltfinance.com>

**CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009**

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India and is in the process of implementing many of the suggestions. A gist of the compliance of the Company with the said guidelines is given below, to the extent not covered by the Corporate Governance Statement in the earlier part of this Report:

**Separation of Offices of Chairman & Chief Executive**

The roles and offices of Chairman and Chief Executive are separated. Mr. Y. M. Deosthalee chairs the meetings of the Board whereas Mr. Dinanath Dubhashi is the Chief Executive of the Company.

**Remuneration of Directors**

All the Directors of the Company are non-executive. The Directors on the Board who are in the services of Larsen and Toubro Limited draw remuneration from Larsen and Toubro Limited. The other Directors on the Board are paid sitting fees for attending the meetings of the Board and/or any Committee thereof and do not draw any other remuneration.

**Independent Directors**

All the members of the Board of the Company are independent in the sense that none of them is involved in the day-to-day management of the Company.

**Number of Companies in which an Individual may become a Director**

The Company has apprised its board members about the restriction on number of other directorships and expects in due course to comply with the same.

**Responsibilities of the Board**

Presentations to the Board in areas such as financial results, budgets, business prospects, etc. give the Directors, an opportunity to interact with senior managers and other functional heads. The Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions.

The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

**Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

**Internal Auditors**

The Corporate Audit Services Department of Larsen & Toubro Limited provides internal audit services to the Company. The Company also has an internal audit department which carries out audits in designated areas.

**Internal Control**

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

**Secretarial Audit**

The Secretarial Audit is conducted annually by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

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

**Y. M. DEOSTHALEE**  
(Director)

**N. SIVARAMAN**  
(Director)

Place : Mumbai  
Date : April 26, 2011

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF L&T FINANCE LIMITED**

We have audited the attached Balance sheet of L&T Finance Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) 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.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and
  - (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule '17' and the Notes on the Financial Statements in Schedule '18' appearing 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:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration No. 109982W  
*By the hand of*

*Place : Mumbai*  
*Date : April 26, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 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) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management during the year. In respect of leased assets, the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
- (ii) The Company is a non- banking finance company and does not hold any inventories. Accordingly, reporting on Paragraph 4(ii)(a),(b) and (c) of the Order is not applicable.
- (iii) (a) According to the information and explanations given to us, 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 reporting under Paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.
- (b) According to the information and explanations given to us, 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 reporting under Paragraph 4(iii)(f) and (g) of the Order is not applicable.
- (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 and for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, the Company, being a non-banking finance company, Paragraph 4(viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income tax and sales tax as at March 31, 2011 which have not been deposited on account of dispute pending, are as under:

Name of the Statute	Name of the disputed dues	Rupees*	Period to which the amount relates	Forum where disputes are pending
1. The Income Tax Act, 1961	Tax, Interest and Penalty	78,130,049	1995-96 to 1999- 2000 and 2006-07 to 2009-10	ITAT
		176,043,828	2000-01 to 2008-09	CIT-Appeal
2. The Central Sales Tax Act, Local Sales Tax Acts	Disallowance of exemption claimed for deemed sale in the course of inter-state and import transactions	78,130,049	1995-96 to 2000-01, 2004-05, 2005-06,	Joint Commissioner (Appeal)
		936,077	1995-96 to 1998-99, 2000-01	Deputy. Commissioner (Appeal)
		704,540	1999-2000	High Court
		5,024,373	1995-96 to 1999-2000, 2003-04	Sales Tax Tribunal

\*Net of pre-deposit paid in getting the stay / appeal admitted

- (x) The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the loans and advances are granted on the basis of security by way of pledge of shares, debentures and other securities.

## L&T FINANCE LIMITED

- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under Paragraph 4(xiii) of the Order is not applicable.
- (xiv) The Company is dealing and trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and contracts and timely entries have been made therein and the shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under Paragraph 4(xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xviii) During the year, the Company has made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) According to information and explanations given to us and records examined by us, securities have been created in respect of debentures issued.
- (xx) The Company has not raised any money by public issue during the year. Accordingly, reporting on Paragraph 4(xx) of the Order is not applicable.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instances of material fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**

*Chartered Accountants*  
ICAI registration No. 109982W  
By the hand of

**MILIND P. PHADKE**

*Partner*  
Membership No. 33013

*Place : Mumbai*  
*Date : April 26, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	1	2,309,222,690		2,121,722,690	
Reserves and surplus	2	15,014,524,702		9,147,582,310	
			17,323,747,392		11,269,305,000
<b>Loan Funds</b>					
Secured loans	3	76,342,500,000		47,000,064,181	
Unsecured loans	4	12,131,776,232		17,182,710,378	
			88,474,276,232		64,182,774,559
<b>Deferred tax liabilities (net)</b>			-		219,910,000
[Note no. 16(b) of Schedule 18]					
<b>TOTAL</b>			<b>105,798,023,624</b>		<b>75,671,989,559</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross Block	5	5,707,200,400		5,139,604,968	
Less : Depreciation and amortisation		1,397,004,559		1,198,781,093	
Net Block		4,310,195,841		3,940,823,875	
Capital work-in-progress / advances		163,272,529		13,700,951	
			4,473,468,370		3,954,524,826
<b>Investments</b>	6		3,087,984,803		1,025,594,169
<b>Deferred tax assets (net)</b> [Note no. 16(b) of Schedule 18]			98,990,000		-
<b>Loans and advances towards financing activities</b>	7		96,457,834,622		67,612,295,867
<b>Current assets, loans and advances</b>					
Sundry debtors	8	3,619,515,367		2,128,576,952	
Cash and bank balances		1,218,653,055		1,107,447,507	
Other current assets		913,739,519		518,840,335	
Loans and advances		2,978,153,542		2,629,473,942	
		8,730,061,483		6,384,338,736	
<b>Less: Current liabilities and provisions</b>	9				
Liabilities		5,251,392,319		2,397,896,425	
Provisions		1,798,923,335		906,867,614	
		7,050,315,654		3,304,764,039	
<b>Net current assets</b>			<b>1,679,745,829</b>		<b>3,079,574,697</b>
<b>TOTAL</b>			<b>105,798,023,624</b>		<b>75,671,989,559</b>
<b>Contingent liabilities</b>	10				
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	17				
<b>NOTES ON FINANCIAL STATEMENTS</b>	18				

The schedule referred to above form an integral part of the financial statements.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
Registration no. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

Place : Mumbai

Date : April 26, 2011

**T. SUKUMAR**

Company Secretary

Place : Mumbai

Date : April 26, 2011

For and on behalf of the Board

**Y. M. DEOSTHALEE**

Director

**N. SIVARAMAN**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedules	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Income from operations	11	13,763,386,984	9,600,505,847
Other income	12	211,962,926	56,794,056
<b>TOTAL</b>		<b>13,975,349,910</b>	<b>9,657,299,903</b>
<b>EXPENDITURE</b>			
Personnel expenses	13	659,889,346	477,724,566
Administration and other expenses	14	1,833,344,209	1,339,966,162
Provisions and contingencies	15	1,036,313,720	695,009,662
Interest and other finance charges	16	6,412,876,843	4,310,758,369
Depreciation and amortisation		534,383,400	470,617,084
<b>TOTAL</b>		<b>10,476,807,518</b>	<b>7,294,075,843</b>
<b>Profit before taxes</b>		<b>3,498,542,392</b>	<b>2,363,224,060</b>
Provision for current taxes [Note no. 16(a) of Schedule 18]		1,513,000,000	887,500,000
Provision for deferred tax [Note no. 16(b) of Schedule 18]		(318,900,000)	(89,000,000)
<b>Profit after taxes</b>		<b>2,304,442,392</b>	<b>1,564,724,060</b>
Balance brought forward from previous year		2,141,544,513	1,889,820,453
<b>Profit available for appropriation</b>		<b>4,445,986,905</b>	<b>3,454,544,513</b>
<b>Appropriations</b>			
Transfer to reserve u/s. 45-IC of RBI Act, 1934		461,000,000	313,000,000
Transfer to debenture redemption reserve		1,500,000,000	1,000,000,000
<b>Balance carried to Balance Sheet</b>		<b>2,484,986,905</b>	<b>2,141,544,513</b>
Basic earnings per share		10.85	7.79
Diluted earnings per share [Note no. 13(iv) of Schedule 18]		10.65	7.79
Face value per equity share		10.00	10.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>17</b>		
<b>NOTES ON FINANCIAL STATEMENTS</b>	<b>18</b>		

The schedule referred to above form an integral part of the financial statements.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
Registration no. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2011

**T. SUKUMAR**  
Company Secretary

Place : Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

For and on behalf of the Board

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11 Rupees	2009-10 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Profit before tax as per Profit and Loss Account</b>	<b>3,498,542,392</b>	<b>2,363,224,060</b>
Depreciation	534,383,400	470,617,084
(Profit) / Loss on sale of investments (net)	(22,922,163)	(35,263,714)
(Profit) / Loss on sale of fixed assets (net)	49,459,952	15,637,382
Interest and dividend received on investments	(155,353,261)	(10,359,179)
Provision for compensated absences/leave encashment	6,210,145	4,829,570
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark to market of derivatives	4,453,989	(44,344,396)
Cumulative interest on long term NCDs, payable at maturity	125,688,102	74,208,321
Provision for diminution in value of investments	(319,705)	(10,764,077)
Provision for non-performing assets/write offs	781,633,425	705,773,739
Provision for standard assets	255,000,000	-
<b>Operating profit before working capital changes</b>	<b>5,076,776,276</b>	<b>3,533,558,790</b>
(Increase)/ Decrease loans and advances towards financing activities	(28,845,538,755)	(19,211,428,638)
(Increase)/ Decrease in trade and other receivables and advances	(3,016,150,624)	(1,769,453,567)
Increase/ (Decrease) in trade and other payables	3,354,199,374	669,965,452
<b>Cash generated from operations</b>	<b>(23,430,713,730)</b>	<b>(16,777,357,963)</b>
Direct taxes paid	(1,513,000,000)	(887,500,000)
<b>Net cash flow from operating activities (A)</b>	<b>(24,943,713,730)</b>	<b>(17,664,857,963)</b>
<b>B. Cash flows from investing activities</b>		
<b>Add : Inflows from investing activities</b>		
Proceeds/Adjustments from sale of fixed assets	195,816,445	151,927,571
Sale of investments	107,083,329,092	50,712,138,265
Sale of shares of subsidiary/associate companies	-	500,000
Interest and dividend received on investments	155,353,261	10,359,179
	<b>107,434,498,798</b>	<b>50,874,925,015</b>
<b>Less : Outflow from investing activities</b>		
Purchase of fixed assets (including capital work in progress)	1,298,603,341	2,173,419,038
Purchase of shares of subsidiary companies	400,000,000	668,891,931
Purchase of investments	108,722,477,852	50,953,076,983
<b>Net cash from investing activities (B)</b>	<b>(2,986,582,395)</b>	<b>(2,920,462,937)</b>
<b>C. Cash flows from financing activities</b>		
<b>Add : Inflows from financing activities</b>		
Proceeds from issue of share capital including securities premium	3,750,000,000	1,249,999,985
Increase in secured loans	29,342,435,819	22,237,499,999
	<b>33,092,435,819</b>	<b>23,487,499,984</b>
<b>Less : Outflows from financing activities</b>		
Decrease in unsecured loans	5,050,934,146	2,492,316,824
<b>Net cash generated (used in) / from financing activities (C)</b>	<b>28,041,501,673</b>	<b>20,995,183,160</b>
<b>Net cash increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>111,205,548</b>	<b>409,862,260</b>
<b>Cash and cash equivalents as at beginning of the year</b>	<b>1,107,447,507</b>	<b>697,585,247</b>
<b>Cash and cash equivalents as at end of the year</b>	<b>1,218,653,055</b>	<b>1,107,447,507</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Purchase of fixed assets includes movements of capital work in progress during the year.
- Cash and cash equivalents represent cash and bank balances.
- Previous year figures have been regrouped/reclassified wherever applicable.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
Registration no. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

Place : Mumbai

Date : April 26, 2011

For and on behalf of the Board

**T. SUKUMAR**  
Company Secretary

Place : Mumbai

Date : April 26, 2011

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director



**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
25,00,00,000 Equity shares of Rs. 10 each		2,500,000,000		2,500,000,000
<b>Issued and subscribed</b>				
23,09,22,269 Equity shares of Rs. 10 each [Note no. 1 of Schedule 18] (Previous year 21,21,72,269 Equity shares of Rs. 10 each)		2,309,222,690		2,121,722,690
Of the above:				
2,66,91,500 Equity shares are allotted as fully paid up for a consideration other than cash consequent on amalgamation				
23,09,22,269 (Previous year 21,21,72,269) Equity shares are held by L&T Finance Holdings Limited, the holding company and its nominees. Larsen & Toubro Limited, being the ultimate holding company.				
<b>TOTAL</b>		<u>2,309,222,690</u>		<u>2,121,722,690</u>
<b>SCHEDULE - 2</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Capital Redemption Reserve</b>				
As per last Balance Sheet		8,225,000		8,225,000
<b>Securities Premium Account</b>				
As per last Balance Sheet	4,245,192,295		3,000,000,000	
Add : Received during the year	<u>3,562,500,000</u>		<u>1,245,192,295</u>	
		7,807,692,295		4,245,192,295
<b>Reserve u/s. 45-IC of RBI Act, 1934</b>				
As per last Balance Sheet	1,104,189,145		791,189,145	
Add : Transferred from Profit and Loss Account	<u>461,000,000</u>		<u>313,000,000</u>	
		1,565,189,145		1,104,189,145
<b>Debenture Redemption Reserve</b>				
As per last Balance Sheet	1,000,000,000		-	
Add : Transferred from Profit and Loss Account	<u>1,500,000,000</u>		<u>1,000,000,000</u>	
		2,500,000,000		1,000,000,000
<b>General Reserve</b>				
As per last Balance Sheet		648,431,357		648,431,357
<b>Profit and Loss Account</b>		<u>2,484,986,905</u>		<u>2,141,544,513</u>
<b>TOTAL</b>		<u>15,014,524,702</u>		<u>9,147,582,310</u>
<b>SCHEDULE - 3</b>				
<b>SECURED LOANS</b>				
Redeemable non convertible debentures [Note no. 2 of Schedule 18]		23,400,000,000		24,800,000,000
From banks				
Term loan [Note no. 4 (ii) of Schedule 18]		51,642,500,000		20,135,000,000
Foreign currency loan [Note no. 4 (iii) of Schedule 18]		1,200,000,000		1,765,064,181
From financial institutions [Note no. 4 (ii) of Schedule 18]		<u>100,000,000</u>		<u>300,000,000</u>
<b>TOTAL</b>		<u>76,342,500,000</u>		<u>47,000,064,181</u>
<b>SCHEDULE - 4</b>				
<b>UNSECURED LOANS</b>				
Redeemable non convertible debentures [Note no. 3 of Schedule 18]		750,000,000		750,000,000
Short term loans and advances				
From banks		3,000,000,000		3,710,000,000
Commercial papers		8,150,000,000		12,500,000,000
Others		<u>231,776,232</u>		<u>222,710,378</u>
<b>TOTAL</b>		<u>12,131,776,232</u>		<u>17,182,710,378</u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - 5****FIXED ASSETS**

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 01.04.2010	Additions	Sales / Adjustments	As at 31.03.2011	Upto 31.03.2010	For the year	Deductions / Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Tangible Assets</b>											
<b>Owned Assets</b>											
Land - freehold	1,470,030,600	89,313,833	-	<b>1,559,344,433</b>	-	-	-	-	<b>1,559,344,433</b>	1,470,030,600	
Buildings	369,769,203	-	-	<b>369,769,203</b>	50,553,936	6,027,239	-	<b>56,581,175</b>	<b>313,188,028</b>	319,215,267	
Office equipments	64,063,865	6,741,139	3,275,020	<b>67,529,984</b>	25,670,844	5,391,459	1,720,833	<b>29,341,470</b>	<b>38,188,514</b>	38,393,021	
Furniture and fixtures	112,533,581	15,705,929	1,221,914	<b>127,017,596</b>	12,713,805	9,872,497	1,040,097	<b>21,546,205</b>	<b>105,471,391</b>	99,819,776	
Computers	138,291,565	68,520,206	1,107,169	<b>205,704,602</b>	54,541,500	30,787,582	729,359	<b>84,599,723</b>	<b>121,104,879</b>	83,750,065	
<b>Owned Assets Leased out</b>											
Plant and machinery	810,506,397	386,483,933	105,931,452	<b>1,091,058,878</b>	216,692,624	107,994,309	26,584,340	<b>298,102,593</b>	<b>792,956,285</b>	593,813,773	
Office equipment	2,722,767	1,176,745	-	<b>3,899,512</b>	562,592	284,885	-	<b>847,477</b>	<b>3,052,035</b>	2,160,175	
Furniture and fixtures	90,886,453	40,039,633	-	<b>130,926,086</b>	8,034,133	7,338,549	169,598	<b>15,203,084</b>	<b>115,723,002</b>	82,852,320	
Motor cars	1,433,388,470	359,276,849	339,787,983	<b>1,452,877,336</b>	510,586,760	222,131,907	207,038,196	<b>525,680,471</b>	<b>927,196,865</b>	922,801,710	
Vehicles	15,984,752	89,194,755	14,700,000	<b>90,479,507</b>	15,012,690	6,930,723	14,700,000	<b>7,243,413</b>	<b>83,236,094</b>	972,062	
Computers	504,787,772	56,014,471	115,412,793	<b>445,389,450</b>	244,213,660	96,668,241	84,177,511	<b>256,704,390</b>	<b>188,685,060</b>	260,574,112	
<b>(A)</b>	<b>5,012,965,425</b>	<b>1,112,467,493</b>	<b>581,436,331</b>	<b>5,543,996,587</b>	<b>1,138,582,544</b>	<b>493,427,391</b>	<b>336,159,934</b>	<b>1,295,850,001</b>	<b>4,248,146,586</b>	<b>3,874,382,881</b>	
<b>Intangible Assets</b>											
<b>Owned Assets</b>											
Specialised software	126,639,543	36,564,270	-	<b>163,203,813</b>	60,198,549	40,956,009	-	<b>101,154,558</b>	<b>62,049,255</b>	66,440,994	
<b>(B)</b>	<b>126,639,543</b>	<b>36,564,270</b>	<b>-</b>	<b>163,203,813</b>	<b>60,198,549</b>	<b>40,956,009</b>	<b>-</b>	<b>101,154,558</b>	<b>62,049,255</b>	<b>66,440,994</b>	
<b>(A) + (B)</b>	<b>5,139,604,968</b>	<b>1,149,031,763</b>	<b>581,436,331</b>	<b>5,707,200,400</b>	<b>1,198,781,093</b>	<b>534,383,400</b>	<b>336,159,934</b>	<b>1,397,004,559</b>	<b>4,310,195,841</b>		
Previous year	3,207,190,929	2,279,810,138	347,396,099	5,139,604,968	907,995,155	470,617,084	179,831,146	1,198,781,093		3,940,823,875	
Add : Capital work-in-progress / advances									<b>163,272,529</b>	13,700,951	
									<b>4,473,468,370</b>	3,954,524,826	

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 6</b>				
<b>INVESTMENTS (At cost)</b>				
<b>Long term investments</b>				
Government Securities		<b>4,000</b>		4,000
Debentures		<b>1,690,339,700</b>		-
Fully paid equity shares		<b>1,155,941,931</b>		735,016,931
Others		<b>241,150,000</b>		245,625,000
			<b>3,087,435,631</b>	980,645,931
<b>Current investments</b>				
Fully paid equity shares		<b>6,159,000</b>		50,877,771
Others		<b>1,000</b>		1,000
		<b>6,160,000</b>		50,878,771
		<b>3,093,595,631</b>		1,031,524,702
Less: Provision for diminution in value of investments		<b>5,610,828</b>		5,930,533
<b>TOTAL</b>		<b>3,087,984,803</b>		1,025,594,169

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>Note :</b>				
Quoted investments				
Book value		1,691,512,700		45,891,771
Market value		1,685,901,872		45,574,952
Unquoted Investments				
Book value		1,402,082,931		980,646,935
<b>Particulars of investments :</b>				
<b>Long term investments</b>				
<b>Government Securities :</b>				
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)		4,000		4,000
<b>TOTAL</b>		<b>4,000</b>		<b>4,000</b>
<b>Debentures :</b>				
Infrastructure Development Finance Limited				
IDFC Ltd (M+170bps) 16 May 2012 700 NCDs of Rs. 1,000,000 each	708,719,200		-	
IDFC Ltd (M+183bps) 04 Dec 2012 250 NCDs of Rs. 1,000,000 each	259,364,250		-	
IDFC Ltd (M+150bps) 16 May 2017 400 NCDs of Rs. 1,000,000 each	468,398,000		-	
		1,436,481,450		-
Mahindra & Mahindra Financial Services Limited				
M & M Fin Ser (M+260) 16 Jan 2012 250 NCDs of Rs. 1,000,000 each		253,858,250		-
<b>TOTAL</b>		<b>1,690,339,700</b>		<b>-</b>
<b>Fully paid equity shares</b>				
Subsidiary Companies :				
L&T Investment Management Limited 150,000,000 shares ( <i>previous year 110,000,000</i> ) of Rs. 10 each		1,068,391,931		668,391,931
L&T Mutual Fund Trustee Limited 50,000 shares ( <i>previous year 50,000</i> ) of Rs. 10 each		500,000		500,000
Other Companies:				
Invent Assets Securitisation & Reconstruction Private Limited 3,780,000 shares ( <i>previous year 2,850,000</i> ) of Rs. 10 each		85,050,000		64,125,000
Alpha Micro Finance Consultants Private Limited 200,000 shares ( <i>previous year 200,000</i> ) of Rs. 10 each		2,000,000		2,000,000
<b>TOTAL</b>		<b>1,155,941,931</b>		<b>735,016,931</b>
<b>Others:</b>				
Invent Assets Securitisation & Reconstruction Private Limited				
Share application money paid pending allotment		74,700,000		95,625,000
Security Receipts		166,450,000		150,000,000
<b>TOTAL</b>		<b>241,150,000</b>		<b>245,625,000</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Current Investments**

Fully paid equity shares	Face Value per Unit	Number of units			31.03.2011 Rupees	31.03.2010 Rupees
		As at 01.04.2010	Purchases / additions	Sales/ deductions		
Metropoli Overseas Ltd.	10	99,400	-	-	99,400	1,491,000
Anil Chemicals and Industries Ltd.	10	40,000	-	-	40,000	800,000
Elque Polyesters Ltd.	10	194,300	-	-	194,300	1,943,000
Monnet Industries Ltd.	10	18,800	-	-	18,800	752,000
Intergrated Digital Info Services Ltd.	10	383,334	-	-	383,334	1,173,000
Axis Bank Ltd.	10	2,500	3,250	5,750	-	2,846,069
Ashok Leyland Ltd.	1	-	50,000	50,000	-	-
BEML Ltd.	10	6,000	479	6,479	-	6,823,715
Bharat Heavy Electricals Ltd.	10	2,000	1,200	3,200	-	4,745,191
Cairn India Limited	10	14,000	-	14,000	-	4,170,921
Hero Honda Motors Ltd.	2	2,000	1,000	3,000	-	3,925,218
Indrapastha Gas Ltd.	10	-	27,118	27,118	-	-
Infosys Technologies Ltd.	5	1,500	371	1,871	-	4,165,954
LIC Housing Finance Ltd.	2	-	36,500	36,500	-	-
Mahindra & Mahindra Ltd.	5	5,000	17,650	22,650	-	2,702,130
Polaris Software Lab Ltd.	5	-	2,500	2,500	-	-
Reliance Industries Ltd.	10	7,000	6,000	13,000	-	7,242,915
State Bank of India	10	-	4,180	4,180	-	-
Sintex Industries Ltd.	1	-	6,000	6,000	-	-
Standard Chartered PLC (IDR)	0.5 USD	-	1,477,972	1,477,972	-	-
Sterlite Industries (India) Ltd.	1	-	52,800	52,800	-	-
Tata Motors Ltd.	10	-	6,500	6,500	-	-
Tata Steel Ltd.	10	4,000	24,500	28,500	-	2,587,676
Tata Consultancy Services Ltd.	1	-	2,500	2,500	-	-
Yes Bank Ltd.	10	22,000	98,376	120,376	-	5,508,982
<b>TOTAL</b>					<b>6,159,000</b>	<b>50,877,771</b>
<b>OTHERS</b>						
LTFL Securitisation Trust 2002				1,000		1,000
<b>TOTAL</b>				<b>1,000</b>		<b>1,000</b>

**Details of Investments purchased and sold during the year**

Money Market Mutual Fund :	Face Value Rupees Per Unit	Nos.	Cost Rupees
Axis Liquid Fund - Institutional Plan - Growth Option	1,000	3,625,008	3,840,000,000
Baroda Pioneer Liquid Fund - Institutional Plan - Growth Option	10	105,258,831	1,150,000,000
Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend	10	2,101,901,292	21,060,000,000
Canara Robeco Liquid - Super Institutional - Growth	10	1,002,462,125	11,470,000,000
DWS Insta Cash Plus Fund - Super Institutional Plan - Daily Dividend	10	463,590,684	4,650,000,000
HSBC Cash Fund - Institutional Plus - Growth	10	8,288,438	120,000,000
ICICI Prudential Liquid Plan - Super Institutional - Growth Option	100	86,759,047	12,180,000,000
JM High Liquidity Fund - Super Institutional Plan - Daily Dividend	10	399,341,087	4,000,000,000
JPMorgan India Liquid Fund - Super Institutional - Daily Dividend Re-Investment Option	10	157,875,279	1,580,000,000
JPMorgan India Liquid Fund - Super Institutional - Growth	10	1,038,587,814	12,710,000,000
Kotak Floater Short Term - Growth	10	428,869,393	6,870,000,000

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Money Market Mutual Fund :</b>	<b>Face Value Rupees Per Unit</b>	<b>Nos.</b>	<b>Cost Rupees</b>
Kotak Liquid - Institutional Premium Plan - Daily Dividend	10	40,889,427	500,000,000
Kotak Liquid - Institutional Premium Plan - Growth	10	775,734,322	14,920,000,000
L&T Liquid Fund - Cumulative - Super Institutional	10	246,492,186	3,150,000,000
LIC MF Liquid Fund - Growth	10	78,060,657	1,350,000,000
Principal Cash Management Fund -Growth Option	10	3,458,317	50,000,000
Reliance Liquidity Fund - Dividend Plan - Daily Dividend Reinvestment	10	67,965,737	680,000,000
Religare Liquid Fund - Super Institutional - Daily Dividend	10	203,841,004	2,040,000,000
Religare Liquid Fund - Super Institutional - Growth	10	22,568,269	300,000,000
TATA Liquid Super High Investment Plan - Daily	1,000	834,440	930,000,000
UTI MMF - Institutional Plan - Daily Dividend	1,000	1,116,221	1,120,000,000
UTI MMF - Institutional Growth Plan	1,000	1,805,949	1,900,000,000

<b>Equity Shares :</b>	<b>Face Value Per Unit</b>	<b>Nos.</b>	<b>Cost Rupees</b>
Ashok Leyland Ltd.	1	50,000	2,817,954
Axis Bank Ltd.	10	3,250	4,113,389
BEML Ltd.	10	479	476,095
Bharat Heavy Electricals Ltd.	10	1,200	2,981,235
Hero Honda Motors Ltd.	2	1,000	1,992,881
Indraprastha Gas Ltd.	10	27,118	7,820,676
Infosys Technologies Ltd.	5	371	981,723
LIC Housing Finance Ltd.	2	36,500	7,625,049
Mahindra & Mahindra Ltd.	5	17,650	10,663,851
Polaris Software Lab Ltd.	5	2,500	420,605
Reliance Industries Ltd.	10	6,000	6,437,792
Sintex Industries Ltd.	1	6,000	2,446,247
Standard Chartered PLC (IDR)	0.5 USD	1,477,972	153,709,088
State Bank of India	10	4,180	11,952,753
Sterlite Industries (India) Ltd.	1	52,800	11,230,807
Tata Motors Ltd.	10	6,500	5,122,758
Tata Steel Ltd.	10	24,500	12,989,706
Tata Consultancy Services Ltd.	1	2,500	2,376,956
Yes Bank Ltd.	10	98,376	28,603,588

	<b>As at 31.03.2011</b>		<b>As at 31.03.2010</b>	
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - 7</b>				
<b>LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES</b>				
<b>Secured</b>				
Considered good				
Loans against pledge of shares and securities	7,884,994,894		4,839,049,944	
Other loans	71,986,864,235		48,644,463,942	
Debentures	2,808,037,000		670,000,000	
Considered doubtful				
Other loans	175,658,376		294,934,003	
	<u>82,855,554,505</u>		<u>54,448,447,889</u>	
Less : Provision for non-performing assets	175,658,376		294,934,003	
		<u>82,679,896,129</u>		<u>54,153,513,886</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>Unsecured</b>				
Considered good				
Bills discounted	2,673,518,152		1,843,129,269	
Other loans	11,104,420,341		11,615,652,712	
Considered doubtful				
Other loans	562,710,259		13,495,763	
	<u>14,340,648,752</u>		<u>13,472,277,744</u>	
Less : Provision for non-performing assets	<u>562,710,259</u>		<u>13,495,763</u>	
		<u>13,777,938,493</u>		<u>13,458,781,981</u>
<b>TOTAL</b>		<u><u>96,457,834,622</u></u>		<u><u>67,612,295,867</u></u>

**SCHEDULE - 8****CURRENT ASSETS, LOANS AND ADVANCES****Sundry Debtors****Secured**

Debts outstanding for a period exceeding six months

Considered good	259,584,871	102,929,217
Considered doubtful	381,582,256	412,100,484
	<u>641,167,127</u>	<u>515,029,701</u>

Other debts

Considered good	1,774,310,861	1,598,251,852
Considered doubtful	–	–
	<u>1,774,310,861</u>	<u>1,598,251,852</u>
Less : Provision for doubtful debts	<u>381,582,256</u>	<u>412,100,484</u>

	<b>2,033,895,732</b>	<b>1,701,181,069</b>
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**Unsecured**

Debts outstanding for a period exceeding six months

Considered good	–	14,745,432
Considered doubtful	190,979,690	29,123,702
	<u>190,979,690</u>	<u>43,869,134</u>

Other debts

Considered good	1,585,619,635	412,650,451
Considered doubtful	179,002,646	–
	<u>1,764,622,281</u>	<u>412,650,451</u>
Less : Provision for doubtful debts	<u>369,982,336</u>	<u>29,123,702</u>

	<b>1,585,619,635</b>	<b>427,395,883</b>
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	<b>3,619,515,367</b>	<b>2,128,576,952</b>
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**Cash and Bank Balances**

Cash in hand	253,901	477,204
Balances with Scheduled Banks		
on current account	1,164,800,954	1,105,741,170
on deposit account	53,598,200	1,229,133
	<u>1,218,653,055</u>	<u>1,107,447,507</u>

**Other Current Assets**

Interest accrued	913,739,519	518,840,335
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**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 12</b>				
<b>OTHER INCOME</b>				
Income from investments (trade)				
Interest and dividend on securities	155,353,261		10,359,179	
Profit on sale/redemption of investments (net)	22,922,163		35,263,714	
		178,275,424		45,622,893
Others		33,687,502		11,171,163
<b>TOTAL</b>		<b>211,962,926</b>		<b>56,794,056</b>
<b>SCHEDULE - 13</b>				
<b>PERSONNEL EXPENSES</b>				
Salaries		574,080,098		422,187,536
Contribution to and provision for:				
Provident fund and Pension fund	23,088,304		16,544,174	
Gratuity fund [Note no. 12 (ii) of Schedule 18]	8,336,900		2,991,324	
Superannuation fund	2,449,429		876,963	
Compensated absences/ leave encashment	11,161,492		7,488,777	
		45,036,125		27,901,238
Welfare and other expenses		40,773,123		27,635,792
<b>TOTAL</b>		<b>659,889,346</b>		<b>477,724,566</b>
<b>SCHEDULE - 14</b>				
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>				
Travelling and conveyance		131,624,683		82,885,997
Printing and stationery		34,693,036		25,616,368
Telephone, postage and telegrams		80,267,242		62,388,944
Directors' Fees		120,000		–
Brokerage and service charges		37,116,818		20,183,225
Advertising and publicity		42,443,986		27,846,072
Repairs and maintenance				
Plant and machinery		2,523,070		1,260,864
Others		78,704,047		51,865,582
Rent		186,083,860		157,563,712
Rates and taxes		34,030,441		38,535,606
Electricity charges		25,387,207		18,673,683
Insurance		10,585,102		9,471,617
Auditors remuneration				
Audit fees	500,000		500,000	
Tax audit fees	78,000		78,000	
Certification	1,310,500		1,326,500	
Expenses reimbursed	22,737		40,880	
		1,911,237		1,945,380
Professional fees		513,428,506		258,998,018
Loss on foreclosure of loans		607,133,112		574,448,508
Miscellaneous expenses		47,291,862		8,282,586
<b>TOTAL</b>		<b>1,833,344,209</b>		<b>1,339,966,162</b>
<b>SCHEDULE - 15</b>				
<b>PROVISIONS AND CONTINGENCIES</b>				
Provision for standard assets [Note no. 19 of Schedule 18]		255,000,000		–
Provision for non-performing assets / write offs		781,633,425		705,773,739
Provision for diminution in value of investments		(319,705)		(10,764,077)
<b>TOTAL</b>		<b>1,036,313,720</b>		<b>695,009,662</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 16</b>				
<b>INTEREST AND OTHER FINANCE CHARGES</b>				
Fixed loans		4,807,555,341		3,408,522,007
Others		1,605,321,502		902,236,362
<b>TOTAL</b>		<b>6,412,876,843</b>		<b>4,310,758,369</b>

**SCHEDULE - 17****SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provisions of the Companies Act 1956, and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, notified by the Central Government. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affects the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates includes the useful lives of fixed assets, provisions for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Any revisions to accounting estimates is recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the previous year are regrouped accordingly.

**B. Fixed Assets****Owned assets**

Assets held for own uses are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

**Leased assets**

Assets leased under finance lease are stated as Loans and Advances as required by Accounting Standards (AS) 19 Leases.

Assets under operating lease are stated at original cost less accumulated depreciation.

**Assets taken on lease**

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability of each period.

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

**C. Intangible Assets**

An Intangible asset is recognised if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

**D. Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- the provision for impairment loss, if any, required; or
- the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss, if any, is recognized when the carrying amount of an asset or group of assets, as the case may be, exceeds the recoverable amount.

Recoverable amount is determined:

- in the case of individual asset, at higher of the net selling price and the value in use;
- in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at higher of the cash generating unit's net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.



## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **E. Investments**

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary in nature. Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification.

### **F. Foreign currency transactions, Forward contracts and Derivatives**

The reporting currency of the Company is the Indian Rupee.

Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS)11 ["The Effects of Changes in Foreign Exchange Rates"]. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid / received is accounted as expenses / income over the period of the contract.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognised as income / expenses of the period in which such roll over / cancellation takes place.

Derivative contracts are recognized in financial statements and re-measured at fair value (mark to market) as on the Balance Sheet date. Wherever the test of effectiveness of the hedge is met the effective portion of the resultant gain or loss is initially recognised in the Profit and Loss Account in the period in which the hedged item affects the earnings. All other gains or losses on such contracts are recognized in the Profit & Loss Account immediately.

### **G. Revenue Recognition**

Income from operating lease transactions are accounted on accrual basis, pro-rata for the period, at the rates implicit in the transactions. Processing fees / Management fees, Income from bill discounting, other financing activities, other compensation and Investments are accounted on accrual basis.

Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

### **H. The Company complies with the guidelines issued by the Reserve Bank of India in respect of Prudential Norms for Income Recognition and Provisioning for Non-Performing Assets.**

### **I. Employee Benefits**

#### **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, wages, short term compensated absences etc. and expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

#### **Post Employment Benefits**

##### **(a) Defined Contribution Plans:**

The Company's superannuation scheme is a defined contribution plans. The contribution paid / payable under the scheme is recognized during the period in which the employee renders the related services.

##### **(b) Defined Benefit Plans:**

The employees gratuity fund scheme and provident fund scheme managed by trust are the Company's defined benefit plans. Wherever applicable the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities of a maturity period equivalent to the weighted average maturity profile of the related obligation at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

#### **Long Term Employee Benefits**

The obligation for long term employee benefits such as long term compensated absences is recognised as defined benefits plans.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **J. Borrowing Costs**

Borrowing costs that are attributable to the acquisitions, constructions or production of qualifying assets are capitalised as part of the cost of such assets till the time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **K. Depreciation**

#### **Owned assets**

Depreciation on assets held for own use has been provided on straight-line basis as per Schedule XIV to the Companies Act, 1956, except for specialised software, computers & office equipment which are depreciated @ 33.33%, 20 % & 10 % per annum respectively. These rates are fixed in consonance with the expected useful life of the assets. Depreciation on assets acquired and given to employees under the hard furnishing scheme has been provided @ 18% per annum on straight line basis, except assets costing Rs. 5,000 or less which are depreciated on straight line basis as per Schedule XIV to the Companies Act, 1956.

#### **Assets given on lease**

In respect of the assets given on finance lease, Accounting Standards (AS) 19 Leases has been applied. Investment in leased assets is shown under loans and advances duly adjusted for recoveries during the lease period as required under the said Standard.

In respect of assets given on operating lease, depreciation is provided on straight line basis pro-rata from the month of acquisition/capitalization at the rates which have been determined on the basis of type of the asset, lease tenor, economic life of the asset, etc. These rates vary from 7% to 20% per annum.

#### **Assets taken on lease**

Accounting Standards (AS) 19 Leases has been applied to the assets taken on lease on or after April 1, 2001. These assets have been depreciated over the period of lease for a value net of its residual value implied in the transactions.

### **L. Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and the laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised

### **M. Provisions, Contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

1. the Company has a present obligation as a result of a past event,
2. a probable outflow of resources is expected to settle the obligation; and
3. the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received, if obligation is settled.

Contingent liability is disclosed in the case of

1. a present obligation arising from a past events when it is not probable that an outflow of resources will be required to settle the obligation
2. a present obligation when no reliable estimate is possible; and
3. a possible obligation arising from past events where the probability of outflow of resources is not remote

Contingent assets are neither recognised nor disclosed.

Provisions, Contingent liabilities and Contingent assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - 18****NOTES ON FINANCIAL STATEMENTS**

1) During the year the Company has issued and allotted 18,750,000 equity shares of Rs. 10 each to L&T Finance Holdings Limited (formerly L&T Capital Holdings Limited) at issue price of Rs. 200 per share.

2) (i) Secured Redeemable Non-convertible Debentures : Private Placement

Sr. No.	Series	Face Value	Date of Allotment	Amount (Rupees in Lakhs)	Interest	Redemption
1	B of FY 2008-09	Rs. 10 lakh each	07-07-2008	30,000	10.25%	Redeemable at par at the end of 36 months from the date of allotment
2	A of FY 2009-10	Rs. 10 lakh each	21-07-2009	25,000	8.10%	Redeemable at par at the end of 24 months from the date of allotment
3	B of FY 2009-10	Rs. 10 lakh each	29-09-2009	11,500	9.62%	Redeemable at par at the end of 60 months from the date of allotment
4	A of FY 2010-11	Rs. 10 lakh each	12-04-2010	17,500	7.45%	Redeemable at par at the end of 24 months from the date of allotment
		<b>Total</b>		<b>84,000</b>		

(ii) Secured Redeemable Non-convertible Debentures : Public Issue

Sr. No.	Series	Face Value	Date of Allotment	Amount (Rupees in Lakhs)	Interest	Redemption
1	NCD 2009 Series 1	Rs. 1000 each	17-09-2009	10,664	9.51%	Redeemable at par at the end of 60 months from the date of allotment
2	NCD 2009 Series 2	Rs. 1000 each	17-09-2009	29,635	9.62%	Redeemable at par at the end of 60 months from the date of allotment
3	NCD 2009 Series 3	Rs. 1000 each	17-09-2009	12,632	9.95%	Redeemable at par at the end of 88 months from the date of allotment
4	NCD 2009 Series 4	Rs. 1000 each	17-09-2009	47,069	10.24%	Redeemable at par at the end of 120 months from the date of allotment
5	NCD 2010 Series 1	Rs. 1000 each	10-03-2010	37,134	8.40%	Redeemable at par at the end of 36 months from the date of allotment
6	NCD 2010 Series 2	Rs. 1000 each	10-03-2010	12,866	8.50%	Redeemable at par at the end of 36 months from the date of allotment
		<b>Total</b>		<b>150,000</b>		

**Security:** The Debentures are secured by way of first / second charge, having pari passu rights, as the case may be, on the Company's specified immovable properties and specified Lease / Term Loan receivables.

**Utilisation of Proceeds:** The funds raised through the above issues have been utilized for the Company's financing activities, repayment of existing loans and for its business operations including capital expenditure and working capital requirements.

3) Unsecured Redeemable Non-convertible Subordinate Debt :

Series	Face Value	Date of Allotment	Amount (Rs. Lakhs)	Interest	Redemption
Series H of FY 2007-08	Rs. 10 lakhs each	20-02-2008	7,500	10.50%	Redeemable at par at the end of 120 months from the date of allotment
	<b>Total</b>		<b>7,500</b>		

4) (i) Cash Credit / Working Capital Demand Loan of Rs. Nil (*previous year Rs. Nil*) is secured by hypothecation of specified lease assets and book debts relating to lease, and other activities.

(ii) Term loan from bank and financial institution of Rs. 517,425 lakh (*previous year Rs. 204,350 lakhs*) is secured by hypothecation of specified lease/term loan receivables.

(iii) Foreign currency loan of Rs. 12,000 lakhs (*previous year Rs. 17,650.64 lakhs*) is secured by hypothecation of specified lease assets and term loan receivables and book debts relating to lease, and other activities.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 5) Finance Lease

## Assets given on lease

The Company has given assets on finance lease to its customers with respective underlying assets/equipments as security. The details of gross investments, unearned finance income and present value of rentals as at March 31, 2011 in respect of these assets are as under:

Rs. in Lakhs

Particulars	2010-11	2009-10
<b>Gross Investments</b>		
Within one year	116.07	2,240.32
Later than one year and not later than five years	16,864.24	5,653.34
<b>TOTAL</b>	<b>16,980.31</b>	<b>7,893.66</b>
<b>Unearned Finance Income</b>		
Within one year	5.76	665.41
Later than one year and not later than five years	3,253.03	915.37
<b>TOTAL</b>	<b>3,258.79</b>	<b>1,580.78</b>
<b>Present Value of Rentals</b>		
Within one year	110.31	1,574.91
Later than one year and not later than five years	13,611.21	4,737.97
<b>TOTAL</b>	<b>13,721.52</b>	<b>6,312.88</b>

## 6) Operating Lease

## Assets taken on lease

The Company has taken cars on non-cancellable operating leases, the future minimum lease payments in respect of which as at March 31, 2011 are as follows:

Rs. in Lakhs

Particulars	2010-11	2009-10
	Lease Payments	
Within one year	9.30	10.55
Later than one year and not later than five years	8.67	27.57
<b>Total</b>	<b>17.97</b>	<b>38.12</b>

- 7) Income from term loan and other financing activities includes interest on loans and advances of Rs. 118,050.29 lakh (*previous year Rs. 84,269.07 lakh*)
- 8) Advances recoverable in cash or in kind include Rs. 28.18 lakh (*previous year Rs. 28.18 lakh*) being sales tax paid upto December 31, 1997 in various states on inter-state lease transactions. Due to ambiguity in certain provisions of Sales Tax Act in respective states with respect to such transactions, recovery of the same from the customers is kept in abeyance. The Company has since then been paying sales tax on such transactions under protest in various states to the extent it is collected from the customers.
- 9) Assignment of Receivables  
The Company has assigned / sold some of the short term receivables amounting to Rs. 110,714.39 lakh (*previous year Rs. 17,661.90 lakh*). This assignment / sale is without recourse to the Company. The Company does not expect any contingent or other liability in future in respect of these assigned / sold receivables.
- 10) Managers salary and perquisites amounting to Rs. 17.40 lakh (*previous year Rs. 20.35 lakh*) have been charged to the accounts based on the deputation cost advice received by the Company.
- 11) Payments made in foreign exchange for value of import of capital goods Rs. 10,136.71 lakh (*previous year Rs. 7,951.32 lakh*) under Loan cum Hypothecation Agreement on behalf of the customers by way of Irrevocable Letter of Credit and / or Remittances.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 12) Employee Benefits

## i) Defined Contribution Plans :

Amount of Rs. 104.84 lakh (*previous year Rs. 73.03 lakh*) is recognised as an expense and included in Personnel Expenses in the Profit and Loss Account.

## ii) Defined Benefit Gratuity Plans :

## a) The amounts recognised in Balance Sheet are as follows:

Rs. in Lakh

	Particulars	Gratuity Plan	
		As at 31.03.2011	As at 31.03.2010
<b>A.</b>	<b>Amount to be recognized in Balance Sheet</b>		
	Present Value of Defined Benefit Obligation		
	– Wholly Funded	200.69	125.26
	– Wholly Unfunded	–	–
	Less: Fair value of Plan Assets	(119.32)	(97.35)
	Unrecognised Past Service Costs	–	–
	Amount to be recognised as liability or (asset)	81.37	27.91
<b>B.</b>	<b>Amounts reflected in the Balance Sheet</b>		
	Liability	81.37	27.91
	Assets	–	–
	<b>Net Liability (asset)</b>	<b>81.37</b>	<b>27.91</b>

## b) The amount recognised in Profit and Loss Account as follows:

Rs. in Lakh

	Particulars	Gratuity Plan	
		2010-11	2009-10
1	Current Service Cost	42.95	36.41
2	Interest on Defined Benefit Obligation	13.88	10.89
3	Expected Return on Plan Assets	(10.04)	(5.96)
4	Actuarial Losses / (Gains)	36.20	(15.43)
5	Past Service Cost	0.38	–
6	Effect of any curtailment or settlement	–	–
7	Actuarial Gain not recognized in books”	–	–
8	Adjustment for earlier years	–	–
	Total included in Employee Benefit Expenses	83.37	29.91
	Actual Return on Plan Assets	7.68	4.71

## c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

Rs. in Lakh

Particulars	Gratuity Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the present value of Defined Benefit Obligation	125.26	102.31
Add: Current Service Cost	42.95	36.41
Add: Interest Cost	13.87	10.89
Add/(less): Actuarial Losses / (Gain)	33.85	(16.68)
Add: Past service cost	0.38	–
Add : Actuarial losses / (Gain) due to curtailments	–	–
Add: Liabilities Extinguished on Settlements	–	–
Add: Liabilities Assumed on Acquisition / (Settled on Divestiture)	–	–
Exchange Difference on Foreign Plans	–	–
Adjustments for earlier years	–	–
Less: Benefits paid	(15.62)	(7.67)
Closing balance of the present value of Defined Benefit Obligation	200.69	125.26

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Rs. in Lakh

Particulars	Gratuity Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the fair value of the plan assets	97.34	69.58
Add: Expected Return on plan assets	10.04	5.96
Add / (less): Actuarial gains / (losses)	(2.35)	(1.25)
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	29.91	30.73
Add: Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	(15.62)	(7.67)
Closing balance of the plan assets	119.32	97.35

- e) The broad categories of plan assets as a percentage of total plan assets, are as follows:

		Gratuity Plan			
		As at 31.03.2011		As at 31.03.2010	
	Spares parts	%	Rs. Lakh	%	Rs. Lakh
1	Government of India Securities	37%	43.82	45%	43.52
2	Corporate Bonds	41%	49.26	49%	48.10
3	Special Deposit Scheme	20%	23.29	0%	-
4	Equity Shares of Listed Companies	0%	-	0%	-
5	Property	0%	-	0%	-
6	Insurer Managed Funds	0%	-	0%	-
7	Others	2%	2.95	6%	5.72

Basis used to determine the overall expected return:

The Trust formed by the Company manages the Investments of Gratuity Fund. Expected rate of return on investment is determined based on the assessment made by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on suitable mark-up over the benchmark Government securities of similar maturities.

- f) Principal actuarial assumptions at the Balance Sheet date :

	Particulars	As at 31.03.2011	As at 31.03.2010
1.	Discount rate	8.30%	8.30%
2.	Expected return on plan assets	8.00%	7.50%
3.	Salary growth rate		
	Gratuity scheme	6.00%	6.00%

- g) Attrition rate:

For gratuity scheme the attrition rate varies for various age groups.

- h) The estimates for future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The amounts pertaining to defined benefit plans are as follows:

Rs. in Lakh

Particulars	As at 31.03.2011	As at 31.03.2010
Gratuity Plan		
Defined Benefit Obligation	200.69	125.26
Plan Assets	119.32	97.35
Surplus / (Deficit)	(81.37)	(27.91)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

iii) Defined Benefit Provident Fund Plan:

a) The amounts recognised in Balance Sheet are as follows:

Rs. Lakh

	Particulars	Provident Fund Plan	
		As at 31.03.2011	As at 31.03.2010
A.	Net (Liability) / Asset recognized in the Balance Sheet		
	Present Value of Funded Obligation	1,404.69	961.00
	Liability towards unpaid contribution	-	-
	Less: Fair value of Plan Assets	(1,428.01)	(975.77)
	Amount to be recognised in the Balance Sheet as liability or (asset)	(23.31)	(14.77)
B.	Amounts to be recognised in the Balance Sheet		
	Liability	-	-
	Assets	23.31	14.77

b) Expenses recognised in the statement of Profit &amp; Loss Account:

Rs. in Lakh

	Particulars	Provident Fund Plan	
		2010-11	2009-10
1	Current Service Cost	157.35	99.00
2	Interest on Defined Benefit Obligation	105.69	69.00
3	Expected Return on Plan Assets	(108.57)	(72.00)
4	Net Actuarial Losses / (Gains)	(5.40)	23.52
5	Past Service Cost	-	-
6	Losses / (Gains) on curtailment or settlement	-	-
7	(Shortfall) in actual return on plan assets over interest payable not to be recognised as expenses to the extent of excess of asset over liabilities	8.28	(20.52)
8	Expenses recognized in the statement of Profit & Loss Account	157.35	99.00
9	Actual Return of Plan Asset	113.97	48.48

c) The changes in present value of defined benefit Obligation representing reconciliation of opening and closing balance thereof are as follows:

Rs. in Lakh

Particulars	Provident Fund Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the present value of Defined Benefit Obligation	960.75	719.00
Add: Current Service Cost	157.35	99.00
Add: Interest Cost	105.69	69.00
Add / (less): Actuarial Losses / (Gain)	-	-
Add: Past service cost	-	-
Add : Actuarial losses / (Gain) due to curtailments	-	-
Add: Liabilities Extinguished on Settlements	-	-
Add: Liabilities Assumed on Acquisition / (Settled on Divestiture)	-	-
Add: Contribution by Plan Participants	245.70	168.00
Exchange Difference on Foreign Plans	-	-
Adjustments for earlier years	-	-
Less: Benefits paid	(64.80)	(94.00)
<b>Closing balance of the present value of Defined Benefit Obligation</b>	<b>1,404.69</b>	<b>961.00</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Rs. in Lakh

Particulars	Provident Fund Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the fair value of the plan assets	975.77	755.00
Add: Expected Return on plan assets	108.57	72.00
Add / (less): Actuarial gains / (losses)	5.40	(23.52)
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	157.35	99.00
Add: Contribution by Plan participants	245.72	167.29
Add: Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	(64.80)	(94.00)
Closing balance of the plan assets	1,428.01	975.77

- e) The major categories of plan assets as a percentage of total plan assets, are as follows:

	Particulars	Provident Fund Plan	
		2010-11	2009-10
1	Government of India Securities	24%	23%
2	State Government Scheme	11%	12%
3	Special Deposit Scheme	18%	22%
4	Public Sector Unit Bond	38%	35%
5	Corporate Bonds	6%	6%
6	Others (cheques on hand)	3%	2%
		100%	100%

Note: The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the Profit and Loss Account as actuarial losses.

- iv) General description of defined benefit plans:

## 1. Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favorable compared to the obligation under the Payment of Gratuity Act, 1972.

## 2. Provident Fund Plan:

The Company manages Provident Fund Plan through a Provident Fund Trust for its employees which is permitted under the Provident Fund and Miscellaneous Provisions Act, 1952. The Plan envisages contributions by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

## 3. Leave Encashment:

The Company provides leave encashment benefit on all types of separation from the Company. It is calculated on the last basic salary drawn at the time of separation. Maximum leave encashment allowable at the time of separation is 300 days.

- v) Pursuant to the Employees Stock Options Scheme established by the ultimate holding Company (i.e. Larsen & Toubro Limited) and by the holding Company (i.e. L&T Finance Holdings Limited), stock options were granted to the employees of the Company during the year 2007-08 and 2010-11 respectively. The details of total cost incurred, vesting and balance as on 31.03.2011 are as under:

Company	Status	Year of Grant	Total Grants	Recovered during the year (Rs. in Lakhs)	Balance as on 31.03.2011 (Rs. in Lakhs)
Larsen & Toubro Limited	Ultimate Holding Company	2007-08	191.88	17.26 (35.86)	3.95 (21.09)
L&T Finance Holdings Limited	Holding Company	2010-11	729.23	105.59 (Nil)	623.64 (Nil)

Previous year figures in brackets.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****13) (i) Borrowing Cost : AS-16**

Borrowing costs capitalised during the year are Rs. 776.35 lakhs. (Previous year Rs. Nil)

**(ii) Segment Reporting : AS-17**

Primary Segment (Business Segment)

The Company operates mainly in the business segment of fund based financing activity. The other business segment does not have income and / or assets more than 10% of the total income and / or assets of the Company. Accordingly, separate segment information for different business segments is not disclosed.

Secondary Segment (Geographical Segment)

The Company operates only in the domestic market. As a result separate segment information for different geographical segments is also not disclosed.

**(iii) Related Party Disclosures : AS 18**

List of related parties where control exists

- |    |                                   |                          |
|----|-----------------------------------|--------------------------|
| 1. | Larsen & Toubro Limited           | Ultimate Holding Company |
| 2. | L&T Finance Holdings Limited      | Holding Company          |
| 3. | L&T Investment Management Limited | Subsidiary Company       |
| 4. | L&T Mutual Fund Trustee Limited   | Subsidiary Company       |

The following related party transactions were carried out during the year ended March 31, 2011

Rs. in Lakh

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Ultimate Holding Company	<b>Transactions</b> ICD borrowed Sale of investments Assignment of Receivables Operating Lease Lease finance given Subscription to public issue NCD's Accounts receivable <b>Expenditure</b> Interest on ICD borrowed Interest on NCD's Service charges Salary, cost of employees on deputation <b>Income</b> Lease finance charges Operating lease rental Service charges	565,500.00 - 49,902.95 77.22 - - 134.82 971.74 - 600.23 72.18 - 75.16 -	- - - - - - - - 21.25 - - - - - 10.13 -	- - - - - 8,431.74 - - - - - 239.45 446.07 19.21 - - 654.85 22.93	- - - - - - 60.28 - - 95.13 - - - -	- - - - - - - - - - - - - 2.14 105.75 -	
2	L&T Finance Holdings Limited (formerly L&T Capital Holdings Limited)	Holding Company	<b>Transactions</b> Equity Shares issued (including share premium) Accounts receivables ICD borrowed <b>Expenditure</b> Interest on ICD borrowed ESOP charges	37,500.00 514.53 868.00 23.93 105.59	- - - - - - 58.26	15,000.00 10.45 834.00 21.40 -	- - - - -	- 10.45 - - -	
3	L&T Mutual Fund Trustee Limited	Subsidiary Company	<b>Transactions</b> Subscription to equity shares	-	-	5.00	-	-	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
4	L&T Investment Management Limited	Subsidiary Company	<b>Transactions</b>						
			Subscription to equity shares	4,000.00	-	-	6,683.92	-	-
			<b>Income</b>						
			Rent	71.43	-	-	-	-	-
5	India Infrastructure Developers Limited	Fellow Subsidiary Company	<b>Transactions</b>						
			Assignment of Receivables	60,074.52	-	-	1,7465.00	-	-
			ICD Borrowed	4,973.50	-	-	4,557.00	-	-
			ICD Lent	2,000.00	-	-	-	-	-
			<b>Income</b>						
			Interest on ICD lent	0.36	-	-	-	-	-
			Accounts Receivable (Reimbursement)	68.89	-	-	42.11	-	1.48
<b>Expenditure</b>									
			Interest on ICD Borrowed	259.12	-	-	148.01	-	-
6	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company	<b>Transactions</b>						
			Operating Lease	9.76	-	-	23.45	-	0.63
			<b>Expenditure</b>						
			Service Charges	223.70	94.70	-	46.28	-	-
			Salary, cost of employees on deputation	3.56	-	-	-	-	-
			<b>Income</b>						
			Lease finance charges	-	-	-	-	0.02	
			Operating lease rentals	11.13	-	-	3.67	-	-
7	L&T Capital Company Limited	Fellow Subsidiary Company	<b>Transactions</b>						
			ICD borrowed	2,185.66	542.76	-	1,512.10	77.10	-
			Account receivable	0.18	-	0.18	-	-	-
			<b>Income</b>						
			Operating lease rental	0.13	-	-	3.49	-	-
			<b>Fees</b>						
			Salary, cost of employees on deputation	13.73	-	13.73	-	-	-
<b>Expenditure</b>									
			Interest on ICD	48.99	-	-	76.71	-	-
8	Tractors Engineers Limited	Fellow Subsidiary Company	<b>Income</b>						
			Operating lease rentals	4.80	-	-	0.31	-	-
9	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company	<b>Transactions</b>						
			Purchase of loan assets	-	-	-	32,825.36	-	42.69
			Sale of loan assets	29,408.56	-	-	30,283.00	-	-
			Accounts payable	5.59	5.59	-	-	-	-
			<b>Income</b>						
			Salary, cost of employees on deputation	7.90	-	-	7.50	-	-
			Interest	-	-	-	14.79	-	-
			Rent	256.27	-	-	111.27	-	-
			Overhead charged	7.81	-	-	0.93	-	-
			<b>Expenses</b>						
			Salary, cost of employees on deputation	31.69	-	-	51.95	-	-
Interest	6.21	-	-	19.58	-	-			

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
10	L&T General Insurance Company Limited	Fellow Subsidiary Company	<b>Transactions</b>						
			Share application money	-	-	-	200.00	-	-
			ICD borrowed	3,340.00	-	-	315.00	-	-
			Accounts Receivables (Reimbursement)	1,960.59	-	24.63	229.41	-	33.12
			<b>Expenditure</b>						
			Interest on ICD borrowed	5.52	-	-	3.33	-	-
11	L&T-Valdel Engineering Limited	Fellow Subsidiary Company	<b>Income</b>						
			Operating lease rental	0.13	-	-	2.98	-	-
12	L&T-Sargent & Lundy Limited	Fellow Subsidiary Company	<b>Income</b>						
			Lease finance charges	0.08	-	0.02	0.01	-	0.74

## (iv) Earnings Per Share

Particulars		2010-11	2009-10
<b>Basic</b>			
Profit after tax as per accounts (Rs. lakh)	A	23,044.42	15,647.24
Weighted average number of equity shares outstanding	B	212,377,748	200,791,869
<b>Basic EPS (Rs.)</b>	<b>A / B</b>	<b>10.85</b>	<b>7.79</b>
<b>Diluted</b>			
Profit after tax as per accounts (Rs. lakh)	A	23,044.42	15,647.24
Add: Weighted average number of equity shares outstanding	B	212,377,748	200,791,869
Add: Weighted average no. of equity shares on account of share application money	C	3,904,110	0.00
Weighted average number of shares outstanding for diluted EPS	D=B+C	216,281,858	200,791,869
<b>Diluted EPS (Rupees)</b>	<b>A / D</b>	<b>10.65</b>	<b>7.79</b>
<b>Nominal value of shares (Rs.)</b>		<b>10.00</b>	<b>10.00</b>

- 14) In line with the Company's risk management policy, the various financial risks mainly relating to the changes in the exchange rates and interest rate are hedged by using a combination of swaps and other derivative contracts, besides the natural hedges.

The particulars of the derivatives contracts entered into for hedging purposes outstanding as at March 31, 2011 are as under:

Rs. in Lakh

Category of derivative instruments	Amount of exposures hedged	
	2010-11	2009-10
Receive fixed, pay floating- INR Interest Rate Swap	7,000.00	20,000.00
Cross currency swap	27,000.00	24,500.00
<b>TOTAL</b>	<b>34,000.00</b>	<b>44,500.00</b>

- 15) Expenditure in foreign currency
- On Interest Rs. 188.48 lakh (previous year Rs. 455.59 lakh)
- On other matters Rs. 11.32 lakh (previous year Rs. 7.20 lakh)
- 16) Provision for current taxes
- (a) i) Income tax Rs. 15,105.00 lakh (previous year Rs. 8,852.00 lakh)
- ii) Wealth tax Rs. 25.00 lakh (previous year Rs. 23.00 lakh)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(b) Major components of Deferred Tax Assets and Liabilities:

Rs. Lakh

PARTICULARS	As at 31-03-2011		As at 31-03-2010	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between book depreciation and tax depreciation		2,846.83	–	2,615.55
Provision for NPA and on outstanding standard assets debited to Profit and Loss Account	5,796.30		1,919.31	–
Unpaid statutory liability / provision for leave encashment debited to Profit and Loss Account	75.69		55.14	–
Expenses on Non-convertible Debentures - Public issue		917.20		1,287.76
Other items giving rise to timing difference	2.66	1,120.72	3.32	273.56
Total	5,874.65	4,884.75	1,977.77	4,176.87
Net deferred tax liability / (asset)	(989.90)		2,199.10	
Net incremental (credit) to Profit and Loss Account	(3,189.00)		(890.00)	

- 17) The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011. This information is given in respect of such vendors as could be identified as 'Micro'/'Medium'/'Small Enterprises' on the basis of information available with the Company.
- 18) Sundry creditors include unclaimed matured fixed deposits of Rs. 4.61 lakh (*previous year Rs. 5.16 lakh*). There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2011.
- 19) The Company has made adequate provision for non performing assets in accordance with prudential norms prescribed by the Reserve Bank of India.
- During the year the Company has also made a provision of Rs. 2,550.00 Lakh on outstanding standard assets in accordance with Circular No. RBI/2010-11/370 dated January 17, 2011 issued by the Reserve Bank of India.
- 20) Estimated amount of contract remaining to be executed on capital account (net of advances) is Rs. 11,008.80 lakhs (*previous year Rs. Nil*).
- 21) Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company, as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007

Rs. in Lakhs

	Particulars		
		Amount Outstanding	Amount Overdue
	<b>Liability Side:</b>		
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	Debitures : Secured	239,041.81	–
	: Unsecured (Other than falling within the meaning of Public Deposits)	7,500.00	–
	(b) Deferred Credits	–	–
	(c) Term Loans	548,210.07	–
	(d) Inter-Corporate Loans and borrowings	2,317.80	–
	(e) Commercial Paper	81,500.00	–
	(f) Other Loans (Foreign Currency Loan)	12,350.28	–
	(g) Lease Finance	–	–
	<b>Asset Side:</b>		<b>Amount Outstanding</b>
2	Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]		
	(a) Secured		189,957.14
	(b) Unsecured		114,188.03
3	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Particulars</b>		<b>Amount Outstanding</b>	<b>Amount Overdue</b>
<b>Liability Side:</b>			
(i)	Lease assets including lease rentals under sundry debtors :		
(a)	Financial Lease		14,015.32
(b)	Operating Lease		21,180.69
(ii)	Stock on hire including hire charges under sundry debtors		
(a)	Assets on Hire		–
(b)	Repossessed Assets		–
(iii)	Other loans counting towards AFC activities		
(a)	Loans where assets have been repossessed		1,079.87
(b)	Loans other than (a) above		696,360.27
<b>4</b>	<b>Break-up of Investments</b>		
	<b>Current Investments</b>		
	1. Quoted		
(i)	Shares : (a) Equity		5.48
	(b) Preference		–
(ii)	Debentures and Bonds		–
(iii)	Units of Mutual Funds		–
(iv)	Government Securities		–
(v)	Others (please specify)		–
	2. Unquoted		
(i)	Shares : (a) Equity		–
	(b) Preference		–
(ii)	Debentures and Bonds		–
(iii)	Units of Mutual Funds		–
(iv)	Government Securities		–
(v)	Others (please specify)		0.01
	<b>Long Term Investments</b>		
	1. Quoted		
(i)	Shares : (a) Equity		–
	(b) Preference		–
(ii)	Debentures and Bonds		16,903.40
(iii)	Units of Mutual Funds		–
(iv)	Government Securities		–
(v)	Others (please specify)		–
	2. Unquoted :		
(i)	Shares : (a) Equity		11,559.42
	(b) Preference		–
(ii)	Debentures and Bonds		–
(iii)	Units of Mutual Funds		–
(iv)	Government Securities		0.04
(v)	Others (please specify) Sec deposits & share application money		2,411.50

**5 Borrower group-wise classification of assets financed as in (2) and (3) above:****Rs. in Lakhs**

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
1. Related Parties			
(a) Subsidiaries	–	–	–
(b) Companies in the same group	3,564.06	–	3,564.06
(c) Other related parties	–	–	–
2. Other than related parties	871,564.14	161,653.12	1,033,217.26
<b>Total</b>	<b>875,128.20</b>	<b>161,653.12</b>	<b>1,036,781.32</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

6 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Rs. in Lakhs

Category	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	10,688.92	10,688.92
(b) Companies in the same group	–	–
(c) Other related parties	–	–
2. Other than related parties	20,134.82	20,190.93
<b>TOTAL</b>	<b>30,823.74</b>	<b>30,879.85</b>

7 Other information

Category	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	–
(b) Other than related parties	14,338.00
(ii) Net Non-Performing Assets	
(b) Related parties	–
(b) Other than related parties	7,881.00
(iii) Assets acquired in satisfaction of debt	1,079.87

22) Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per their Circular RBI/ 2008-09/ 116 DNBS(PD), CC.No.125/ 03.05.002/ 2008-2009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:

1) CRAR:

Items	2010-11	2009-10
i) CRAR (%)	16.34	15.43
ii) CRAR – Tier I Capital (%)	15.44	14.46
iii) CRAR – Tier II Capital (%)	0.90	0.97

2) Exposures:

Exposure to Real Estate Sector

Rs. Lakh

Category	2010-11	2009-10
a) Direct exposure		
(i) Residential Mortgages –		
Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lakh may be shown separately)	Nil	Nil
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	15,926.18 *17,000.00	Nil *20,773.60
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Category		2010-11	2009-10
b)	Indirect exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

\* The cash flows for these repayments arise from hospitality service and not buying, selling or renting of real estate.

## 3) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

Rs. in Lakh

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities:</b>									
Borrowings from banks	40,000.00	14,300.00	20,625.00	55,575.00	69,950.00	358,975.00	0.00	0.00	559,425.00
Market Borrowings	31,800.00	42,500.00	8,100.00	55,175.00	982.76	67,760.00	51,798.64	67,201.36	325,317.76
<b>Assets:</b>									
Advances	32,937.10	505,80.24	40,357.25	64,870.21	108,946.48	443,424.25	221,606.28	47,189.09	1,009,910.90
Investments	11.00	-	-	-	2,539.12	9,673.73	-	18,656.00	30,879.85

23) Previous year figures have been regrouped / reclassified wherever necessary.

Signatures to Schedule 1 to 18

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
Registration no. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2011

For and on behalf of the Board

**T. SUKUMAR**  
Company Secretary

Place : Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

## SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
 Date Month Year

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

##### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liabilities (Net)

##### Application of Funds

Net Fixed Assets and Net Intangible Assets

Investments

Deferred Tax Assets (Net)

Loans and Advances

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ - \*\*Earning per Share (in Rs.)

Dividend Rate %

\*\* Annualised

#### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Descriptions

T. SUKUMAR  
Company Secretary

Y. M. DEOSTHALEE  
Director

N. SIVARAMAN  
Director

Place : Mumbai  
Date : April 26, 2011



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO

### SUBSIDIARY COMPANIES

Name of the subsidiary company	L&T Investment Management Limited	L&T Mutual Fund Trustee Limited
Financial year of the subsidiary ended on	March 31, 2011	March 31, 2011
Number of equity shares of the subsidiary Company held by L&T Finance Limited and / or its nominee at the above date	150,000,000	50,000
The extent of holding Company's interest in subsidiary Company	100%	100%
The net aggregate of profits/(losses),of the subsidiary Company so far as it concerns the members of L&T Finance Limited	Rs. in Lakh	Rs. in Lakh
(i) Dealt with in the accounts of L&T Finance Limited amounted to		
a) for the subsidiary's financial year ended 31/03/2011	Nil	Nil
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	Nil	Nil
(ii) Not dealt with in the accounts of L&T Finance Limited amounted to:		
a) for the subsidiary's financial year ended 31/03/2011	(3,957.66)	(3.68)
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	** (528.84)	** (0.003)

\*\* Since the companies became subsidiaries of L&T Finance Limited as on 20/01/2010, 71 day profit has been considered.

**T. SUKUMAR**  
Company Secretary

**Y. M. DEOSTHALEE**  
Director

**N. SIVARAMAN**  
Director

Place : Mumbai  
Date : April 26, 2011

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the audited accounts for financial year ended March 31, 2011.

### FINANCIAL RESULTS

Particulars	(Rs. in Lakhs)	
	2010-11	2009-2010
Gross Income	860.82	436.82
Profit After Tax	(3,957.66)	(2,718.67)
Add: Balance b/f from previous year	(8,486.46)	(5,767.80)
Add: Adjustments made for earlier year	Nil	Nil
Balance carried to Balance Sheet	(12,444.13)	(8,486.47)

### DIVIDEND

In view of the loss incurred, no dividend is recommended on equity shares for the financial year ended March 31, 2011.

### ISSUE OF CAPITAL

During the financial year ended March 31, 2011, your Company has made Rights issue of 4,00,00,000 equity shares of Rs. 10/- each (in various tranches).

### OPERATIONS OF THE COMPANY

The total number of folios under all Schemes of L&T Mutual Fund were 1,41,867 as on March 31, 2011 as compared to 1,12,097 as on March 31, 2010. The Net Assets Under Management of L&T Mutual Fund as of March 31, 2011 stood at Rs. 3,335 Crore as against Rs. 2,647.28 Crore as on March 31, 2010.

### MARKET OVERVIEW / FUTURE OUTLOOK

#### Equity Market Overview

Financial Year 2011 witnessed the Indian equity markets breaching the earlier highs set in 2008 driven by record FII flows, strong earnings growth and global liquidity on account of the second phase of Quantitative easing initiated by the US Federal Reserve.

There were a few sentimentally positive events for the markets primarily comprised of successful listing of some of the PSUs, the 3G and Wimax spectrum auction resulting in generation of Rs. 763.42 billion for the Government.

The second half of the year was marred by corruption and governance related issues, including irregularities in 2G spectrum allocation. The infrastructure sector suffered as a result of delays in announcing of new projects as well as concerns raised by the environmental ministry impacting the power sector.

Both emerging and developed market equity indices registered steady gains during the financial year. While S&P CNX Nifty and Sensex appreciated by 11.1% and 10.9% during FY 2011, Russia, Brazil, Kospi, Taiwan and Shanghai gave returns averaging 30%, -2.5%, 24.5%, 9.6% and -5.8% respectively during the said period. Amongst the developed markets Japan, Germany, UK, US and France gave average returns of (12%)%, 14.4%, 4.0%, 13.4%, and 0.4% respectively.

Among the sectoral indices BSE Consumer durables (+47.8%), BSE Bankex (+24.8%), BSE IT (+25%), BSE FMCG (+27%), BSE Auto (+21%) and BSE healthcare (+13%) outperformed the broader market indices during the period. However sectors such as BSE real estate (-28.6%), BSE Metals (-10%), BSE Capital Goods (-6%) BSE Oil & Gas (+1%), were the underperformers. Midcap and Smallcap segment of the market underperformed despite being major gainers in the previous year with CNX Midcap index gaining 4.3%, while Small cap index closed down by -3.8% during the period.

At Current levels of 19500, Sensex is trading at 15.5x one year forward consensus expected earnings. With 18-20% earnings growth expected to continue in FY12 valuations are trading at fair value.

#### Debt Market Overview

Financial Year 2011 witnessed significant pressure on systemic liquidity which led to large quantum of borrowing by scheduled commercial banks under LAF (Liquidity Adjustment Facility) of Reserve Bank of India. From a positive territory, financial system turned to a negative systemic liquidity of Rs. 174,000 crore as the highest amount borrowed by banks in a single day; however financial year ended at an average of Rs. 100,000 crore of banks daily loan from RBI at repo rate.

In fiscal 2011 banks shifted to new regime of base rate for determining interest rate on loans provided from the previous system of benchmark prime lending rate or BPLR. Minimum rate of interest at which a company can borrow from a bank has to be higher than base rate of that bank now. Short term rates rose during the year. The three month commercial papers rate closed 2011 fiscal at 10.36% as compared to 5.75% at the end of 2010 fiscal. Interest rate for three month CD's moved to 9.55% at the end of fiscal year 2011 as compared to previous year 2010's rate for similar maturity instruments at 4.70%.

Reserve Bank of India in previous year maintained a hawkish tone and furthered action towards an anti inflationary stance. Key rates were raised to 6.75% per annum for repo rate and 5.75% per annum for reverse repo rate from previous year levels of 5% per annum on repo rate and 3.5% per annum on reverse repo rate. CRR or Cash reserve ratio was increased by 25 basis points to 6% per annum.

Inflation was a key area of concern for year 2011 attributed to rising commodity prices and production input costs. In India overall inflation number measured by WPI or Wholesale price Index was however lower at 8.98% for March 2011 as compared to 10% as at end of fiscal 2010 due to a strong base effect.

The 10 year Government security closed at a yield of 7.98% p.a. towards end of year 2011 after reaching a level of 8.25% p.a. during the year. In previous year 10 year benchmark government security had closed at 7.85% p.a.; 5 year AAA NCD's also moved to a higher yield level of 9.24% p.a. from 8.50% p.a. level in the previous year. Infrastructure sector has been identified as a key focus by the Government in year 2011 as the cap for FII investment in corporate bonds was hiked to \$40 billion from \$20 billion with limit on infrastructure bonds being \$25 billion for bonds with a residual maturity of 5 years. FII investment limit for Government securities was also raised to \$10 billion from \$5 billion.

Union budget for fiscal 2012 announced gross borrowing amount of Government at Rs. 4.17 lakh crore which was lower than previous year revised Government gross borrowing amount of Rs. 4.47 lakh crore. Fiscal deficit for the fiscal 2012 is estimated at 4.6% of GDP as compared to revised number of 5.1% of GDP for the fiscal 2011.

## **FUTURE OUTLOOK**

### **Equity Market Outlook**

The Indian equity markets have been rallying on the back of flush global liquidity and a strong domestic economy. Both these factors are now facing the headwinds of an uncertain global economic trajectory and concerns on the domestic growth due to high inflation triggered by crude and food grain prices. An unexpected slowdown of government initiative in bringing about economic reforms to channelise higher FDI in certain sectors and sluggish progress on infrastructure projects has also hurt sentiments. There has been a decline in retail participation in both the primary and secondary markets over the last few months.

The cues that the market is looking for is a sustainable corporate profit growth. With most firms operating at near full capacity, the next round of capacity expansion is an imperative. In a high interest rate environment, there is an obvious reluctance to undertake this. We expect the global concerns and slowdown in the large consumption nations will start bringing down the crude and commodity prices. Consequently inflation and interest rates should also become more sober. A good monsoon will keep the rural demand strong and should also moderate food inflation. Markets at current levels have already factored the headwinds and therefore a relief from any of these should lead to an upsurge. Therefore while the first half of the current fiscal may see sideways movement, we can expect the market to show more vigor and vitality in the second half.

### **Debt Market Outlook**

Yields on Government securities might move higher in next year as central bank's Inflation comfort is at a level of 5% and the actual inflation number is above 8% level. RBI is expected to continue with its anti inflationary stance leading to further rate hikes to the tune of 50 to 75 basis points. Liquidity however is expected to ease as Government will spend nearly 70000 crore of its cash balances. We anticipate 10 year Government security to trade in range of 7.75% to 8.50% and 5 year AAA corporate bond to trade in a range of 8.85% to 9.50%. Short term money market rates will closely track systemic liquidity and perception on short term interest rates. These rates might move sideways. Fiscal deficit estimates seem optimistic at the outset therefore an upward revision is not ruled out except in case of windfall gains through divestment proceeds or any other means. This year will be signified by an anti inflationary stance as well as concerns for maintaining growth momentum of the country. These two main factors are likely to drive formation of fiscal and monetary policy in year 2012.

## **AUDIT COMMITTEE**

The Audit Committee, constituted primarily to review annual financial statements before submission to the Board of Directors of the Company and to ensure compliance of internal control systems and internal audit systems. The Members of the Audit Committee are Mr. Sunil V. Patel, Mr. R. Sankaran, Dr. R. H. Patil, Mr. N. Sivaraman and Mr. R. Shankar Raman. None of the Members of the Audit Committee is a Whole-time Director of the Company. Mr. Sunil V. Patel, an Independent Director, is the Chairman of the Committee.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956.

## **DIRECTORS**

Mr. R. Sankaran and Mr. N. Sivaraman, Directors of the Company retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.

## **AUDITORS**

M/s. Deloitte Haskins & Sells, Chartered Accountants, retires at the forthcoming Annual General Meeting and are eligible for re-appointment.

## **PARTICULARS OF EMPLOYEES**

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is appended as Annexure A.

## **CONVERSATION OF ENERGY & TECHNOLOGY ABSORPTION**

The Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 pertaining to conversation of energy in Form A and Technology Absorption in Form B prescribed by the Rules are not applicable, as the Company is not a Manufacturing Company.

## **FOREIGN EXCHANGE EARNING AND OUTGOING**

During the period under review, the details of foreign exchange inflow or outgo is as follows:

Foreign Exchange Earnings:	NIL
Foreign Exchange Outgo:	Rs. 2,23,503/-

### DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors, based on the representation received from the Management and after due enquiry, confirm that:

- (a) in the preparation of annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the loss of the Company for the year ended on that date;
- (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;
- (d) the annual accounts have been prepared on a going concern basis;
- (e) proper systems are in place to ensure compliance of all laws applicable to the Company;
- (f) as required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions as required under Accounting Standard 18 forms part of the Annual Report.

### AUDITORS' REPORT

The observation made in the Auditors Report is self-explanatory and therefore no further comments are required under Section 217(3) of the Companies Act, 1956.

### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below –

#### a) Separation of Offices of Chairman & Chief Executive Officer

The roles and offices of Chairman and Chief Executive Officer are separated. Dr. R. H. Patil is the Chairman of the Board whereas Mr. Sanjay Sinha is the Chief Executive Officer of the Company.

#### b) Remuneration of Directors

All the Non Executive – Independent Directors (apart from the nominees representing L&T Finance Limited) are paid sitting fees for attending the meetings of the Board and Committees thereof. Presently, no other remuneration is payable to the Directors.

The structure of pay for Senior Management and other Employees is based on the Company policy evolved over a period of time. The objective of the Company is to motivate the employees to excel in their performance; recognize their contribution, retain talent and reward merit. Remuneration of employees largely consists of base remuneration and performance incentives. The component of remuneration vary for different grades and are governed by industry pattern, qualifications, experience, responsibilities handled, individual performance etc.

#### c) Independent/ Associate Directors

The composition of Board is as follows:

Sr. No.	Members Name	Status (Associate/ Independent)
1.	Mr. Sunil V. Patel	Independent
2.	Mr. R. Sankaran	Independent
3.	Dr. R. H. Patil	Independent
4.	Mr. N. Sivaraman	Associate
5.	Mr. R. Shankar Raman	Associate

#### d) Number of Companies in which an Individual may become a Director

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

#### e) Responsibilities of the Board

Presentations to the Board in areas such as financial results, budgets, business prospects etc, give the Directors, an opportunity to interact with Senior Management and other Functional Heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal/ informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable/ discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

#### f) Terms of reference of Audit Committee of Board

As mentioned above, the Company has an Audit Committee comprising of majority of Independent Directors, including its Chairman.

The terms of reference of the Audit Committee is given below –

1. monitoring the integrity of the financial statements of the Company;

2. reviewing the internal control systems;
3. reviewing the related party transactions forming part of the Annual Report;
4. reviewing the work of the Internal Auditor of the Company;
5. appointment of Statutory Auditors and fixing their remuneration.

**g) Statutory Auditors**

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these Guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

**h) Internal Auditors**

M/s Mukesh P. Shah & Co, Chartered Accountants are the Internal Auditors of the Company.

**i) Internal Control**

The Board ensures the effectiveness of the Company's internal control system commensurate with its size and nature of the business.

**ACKNOWLEDGEMENT**

Your Directors place on record their appreciation to the Company's Bankers, Custodians, Registrars and most of all, the Investors of L&T Mutual Fund, for their continued co-operation and support and Your Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees.

**On behalf of the Board**  
**For L&T INVESTMENT MANAGEMENT LIMITED**

*Place : Mumbai*  
*Date : April 26, 2011*

**N. SIVARAMAN**  
*Director*

**R. SHANKAR RAMAN**  
*Director*

## AUDITORS' REPORT

1. We have audited the attached Balance Sheet of L&T INVESTMENT MANAGEMENT LIMITED ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) 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. Without qualifying our opinion, we draw attention to Note XV of Schedule 12 regarding remuneration to the former Manager which is subject to the approval of the Central Government.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the directors as on March 31, 2011, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**For DELOITTE HASKINS & SELLS**  
*Chartered Accountants*  
(Registration no.117366W)

**NALIN M. SHAH**  
*Partner*  
(Membership No. 15860)

*Place : Mumbai*  
*Date : April 26, 2011*

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result/transactions etc., clauses (ii), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) According to the information and explanations given to us, there are no companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable.
- (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 with regard to purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no transactions that were required to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has been regular in depositing undisputed dues, including Provident Fund, Income Tax, Service Tax, and other material dues applicable to it with the appropriate authorities. We are informed that Employees' State Insurance Scheme is not applicable to the Company.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
  - (c) There were no disputed statutory dues outstanding as at March 31, 2011 which had remained unpaid.
- (ix) The accumulated losses of the Company are in excess of fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) According to the information and explanations given to us, there are no companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(xviii)(a) to (e) of the Order are not applicable.
- (xi) To the best of our knowledge and according to the information and explanations given to us, no fraud by or on the Company has been noticed or reported during the year.

**For DELOITTE HASKINS & SELLS***Chartered Accountants  
(Registration no.117366W)***NALIN M. SHAH***Partner  
(Membership No. 15860)**Place : Mumbai  
Date : April 26, 2011*

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	1		<u>1,500,000,000</u>		<u>1,100,000,000</u>
			<u>1,500,000,000</u>		<u>1,100,000,000</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	2	<u>58,325,732</u>		<u>47,963,252</u>	
Less: Depreciation		<u>30,880,079</u>		<u>26,629,359</u>	
Net Block			<u>27,445,653</u>		<u>21,333,893</u>
Capital WIP			<u>2,527,500</u>		<u>-</u>
<b>Investments</b>	3		<u>218,610,941</u>		<u>282,147,019</u>
<b>Current Assets, Loans &amp; Advances</b>					
Sundry Debtors	4	<u>16,944,960</u>		<u>8,975,857</u>	
Cash & Bank Balances	5	<u>852,446</u>		<u>257,967</u>	
Loans & Advances	6	<u>53,674,244</u>		<u>24,460,001</u>	
		<u>71,471,650</u>		<u>33,693,825</u>	
<b>Less: Current Liabilities &amp; Provisions</b>					
Current Liabilities	7	<u>54,467,704</u>		<u>78,403,156</u>	
Provisions	8	<u>10,001,009</u>		<u>7,418,102</u>	
		<u>64,468,713</u>		<u>85,821,258</u>	
<b>Net Current Liabilities</b>			<u>7,002,937</u>		<u>(52,127,433)</u>
<b>Profit and Loss Account</b>			<u>1,244,412,969</u>		<u>848,646,522</u>
			<u>1,500,000,000</u>		<u>1,100,000,000</u>
<b>NOTES TO ACCOUNTS</b>	12				

The Schedules referred to above form an integral part of the Accounts.

As per our report attached  
**FOR DELOITTE HASKINS & SELLS**  
 Chartered Accountants

For and on behalf of the Board

**NALIN M. SHAH**  
 Partner  
 Membership No. 15860  
 Place : Mumbai  
 Date : April 26, 2011

**VINAY TRIPATHI**  
 Company Secretary  
 Place : Mumbai  
 Date : April 26, 2011

**N. SIVARAMAN**  
 Director

**R. SHANKAR RAMAN**  
 Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Investment Management Fees	9	75,611,557	35,181,502
Other Income	10	10,470,935	8,500,721
		<b>86,082,492</b>	43,682,223
<b>EXPENDITURE</b>			
Operating & Other Expenses	11	416,792,897	226,721,126
Depreciation	2	5,089,152	3,948,678
		<b>421,882,049</b>	230,669,804
<b>Loss before Exceptional items &amp; Taxation</b>		<b>(335,799,557)</b>	(186,987,581)
Exceptional Items (Refer note III to Schedule 12)		59,949,891	84,830,153
<b>Loss before Taxation</b>		<b>(395,749,448)</b>	(271,817,734)
Provision for Taxation :			
Wealth Tax		17,000	49,000
Excess provision of taxes of earlier years written back		-	(228)
<b>Loss after Taxation</b>		<b>(395,766,448)</b>	(271,866,506)
Balance Brought Forward		(848,646,521)	(576,780,015)
<b>Balance carried to Balance Sheet</b>		<b>(1,244,412,969)</b>	(848,646,521)
Basic & Diluted Earning per Share (Refer Note X to Schedule 12)		<b>(3.20)</b>	(3.22)
<b>NOTES TO ACCOUNTS</b>	<b>12</b>		

The Schedules referred to above form an integral part of the Accounts.

As per our report attached  
**FOR DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board

**NALIN M. SHAH**  
Partner  
Membership No. 15860  
Place : Mumbai  
Date : April 26, 2011

**VINAY TRIPATHI**  
Company Secretary  
Place : Mumbai  
Date : April 26, 2011

**N. SIVARAMAN**  
Director

**R. SHANKAR RAMAN**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>Net Loss Before Tax</b>		<b>(395,749,448)</b>		<b>(271,817,734)</b>
<b>Adjustments for :-</b>				
Depreciation	5,089,152		3,948,678	
Loss on sale of Fixed Assets	1,520,413		1,502,182	
Profit on sale of Investments	(9,804,288)		(8,352,806)	
Interest on income tax refund	(180,777)		–	
Leave Encashment	3,521,507		2,665,404	
		<b>146,007</b>		<b>(236,542)</b>
<b>Operating profit / (loss) before Working capital Changes</b>		<b>(395,603,440)</b>		<b>(272,054,276)</b>
<b>Adjustments for :-</b>				
(Increase) / Decrease in Loans and Advances	(30,117,076)		(9,880,288)	
(Increase) / Decrease in Debtors	(7,969,103)		(6,845,960)	
Increase / (Decrease) in current Liabilities & Provision	(23,935,452)		(3,564,165)	
		<b>(62,021,631)</b>		<b>(20,290,413)</b>
Cash employed in Operating Activities		<b>(457,625,071)</b>		<b>(292,344,689)</b>
Taxes Paid	(426,740)		(502,901)	
Refund of Income Tax	1,280,665		–	
Leave Encashment Paid	(906,600)		(336,612)	
		<b>(52,675)</b>		<b>(839,513)</b>
<b>Net Cash From Operations (A)</b>		<b>(457,677,746)</b>		<b>(293,184,202)</b>
<b>Cash flow from Investing Activities</b>				
Purchase of Fixed Assets	(16,945,995)		(10,491,348)	
Sale of Fixed Assets	1,697,078		136,242	
Purchase of Investments	(1,157,348,424)		(2,548,354,008)	
Sale of Investments	1,230,688,789		2,501,754,008	
<b>Net Cash from Investing Activities (B)</b>		<b>58,091,448</b>		<b>(56,955,107)</b>
<b>Cash flow from financing Activities</b>				
Interest Income	180,777		–	
Increase in Share Capital	400,000,000		350,000,000	
<b>Net Cash from Financing Activities (C)</b>		<b>400,180,777</b>		<b>350,000,000</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>		<b>594,479</b>		<b>(139,309)</b>
Cash and Cash Equivalent at the beginning of the year (as per Schedule 5)		<b>257,967</b>		<b>397,276</b>
<b>Cash and Cash Equivalent at the end of the year</b> (as per Schedule 5)		<b>852,446</b>		<b>257,967</b>

As per our report attached  
**FOR DELOITTE HASKINS & SELLS**  
 Chartered Accountants

For and on behalf of the Board

**NALIN M. SHAH**  
 Partner  
 Membership No. 15860  
 Place : Mumbai  
 Date : April 26, 2011

**VINAY TRIPATHI**  
 Company Secretary  
 Place : Mumbai  
 Date : April 26, 2011

**N. SIVARAMAN**  
 Director

**R. SHANKAR RAMAN**  
 Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
Equity Shares		
160,000,000 Equity Shares of Rs. 10/- each	<u>1,600,000,000</u>	<u>1,600,000,000</u>
<b>Issued, Subscribed &amp; Paid-up Capital</b>		
Equity Shares		
150,000,000 (Previous Year 110,000,000) Equity Shares of Rs. 10/- each fully paid-up {Out of above 149,999,993 Previous Year :109,999,993 are held by L&T Finance Limited, the holding company.}	<u>1,500,000,000</u>	<u>1,100,000,000</u>
The ultimate holding company is Larsen & Toubro Limited.		
<b>TOTAL</b>	<u><u>1,500,000,000</u></u>	<u><u>1,100,000,000</u></u>

**SCHEDULE - 2****FIXED ASSETS - TANGIBLE**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the Year	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Tangible Assets :</b>										
Computer Hardware	17,649,753	4,045,569		21,695,322	12,976,360	1,726,477		14,702,837	6,992,485	4,673,393
Office Equipment	4,246,890	1,439,655	142,940	5,543,605	1,237,681	263,169	24,536	1,476,314	4,067,291	3,009,209
Furniture & Fixtures	440,713	380,391		821,104	237,592	164,395		401,987	419,117	203,121
Vehicles	9,497,107	700,000	3,913,075	6,284,032	1,606,346	829,240	813,896	1,621,690	4,662,342	7,890,761
<b>Intangible Asset :</b>										
Computer Software	16,128,788	7,852,880		23,981,668	10,571,380	2,105,871		12,677,251	11,304,417	5,557,408
<b>TOTAL</b>	<b>47,963,252</b>	<b>14,418,495</b>	<b>4,056,015</b>	<b>58,325,732</b>	<b>26,629,359</b>	<b>5,089,152</b>	<b>838,432</b>	<b>30,880,079</b>	<b>27,445,653</b>	<b>21,333,893</b>
Previous Year (1-4-09 to 31-3-10)	40,592,071	10,491,348	3,120,168	47,963,252	24,162,424	3,948,678	1,481,743	26,629,359	21,333,893	16,429,647

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - 3</b>		
<b>INVESTMENTS (In Mutual Fund Units)</b>		
Current at cost or market value whichever is lower		
L&T Liquid Sup Inst. Plan - Cum., 9826123.431 units of Rs. 10/- each (Previous Year 240,126.320 units)	<u>130,959,646</u>	<u>3,036,365</u>
L&T Freedom Income-Inst. Cum-Org, Nil units of Rs. 10/- each (Previous Year 2,768,602.791 units)	<u>-</u>	<u>41,042,975</u>
L&T Select Income Fund- Flexi Debt Institutional Growth, 478,638.397 units of Rs. 10/- each (Previous Year 18,183,990.110 units)	<u>5,056,695</u>	<u>186,067,679</u>
L&T Fixed Maturity Plan Series 12- Plan 15M March-10 II-Growth, 200,000.000 units of Rs. 10/- each (Previous Year 200,000.000 units)	<u>2,000,000</u>	<u>2,000,000</u>
L&T Fixed Maturity Plan -II ( November 12 M A Growth), 2,000,000 units of Rs. 10/- each (Previous Year NIL units)	<u>20,000,000</u>	<u>-</u>
L&T Fixed Maturity Plan - III (February 90 D A ) - Growth, 3,059,460 units of Rs. 10/- each (Previous Year NIL units)	<u>30,594,600</u>	<u>-</u>
L&T Fixed Maturity Plan - III (January 90 D A ) - Growth, 3,000,000 units of Rs. 10/- each (Previous Year NIL units)	<u>30,000,000</u>	<u>-</u>
L&T Fixed Maturity Plan Series 12-Plan 91 D March 10 - I - Growth (Previous Year 5,000,000.000 of Rs. 10/- each)	<u>-</u>	<u>50,000,000</u>
<b>Total Value of Investments</b>	<u><u>218,610,941</u></u>	<u><u>282,147,019</u></u>

Market value of unquoted Investments Rs. 221,524,432 - (at repurchase price)  
(March 31, 2010 Rs. 282,631,894)

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
	<b>Units Acquired during the year</b>	<i>Units Sold during the year</i>
L&T Liquid Sup Inst. Plus - Cumulative	<b>36,711,109.901</b>	27,125,112.790
L&T Freedom Income - STP-Inst.- Cum-Original	-	2,768,602.791
L&T Select Income Fund - Flexi Debt Institutional Dividend	<b>15,454,902.107</b>	15,454,902.107
L&T Select Income Fund - Flexi Debt Institutional Growth	<b>39,053,911.813</b>	56,759,263.526
L&T Fixed Maturity Plan - Series 12 - Plan 91 D March 10 - I - Growth	-	5,000,000.000
L&T Fixed Maturity Plan - II ( November 12 M A Growth)	<b>2,000,000.000</b>	-
L&T Fixed Maturity Plan - II (November 91 D A) - Growth	<b>3,000,000.000</b>	3,000,000.000
L&T Fixed Maturity Plan - III (February 90 D A) - Growth	<b>3,059,460.000</b>	-
L&T Fixed Maturity Plan - III (January 90 D A)	<b>3,000,000.000</b>	-
	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - 4</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
Debts Not Exceeding Six Months	<b>16,944,960</b>	8,975,857
<b>TOTAL</b>	<b>16,944,960</b>	8,975,857
<b>SCHEDULE - 5</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on Hand	<b>249,685</b>	47,179
Balance with Scheduled Banks in Current Accounts	<b>602,761</b>	210,788
<b>TOTAL</b>	<b>852,446</b>	257,967
<b>SCHEDULE - 6</b>		
<b>LOANS &amp; ADVANCES</b>		
Amounts Recoverable in Cash or in Kind or for Value to be Received		
Unsecured, Considered Good	<b>50,725,549</b>	20,608,473
Fringe Benefit Tax (Net)	<b>79,376</b>	77,337
Advance Tax / Tax Deducted at Source	<b>2,869,319</b>	3,774,191
<b>TOTAL</b>	<b>53,674,244</b>	24,460,001
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>SCHEDULE - 7</b>		
<b>Current Liabilities</b>		
Sundry Creditors (Refer Note VI to Schedule 12)	<b>48,586,095</b>	74,162,302
Other Liabilities	<b>5,881,609</b>	4,240,854
<b>TOTAL</b>	<b>54,467,704</b>	78,403,156
<b>SCHEDULE - 8</b>		
<b>PROVISIONS</b>		
Provision for Leave Encashment	<b>9,984,009</b>	7,369,102
Provision for Wealth Tax (Net)	<b>17,000</b>	49,000
<b>TOTAL</b>	<b>10,001,009</b>	7,418,102

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE - 9</b>		
<b>INVESTMENT MANAGEMENT FEES</b>		
(Refer Note V to Schedule 12)		
Investment Management Fees (Net of Service Tax and Cess Rs. 6,799,382/- ( <i>Previous Year Rs. 3,623,695/-</i> )) (Tax Deducted at Source Rs. 262,330/- ( <i>Previous Year Rs.174,784/-</i> ))	<b>66,013,253</b>	<i>35,181,502</i>
Portfolio Management Fees (Tax Deducted at Source Rs. 100,000/-)	<b>9,598,304</b>	-
<b>TOTAL</b>	<b>75,611,557</b>	<i>35,181,502</i>
<b>SCHEDULE - 10</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Current Investments (Net)	<b>9,804,288</b>	<i>8,352,806</i>
Foreign Exchange Gain	<b>596</b>	-
Interest on Income tax Refund	<b>180,777</b>	-
Miscellaneous Income	<b>485,274</b>	<i>147,915</i>
<b>TOTAL</b>	<b>10,470,935</b>	<i>8,500,721</i>
<b>SCHEDULE - 11</b>		
<b>OPERATING &amp; OTHER EXPENSES</b>		
Employee Costs (Refer Note I(5)to Schedule 12)		
Salaries, Bonus & Allowances	<b>155,179,264</b>	<i>114,399,220</i>
Outsource Service Charges	<b>18,423,012</b>	<i>5,012,064</i>
Contribution to Provident & Other Funds	<b>8,636,115</b>	<i>6,111,057</i>
Staff Welfare Expenses	<b>4,077,632</b>	<i>3,629,783</i>
Recruitment Charges	<b>429,442</b>	<i>310,119</i>
Electricity	<b>1,865,662</b>	<i>1,146,385</i>
Rent	<b>31,688,205</b>	<i>10,060,926</i>
Travelling & Conveyance	<b>6,342,716</b>	<i>3,395,725</i>
Communication	<b>5,471,715</b>	<i>3,483,490</i>
Printing & Stationery	<b>1,942,798</b>	<i>1,179,230</i>
Repairs & Maintenance		
Office Equipments	<b>588,441</b>	<i>1,553,055</i>
Others	<b>1,238,218</b>	<i>1,245,362</i>
Subscriptions & Periodicals	<b>5,677,828</b>	<i>5,085,588</i>
Legal & Professional Charges	<b>17,688,239</b>	<i>6,550,915</i>
SEBI Filing Fees	<b>5,556,512</b>	<i>2,240,000</i>
Insurance	<b>2,338,778</b>	<i>1,352,492</i>
Directors' Fees	<b>350,000</b>	<i>280,000</i>
Sales Promotion Expenses	<b>137,560,723</b>	<i>54,422,833</i>
Loss on Sale of Assets	<b>1,520,413</b>	<i>1,502,182</i>
Auditors' Remuneration		
Audit	<b>350,000</b>	<i>350,000</i>
Limited Review	<b>200,000</b>	<i>300,000</i>
Tax Audit	<b>100,000</b>	<i>100,000</i>
Reimbursement of Expenses	-	-
Service tax (net of service tax credit availed for Rs. 66,950/-, <i>Previous year Rs. 30,900/-</i> ) (Refer Note IX to Schedule 12)		

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	<b>2010-11</b>	<i>2009-10</i>
	<b>Rupees</b>	<i>Rupees</i>
Miscellaneous Expenses	<b>5,353,309</b>	<i>551,138</i>
ROC Filing Fees	<b>12,720</b>	<i>146,578</i>
Courier Charges	<b>3,752,665</b>	<i>1,914,386</i>
Hire Charges	<b>448,489</b>	<i>381,967</i>
Foreign Exchange Loss	<b>–</b>	<i>16,632</i>
<b>TOTAL</b>	<b>416,792,897</b>	<i>226,721,126</i>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - 12****NOTES TO ACCOUNTS****I. ACCOUNTING POLICIES****1. Basis of Preparation**

The accounts are prepared on historical cost convention, on accrual basis of accounting and conform to accounting principles generally accepted in India.

**2. Use of Estimates**

The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the accounts and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the accounts are prudent and reasonable. Future results could defer due to these estimates and differences between the actual results and the estimates are recognised in the periods in which the results are known/materialised.

**3. Fixed Assets & Depreciation**

The Fixed Assets are stated at cost inclusive of freight and other incidental expenses.

Depreciation is charged on the Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Depreciation on Software is charged at the same rate as is applicable to Computer Hardware. Assets costing less than Rs. 5,000 each are fully depreciated in the year of purchase.

**4. Investments & Investment Income**

Long-term investments are valued at cost. Diminution other than temporary, in value of long-term investments is written off to the Profit and Loss Account. Current investments are valued at cost or net realisable value whichever is lower.

Dividend income from units of mutual funds is accounted when the right to receive the income is established.

**5. Employee Benefits****Long term Benefits**

The Company has both defined contribution plans and defined benefit plans, of which some have assets in special funds or similar securities. The plans are financed by payments by the Company and in the case of some defined contribution plans by the Company along with its employees.

**Defined Contribution Plans**

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services relating to such payment.

- (a) Provident Fund: Contributions to secure retrial benefits in respect of Employees' Provident Fund and Employees' Family Pension Fund based on applicable rules, are charged to the Profit & Loss Account.
- (b) Superannuation: The Company contributes a sum equivalent to 15% of eligible employee's salary to the Company's Superannuation Fund which is administered by trustees and managed by Life Insurance Corporation of India (LIC). The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognises such contributions as an expense in the year incurred.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### Defined Benefit Plans

Expenditure for defined-benefit gratuity plan and accumulated compensated absences is calculated as at the Balance Sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of expected future payments, with consideration for estimated future salary increases, utilising a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

The Company has an independent Gratuity Scheme Funded through Life Insurance Corporation of India (LIC). LIC has valued the gratuity liability using the Projected Unit Credit Method. Incremental liability is charged to the Profit and Loss Account.

### Short Term Benefits

Short-term employee benefits are recognised at the undiscounted amount expected to be paid as an expense over the period of services rendered to the Company.

#### 6. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing at the date of the transactions. Foreign currency current assets & current liabilities at the year end are being accounted at the closing rates. Gains / losses arising on restatement / settlement are dealt with in the Profit & Loss Account.

#### 7. Deferred Taxation

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carried forward. Deferred tax assets and liabilities are recognised subject to the Management's judgment that realisation is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be received or settled. Deferred tax assets arising on account of carry forward losses are recognised only if there is virtual certainty of realisation of the same in future years. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit & Loss Account in the period of enactment of the change.

#### 8. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent Liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### 9. Scheme Expenses

Mutual Fund scheme expenses represent expenses incurred for the activities of the Mutual Fund schemes which are borne by the Company / debited to the Company by the schemes due to limitation of expenses stipulated in the offer document of the related schemes.

#### 10. Employee Stock Option Plan

The scheme of share distribution to certain employees provides for grant of options to beneficiaries to acquire equity shares of the Company that vest in a graded manner. Options have been granted at an exercise price equal to the fair market value of the shares as determined by an independent valuer.

#### 11. Segment accounting policies:

Segment accounting policies are in line with accounting policies of the Company. In addition following accounting policies have been followed for segment reporting:

- Segment revenue includes income directly identifiable to the segments while Income which related to the Company as a whole and not allocable to the segments is included under "unallocable corporate income".
- Expenses that are directly identifiable with/allocable segments are considered for determining the segment result. Expenses which relate to the Company as a whole and not allocable to segments is included in " unallocable corporate expenditure"
- Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relates to the Company as a whole and not allocable to any segment.

#### II. Estimated amount of contracts remaining unexecuted on capital account – Rs. 56,82,500/- (Previous Year – Rs. NIL)

#### III. EXCEPTIONAL ITEMS

During the year ended 31st March, 2011, the following amounts were reimbursed to L&T Mutual Fund:

- An amount of Rs. 28,617,771 towards the losses on valuation of Certificate of Deposits / Commercial Papers in L&T Select Income Fund–Felxi Debt Fund as per SEBI circular no SEBI/IMD/Cir No 16/193388/2010 dated February 02, 2010.
- An amount of Rs. 20,284,213 towards losses incurred on sale of Certificates of Deposits / Commercial Papers in L&T Freedom Income Fund, L&T Liquid Fund L&T Select Income fund held by the Mutual fund.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- 3) Rs. 11,047,907 towards the losses on amortization in Floating Rate Bonds of L&T Freedom Income – Short Term Fund and L&T Select Income Fund held by the Mutual fund .

## IV. CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debts

Particulars	As at March 31, 2011 Rs.	As at March 31, 2010 Rs.
	Disputed Income Tax Liability	<b>337,526</b>

The matter is under appeal. The amount has been paid under protest and will be received as refund if the matter is decided in favour of the Company.

- V. Investment management fees from the Mutual Fund are as approved by the Trustee, L&T Mutual Fund Trustee Limited.
- VI. Based on the information received by the Company from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are no amounts due to any suppliers covered under this Act as at the Balance Sheet date and hence disclosures relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

## VII. EXPENDITURE IN FOREIGN CURRENCY

Particulars	2010–11 Rs.	2009–10 Rs.
	Business Promotion expenses paid	<b>2,23,503</b>

## VIII. REPORTABLE SEGMENT

The Company's main business is to manage assets of L&T Mutual Fund & Portfolio Management Services. All other activities of the Company revolve around the main business. The segmental results of L&T Investment Management Limited for above segment is shown as under :

Particulars	Portfolio Management services (Rs.)		Asset Management Services (Rs.)		TOTAL (Rs.)	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
Segment Revenue	<b>9,598,304</b>	–	<b>66,013,849</b>	35,181,502	<b>75,612,153</b>	35,181,502
Unallocated Other income	–		–	8,500,721	<b>10,470,338</b>	8,500,721
Total Revenue	<b>9,598,304</b>	–	<b>66,013,849</b>	43,682,223	<b>86,082,491</b>	43,682,223
Segment Expenses	<b>14,107,265</b>	–	<b>456,401,825</b>	315,499,957	<b>470,509,090</b>	315,499,957
Unallocated Expenses					<b>11,322,850</b>	–
Total Expenses	<b>14,107,265</b>	–	<b>456,401,825</b>	315,499,957	<b>481,831,940</b>	315,499,957
Segment Result	<b>(4,508,961)</b>	–	<b>(390,387,976)</b>	(271,817,734)	<b>(395,749,449)</b>	(271,817,734)
Income Tax/ Wealth Tax	–			48,772	<b>17,000</b>	48,772
Profit/(Loss) after tax	<b>(4,508,961)</b>	–	<b>(390,387,976)</b>	(271,866,506)	<b>(395,766,449)</b>	(271,866,506)
Segment assets	<b>11,146,828</b>	–	<b>38,719,979</b>	337,174,736	<b>49,866,807</b>	337,174,736
Unallocable assets					<b>270,188,936</b>	
Total assets	<b>11,146,828</b>	–	<b>38,719,979</b>	337,174,736	<b>320,055,743</b>	337,174,736
Segment liabilities	<b>4,736,666</b>	–	<b>49,748,038</b>	85,821,258	<b>54,484,704</b>	85,821,258
Unallocable liabilities					<b>9,984,009</b>	
Total liabilities	<b>4,736,666</b>	–	<b>49,748,038</b>	85,821,258	<b>64,468,713</b>	85,821,258
Depreciation (included in segment expense)	<b>248,844</b>	–	<b>4,840,308</b>	3,948,678	<b>5,089,152</b>	3,948,678

- IX. Auditors Remuneration is shown net of recoveries of the following amounts

Particulars	Fees (Rs.)	Service Tax (Rs.)
Audit Fees	300,000	30,900
Other matters	550,000	56,650
<b>TOTAL</b>	<b>850,000</b>	<b>87,550</b>





**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

XIV. Disclosure as required under Accounting Standard –15 on “Employee Benefits” is as under

<b>Gratuity (Funded Plan)</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Projected Benefit Obligation as at April 1, 2010	<b>1,657,310</b>	1,152,970
Service Cost	<b>6,39,504</b>	564,402
Interest Cost	<b>132,585</b>	92,238
Actuarial Losses / (Gains)	<b>685,428</b>	(152,300)
Benefits Paid	<b>(425,908)</b>	–
Projected Benefit Obligation as at March 31, 2011	<b>2,688,919</b>	1,657,310
Change in Plan Assets		
Fair Value of Plan Assets as at April 1, 2010	<b>1,653,896</b>	981,754
Adjustment in Plan Assets due to transfer from group gratuity scheme to separate gratuity scheme		
Expected Returns on Plan Assets	<b>176,583</b>	120,318
Employer’s Contribution	<b>830,967</b>	555,808
Benefits Paid	<b>(425,908)</b>	–
Actuarial Gain / (Loss)		
Fair Value of Plan Assets as at March 31, 2011	<b>2,235,538</b>	1,657,880
<b>Amount recognized in the Balance Sheet</b>		
Liability at the end of the year	<b>2,688,919</b>	1,657,310
Fair Value of Plan Assets as at the end of the year	<b>2,235,538</b>	1,657,880
Amount recognized in the Balance Sheet	<b>453,381</b>	570
<b>Cost of the Defined Benefit Plan for the Year</b>		
Current Service Cost	<b>639,504</b>	564,402
Interest on Obligation	<b>132,585</b>	92,238
Expected Return on Plan Assets	<b>(176,583)</b>	(120,318)
Adjustment in Plan Assets due to transfer from group gratuity scheme to separate gratuity scheme		
Net Actuarial Losses / (Gains) Recognised in the Year	<b>685,428</b>	(152,300)
Net Cost recognised in the Profit and Loss Account	<b>1,280,934</b>	384,022
Discount Rate	<b>8.00%</b>	8.00%
Future Salary Increase	<b>5.00%</b>	5.00%
Attrition Rate	<b>1–3%</b>	1–3%
Expected Rate of Return on Plan Assets	<b>8.00%</b>	8.00%

The major categories of plan assets as a percentage of total plan assets are as follows:

Category of Assets

<b>Sr. No.</b>	<b>Type of Investment</b>	<b>31.03.2011 (%)</b>	<b>31.03.2010 (%)</b>
1	Government Securities, being not less than	<b>20</b>	20
2	Government Securities or other approved Securities (inclusive (1) above, being not less than)	<b>40</b>	40
3	Balance to be invested in Approved Investment as specified in Schedule I.	<b>Not exceeding 60</b>	Not exceeding 60

The above details are based on information furnished by Life Insurance Corporation of India

The contribution expected to be made by the Company during the financial year 2011–12 has not been ascertained.

The amount of present value of the obligation, fair value of plan assets, surplus or deficit in the plan, experience adjustment arising on plan liabilities and plan assets for the previous three annual periods is not available.

XV. Remuneration paid to the Former Manager appointed under Section 269 of the Companies Act, 1956

<b>Particulars</b>	<b>31.03.2011 (Rs.)</b>	<b>31.03.2010 (Rs.)</b>
Salary & Allowance	<b>667,887</b>	1,808,139
Perquisites	<b>23,831</b>	109,060
Employer Cont. towards Provident Fund / Superannuation	<b>159,119</b>	150,718
Incentive	<b>83,928</b>	371,893
<b>TOTAL</b>	<b>934,775</b>	2,439,810

The above amount does not include contribution for gratuity &amp; compensated leave absences for which separate amount is not available.

The above amount of managerial remuneration is subject to the approval of the Central Government.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

XVI. The Company has formulated Employee Stock Option Plan 2008 (ESOP 2008) in the year 2009–10

The Plan is designed to provide stock options to employees in a specific category. All grants under the Plan are to be issued and allotted by the Allotment Committee of the Board of the Company. The options are to be granted to the eligible employees based on certain criteria and approval of the Allotment Committee of the Board and as per the detailed and respective Employee Stock Option Agreements that the Company enters into with them.

The options have been granted on September 10, 2009.

Options have been granted at an exercise price equal to the fair market value of the shares as determined by an independent valuer.

The Employees shall be allotted a pre-defined number of equity shares against each option and the options will vest over a period of five years from the date of grant at a pre-defined percentage of the total vesting, which shall each be subject to the condition that the Employees will secure specific annual performance ratings for every allotment and Company achieving certain performance target.

Options can be exercised anytime within a period of 5 years from the date of vesting.

The employees also have the exit option which they can exercise under certain events.

The compensation costs of stock options granted to employees are accounted by the Company using the fair value method.

Summary of Stock Options	31.03.2011		31.03.2010	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Opening Options Outstanding	6,540,000	10.50	NIL	
Options granted during the year	NIL		6,660,000	10.50
Options forfeited/lapsed during the year	NIL		120,000	
Options exercised during the year	NIL		NIL	
Closing Options outstanding	6,540,000	10.50	6,540,000	10.50
Options vested but not exercised on closing date	NIL		NIL	

Range of exercise price	31.03.2011		31.03.2010	
	No. of options	Weighted average remaining life	No. of options	Weighted average remaining life
Rs. 10.50	6,540,000	upto April 2013	6,540,000	upto April 2013

Since the options have been granted at an exercise price equal to the fair market value of the shares as determined by an independent valuer there is no charge to the Profit & Loss Account.

XVII. Previous year's figures have been regrouped wherever necessary.

Signatures to Schedules 1 to 12

As per our report attached  
**FOR DELOITTE HASKINS & SELLS**  
 Chartered Accountants

For and on behalf of the Board

**NALIN M. SHAH**  
 Partner  
 Membership No. 15860  
 Place : Mumbai  
 Date : April 26, 2011

**VINAY TRIPATHI**  
 Company Secretary  
 Place : Mumbai  
 Date : April 26, 2011

**N. SIVARAMAN**  
 Director

**R. SHANKAR RAMAN**  
 Director

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Balance Sheet Abstract and Company's General Business Profile Information as required under Part IV of Schedule VI to the Companies Act, 1956

### I. Registration Details

Registration No. 

3	5	3	2	1
---	---	---	---	---

State Code 

								1	8
--	--	--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1		0	3		2	0	1	1
Date		Month			Year				

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue 

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue 

		4	0	0	0	0	0	0
--	--	---	---	---	---	---	---	---

Bonus Issue 

					N	I	L
--	--	--	--	--	---	---	---

Private Placement 

					N	I	L
--	--	--	--	--	---	---	---

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Fund  
Total Liabilities 

	1	5	0	0	0	0	0
--	---	---	---	---	---	---	---

Total Assets 

	1	5	0	0	0	0	0
--	---	---	---	---	---	---	---

Paid-up Capital 

	1	5	0	0	0	0	0
--	---	---	---	---	---	---	---

Reserves & Surplus 

					N	I	L
--	--	--	--	--	---	---	---

Secured Loans 

					N	I	L
--	--	--	--	--	---	---	---

Unsecured Loans 

					N	I	L
--	--	--	--	--	---	---	---

### Application of Funds

Net Fixed Assets 

			2	9	9	7	3
--	--	--	---	---	---	---	---

Investments 

		2	1	8	6	1	1
--	--	---	---	---	---	---	---

@ includes pre-operative expenses  
Net Current Assets 

			7	0	0	0	3
--	--	--	---	---	---	---	---

Miscellaneous Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses 

	1	2	4	4	4	1	3
--	---	---	---	---	---	---	---

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income) 

			8	6	0	8	2
--	--	--	---	---	---	---	---

Total Expenditure 

			4	8	1	8	3	1
--	--	--	---	---	---	---	---	---

+ - Profit / Loss Before Tax 

			3	9	5	7	4	9
--	--	--	---	---	---	---	---	---

+ - 

--	--	--	--	--	--	--	--

Profit / Loss After Tax 

			3	9	5	7	6	6
--	--	--	---	---	---	---	---	---

+ - Earnings Per Share in Rs. 

			3	.	2	0
--	--	--	---	---	---	---

Dividend Rate % 

					N	I	L
--	--	--	--	--	---	---	---

### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No. 

					N	A
--	--	--	--	--	---	---

(ITC Code)

Product Descriptions 

DISTRIBUTION OF FINANCIAL PRODUCTS						
------------------------------------	--	--	--	--	--	--

As per our report attached  
**FOR DELOITTE HASKINS & SELLS**  
Chartered Accountants

For and on behalf of the Board

**NALIN M. SHAH**  
Partner  
Membership No. 15860  
Place : Mumbai  
Date : April 26, 2011

**VINAY TRIPATHI**  
Company Secretary  
Place : Mumbai  
Date : April 26, 2011

**N. SIVARAMAN**  
Director

**R. SHANKAR RAMAN**  
Director

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report along with the audited accounts for the financial year ended March 31, 2011.

### FINANCIAL RESULTS

Particulars	2010-11 Rs. in Lakhs	2009-10 Rs. in Lakhs
Gross Income	5.41	5.21
<b>Profit / (Loss) before tax</b>	<b>(3.68)</b>	<b>(0.02)</b>
Less : Provision for taxation	-	-
<b>Profit after Taxation</b>	<b>(3.68)</b>	<b>(0.02)</b>
Add : Profit / (Loss) b/f from previous year	3.12	3.14
<b>Balance carried to Balance Sheet</b>	<b>(0.56)</b>	<b>3.12</b>

### ISSUE OF CAPITAL

During the financial year under review, your Company has not issued any further shares.

### OPERATIONS OF THE COMPANY

The total number of folios under all Schemes of L&T Mutual Fund were 1,41,867 as on March 31, 2011 as compared to 1,12,097 as on March 31, 2010. The Net Assets Under Management of L&T Mutual Fund as of March 31, 2011 stood at Rs. 3,335 Crore as against Rs. 2,647.28 Crore as on March 31, 2010.

### MARKET OVERVIEW / FUTURE OUTLOOK

#### Equity Market Overview

Financial Year 2011 witnessed the Indian equity markets breaching the earlier highs set in 2008 driven by record FII flows, strong earnings growth and global liquidity on account of the second phase of Quantitative easing initiated by the US Federal Reserve.

There were a few sentimentally positive events for the markets primarily comprised of successful listing of some of the PSUs, the 3G and Wimax spectrum auction resulting in generation of Rs. 763.42 billion for the Government.

The second half of the year was marred by corruption and governance related issues, including irregularities in 2G spectrum allocation. The infrastructure sector suffered as a result of delays in announcing of new projects as well as concerns raised by the environmental ministry impacting the power sector.

Both emerging and developed market equity indices registered steady gains during the financial year. While S&P CNX Nifty and Sensex appreciated by 11.1% and 10.9% during FY 2011, Russia, Brazil, Kospi, Taiwan and Shanghai gave returns averaging 30%, -2.5%, 24.5%, 9.6% and -5.8% respectively during the said period. Amongst the developed markets Japan, Germany, UK, US and France gave average returns of (12%)%, 14.4%, 4.0%, 13.4%, and 0.4% respectively.

Among the sectoral indices BSE Consumer durables (+47.8%), BSE Bankex (+24.8%), BSE IT (+25%), BSE FMCG (+27%), BSE Auto (+21%) and BSE healthcare (+13%) outperformed the broader market indices during the period. However sectors such as BSE real estate (-28.6%), BSE Metals (-10%), BSE Capital Goods (-6%) BSE Oil & Gas (+1%), were the underperformers. Midcap and Smallcap segment of the market under performed despite being major gainers in the previous year with CNX Midcap index gaining 4.3%, while Small cap index closed down by -3.8% during the period.

At Current levels of 19500, Sensex is trading at 15.5x one year forward consensus expected earnings. With 18-20% earnings growth expected to continue in FY12 valuations are trading at fair value.

#### Debt Market Overview

Financial Year 2011 witnessed significant pressure on systemic liquidity which led to large quantum of borrowing by scheduled commercial banks under LAF (Liquidity Adjustment Facility) of Reserve Bank of India. From a positive territory, financial system turned to a negative systemic liquidity of Rs. 174,000 crore as the highest amount borrowed by banks in a single day; however financial year ended at an average of Rs. 100,000 crore of banks daily loan from RBI at repo rate.

In fiscal 2011 banks shifted to new regime of base rate for determining interest rate on loans provided from the previous system of benchmark prime lending rate or BPLR. Minimum rate of interest at which a company can borrow from a bank has to be higher than base rate of that bank now. Short term rates rose during the year. The three month commercial papers rate closed 2011 fiscal at 10.36% as compared to 5.75% at the end of 2010 fiscal. Interest rate for three month CD's moved to 9.55% at the end of fiscal year 2011 as compared to previous year 2010's rate for similar maturity instruments at 4.70%.

Reserve Bank of India in previous year maintained a hawkish tone and furthered action towards an anti inflationary stance. Key rates were raised to 6.75% per annum for repo rate and 5.75% per annum for reverse repo rate from previous year levels of 5% per annum on repo rate and 3.5% per annum on reverse repo rate. CRR or Cash reserve ratio was increased by 25 basis points to 6% per annum.

Inflation was a key area of concern for year 2011 attributed to rising commodity prices and production input costs. In India overall inflation number measured by WPI or Wholesale price Index was however lower at 8.98% for March 2011 as compared to 10% as at end of fiscal 2010 due to a strong base effect.

## L&T MUTUAL FUND TRUSTEE LIMITED

The 10 year Government security closed at a yield of 7.98% p.a. towards end of year 2011 after reaching a level of 8.25% p.a. during the year. In previous year 10 year benchmark government security had closed at 7.85% p.a.; 5 year AAA NCD's also moved to a higher yield level of 9.24% p.a. from 8.50% p.a. level in the previous year. Infrastructure sector has been identified as a key focus by the Government in year 2011 as the cap for FII investment in corporate bonds was hiked to \$40 billion from \$20 billion with limit on infrastructure bonds being \$25 billion for bonds with a residual maturity of 5 years. FII investment limit for Government securities was also raised to \$10 billion from \$5 billion.

Union budget for fiscal 2012 announced gross borrowing amount of Government at Rs. 4.17 lakh crore which was lower than previous year revised Government gross borrowing amount of Rs. 4.47 lakh crore. Fiscal deficit for the fiscal 2012 is estimated at 4.6% of GDP as compared to revised number of 5.1% of GDP for the fiscal 2011.

### FUTURE OUTLOOK

#### Equity Market Outlook

The Indian equity markets have been rallying on the back of flush global liquidity and a strong domestic economy. Both these factors are now facing the headwinds of an uncertain global economic trajectory and concerns on the domestic growth due to high inflation triggered by crude and food grain prices. An unexpected slowdown of government initiative in bringing about economic reforms to channelise higher FDI in certain sectors and sluggish progress on infrastructure projects has also hurt sentiments. There has been a decline in retail participation in both the primary and secondary markets over the last few months.

The cues that the market is looking for is a sustainable corporate profit growth. With most firms operating at near full capacity, the next round of capacity expansion is an imperative. In a high interest rate environment, there is an obvious reluctance to undertake this. We expect the global concerns and slowdown in the large consumption nations will start bringing down the crude and commodity prices. Consequently inflation and interest rates should also become more sober. A good monsoon will keep the rural demand strong and should also moderate food inflation. Markets at current levels have already factored the headwinds and therefore a relief from any of these should lead to an upsurge. Therefore while the first half of the current fiscal may see sideways movement, we can expect the market to show more vigor and vitality in the second half.

#### Debt Market Outlook

Yields on Government securities might move higher in next year as central bank's Inflation comfort is at a level of 5% and the actual inflation number is above 8% level. RBI is expected to continue with its anti inflationary stance leading to further rate hikes to the tune of 50 to 75 basis points. Liquidity however is expected to ease as Government will spend nearly 70000 crore of its cash balances. We anticipate 10 year Government security to trade in range of 7.75% to 8.50% and 5 year AAA corporate bond to trade in a range of 8.85% to 9.50%. Short term money market rates will closely track systemic liquidity and perception on short term interest rates. These rates might move sideways. Fiscal deficit estimates seem optimistic at the outset therefore an upward revision is not ruled out except in case of windfall gains through divestment proceeds or any other means. This year will be signified by an anti inflationary stance as well as concerns for maintaining growth momentum of the country. These two main factors are likely to drive formation of fiscal and monetary policy in year 2012.

### AUDIT COMMITTEE

The Audit Committee, constituted primarily to review annual financial statements before submission to the Board of Directors of the Company and to ensure compliance of internal control systems and internal audit systems, has as its Members, Mr. Y. M. Deosthalee, Mr. V. Natarajan, Mr. M. R. Mayya and Mr. M. J. Subbaiah. None of the Members of the Audit Committee is a Whole-time Director of the Company. Mr. V. Natarajan, an Independent Director, is the Chairman of the Committee.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956.

### DIRECTORS

1. Mr. V. Natarajan, Director of the Company retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible has offered himself for re-appointment.
2. Mr. Ajit Thomas has resigned with effect from June 16, 2010. The Board places on record its appreciation for all the support extended by Mr. Ajit Thomas as Director during his association with the Company.

### AUDITORS

M/s. Mukesh P. Shah, Chartered Accountants, retires at the forthcoming Annual General Meeting and are eligible for re-appointment.

### PARTICULARS OF EMPLOYEES

During the year, there was no employee covered by the provisions of Section 217(2A) of the Companies Act, 1956.

### CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 pertaining to Conservation of Energy in Form A and Technology Absorption in Form B prescribed by the Rules are not applicable, as the Company is not a Manufacturing Company.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the period under review, there was no foreign exchange inflow or outgo.

### DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors, based on the representation received from the Management and after due enquiry, confirm that:

- (a) in the preparation of annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- (b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the loss of the Company for the year ended on that date;
- (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;

- (d) the annual accounts have been prepared on a going concern basis;
- (e) proper systems are in place to ensure compliance of all laws applicable to the Company;
- (f) as required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions as required under Accounting Standard 18 forms part of the Annual Report.

#### AUDITORS' REPORT

The observation made in the Auditors Report is self-explanatory and therefore no further comments are required under Section 217(3) of the Companies Act, 1956.

#### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. A gist of our compliance with the said guidelines is given below –

##### a) Remuneration of Directors

All the Non Executive / Independent Directors (apart from the nominees representing L&T Finance Limited) are paid sitting fees for attending the meetings of the Board and Committees thereof. Presently, no other remuneration is payable to the Directors.

##### b) Independent / Associate Directors

The composition of Board is as follows:

Sr. No.	Members Name	Status (Associate / Independent)
1.	Mr. M. J. Subbaiah	Independent
2.	Mr. V. Natarajan	Independent
3.	Mr. M. R. Mayya	Independent
4.	Mr. Y. M. Deosthalee	Associate

##### c) Number of Companies in which an Individual may become a Director

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

##### d) Responsibilities of the Board

Presentations to the Board in areas such as financial results, budgets, business prospects, etc. give the Directors, an opportunity to interact with Senior Management and other Functional Heads of L&T Investment Management Limited. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions. The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

##### e) Terms of reference of Audit Committee of Board

As mentioned above, the Company has an Audit Committee comprising of majority of Independent Directors, including its Chairman.

The terms of reference of the Audit Committee is given below –

- to monitor the integrity of the financial statements of the Company;
- to review the internal control systems;
- to review the related party transactions forming part of the Annual Report.

##### f) Statutory Auditors

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

##### g) Internal Control

The Board ensures the effectiveness of the Company's internal control system commensurate with its size and nature of the business.

#### ACKNOWLEDGEMENT

Your Directors place on record their appreciation to the Company's Bankers, Custodians, Registrars and most of all, the Investors of L&T Mutual Fund, for their continued co-operation and support.

On behalf of the Board of Directors of  
L&T Mutual Fund Trustee Limited

Place: Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**  
Director

**M. J. SUBBAIAH**  
Director



## AUDITORS' REPORT

### TO THE MEMBERS OF L&T MUTUAL FUND TRUSTEE LIMITED

- i. We have audited the attached Balance Sheet of L&T MUTUAL FUND TRUSTEE LIMITED, as at March 31, 2011 and also the Profit and Loss Account 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.
- ii. 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.
- iii. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the said order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- iv. Further to our comments in the Annexure referred to above, 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, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) On the basis of written representations received from the directors of the Company and taken on the record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of the Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes to accounts 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:
    - (1) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011
    - (2) in the case of the Profit and Loss Account, of the loss for the year ended on that date
    - (3) in the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

For **MUKESH P. SHAH & CO.**  
*Chartered Accountants*  
*Firm Regn. No. 121719W*

**(MUKESH P. SHAH)**  
*Partner*  
*Membership No. 33862*

*Place : Mumbai*  
*Date : April 26, 2011*



## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (3) of our report to the Members of L&T Mutual Fund Trustee Limited on the accounts for the year ended March 31, 2011)

- i. The Company does not possess any kind of Fixed Assets hence Clause 4(i)(a) to (c) of the Order is not applicable to the Company
- ii. The Company does not possess any kind of stock hence Clause 4(ii)(a) to (c) of the Order is not applicable to the Company.
- iii. The Company has neither granted nor accepted any loans from / to the parties covered in the register maintained under Section 301 of the Companies Act, 1956 hence Clause 4(iii)(a) to (g) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control.
- v. In our opinion and according to the information and explanation given to us, the Company has not entered into any transactions which need to be entered into a register maintained under Section 301 of the Companies Act, 1956 and hence Clause 4(v)(a) & (b) of the Order is not applicable.
- vi. The Company has not accepted any deposits from the public during the year.
- vii. As the Company is not listed on any stock exchange or the paid up capital and reserves as at the commencement of the financial year did not exceed Rupees fifty lacs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rupees five crore, hence Clause 4(vii) of the Order is not applicable.
- viii. We are informed that the Central Government has not prescribed the maintenance of cost records u/s. 209(1)(d) of the Companies Act, 1956.
- ix. According to the information and explanation given to us in respect of statutory and other dues:-
  - (a) The Company has generally been regular in depositing with appropriate authority the undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed amounts payable in respect of aforesaid statutory dues as at March, 31, 2011 outstanding for a period more than six months from the date they became payable
  - (b) According to the information and explanations given to us, there are no disputed amounts payable in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty & Cess, which have not been deposited on account of any dispute.
- x. The accumulated losses at the end of the financial year are less than 50% of its net worth. The Company has incurred cash losses in this financial year and also in the financial year immediately preceding the current financial year.
- xi. The Company has not borrowed any money from the financial institution or bank or debenture holders hence Clause 4(xi) of the Order is not applicable to the Company.
- xii. Based on our examinations of the records and the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any Special Statute applicable to Chit Funds, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- xiv. On the basis of our examination of the Company's records, we are of the opinion that the Company is maintaining adequate records regarding its investments. Further, securities have been held by the Company in its own name.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. The Company has not taken any term loan during the year, accordingly clause 4(xvi) of the Order is not applicable.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds are raised on short-term basis used for long-term investments.
- xviii. The Company has not made preferential allotment of shares or issued debentures or made any public issue during the year, and, accordingly, Clauses 4(xviii), (xix) and (xx) of the Order are not applicable to the Company.
- xix. To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For **MUKESH P. SHAH & CO.**  
Chartered Accountants  
Firm Regn. No. 121719W

**(MUKESH P. SHAH)**  
Partner  
Membership No. 33862

Place : Mumbai  
Date : April 26, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		500,000		500,000
Reserve & Surplus	2		-		311,885
<b>TOTAL</b>			<b>500,000</b>		<b>811,885</b>
<b>APPLICATION OF FUNDS</b>					
<b>Investments</b>	3		117,818		507,356
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	4	124,086		124,087	
Cash and Bank Balances	5	56,847		45,886	
Loans and Advances	6	503,273		478,089	
		684,207		648,062	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	7	357,924		343,533	
<b>Net Current Assets</b>			<b>326,283</b>		<b>304,529</b>
<b>Profit and Loss Account (Debit Balance)</b>			<b>55,899</b>		<b>-</b>
<b>TOTAL</b>			<b>500,000</b>		<b>811,885</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>					
	9				

Schedules referred to above form an integral part of the accounts.

As per our attached report of even date

For and on behalf of the Board of Directors

**For MUKESH P. SHAH & CO.**

Chartered Accountants  
Firm Regn. No. 121719W

**MUKESH P. SHAH**

Partner  
Membership No. 33862

Place: Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**

Director

Place: Mumbai  
Date : April 26, 2011

**M. J. SUBBAIAH**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-11 Rupees	2009-10 Rupees
<b>INCOME</b>			
Trusteeship Fees - Gross [Tax deducted at source Rs. 55,156/- (Previous year Rs. 55,567/-)]		500,000	500,000
Profit on sale of Investments		36,888	16,709
Other Income		4,571	4,275
<b>TOTAL</b>		<b>541,459</b>	<b>520,984</b>
<b>EXPENDITURE</b>			
Operating Expenses	8	923,532	522,737
<b>TOTAL</b>		<b>923,532</b>	<b>522,737</b>
<b>(Loss) / profit before tax</b>		<b>(382,073)</b>	<b>(1,753)</b>
Less: Provision for Tax			
Current Tax		-	-
<b>(Loss) / profit after tax</b>		<b>(382,073)</b>	<b>(1,753)</b>
Add / (Less): Excess Provision of tax		14,289	(28)
		<b>(367,784)</b>	<b>(1,781)</b>
Balance brought forward from previous year		311,885	313,666
<b>Balance carried to Balance Sheet</b>		<b>(55,899)</b>	<b>311,885</b>
Earnings per share on equity shares of face value Rs. 10/- each Basic and Diluted (Refer Note 5 on Schedule 9 part II)		<b>(7.64)</b>	<b>(0.04)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>	<b>9</b>		

Schedules referred to above form an integral part of the accounts.

As per our attached report of even date

For and on behalf of the Board of Directors

**For MUKESH P. SHAH & CO.**

Chartered Accountants  
Firm Regn. No. 121719W

**MUKESH P. SHAH**

Partner  
Membership No. 33862

**Y. M. DEOSTHALEE**

Director

**M. J. SUBBIAH**

Director

Place: Mumbai  
Date : April 26, 2011

Place: Mumbai  
Date : April 26, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
<b>A) Cash Flow from Operating Activities</b>				
Net (Loss) / Profit Before Tax		(382,073)		(1,753)
Adjustments for				
Profit on Sale of Investment	36,888		(16,709)	
Interest Income	4,571		(4,275)	
		(41,459)		(20,984)
<b>Operating (Loss) / Profit before Working Capital Changes</b>		(423,532)		(22,737)
Adjustments for				
(Increase) / decrease in Debtors	-		(413)	
(Increase) / decrease in Loans & Advances	(6,630)		1,050,459	
Increase / (decrease) in Current Liabilities	14,391		(1,483,393)	
		7,761		(433,347)
<b>Cash used in Operating Activities</b>		(415,771)		(456,084)
Direct taxes paid		4,262		55,567
<b>Net cash used in operating activities (A)</b>		(420,033)		(511,651)
<b>B) Cash Flow from Investing Activities</b>				
Purchase of Investment	(250,000)		(413,000)	
Sale of Investment	676,426		955,677	
<b>Net cash from investing activities (B)</b>		426,426		542,677
<b>C) Cash Flow from Financing Activities</b>				
Interest Income	4,569		4,275	
<b>Net cash from financing activities (C)</b>		4,569		4,275
<b>Net cash flow during the year (A+B+C)</b>		10,962		35,301
<b>Cash and Cash Equivalent at the beginning of the year</b>		45,886		10,585
<b>Cash and Cash Equivalent at the end of the year</b>		56,847		45,886

**Notes:**

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

As per our attached report of even date

For and on behalf of the Board of Directors

**For MUKESH P. SHAH & CO.**

Chartered Accountants  
Firm Regn. No. 121719W

**MUKESH P. SHAH**

Partner  
Membership No. 33862

Place: Mumbai  
Date : April 26, 2011

**Y. M. DEOSTHALEE**

Director

Place: Mumbai  
Date : April 26, 2011

**M. J. SUBBAIAH**

Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	<b>As at 31.03.2011</b>	<i>As at 31.03.2010</i>
	<b>Rupees</b>	<i>Rupees</i>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 equity shares of Rs. 10/- each	<b>500,000</b>	<i>500,000</i>
	<u>                    </u>	<u>                    </u>
<b>Issued, Subscribed and Paid-up</b>		
50,000 ( <i>Previous Year 50,000</i> ) equity shares of Rs. 10/- each fully paid up which are held by L&T Finance Limited	<b>500,000</b>	<i>500,000</i>
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<b>500,000</b>	<i>500,000</i>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
Profit & Loss Account	-	<i>311,885</i>
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	-	<i>311,885</i>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 3</b>		
<b>INVESTMENTS</b>		
Long term- Non trade, Unquoted (At Cost)		
NIL Units ( <i>Previous Year :30449.286 Units</i> ) of Rs. 10/- each in L&T Freedom Income - STP Regular-Cum-Org	-	<i>426,574</i>
6385.882 Units ( <i>Previous Year : 4466.752 Units</i> ) of Rs. 10/- each in L&T Liquid Fund- Regular Cum	<b>117,818</b>	<i>80,782</i>
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<b>117,818</b>	<i>507,356</i>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 4</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured - Considered good		
Debts outstanding for a period exceeding six months	-	-
Trusteeship fee receivable	<b>124,086</b>	<i>124,087</i>
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<b>124,086</b>	<i>124,087</i>
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE 5</b>		
<b>CASH AND BANK BALANCES</b>		
Balances with Scheduled bank		
in current account	<b>56,847</b>	<i>45,886</i>
	<u>                    </u>	<u>                    </u>
<b>TOTAL</b>	<b>56,847</b>	<i>45,886</i>
	<u>                    </u>	<u>                    </u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)****SCHEDULE 6****LOANS AND ADVANCES**

(Unsecured and considered good, unless otherwise stated)

Advance recoverable in cash or in kind or for value to be received	7,794	1,164
Advance payment of taxes [(Net of Provision for Taxation Rs. 63,500/-) (Previous Year - Rs. 84,500/-)]	495,479	476,925
<b>TOTAL</b>	<b>503,273</b>	<b>478,089</b>

**SCHEDULE 7****CURRENT LIABILITIES**

Sundry Creditors (other than due to small scale industrial undertakings)*	353,167	343,459
Other liabilities	4,757	74
<b>TOTAL</b>	<b>357,924</b>	<b>343,533</b>

\* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	2010-11 Rupees	2009-10 Rupees
<b>SCHEDULE 8</b>		
<b>OPERATING EXPENSES</b>		
Directors' sitting fees	180,000	320,000
Travelling and conveyance expenses	558,421	145,754
Auditors' remuneration :		
Audit fee	50,000	30,000
Limited Review Fee	5,000	15,000
Out of pocket expenses	1,845	1,440
Payment for other matters	22,500	8,000
Miscellaneous expenses	5,184	340
Interest Paid	139	3
Professional Charges	60,500	-
Printing & Stationary Expenses	35,713	-
Filing Fees	4,230	2,200
<b>TOTAL</b>	<b>923,532</b>	<b>522,737</b>

## SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

### SCHEDULE 9

#### I SIGNIFICANT ACCOUNTING POLICIES:

##### A. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under the historical cost convention and on an accrual basis of accounting to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

##### B. REVENUE RECOGNITION

Trusteeship fees are accounted on an accrual basis in accordance with the Trust Deed and are dependent on the net asset value as recorded by the schemes of L&T MUTUAL FUND

##### C. INVESTMENTS

Investments are classified as long term investments. Long term investments are stated at cost with provision, wherever necessary for diminution other than temporary, in values of investments.

##### D. TAXES ON INCOME

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates. At each Balance Sheet date, the Company reassesses unrealized deferred tax asset, to the extent that there is virtual certainty that sufficient future taxable income will be available.

##### E. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

The Company recognizes a provision when there is a present obligation as a result of past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made.

Contingent Liabilities are disclosed by way of notes to Financial Statements after careful evaluation by the management of the facts and legal aspects of the matter involved.

Contingent Assets are neither recognized nor disclosed

#### II NOTES FORMING PARTS OF ACCOUNTS:

1. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for is NIL (*Previous year NIL*).
2. Contingent liability not provided for Rs. Nil. (*Previous Year : Rs. Nil*)
3. Related Party Disclosures

##### i. Particulars of Related Parties:

Name of the related parties	Related party relationship
L&T Finance Limited	Holding Company
L&T Investment Management Limited	Fellow Subsidiary

During the year there are no transaction carried out between related parties.

##### ii. Details of outstanding balance as on March 31, 2011:

Particulars	Balance outstanding as at	
	Current Year (Rs.)	Previous Year (Rs.)
Credit Balance L&T Investment Management Limited	NIL	NIL

4. The information pursuant to the provision of 4, 4A, 4B, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 has not been furnished as there are no particulars to be given.

**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)**

## 5. Earnings Per Share:

The numerators and denominators used to calculate Basic and Diluted Earnings per Share:

Particulars	Current Period (Rs.)	Previous Year (Rs.)
(Loss) / Profit after Tax	(382,073)	(1,753)
Number of equity shares (Nos.)	50,000	50,000
Nominal value per share	10	10
Earning per share	(7.64)	(0.04)

## 6. Previous year's figures have been regrouped, re-classified and rearranged wherever necessary.

As per our attached report of even date

For and on behalf of the Board of Directors

**For MUKESH P. SHAH & CO.**Chartered Accountants  
Firm Regn. No. 121719W**MUKESH P. SHAH**Partner  
Membership No. 33862Place: Mumbai  
Date : April 26, 2011**Y. M. DEOSTHALEE**

Director

Place: Mumbai  
Date : April 26, 2011**M. J. SUBBIAH**

Director



**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)**

Balance Sheet Abstract and Company's General Business Profile Information as required under Part IV of Schedule VI to the Companies Act, 1956.

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover / Gross Income Total Expenditure + - Profit Before Tax + - Profit After Tax + - Earning per Share in Rs. (Basic) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) Product Descriptions 

For and on behalf of the Board of Directors

Place: Mumbai  
Date : April 26, 2011Y. M. DEOSTHALEE  
DirectorM. J. SUBBIAH  
Director

**DIRECTOR'S REPORT**

The Directors have pleasure in presenting their Annual Report and Audited Accounts for the year ended December 31, 2010.

**1. FINANCIAL RESULTS**

<b>PARTICULARS</b>	<b>Year ended 31.12.2010 Rs. Lakhs</b>	<i>Year ended 31.12.2009 Rs. Lakhs</i>
Total Income	<b>3,442.38</b>	5,972.54
Gross Profit	<b>- 43.62</b>	27.82
Less: Depreciation on Fixed Assets	<b>3.45</b>	5.80
Profit before Taxes	<b>- 47.07</b>	22.02
Provision for Taxes	<b>7.88</b>	12.08
Provision for deferred Taxes	<b>NIL</b>	NIL
Profit after Taxes	<b>- 54.95</b>	9.94

**2. SALES AND OTHER INCOME**

Income from Sales and other sources amounted to Rs. 3,442.38 Lakhs for the year ended December 31, 2010 as against Rs. 5,972.54 Lakhs in the previous year.

**3. DIVIDEND**

The Directors do not recommend any dividend for the year.

**4. CAPITAL EXPENDITURE**

As at December 31, 2010, the Gross Fixed Assets stood at Rs. 12.18 Lakhs and the Net Fixed Assets at Rs. 2.53 Lakhs. Additions for the year is Rs. NIL.

**5. AUDITORS REPORT**

The Auditors report to the Shareholders does not contain any qualifications.

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

**6. DISCLOSURE OF PARTICULARS**

As the Company is engaged in trading activities outside India, there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**7. PERSONNEL**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgements 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 December 31, 2010 and the profit of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

Place : Chennai  
Date : May 16, 2011

**SUNIL PANDE**  
Director

**S. S. CHANDILYA**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO LLC

The financial statements of LARSEN & TOUBRO LLC, USA for the year ended December 31, 2010, being a company registered in Delaware, USA are audited by Abercrombie & Associates, PC, USA, and we have been furnished with their audit report dated April 19, 2011, on which we have placed reliance for the purpose of giving our opinion. The operations and accounts of the Company are for the period January 1, 2010 to December 31, 2010.

We are presented with the Accounts in Indian Rupees prepared by the management on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro LLC, USA as at December 31, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c. The said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section(3c) of Section 211 of the Companies Act 1956.
  - e. As regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the company is registered in Delaware, USA, no reporting is required to be made under the said section.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes elsewhere in the accounts give the information required by the Companies Act 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010
    - (ii) in the case of Profit and Loss Account, of the Loss for the year ended on the date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 003792S

Place : Chennai  
Date : May 16, 2011

**V. R. LALITHA**  
Partner  
Membership No. 18284

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- (iv) (a) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size the of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (ix) (a) The company being registered in USA, has no statutory liabilities in India and accordingly reporting for clause 4(ix)(a) and (b) of Companies (Auditor's Report) Order, 2003 is not required.
- (x) The company has no accumulated losses at the end of the financial year. However it has incurred cash losses in the current financial year but not in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not borrowed any amount from a bank. The company did not have any outstanding debentures and has not availed any loan from a financial institution.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) The Company has not availed any term loans during the year and hence reporting on the purpose for which they were raised does not arise.
- (xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that no funds have been raised on short term or long-term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses 4(iii), (v), (vi), (viii), (xii) and (xviii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration No. 003792S

Place : Chennai  
Date : May 16, 2011

**V. R. LALITHA**  
Partner  
Membership No. 18284

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	2,438,475		2,438,475	
Reserves and Surplus	B	6,477,070		11,971,690	
			8,915,545		14,410,165
Translation Reserve			899,795		1,398,633
<b>TOTAL</b>			<b>9,815,340</b>		<b>15,808,798</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	C	1,217,585		5,623,290	
Less: Depreciation		964,868		4,156,292	
Net Block			252,717		1,466,998
<b>Current Assets, Loans and advances</b>					
Inventories		-		104,015,209	
Sundry Debtors		69,349,883		84,057,235	
Cash and bank balances		24,159,029		19,985,984	
Loans and advances		2,449,432		4,446,780	
		95,958,344		212,505,208	
<b>Less: Current Liabilities and provisions</b>					
Current Liabilities	E	85,671,276		197,523,062	
Provisions		724,445		640,346	
		86,395,721		198,163,408	
<b>Net Current Assets</b>			<b>9,562,623</b>		<b>14,341,800</b>
<b>TOTAL</b>			<b>9,815,340</b>		<b>15,808,798</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The Schedules referred to above and the Notes attached form an integral part of the Balance Sheet.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 003792S)  
By the hand of

For and on behalf of the Board

**V. R. LALITHA**

Partner  
Membership No. 18284

Place : Chennai  
Date : May 16, 2011

**SUNIL PANDE**

Director

Place : Chennai  
Date : May 16, 2011

**S. S. CHANDILYA**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	Year 2010 Rupees	Year 2009 Rupees
<b>INCOME</b>			
Sales & services	F	338,501,986	573,128,538
Other Income	G	5,736,035	24,125,634
		<u>344,238,021</u>	<u>597,254,172</u>
<b>EXPENDITURE</b>			
Cost of goods & services	H	321,316,237	541,144,152
Staff Expenses	I	3,420,848	17,658,144
Sales and administration expenses	J	23,862,557	35,670,329
Depreciation and obsolescence		345,271	579,636
		<u>348,944,913</u>	<u>595,052,261</u>
<b>Profit before taxes</b>		<b>(4,706,892)</b>	<b>2,201,911</b>
Provision for taxes:			
Current Tax		787,728	1,207,925
<b>Profit after taxes</b>		<b>(5,494,620)</b>	<b>993,986</b>
Add: Balance brought forward from previous Year		11,971,690	10,977,704
<b>Balance carried to Balance Sheet</b>		<b>6,477,070</b>	<b>11,971,690</b>
Earnings per share of US \$ 1 each (Basic and Diluted)		<b>(105)</b>	<b>19</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON ACCOUNTS</b>	2		

---

The Schedules referred to above and the Notes attached form an integral part of the Profit & Loss Account.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 003792S)  
By the hand of

For and on behalf of the Board

**V. R. LALITHA**

Partner  
Membership No. 18284

Place : Chennai  
Date : May 16, 2011

**SUNIL PANDE**

Director

Place : Chennai  
Date : May 16, 2011

**S. S. CHANDILYA**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Year 2010 Rupees	Year 2009 Rupees
<b>Net Profit / (Loss) Before Tax</b>	<b>(4,706,892)</b>	2,201,911
Adjustment for:		
Depreciation	345,271	579,636
Exchange difference on Translation	(467,384)	(663,179)
<b>Operating Profit / (Loss) before working Capital changes</b>	<b>(4,829,005)</b>	2,118,368
Adjustment for:		
(Increase) / Decrease in trade and other receivables	14,707,352	(49,190,374)
(Increase) / Decrease in Inventories	104,015,209	96,302,037
(Increase) / Decrease in Loans & Advances	1,997,348	(2,314,548)
Increase / (Decrease) in Trade Payables	(111,767,687)	(36,870,769)
<b>Cash Generated from operations</b>	<b>4,123,217</b>	10,044,714
Direct Taxes paid (Net of refund)	787,728	1,207,925
<b>Net Cash from operating activities (A)</b>	<b>3,335,489</b>	8,836,789
<b>Cash Flow from investing activities</b>		
Purchase of Fixed Assets	-	(20,008)
Sale of Fixed Assets	837,556	-
<b>Net Cash Flow from / (used in) investing activities (B)</b>	<b>837,556</b>	(20,008)
<b>Cash Flow from financing activities</b>	-	-
<b>Net cash from financing activities (C)</b>	-	-
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>4,173,045</b>	8,816,781
<b>Cash and cash equivalents as at the beginning</b>	<b>19,985,984</b>	11,169,203
<b>Cash and cash equivalents as at the end</b>	<b>24,159,029</b>	19,985,984

**Notes:**

1. Cash flow statement has been prepared under the "Indirect method" as set out in the Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
2. Cash and cash equivalents represent Cash and Bank balances and includes exchange difference on translation.
3. Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No: 003792S)  
By the hand of

For and on behalf of the Board

**V. R. LALITHA**

Partner  
Membership No. 18284

Place : Chennai  
Date : May 16, 2011

**SUNIL PANDE**

Director

Place : Chennai  
Date : May 16, 2011

**S. S. CHANDILYA**

Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	<b>As at 31.12.2010 Rupees</b>	<b>As at 31.12.2009 Rupees</b>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
52,500 Equity Shares of US \$ 1 each	<b>2,438,475</b>	2,438,475
<b>Issued, Subscribed and Paid up</b>		
52,500 Equity Shares of US \$ 1 each fully paid up	<b>2,438,475</b>	2,438,475
(All the shares are held by Larsen & Toubro Limited, the holding company and its subsidiary company Tractor Engineers Limited)		
<b>TOTAL</b>	<b>2,438,475</b>	2,438,475

<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
Profit and Loss Account	<b>6,477,070</b>	11,971,690
<b>TOTAL</b>	<b>6,477,070</b>	11,971,690

**SCHEDULE - C**  
**FIXED ASSETS**

Fixed Assets	COST / VALUATION					DEPRECIATION					NET VALUE	
	As at 01.01.2010	Exchange difference transferred to Translation reserve	Additions	Deductions	As at 31.12.2010	Upto 01.01.2010	Exchange difference transferred to Translation reserve	For the Year	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	5,260,775	(119,817)		3,923,373	1,217,585	3,797,360	(88,426)	341,751	3,085,817	964,868	252,717	1,463,415
Furniture & Fixtures	362,515	(6,364)	-	356,151	-	358,932	(6,301)	3,520	356,151	-	-	3,583
<b>TOTAL</b>	<b>5,623,290</b>	<b>(126,181)</b>	<b>-</b>	<b>4,279,524</b>	<b>1,217,585</b>	<b>4,156,292</b>	<b>(94,727)</b>	<b>345,271</b>	<b>3,441,968</b>	<b>964,868</b>	<b>252,717</b>	1,466,998
<i>Previous Year</i>	5,865,805	(262,523)	20,008	-	5,623,290	3,767,816	(191,160)	579,636	-	4,156,292	1,466,998	2,097,989

	<b>As at 31.12.2010 Rupees</b>	<b>As at 31.12.2009 Rupees</b>
<b>SCHEDULE - D</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Inventories</b>		
Stock-in-trade at lower of cost or net realisable value		
Trading goods	-	104,015,209
<b>Sundry Debtors, Unsecured</b>		
Debts outstanding for a period exceeding six months		
Considered good	<b>29,936,295</b>	3,746,011
Considered Doubtful	<b>6,046,128</b>	490,892
	<b>35,982,423</b>	4,236,902



**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees
Other Debts		
Considered Good	39,413,588	80,311,225
	<b>75,396,011</b>	<b>84,548,127</b>
Less: Provision for doubtful debts	6,046,128	490,892
	<b>69,349,883</b>	<b>84,057,235</b>
<b>Cash And Bank Balances</b>		
Balances with non-scheduled banks		
Wood Forest National Bank, USA		
In Current Account (Maximum amount outstanding at anytime during the year - Rs. 563.76 Lakhs (Previous year - Rs. 503.64 Lakhs))	22,594,354	2,766,813
Citi Bank, USA		
In Current Account	-	15,590,621
In Deposit Account Maximum amount outstanding at anytime during the year - Rs. 155.91 Lakhs (Previous Year - Rs. 228.61 Lakhs)	1,564,675	1,628,550
	<b>24,159,029</b>	<b>19,985,984</b>
<b>Loans And Advances - Unsecured - Considered Good</b>		
Advances recoverable in cash or in kind or for value to be received	2,449,432	4,446,780
<b>TOTAL</b>	<b>95,958,344</b>	<b>212,505,208</b>
<b>SCHEDULE - E</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities		
Due to Holding Company	75,980,886	187,381,895
Due to Micro and Small Enterprises	-	-
Due to Other than Micro and Small Enterprises	9,690,390	10,141,167
	<b>85,671,276</b>	<b>197,523,062</b>
Provisions		
Taxes	724,445	640,346
<b>TOTAL</b>	<b>86,395,721</b>	<b>198,163,408</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	Year 2010 Rupees	Year 2009 Rupees
<b>SCHEDULE - F</b>		
<b>SALES &amp; SERVICES</b>		
Sales (Industrial Valves)	220,098,566	468,476,389
Service Income	118,403,420	104,652,149
<b>TOTAL</b>	<b>338,501,986</b>	<b>573,128,538</b>
<b>SCHEDULE - G</b>		
<b>OTHER INCOME</b>		
Marketing Fees	5,730,549	24,088,115
Interest	5,486	37,519
<b>TOTAL</b>	<b>5,736,035</b>	<b>24,125,634</b>
<b>SCHEDULE - H</b>		
<b>COST OF GOODS &amp; SERVICES</b>		
Opening Stock	104,015,209	200,317,245
Add: Purchases	102,104,062	338,192,927
Less: Closing Stock	-	104,015,209
Cost of goods sold	206,119,271	434,494,963
Cost of Services	115,196,966	106,649,189
<b>TOTAL</b>	<b>321,316,237</b>	<b>541,144,152</b>
<b>SCHEDULE - I</b>		
<b>STAFF EXPENSES</b>		
Salaries	3,122,433	15,025,263
Contribution to Social Security Funds	298,415	2,632,881
<b>TOTAL</b>	<b>3,420,848</b>	<b>17,658,144</b>
<b>SCHEDULE - J</b>		
<b>SALES &amp; ADMINISTRATION EXPENSES</b>		
Rent	4,135,847	7,493,049
Rates & Taxes	569,677	1,731,887
Telephone	602,224	2,326,773
Utilities	655,023	1,019,071
Travelling & Conveyance	2,403,458	4,166,619
Insurance	930,993	1,805,619
Professional Fees	3,159,598	860,522
Contract Labour, Service & Accounting	768,117	3,972,584
Repair & Maintenance	734,152	549,185

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	Year 2010 Rupees	Year 2009 Rupees
Office expense	434,869	2,942,524
Sales Promotion & Advertisement Expense	16,274	309,401
Commission to Distributors/Representatives	2,253,199	8,830,815
Forwarding Expenses (Net)	261,890	239,445
Additional Discount/Rebates	3,285,446	8,326,847
Provision for Doubtful Debts	5,700,195	–
Miscellaneous	317,751	690,694
Loss on sale of fixed asset	487,987	–
	<u>26,716,700</u>	<u>45,265,035</u>
Less:		
Expenses reimbursed by Holding/fellow subsidiary Company	<u>2,854,143</u>	<u>9,594,706</u>
<b>TOTAL</b>	<u><u>23,862,557</u></u>	<u><u>35,670,329</u></u>

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT****SCHEDULE 1****SIGNIFICANT ACCOUNTING POLICIES****a. Basis of preparation**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

**b. Fixed Assets**

Fixed assets are capitalized at acquisition cost.

**c. Depreciation**

Depreciation on assets are provided on written down value balance based on the useful life of the assets as determined by the management, for Assets procured upto 2003 and Straight line basis for assets procured thereafter.

The useful lives of property and equipment for the purpose of computing depreciation are:

	Years
Machinery and Equipment	5 – 7
Furniture and Fixtures	5 – 7

The above rates are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

**d. Inventories**

Inventories are stated at the lower of cost or net realizable value.

**e. Revenue Recognition**

Revenues from sales are recognised when the property in the goods is transferred to the buyer and no significant uncertainty exists regarding ultimate collection.

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

### f. Foreign Currency Transactions

The accounts are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed and Current assets & Current liabilities are translated at the rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as translation reserve in the Balance Sheet.

### g. Tax on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of US Income Tax Laws and based on expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance sheet date.

Deferred Tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized

## SCHEDULE 2

### NOTES ON ACCOUNTS

- Auditors' remuneration and expenses charged to accounts for Auditors in USA

#### PARTICULARS

	2010 Rs. in Lakhs	2009 Rs. in Lakhs
Audit Fees	14.68	8.61
Other services	16.91	-

- Borrowing costs capitalized during the year Rs. Nil. (Previous year Rs. Nil)
- Tax on income for the current period is determined on the basis of taxable income and tax credits are computed in accordance with Federal Income Taxes applicable to Limited Liability Companies in USA.
- Deferred tax is recognized on temporary differences between the basis of assets and liabilities for financial and income tax purposes. The differences related primarily to depreciable assets, allowance for doubtful accounts and net operating losses. As at the reporting date, differences were not significant.
- The company had entered into cancelable operating leases for its office, warehouse premises and equipment on June 13, 2005 that expired on August 31, 2010. The lease space was not renewed by the Company. The Company has paid Rs.40.26 Lakhs as lease rentals up to August 2010. The company has no other lease transactions requiring reporting under Accounting Standard on leases (AS 19).  
There is no future obligation over the primary terms of the Company's leases as of December 31, 2010.
- The Company has only one employee in the payroll. The company makes contribution regularly to the social security benefits plan as applicable in USA. In respect of compensated plan such as vacation, this employee is covered by US Law and hence the management estimates that the amount would be insignificant.
- There is no inventory in the books of accounts of the Company as on December 31, 2010.
- The company is trading in USA and in (Industrial Valves) product and software.

Primary Segment (Business segment)

Segment Revenue:

Particulars	Industrial Valves Rs. in Lakhs	Software Rs. in Lakhs	Others Rs. in Lakhs	Total Rs. in Lakhs
Segment Revenue	2,200.99	1,184.03	57.36	3,442.38
Segment Results				
Profit Before Tax	(72.17)	(32.26)	57.36	(47.07)
Provision for Tax				7.88
Profit after tax				(54.95)
Capital Employed (Segment Assets – Liabilities)	244.52	(146.37)		98.15
Capital Expenditure during the year	-			-
Depreciation	3.45			3.45

Note:

The Company operates only in USA and hence giving details of Secondary segment does not arise.

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT (Contd.)

9. Contingent liabilities as at the balance sheet date Rs. NIL. (Previous year – Rs. NIL)

10. Details of stocks, Purchases and turnover :

Class of Goods	Unit	Opening stock 01.01.2010	Closing Stock 31.12.2010	Purchases 2010	Turnover 2010
Valves	Nos.	6,016 (7,598)	- (6,016)	-2,129 (7,541)	3,887 (9,123)
	Rs. in Lakhs	1,040.15 (2,003.17)	- (1,040.15)	1,021.04 (3,248.41)	2,200.99 (4684.76)
Computer Software	Rs. in Lakhs			1,151.97 (1,066.49)	1,184.03 (1,046.52)

Note:

Purchase in quantity and value are net of returns.  
Figures in brackets are for previous year.

11. Related Parties and Related Party Transactions

Names of parties with whom transactions were carried out during the year and description of relationship

SI No	Names of parties	Nature of relationship	Nature of Transaction	Amount	Amount outstanding	
					Due from related party	Due to related party
1.	Larsen & Toubro Limited	Holding Company	Purchase of Goods	1,860.82 (4,483.37)	7.09 (-)	613.44 (1,580.17)
			Marketing Fee	57.31 (240.88)	- (-)	- (-)
			Expenses reimbursed	28.54 (95.95)	- (272.14)	- (-)
2.	Larsen & Toubro Infotech Limited	Fellow Subsidiary	Purchase – Software	1,151.97 (1,066.49)	- (29.78)	146.37 (292.93)
			Expenses reimbursed	- (-)	- (-)	- (-)

12. Previous year figures have been regrouped / reclassified wherever necessary.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No: 003792S)  
By the hand of

For and on behalf of the Board

**V. R. LALITHA**  
Partner  
Membership No. 18284

Place : Chennai  
Date : May 16, 2011

**SUNIL PANDE**  
Director

Place : Chennai  
Date : May 16, 2011

**S. S. CHANDILYA**  
Director

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

Registration No. 

5	1	0	4	0	5	5	7	7
---	---	---	---	---	---	---	---	---

 State Code 

								N	A
--	--	--	--	--	--	--	--	---	---

Registered as a Limited Liability Company in the State of Delaware, USA)

Balance Sheet Date 

3	1		1	2		2	0	1	0
---	---	--	---	---	--	---	---	---	---

  
Date                      Month                      Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue  

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue  

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue  

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement  

						N	I	L
--	--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities  

				9	8	1	5
--	--	--	--	---	---	---	---

Total Assets  

				9	8	1	5
--	--	--	--	---	---	---	---

**Sources of Fund**

Paid-up Capital  

				2	4	3	8
--	--	--	--	---	---	---	---

Reserves & Surplus  

				6	4	7	7
--	--	--	--	---	---	---	---

Secured Loans  

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans  

						N	I	L
--	--	--	--	--	--	---	---	---

**Application of Funds**

Net Fixed Assets and net Intangible Assets  

				2	5	3
--	--	--	--	---	---	---

Investments  

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets  

				9	5	6	3
--	--	--	--	---	---	---	---

Deferred Tax  

						N	I	L
--	--	--	--	--	--	---	---	---

Misc. Expenditure  

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses  

						N	I	L
--	--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)  

		3	4	4	2	3	8
--	--	---	---	---	---	---	---

Total Expenditure  

		3	4	8	9	4	5
--	--	---	---	---	---	---	---

+ -  

	-
--	---

Profit / Loss Before Tax  

				4	7	0	7
--	--	--	--	---	---	---	---

+ -  

	-
--	---

Profit / Loss After Tax  

				5	4	9	5
--	--	--	--	---	---	---	---

+ -  

	-
--	---

Basic Earning per Share (in Rs.)  

				1	0	5
--	--	--	--	---	---	---

Dividend Rate %  

						N	I	L
--	--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. 

	8	4	8	1	.	8	0
--	---	---	---	---	---	---	---

(ITC Code)

Product Descriptions 

TRADING COMPANY
-----------------

For and on behalf of the Board

## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Annual Report and Audited Accounts of Larsen & Toubro International FZE (LTIFZE) for the year ended December 31, 2010.

### FINANCIAL RESULTS

Financial Results	2010 Rs. in Lakhs	2009 Rs. in Lakhs
Total Income	5,013.43	5,604.40
Profit for the year	2,633.16	926.07

### OVERVIEW OF THE YEAR

During the year under review, activity in the field of construction and real estate was generally subdued in the Middle East due to various economic reasons. In spite of the general downward trend in the market, your Company posted a profit of Rs. 2633 Lakhs for the year 2010, mainly by way of dividend from subsidiary companies.

The Company has been making equity Investments in Subsidiary & Associate Companies in various countries. In 2010, an additional investment of Rs. 1,584 Lakhs was made and loan of Rs. 1,213 Lakhs was advanced to various JV companies / subsidiaries in the Middle East and China.

### CURRENT BUSINESS SCENARIO & FUTURE OUTLOOK

The construction activity in the Middle East has been witnessing a downturn due to global crisis and slowdown in the economy. Considering the decline in the business potential, the Company will be exercising caution in investing further in strategic equipments. However, the Company is optimistic of the improvement in the economy due to the support extended by the government.

The various operational subsidiary & associate companies in which the Company has invested funds are working towards improved performance during the year.

### CAPITAL EXPENDITURE

During the year, the Company invested Rs. 242 Lakhs towards Capital Purchases to support the L&T Group Companies in the Middle East. The Company sold Plant & Machinery worth Rs. 11,343 Lakhs to parent company.

### PERSONNEL

The Officers of the Company are working in ex-officio capacity and are employees of the parent company.

### DIVIDEND

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

### DIRECTOR

During the year Mr. P. S. Banerjee was inducted as director in place of Mr. R. Shankar Raman who resigned during the year

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010 and of the profit of the Company for the year ended on that date;
- III. that 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
- IV. that the annual accounts have been prepared on going concern basis.

### ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and the staff of the Company.

For and on behalf of the Board

Place : Mumbai  
Date : June 22, 2011

**J. S. SUDARSAN**  
Director

**P. S. BANERJEE**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO INTERNATIONAL FZE

The financial statements of Larsen & Toubro International FZE for the year ended December 31, 2010, being a Company registered in the United Arab Emirates, are audited by PKF and we have been furnished with their audit report dated March 31, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro International FZE as at December 31, 2010 and the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the United Arab Emirates, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule N and other notes appearing 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:

1. in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
2. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
3. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

Place : Mumbai  
Date : June 22, 2011

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Fixed assets disposed off during the year are substantial in relation to the Company but do not affect the going concern.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii)(a), (b) and (c) are not applicable.
- 3 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 4 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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- 7 The Company has not conducted internal audit during the year.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- 9 The Company being registered in the United Arab Emirates has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company's accumulated losses are less than fifty percent of its net worth. The Company has not incurred cash losses in the current financial year but had incurred cash losses in the previous financial year.
- 11 According to the information and explanations given by management, the Company has neither borrowed from a bank nor a financial institution from India and neither has it issued any debentures.
- 12 According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions except as disclosed in the Notes to Accounts.
- 16 The Company has not availed any term loans during the year.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	11,473,973,500		11,473,973,500	
Reserves and Surplus					
Translation gain		522,769,131		865,759,704	
			11,996,742,631		12,339,733,204
<b>Unsecured loans</b>	<b>B</b>		<b>316,055,576</b>		<b>1,295,657,600</b>
<b>TOTAL</b>			<b>12,312,798,207</b>		<b>13,635,390,804</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	C	181,077,380		1,714,900,220	
Less : Depreciation		75,626,241		420,510,919	
Net block		105,451,139		1,294,389,301	
Capital Work-in-progress		39,066,180		40,661,013	
			144,517,319		1,335,050,314
<b>Investments</b>	<b>D</b>		<b>5,938,225,950</b>		<b>6,015,710,098</b>
<b>Current assets, loans and advances</b>					
Sundry debtors	E	56,395,875		108,367,061	
Cash and bank balances		1,390,252,451		9,891,222	
Loans and advances		1,360,433,620		2,427,957,326	
		2,807,081,946		2,546,215,609	
<b>Less: Current liabilities and provisions</b>	<b>F</b>				
Liabilities		56,371,672		4,278,504	
Provisions		271,762		239,630	
<b>Net current assets</b>		<b>56,643,434</b>		<b>4,518,134</b>	
			2,750,438,512		2,541,697,475
<b>Profit and Loss account</b>			<b>3,479,616,426</b>		<b>3,742,932,917</b>
<b>TOTAL</b>			<b>12,312,798,207</b>		<b>13,635,390,804</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	N				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

**J. S. SUDARSAN**

Director

**P. S. BANERJEE**

Director

Place : Mumbai

Date : June 22, 2011

Place : Mumbai

Date : June 22, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Other Operational Income	G		69,573,105		459,371,920
Other Income	H		431,770,134		101,068,999
			<u>501,343,239</u>		<u>560,440,919</u>
<b>EXPENDITURE</b>					
Operating Expenses	I	3,571,285		17,345,904	
Staff Expenses	J	12,770,668		12,817,409	
Administration and other expenses	K	148,030,226		156,862,609	
Interest Expenses	L	22,920,160		59,461,003	
Depreciation		<u>28,642,731</u>		<u>221,346,856</u>	
			<u>215,935,070</u>		<u>467,833,781</u>
<b>Profit / (Loss) before tax and exceptional items</b>			<b>285,408,169</b>		<b>92,607,138</b>
Exceptional items - Provision for doubtful debts and advances	M		22,091,678		-
Provision for current taxes			-		-
<b>Profit / (Loss) after tax</b>			<b>263,316,491</b>		<b>92,607,138</b>
Add: Balance brought forward from previous year			<u>(3,742,932,917)</u>		<u>(3,835,540,055)</u>
<b>Balance carried to Balance Sheet</b>			<b><u>(3,479,616,426)</u></b>		<b><u>(3,742,932,917)</u></b>
<b>Earnings per equity share : Basic &amp; Diluted</b>			<b>143,967</b>		<b>54,315</b>
<b>SIGNIFICANT ACCOUNTING POLICES AND NOTES ON ACCOUNTS</b>	N				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**J. S. SUDARSAN**  
Director

**P. S. BANERJEE**  
Director

Place : Mumbai  
Date : June 22, 2011

Place : Mumbai  
Date : June 22, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
<b>Net profit / (Loss) before tax</b>	263,316,491	92,607,138
<b>Adjustments for:</b>		
Dividend Income	(415,087,563)	(98,584,708)
Depreciation	28,642,731	221,346,856
Provision for doubtful advances to subsidiaries	22,091,678	-
(Profit) / Loss on sale of fixed assets	(1,602,297)	(9,545,683)
Interest expense	22,920,160	59,461,003
Interest Income	(13,472,809)	(1,471,722)
Exchange Loss on repayment of loan	-	46,008,775
Unrealised foreign exchange difference	(6,890,359)	(11,833,173)
<b>Operating profit before working capital changes</b>	(100,081,968)	297,988,486
(Increase) / decrease in trade and other receivables	52,027,111	(19,363,971)
Increase / (decrease) in trade payables	51,773,531	(29,172,495)
<b>Cash (used in) / generated from Operating Activities</b>	3,718,674	249,452,020
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	(24,187,238)	(293,174,456)
Sale of fixed assets	1,135,912,705	164,451,090
Loans & Advances to subsidiaries / associates	946,383,760	(980,376,511)
Advance towards Equity Commitment	-	842,223,345
Purchase of Investments	(158,464,115)	(354,599,931)
Dividend received from subsidiaries	415,087,563	98,584,708
Interest received	13,472,809	1,471,722
Exchange Loss on refund of loan by related party	-	(46,008,775)
<b>Net Cash (used in) / from Investing Activities</b>	2,328,205,484	(567,428,808)
<b>C. Cash Flow from Financing activities</b>		
Proceeds from issue of share capital		
Issue of Share Capital	-	1,270,269,000
(Repayments) / Proceeds from other borrowings	(1,080,980,356)	(1,105,536,193)
Interest paid	(22,920,160)	(59,461,003)
Loans from Subsidiary and Associate Companies (net of repayment)	152,725,599	169,997,624
<b>Net cash (used in) / from Financing Activities</b>	(951,174,917)	275,269,428
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	1,380,749,241	(42,707,360)
<b>Cash and cash equivalents at beginning of the year</b>	9,891,222	55,062,924
<b>Foreign Exchange difference in cash and cash equivalents</b>	(388,012)	(2,464,342)
<b>Cash and cash equivalents at end of the year</b>	1,390,252,451	9,891,222

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 : "Cash Flow Statements" as specified in the Companies (Accounting Standard) Rules, 2006.
- Cash and Cash equivalents represent cash and bank balances.
- Previous years figures have been regrouped & reclassified wherever applicable.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai

Date : June 22, 2011

**J. S. SUDARSAN**

Director

**P. S. BANERJEE**

Director

Place : Mumbai

Date : June 22, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
USD 380,000,000 in Equivalent Shares of USD 150,000 each (Previous year USD 380,000,000 in Equivalent shares of USD 150,000 each)		<b>16,588,690,735</b>		16,588,690,735
<b>Issued, Subscribed and Paid up</b>				
1,829 Equity Shares of USD 150,000 each (Previous year 1,829 Equity Shares of USD 150,000 each)		<b>11,473,973,500</b>		11,473,973,500
Note : All the above equity shares are held by Larsen & Toubro Limited, the holding company.				
<b>TOTAL</b>		<b>11,473,973,500</b>		<b>11,473,973,500</b>

<b>SCHEDULE - B</b>				
<b>UNSECURED LOANS</b>				
Loans from Subsidiaries		<b>316,055,576</b>		139,590,000
Other Loans				
From banks	-		1,125,659,976	
From Others	-		30,407,624	
		-		1,156,067,600
<b>TOTAL</b>		<b>316,055,576</b>		<b>1,295,657,600</b>

**SCHEDULE - C**  
**FIXED ASSETS**

INTANGIBLE ASSETS	COST / VALUATION					DEPRECIATION					BOOK VALUE		
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation reserve	For the year	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Plant & Machinery	1,584,970,206	(62,165,596)	21,963,969	(1,395,424,017)	<b>149,344,562</b>	385,243,646	(15,638,031)	23,948,727	(327,474,317)	<b>66,080,025</b>	<b>83,264,537</b>	1,199,726,560	
Furniture & Fixtures	3,535,191	(138,639)	713,805	-	<b>4,110,357</b>	501,732	(48,484)	1,306,252	-	<b>1,759,500</b>	<b>2,350,857</b>	3,033,459	
Vehicles	104,910,898	(4,114,847)	1,509,464	(95,324,337)	<b>6,981,178</b>	34,765,541	(1,391,738)	1,277,087	(28,928,293)	<b>5,722,597</b>	<b>1,258,581</b>	70,145,357	
Buildings	21,483,925	(842,642)	-	-	<b>20,641,283</b>	-	(46,546)	2,110,665	-	<b>2,064,119</b>	<b>18,577,164</b>	21,483,925	
<b>Total</b>	<b>1,714,900,220</b>	<b>(67,261,724)</b>	<b>24,187,238</b>	<b>(1,490,748,354)</b>	<b>181,077,380</b>	<b>420,510,919</b>	<b>(17,124,799)</b>	<b>28,642,731</b>	<b>(356,402,610)</b>	<b>75,626,241</b>	<b>105,451,139</b>	<b>1,294,389,301</b>	
Previous year	1,674,790,755	(74,954,708)	337,988,240	(222,924,067)	1,714,900,220	288,319,653	(21,507,996)	221,346,856	(67,647,594)	420,510,919			
Capital work-in-progress											<b>39,066,180</b>	40,661,013	
											<b>144,517,319</b>	1,335,050,314	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - D</b>				
<b>INVESTMENTS (at cost unless otherwise specified)</b>				
<b>LONG TERM INVESTMENTS</b>				
<b>(i) Subsidiary Companies</b>				
(a) Fully paid equity shares				
Larsen & Toubro Electromech LLC	<b>30,351,789</b>		31,590,835	
195,000 shares of Omani Riyal 1 each				
Larsen & Toubro (Oman) LLC	<b>78,438,678</b>		81,640,794	
473,572 shares of Omani Riyal 1 each				
Larsen & Toubro Saudi Arabia LLC	<b>19,581</b>		20,382	
3800 shares of Saudi Riyal 1 each				
Larsen & Toubro Qatar LLC	<b>1,241,100</b>		1,291,785	
98 shares of Qatari Riyal 1000 each				
Larsen & Toubro (East Asia) SDN.BHD.	<b>100,586</b>		104,693	
225,000 shares of Malaysian ringgit 1 each				
L&T Overseas Projects Nigeria Limited	<b>3,129,350</b>		3,257,100	
9,999,998 shares of Naira 1 each				
L&T Modular Fabrication Yard LLC	<b>218,656,760</b>		78,679,761	
1,875,000 shares of Omani Riyal 1 each (previous year 650,000 shares of Omani Riyal 1 each)				
Larsen & Toubro Readymix Concrete Industries LLC	<b>5,964,720</b>		6,208,223	
490 shares of UAE Dirham 1000 each				
L&T Electricals Saudi Arabia Company Limited LLC	<b>161,023,878</b>		167,597,381	
13,500 shares of Saudi Riyal 1000 each				
Larsen & Toubro Kuwait Construction General Contracting Company WLL	<b>152,651,213</b>		158,882,924	
980 shares of Kuwaiti Dinar 1000 each				
Larsen & Toubro (Jiangsu) Valve Company Ltd	<b>383,296,736</b>		398,944,134	
Equity shares aggregating to Chinese Renminbi 64,000,000				
Larsen & Toubro (Qingdao) Rubber Machinery Company Limited.	<b>270,207,123</b>		265,221,000	
Equity shares aggregating to US Dollar 6,044,226 (previous year equity shares aggregating to US Dollars 5,700,000)				
Offshore International FZC	<b>1,825,931</b>		1,900,476	
150 shares of UAE Dirham 1000 each				
Larsen & Toubro (Wuxi) Electric Company Limited	<b>271,816,146</b>		282,912,550	
Equity shares aggregating to Chinese Renminbi 43,369,386				
Larsen & Toubro ATCO Saudia Company LLC	<b>5,885,637</b>		6,125,912	
490 shares of Saudi Riyal 1000 each				
Larsen & Toubro Heavy Engineering LLC	<b>345,992,649</b>		360,117,146	
2,964,500 shares of Omani Riyal 1 each				
L&T Electrical & Automation FZE	<b>12,172,903</b>		12,669,844	
One Equity share of AED 1,000,000				
PT Tamco Indonesia	<b>93,771,107</b>		237,704,645	
247,500 shares of Indonesian Rupiah 2010 each				
Tamco Electrical Industries Australia Pty Limited	<b>230,751,787</b>		240,105,686	
13,500,000 shares of Australian Dollar 1 each				
Tamco Shanghai Switchgear Company Limited	<b>383,446,855</b>		481,611,674	
Equity shares aggregating to US Dollar 6,000,000				

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
Tamco Switchgear Malaysia SDN.BHD. 100,000,000 shares of Malaysian Ringgits 1 each	3,251,918,235		3,162,108,158	
Pathways FZE One Equity share of AED 150,000	1,825,931		1,900,476	
		<b>5,904,488,695</b>		<b>5,980,595,579</b>
<b>(ii) Fully Paid Equity Shares - Trade Investments:</b>				
<b>(a) Fully paid equity shares in Associate Companies</b>				
L&T Camp Facilities LLC Equity shares aggregating to US Dollar 667,164	29,825,567		31,043,144	
<b>(b) Partly paid equity shares in incorporated Joint Ventures</b>				
Indiran Engineering Projects & Systems Kish (PJSC) 875 shares of Irani Riyal 1,000,000 each	3,911,688		4,071,375	
		<b>33,737,255</b>		<b>35,114,519</b>
<b>TOTAL</b>		<b>5,938,225,950</b>		<b>6,015,710,098</b>
Note: The above investments are unquoted.				
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Sundry Debtors</b>				
Unsecured				
Debts outstanding for more than 6 months				
Considered good	-		-	
Considered doubtful	79,736,533		82,991,652	
	<b>79,736,533</b>		<b>82,991,652</b>	
Other Debts				
Considered good	56,395,875		108,367,061	
	<b>136,132,408</b>		<b>191,358,713</b>	
Less: Provision for Doubtful Debts	79,736,533		82,991,652	
		<b>56,395,875</b>		<b>108,367,061</b>
<b>Cash and bank balances</b>				
Cash on hand	24,051		30,445	
Balances with non-scheduled banks	1,390,228,400		9,860,777	
		<b>1,390,252,451</b>		<b>9,891,222</b>
<b>Loans and advances</b>				
Unsecured-Considered good				
Subsidiary companies	1,226,050,003		2,295,082,293	
Associate companies	29,358,712		17,887,364	
Advances recoverable in cash or in kind	105,024,905		114,987,669	
Considered Doubtful				
Advance paid to Subsidiary Companies	204,671,471		190,540,350	
	<b>1,565,105,091</b>		<b>2,618,497,676</b>	
Less: Provision for Doubtful Advances	204,671,471		190,540,350	
		<b>1,360,433,620</b>		<b>2,427,957,326</b>
<b>TOTAL</b>		<b>2,807,081,946</b>		<b>2,546,215,609</b>





**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009
	Rupees	Rupees	Rupees
<b>SCHEDULE - K</b>			
<b>ADMINISTRATION AND OTHER EXPENSES</b>			
Power & fuel		930,840	348,275
Professional fees		751,295	741,236
Audit fees		248,948	263,645
Rent		497,896	527,291
Rates & taxes		1,593,550	1,020,242
Travelling & conveyance		2,418,933	2,144,191
General repairs and maintenance		283,084	37,859
Telephone, postage and telegram		671,480	461,269
Printing and stationery		123,266	748,410
Bank charges		356,437	637,420
Security charges		985,828	1,028,238
Subscription charges		939,267	3,437,580
Exchange loss		222,199	46,843,915
Miscellaneous expenses		867,903	1,799,238
Compensation paid / payable (refer note no. 2(m) of Schedule N)		137,139,300	96,823,800
Bad debts and advances written off	-		1,623,446,390
Less : Provision for doubtful debts and advances written back	-		1,623,446,390
		-	-
<b>TOTAL</b>		<b>148,030,226</b>	<b>156,862,609</b>
<b>SCHEDULE - L</b>			
<b>INTEREST EXPENSES</b>			
Interest Paid on Bank Overdraft		11,220,614	59,461,003
Interest Paid on Inter-Corporate Borrowings		11,699,546	-
<b>TOTAL</b>		<b>22,920,160</b>	<b>59,461,003</b>
<b>SCHEDULE - M</b>			
<b>EXCEPTIONAL ITEMS</b>			
Provision for Doubtful Advances:			
Larsen & Toubro Qatar LLC		22,091,678	-
<b>TOTAL</b>		<b>22,091,678</b>	-

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - N**

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Legal Status and Business Activity**

Larsen & Toubro International FZE ("the entity") was incorporated on September 25, 2001 in the Hamriyah Free Zone, Sharjah as a Free Zone Establishment with Limited Liability under Hamriyah Free Zone Implementing Rules and Regulations issued pursuant to Sharjah Emiri Decree No. 6 of 1995.

##### **b. Basis of preparation**

The financial statements are prepared on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ["GAAP"] and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates, is recognised in the period in which the results are known.

##### **c. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation, accumulated amortization and cumulative impairment, if any.

##### **d. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) the provision for impairment loss, if any, required or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

##### **e. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

<b>Category of Asset</b>	<b>Rate of Depreciation (% p.a)</b>
1. Plant and equipment	10% to 50%
2. Vehicles	20%
3. Furniture, Fixtures & Office Equipment	33.33%
4. Buildings	10%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

Depreciation for, additions to / deductions from owned assets is calculated pro rata from / to the month of additions / deductions. Extra shift depreciation is provided on a location basis.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the assets is allocated over its remaining useful life.

##### **f. Investments**

Long term investments are stated at cost after providing for any diminution in value, if such diminution is of other than temporary in nature.

##### **g. Service end-of-service gratuity**

Provision is made for end-of-service gratuity payable to the staff at the Balance Sheet date in accordance with the local labour laws.

##### **h. Foreign Currency Translation**

The functional currency of the Company is United States Dollar (USD). Accounts are translated in Indian Rupees as follows:

1. Share capital is retained at the initial contribution amount.
2. All other assets and liabilities are translated at year end rate.
3. Revenue transactions are translated at the average rate.
4. The resultant difference is accounted as translation reserve in the Balance Sheet.

##### **i. Revenue Recognition**

Revenue from hire charges of equipment is accounted based on contract with customers.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****j. Contingent Liabilities**

Contingent liability is disclosed in case of

- (a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- (b) a present obligation arising from past events, when no reliable estimate is possible;
- (c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized, nor disclosed.

**2. NOTES FORMING PART OF ACCOUNTS****a. Disclosure of related parties / related party transactions****(i) List of parties who exercise control**

Sr. No.	Name of the related party	Relationship
1.	Larsen & Toubro Limited	Holding Company

**(ii) List of parties over which control exists**

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Oman LLC	Subsidiary*
2	Larsen & Toubro Saudi Arabia LLC	Subsidiary*
3	Larsen & Toubro Electromech LLC	Subsidiary*
4	L&T Modular Fabrication Yard LLC	Subsidiary*
5	Larsen & Toubro (Jiangsu) Valve Company Limited	Wholly owned Subsidiary
6	Larsen & Toubro (Qingdao) Rubber Machinery Company Limited	Subsidiary*
7	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary**
8	L&T Electricals Saudi Arabia Company Limited LLC	Subsidiary*
9	Larsen & Toubro Qatar LLC	Subsidiary**
10	Larsen & Toubro (East Asia) SDN.BHD	Subsidiary**
11	L&T Overseas Projects Nigeria Limited	Wholly owned Subsidiary
12	Larsen & Toubro Kuwait Construction General Contracting Company WLL	Subsidiary**
13	Larsen & Toubro (Wuxi) Electric Company Limited	Wholly owned Subsidiary
14	Offshore International FZC	Subsidiary*
15	Qingdao Larsen & Toubro Trading Company Limited	Subsidiary of Larsen & Toubro (Qingdao) Rubber Machinery Company Limited
16	Larsen & Toubro ATCO Saudia Company LLC	Subsidiary**
17	Larsen & Toubro Heavy Engineering LLC	Subsidiary*
18	Tamco Switchgear Malaysia SDN.BHD.	Wholly owned Subsidiary
19	PT Tamco Indonesia	Subsidiary*
20	Tamco Electrical Industries Australia Pty Limited	Wholly owned Subsidiary
21	Tamco Shanghai Switchgear Company Limited	Wholly owned Subsidiary
22	L&T Electrical & Automation FZE	Wholly owned Subsidiary
23	Pathways FZE	Wholly owned subsidiary

\* The Company holds more than one-half in nominal value of the share capital

\*\* The Company controls the composition of the Board of Directors.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(iii) Names of the related parties with whom transactions were carried out during the year, description of relationship and particulars of transactions.

<b>Sr. No.</b>	<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>2010 Amount in Rs.</b>	<b>2009 Amount in Rs.</b>
1.	Larsen & Toubro Limited	Holding Company	Equipment Hire Income	<b>45,246,826</b>	363,097,286
2.	Larsen & Toubro Electromech LLC	Subsidiary Company	Equipment Hire Income	–	24,097,023
3	Larsen & Toubro (Oman) LLC	Subsidiary Company	Equipment Hire Income	<b>13,768,786</b>	14,873,588
4	L&T Modular Fabrication Yard LLC	Subsidiary Company	Equipment Hire Income	–	4,110,170
5	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Equipment Hire Income	<b>8,955,196</b>	10,974,978
6	Larsen & Toubro ATCO Saudia Company LLC	Subsidiary Company	Equipment Hire Income	–	12,374,082
7	Larsen & Toubro Kuwait Construction General Contracting Company WLL	Subsidiary Company	Equipment Hire Income	–	20,299,110
8	Larsen & Toubro Electromech LLC	Subsidiary Company	Dividend Income	<b>46,207,807</b>	61,283,511
9.	Larsen & Toubro (Oman) LLC	Subsidiary Company	Dividend Income	<b>28,107,522</b>	22,471,110
10	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Dividend Income	<b>12,447,403</b>	14,830,087
11	Tamco Switchgear (Malaysia) SDN.BHD.	Subsidiary Company	Dividend Income	<b>328,324,832</b>	–
12	Larsen & Toubro Limited	Holding Company	Sale of plant & equipment	<b>1,066,223,996</b>	133,975,690
13	L&T Modular Fabrication Yard LLC	Subsidiary Company	Sale of Plant & Equipment	–	30,630,559
14	Larsen & Toubro Electromech LLC	Subsidiary Company	Sale of Plant & Equipment	<b>65,796,148</b>	–
15	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Sale of Plant & Equipment	<b>1,994,558</b>	–
16	Larsen & Toubro ATCO Saudia Company LLC	Subsidiary Company	Interest Income	<b>65,095</b>	39,262
17	L&T Electricals Saudi Arabia Company Limited LLC	Subsidiary Company	Interest Income	<b>6,842,912</b>	1,432,460
18	Offshore International FZC	Subsidiary Company	Interest Income	<b>4,424,617</b>	–
19	L&T Realty FZE	Fellow Subsidiary	Interest Expenses	<b>607,299</b>	–
20	L&T Electrical & Automation FZE	Subsidiary Company	Interest Expenses	<b>2,870,554</b>	–
21	Tamco Switchgear (Malaysia) SDN.BHD.	Subsidiary Company	Interest Expenses	<b>6,340,005</b>	–
22	Larsen & Toubro Electromech LLC	Subsidiary Company	Interest Expenses	<b>1,881,688</b>	–

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Sr. No.</b>	<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>2010 Amount in Rs.</b>	<b>2009 Amount in Rs.</b>
23	Larsen & Toubro Limited	Holding Company	Cost of Services rendered by	<b>9,628,459</b>	8,693,490
24	Larsen & Toubro Limited	Holding Company	Cost of services Rendered to	<b>3,609,186</b>	359,477
25	Larsen & Toubro Kuwait Construction General Contracting Company WLL	Subsidiary Company	Cost of Services / Overhead expenses	-	1,640,281
26	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Cost of Services / Overhead expenses	-	395,477
27	Larsen & Toubro ATCO Saudia Company LLC	Subsidiary Company	Other rates & taxes / Overhead expenses	<b>3,079,579</b>	257,793
28	Larsen & Toubro Electromech LLC	Subsidiary Company	Overhead expenses	<b>279,490</b>	237,267
29	Larsen & Toubro (Oman) LLC	Subsidiary Company	Overhead Expenses	-	244,480
30	L&T Realty FZE	Fellow Subsidiary	Cost of services	<b>111,906</b>	-
31	Pathways FZE	Subsidiary Company	Cost of Services	<b>55,953</b>	55,634
32	Offshore International FZC	Subsidiary Company	Cost of Services	<b>30,444</b>	-
33	L&T Electricals Saudi Arabia Company Limited LLC	Subsidiary Company	Loan advanced	<b>134,115,000</b>	-
34	Larsen & Toubro (Jiangsu) Valve Company Limited	Subsidiary Company	Subscription of Equity	-	134,489,661
35	Larsen & Toubro Heavy Engineering LLC	Subsidiary Company	Subscription of Equity	-	347,409,637
36	IndIran Engineering Projects & Systems Kish (PJSC)	Joint Venture Company	Subscription of Equity	-	4,071,375
37	Pathways FZE	Subsidiary Company	Subscription of Equity	-	1,900,471
38	L&T Modular Fabrication Yard LLC	Subsidiary Company	Subscription of Equity	<b>143,062,974</b>	-
39	Larsen & Toubro (Qingdao) Rubber Machinery Co.Ltd	Subsidiary Company	Subscription of Equity	<b>15,388,623</b>	-
40	L&T Realty FZE	Fellow Subsidiary	Loan availed	-	30,407,624
41	L&T Realty FZE	Fellow Subsidiary	Repayment of loan availed	<b>29,214,986</b>	-
42	Larsen & Toubro Electromech LLC	Subsidiary Company	Repayment of loan availed	<b>134,115,000</b>	-
43	Tamco Switchgear (Malaysia) SDN.BHD.	Subsidiary Company	Loan availed	<b>271,350,576</b>	-
44	L&T Electrical & Automation FZE	Subsidiary Company	Loan availed	<b>44,705,000</b>	-
45	L&T Eastern Joint Venture	Fellow Subsidiary	Purchase of Plant & Machinery	<b>4,075,999</b>	-
46	L&T Camp Facilities LLC	Associate Company	Loan advanced	<b>12,172,948</b>	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sr. No.	Related party	Nature of relationship	Nature of transaction	2010 Amount in Rs.	2009 Amount in Rs.
47	Larsen & Toubro Qatar LLC	Subsidiary Company	Part repayment of loan advanced	30,617,068	–
48	Larsen & Toubro Saudi Arabia LLC	Subsidiary Company	Part repayment of loan advanced	14,893,739	–
49	Larsen & Toubro ATCO Saudia Company LLC	Subsidiary Company	Loan advanced	23,400,737	–
50	Offshore International FZC	Subsidiary Company	Repayment of Loan advanced	953,072,913	–
51	Larsen & Toubro Heavy Engineering LLC	Subsidiary Company	Loan advanced	85,029,317	–
52	L&T Capital Company Ltd	Fellow Subsidiary	Repayment of Loan advanced	1,146,470	–
53	Pathways FZE	Subsidiary Company	Loan advanced	740,091	–

(iv) Amount due to / from related parties

Sr. No.	Related party	Nature of Transaction	Nature of relationship	2010 Amount in Rs.		2009 Amount in Rs.	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
1.	Larsen & Toubro Limited	Accounts receivable	Holding Company	48,076,785	–	58,441,339	–
2	Larsen & Toubro Qatar LLC	Accounts receivable / Payable	Subsidiary Company	79,736,533	357,640	82,991,652	922,736
3	Larsen & Toubro Kuwait Construction General Contracting Company WLL	Accounts receivable	Subsidiary Company	–	–	8,697,305	–
4	Larsen & Toubro Readymix Concrete Industries LLC	Account Receivable	Subsidiary Company	8,319,064	–	1,350,821	–
5	Larsen & Toubro Electromech LLC	Accounts receivable / Loan availed	Subsidiary Company	–	–	4,356,289	139,590,000
6	L&T Modular Fabrication Yard LLC	Account receivable	Subsidiary Company	–	–	28,188,245	–
7	Larsen & Toubro ATCO Saudia Company LLC	Account Receivable	Subsidiary Company	–	–	6,937,623	–
8	L&T Camp Facilities LLC	Loan advanced	Associate Company	27,011,700	–	15,444,517	–
9	Larsen & Toubro Qatar LLC	Loan advanced	Subsidiary Company	204,671,474	–	244,893,765	–
10	L&T Electricals Saudi Arabia Company Limited LLC	Loan advanced	Subsidiary Company	134,115,000	–	140,966,766	–
11	L&T Modular Fabrication Yard LLC	Loan advanced	Subsidiary Company	219,572,452	–	297,931,683	–

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sr. No.	Related party	Nature of Transaction	Nature of relationship	2010 Amount in Rs.		2009 Amount in Rs.	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
12	Larsen & Toubro Readymix Concrete Industries LLC	Loan advanced	Subsidiary Company	292,156,205	-	304,082,949	-
13	Offshore International FZC	Loan advanced	Subsidiary Company	-	-	991,980,329	-
14	IndIran Engineering Projects & Systems Kish (PJSC)	Loan advanced	Jointly Controlled Entity	2,347,013	-	2,442,825	-
15	L&T Electricals & Automation FZE	Loan advanced / availed	Subsidiary Company	32,532,097	44,705,000	33,860,160	-
16	Larsen & Toubro ATCO Saudia Company LLC	Loan advanced	Subsidiary Company	59,497,437	-	37,570,276	-
17	L&T Capital Company Limited	Loan advanced	Fellow Subsidiary Company	-	-	1,193,262	-
18	Larsen & Toubro Heavy Engineering LLC	Loan advanced	Subsidiary Company	346,980,585	-	272,644,955	-
19	L&T Realty FZE	Loan availed	Fellow Subsidiary Company	-	-	-	30,407,634
20	Pathways FZE	Loan advanced	Subsidiary Company	740,091	-	-	-
21	Tamco Switchgear (Malaysia) SDN.BHD.	Loan availed	Subsidiary Company	-	271,350,576	-	-

## (v) Notes to Related Party Transactions

- The Company has made a provision towards doubtful advances as at December 31, 2010 towards amounts due from Larsen & Toubro Qatar LLC which has accumulated losses as at December 31, 2010 - Rs. 204,671,471 (*previous year : Rs. 190,540,350*)
- The Company has also made a provision towards doubtful debt amounting to Rs. 79,736,553 in earlier years.
- The long term loans which are interest-free, are for the term of those subsidiaries and associates, except for the loans given to L&T Electricals Saudi Arabia Co. Ltd. LLC and Larsen & Toubro Saudia ATCO Company LLC which bear interest at the rate of 5% p.a. and 6% p.a. respectively.

## b. Balances with non-scheduled banks

## Current accounts

	As at	As at	Maximum amount outstanding at any time during the year	
	31.12.2010 Rs.	31.12.2009 Rs.	2010 Rs.	2009 Rs.
HSBC Bank Middle East, Dubai. – AED Account	4,607,170	9,348,156	12,607,170	53,186,693
Standard Chartered Bank, Malaysia	-	5,12,621	1,845,203	1,845,203
Hinduja Bank (Switzerland)	848,248	-	848,248	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## Fixed Deposits with Banks

Bank Name & Branch	As at 31.12.2010 Rs.	As at 31.12.2009 Rs.	Maximum amount outstanding at any time during the period ended 31.12.2010 Rs.	Maximum amount outstanding at any time during the period ended 31.12.2009 Rs.
HSBC, Dubai, UAE	1,348,792,959	–	1,348,792,959	–

## c. Operating Lease

- (i) The Company has entered into non-cancellable operating lease for rent of plot of land situated at Hamriyah Free Zone. The future minimum lease payments are as follows:

Amount in Rs.

	2010	2009
Not later than one year	560,213	527,302
Between one and five year	Not Established	Not Established
Later than 5 years	Not Established	Not Established

- (ii) Contingent rent recognized in Profit and Loss Account is Rs. Nil (*previous year Rs. Nil*)

- (iii) Lease Rental expense in respect of operating leases: Rs. 497,896 (*previous year : Rs. 527,291*)

## d. Taxation

There is no income tax payable in UAE where the Company is registered and hence, no provision for current tax / deferred tax has been made in these accounts.

- e. There are no transactions with micro and small enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 2006 during the year.

## f. Auditors remuneration and expenses charged to the accounts:

	2010 Rs.	2009 Rs.
Audit fees	248,948	263,645

## g. Segment Reporting

- As per Accounting Standard 17 on Segmental Reporting, the Company is engaged in the business of hiring of plant & equipment and forward trading.
- The Company has income only from equipment hiring in the current and previous year and there are no forward trading transactions.
- The entire operations of the Company are in United Arab Emirates.

- h. The estimated amount of contracts remaining to be executed on capital account (net of advances): Rs. 26,102,177 (*previous year Rs. NIL*)

- i. The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision is required to be made for impairment in the accounts.

## j. Contingent Liabilities

	2010	2009
Banker's Letters of guarantee issued as counter-guarantee for the facilities granted to Subsidiary / Associate Companies	Rs. 242,244,772	–
Corporate Guarantees given to Banks with respect to facilities availed by Subsidiary Companies	Rs. 862,091,220	Rs. 283,088,520

- k. The Company is a service company and accordingly information required under paragraph 4(c) of Part II of Schedule VI of the Companies Act, 1956 has not been furnished.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## I. Earnings per share (EPS)

<b>Particulars</b>	<b>2010</b>	<i>2009</i>
Profit after tax as per accounts (Rs.)	<b>263,316,491</b>	<i>92,607,138</i>
Average number of equity shares	<b>1829</b>	<i>1705</i>
Basic & Diluted EPS (Rs.)	<b>143,967</b>	<i>54,315</i>

- m. Pursuant to a settlement agreement entered into on May 20, 2009, a compensation of USD 5 million is payable to one of the shareholders of the Company's subsidiary, Larsen & Toubro Qatar LLC, for transfer of the shares held by the shareholder. Out of this, an amount of USD 2 million (Rs. 96,823,800) was paid in 2009 and was accordingly expensed in that year. The balance compensation paid / payable amounting to USD 3 million (Rs. 137,139,300) has been expensed in the current year, as a prior period item, and shown as "compensation paid / payable" under administration and other expenses in Schedule K.
- n. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to the presentation adopted in the current year.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

o. Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Incorporated in Sharjah, U.A.E

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

#### Application of Funds

Net Fixed Assets and Net Intangible Assets

Investments

Net Current Assets

Deferred Tax

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

+ - Turnover (Including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

+ - Earning per share in Rs.

Dividend Rate %

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product Description

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

**J. S. SUDARSAN**  
Director

**P. S. BANERJEE**  
Director

Place : Mumbai  
Date : June 22, 2011

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	Larsen & Toubro Readymix Concrete Industries LLC	L&T Electricals Saudi Arabia Company Limited LLC	Larsen & Toubro Kuwait Construction General Contracting Co., WLL	Larsen & Toubro (Jiangsu) Valve Co. Ltd	Larsen & Toubro (Qingdao) Rubber Machinery Co. Ltd.	Larsen & Toubro (Oman) LLC
<b>Financial year of the subsidiary company ended on</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE (LTIFZE) at the above date -						
– Equity shares	490 of AED 1000 each	13,500 of SR 1000 each	980 of KD 1000 each	See Note 2	See Note 3	473,572 of OMR 1 each
– Preference shares	Nil	Nil	Nil	Nil	Nil	Nil
The extent of interest in subsidiary companies of LTIFZE as at above date	49%	75%	49%	100%	100%	65%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:	Rs. crore	Rs. crore	Rs. crore	Rs. crore	Rs. crore	Rs. crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2010	1.24	0.00	0.00	0.00	0.00	2.81
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	1.48	0.00	0.00	0.00	0.00	7.24
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:						
(a) for the subsidiary's financial year ended December 31, 2010	(3.55)	0.03	(2.34)	(5.63)	0.53	68.76
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	21.02	1.89	(1.63)	(11.94)	0.82	142.96
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2010						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2010						
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	Qingdao Larsen & Toubro Trading Company Limited	Offshore International FZC	Larsen & Toubro Heavy Engineering LLC	Larsen & Toubro (Wuxi) Electric Co. Ltd	Tamco Switchgear (MALAYSIA) SDN BHD
<b>Financial year of the subsidiary company ended on</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE at the above date -					
– Equity shares	Nil	150 of AED 1000 each	2,964,500 of OMR 1 each	See Note 4	100,000,000 of MYR 1 each
– Preference shares	Nil	Nil	Nil	Nil	Nil
The extent of interest in subsidiary companies of LTIFZE as at above date	100%	60%	70%	100%	100%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:	Rs. crore	Rs. crore	Rs. crore	Rs. crore	Rs. crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :					
(a) for the subsidiary's financial year ended December 31, 2010	0.00	0.00	0.00	0.00	32.83
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	0.00	0.00	0.00	0.00	0.00
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:					
(a) for the subsidiary's financial year ended December 31, 2010	0.09	11.79	(21.99)	2.17	52.95
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	0.003	(10.27)	(13.49)	0.18	86.86
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2010					
Number of shares acquired	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2010					
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	Larsen & Toubro Saudi Arabia LLC	Larsen & Toubro Qatar LLC	Larsen & Toubro East Asia SDN.BHD	Larsen & Toubro Overseas Projects Nigeria Limited	Larsen & Toubro Modular Fabrication Yard LLC	Larsen & Toubro Electromech LLC
<b>Financial year of the subsidiary company ended on</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>31.12.2010</b>
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE (LTIFZE) at the above date -						
– Equity shares	3800 of SR 1000 each	98 of QR 1000 each	225,000 of RM 1 each	9,999,998 of Naira 1 each	1,875,000 of RO 1 each	195,000 of OMR 1 each
– Preference shares	Nil	Nil	Nil	Nil	Nil	Nil
The extent of interest in subsidiary companies of LTIFZE as at above date	95%	49%	30%	100%	65%	65%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:	Rs. crore	Rs. crore	Rs. crore	Rs. crore	Rs.crore	Rs.crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2010	0.00	0.00	0.00	0.00	0.00	4.62
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	0.00	0.00	0.00	0.00	0.00	6.55
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:						
(a) for the subsidiary's financial year ended December 31, 2010	(1.98)	0.76	(0.71)	(0.003)	18.28	23.37
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	(10.74)	(30.01)	0.49	(0.21)	(1.51)	30.77
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2010						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2010						
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	Tamco Shanghai Switchgear Co Ltd	Tamco Electrical Industries Australia Pty Ltd	PT Tamco Indonesia	Larsen & Toubro ATCO Saudia LLC	L&T Electrical & Automation FZE	Pathways FZE
Financial year of the subsidiary company ended on	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010	31.12.2010
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE (LTIFZE) at the above date - – Equity shares	See Note 1	13,500,000 of AUD 1 each	247,500 of IDR 2010 each	490 of SR 1000 each	1 of AED 1 Million	1 of AED 150,000
– Preference shares	Nil	Nil	Nil	Nil	Nil	Nil
The extent of interest in subsidiary companies of LTIFZE as at above date	100%	100%	99%	49%	100%	100%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:	Rs. crore	Rs. crore	Rs. crore	Rs. crore	Rs. crore	
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2010	0.00	0.00	0.00	0.00	0.00	0.00
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:						
(a) for the subsidiary's financial year ended December 31, 2010	1.61	9.40	(1.37)	0.07	18.34	(0.10)
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	(42.82)	(3.49)	(19.92)	(5.97)	21.63	(0.10)
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2010						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2010						
(i) Fixed assets (net additions)	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil	Nil	Nil	Nil

## Notes:

- (1) The Share of LTIFZE in Tamco Shanghai Switchgear Co Ltd is USD 6,000,000
- (2) The Share of LTFZE in Larsen & Toubro Jiangsu Valve co. Ltd is RMB 64,000,000
- (3) The Share of LTFZE in Larsen & Toubro Qingdao Rubber Machinery Co. Ltd. is USD 6,044,226
- (4) The Share of LTFZE in Larsen & Toubro (Wuxi) Electric Co. Ltd is RMB 43,369,386

For and on behalf of the Board

Place : Mumbai  
Date : June 22, 2011

**J. S. SUDARSAN**  
Director

**P. S. BANERJEE**  
Director

## DIRECTORS' REPORT - 2010

The Directors submit their report and accounts for the year ended December 31, 2010. They approve the financial statements and confirm that they are responsible for these, including selecting the accounting policies and making the judgements underlying them. They confirm that they have made available all relevant accounting records and information for their compilation.

### FINANCIAL PARAMETERS

The loss for the year amounted to INR 23.09 Mn. An amount of INR 1.24 Mn has been paid as a dividend during the year. No further dividend is proposed.

### PRINCIPAL ACTIVITY

The company's principal activity during the period was the production and sale of readymix concrete.

### CAPITAL EXPENDITURE

As at December 31, 2010 the Gross Fixed Assets stood at INR 698 million and Net Fixed Assets at INR 452 million. Additions during the year amounted to INR 2 million (previous year INR 100 million)

### DISCLOSURE OF INFORMATION TO AUDITORS

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

The Directors confirm that the outstanding dues as mentioned in the Audit Report are fully recoverable and the balances have been confirmed by the Debtors as of December 31, 2010.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i. that in the preparation of the financial statements, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected Accounting Policies were applied consistently and the Directors 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 of the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Commercial Company's Law, 4/1974 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that the company has adequate internal systems and controls in place to ensure compliance of laws applicable to the company.

### EVENTS SINCE END OF THE YEAR

There are no significant events since the end of the year.

### SHAREHOLDERS / PARTNERS AND THEIR INTERESTS

The shareholders / partners at December 31, 2010 and their interests as at that date in the share capital of the company were as follows:

NAME	No. of shares	Rupees
Mr.Majed Mohammed Majed Al Muhari	510	6,461,700
Larsen & Toubro International FZE	490	6,208,300
<b>TOTAL</b>	<b>1,000</b>	<b>12,670,000</b>

### AUDITOR

Pannell Kerr Forster were appointed as auditor for the year ended 31 December 2010. and it is proposed that they be re-appointed for the year ending December 31, 2011.

For and on behalf of the Board

**S. N. SUBRAHMANYAN**  
Director

**B. RAMAKRISHNAN**  
Director

Place : Chennai  
Date : March 21, 2011

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO READYMIX CONCRETE INDUSTRIES LLC

The financial statements of Larsen & Toubro Readymix Concrete Industries LLC, United Arab Emirates, for the year ended December 31, 2010, being a company registered in United Arab Emirates, are audited by Pannell Kerr Forster, Abu Dhabi and we have been furnished with their audit report dated March 9, 2011 on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the attached Balance Sheet of Larsen & Toubro Readymix Concrete Industries LLC as at December 31, 2010, and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. as regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the United Arab Emirates, no reporting is required to be made under the said section.
  - f. Debtors amounting to Rs. 298,249,244/- (net of provision) are overdue for recovery but are not provided for, as considered by the Management to be fully recoverable.
  - g. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to 2 (f) above, read together with significant accounting policies in Schedule '1' and Notes on Accounts in Schedule '2' 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.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - (ii) in the case of Profit and Loss Account, of the loss for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
Registration no. 003792S  
by the hand of

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011



## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) As explained to us, inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- (iv) (a) In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory, fixed assets and for sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) The Company has not furnished an internal audit report for the year and hence we could not report whether the internal audit system is commensurate with its size and nature of its business.
- (ix) The Company being registered in the United Arab Emirates, has no statutory liabilities in India and accordingly reporting for clauses 4(ix)(a) and (b) of the Companies (Auditors' Report) Order, 2003 is not required.
- (x) The Company has no accumulated loss at December 31, 2010. The Company has incurred cash losses in the financial year covered by our audit. However, it has incurred not cash losses 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 financial institution, bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not required.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted audited practices in India and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses (iii), (v), (vi), (viii), (xiii) and (xviii) of the Companies (Auditors' Report) Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 003792S

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	12,670,000		12,670,000	
Reserves & surplus	B	180,972,860		216,486,256	
			193,642,860		229,156,256
<b>Loan Funds</b>					
Secured Loans	C	231,046,692		289,414,568	
Unsecured Loans	D	331,521,684		328,660,521	
			562,568,376		618,075,089
<b>TOTAL</b>			<b>756,211,236</b>		<b>847,231,345</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	E	698,421,070		746,799,973	
Less: Depreciation & Amortisation		246,330,291		189,426,139	
Net block			452,090,779		557,373,834
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	F	420,827,670		489,537,695	
Cash and Bank Balances		8,009,312		7,202,773	
Inventories		10,638,171		9,950,509	
Loans and Advances		13,487,847		23,823,636	
		452,963,000		530,514,613	
<b>Less: Current Liabilities and Provisions</b>	G	164,897,453		248,515,272	
<b>Net Current Assets</b>			288,065,547		281,999,341
Translation Difference			16,054,910		7,858,170
<b>TOTAL</b>			<b>756,211,236</b>		<b>847,231,345</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The Schedules referred to above form an integral part of Balance Sheet.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No: 003792S  
By the hand of

**L. VAIDYANATHAN**

Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**

Director

Place : Chennai  
Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales			566,964,329		1,077,060,464
Other Income			15,861,855		36,369,884
<b>TOTAL</b>			<b>582,826,184</b>		<b>1,113,430,348</b>
<b>EXPENDITURE</b>					
Manufacturing and other operating expenses	H	355,633,169		662,674,813	
Staff expenses	I	68,486,959		74,226,933	
Sales, administration and other expenses	J	91,584,630		124,076,698	
Interest and brokerage	K	15,638,121		19,112,467	
Depreciation, amortisation and obsolescence		74,575,451		80,348,156	
			<b>605,918,330</b>		<b>960,439,067</b>
<b>Profit / (Loss) before Taxes</b>			<b>(23,092,146)</b>		<b>152,991,281</b>
Provision for current year taxes			-		-
<b>Profit / (Loss) after Taxes</b>			<b>(23,092,146)</b>		<b>152,991,281</b>
Dividend paid			12,421,250		19,449,375
<b>Profit available for appropriation</b>			<b>(35,513,396)</b>		<b>133,541,906</b>
Add: Balance brought forward from previous year			210,151,256		76,609,350
<b>Balance carried to Balance Sheet</b>			<b>174,637,860</b>		<b>210,151,256</b>
Earnings Per Equity Share (Basic & Diluted)			<b>(23,092.15)</b>		<b>152,991.28</b>
Face Value per Equity Share (Arab Emirates Dhiraams)			<b>1,000.00</b>		<b>1,000.00</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The schedules referred to above and the notes attached form an integral part of the Profit and Loss Account.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Registration No: 003792S  
By the hand of

**L. VAIDYANATHAN**

Partner  
Membership No. 16368

Place : Chennai

Date : March 21, 2011

**S. N. SUBRAHMANYAN**

Director

Place : Chennai

Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cashflow from operating activities</b>		
<b>Net profit / (loss) before tax</b>	<b>(23,092,146)</b>	<b>152,991,281</b>
<b>Adjustment for</b>		
Depreciation	74,575,451	80,348,157
Interest (net)	15,638,121	19,112,467
Translation reserve	(8,196,740)	(11,872,439)
<b>Operating profit / (loss) before working capital changes</b>	<b>58,924,686</b>	<b>240,579,466</b>
(Increase) / Decrease in trade and other receivables	68,710,025	(98,805,781)
(Increase) / Decrease in Inventories	(687,662)	4,486,315
(Increase) / Decrease in Loans and advances	10,335,789	71,698,347
Increase / (Decrease) in trade payables	(83,617,819)	(69,351,725)
<b>Cash generated from / (used in) operations (A)</b>	<b>53,665,019</b>	<b>148,606,622</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(2,063,840)	(65,839,995)
Sale of fixed assets net of depreciation	12,589,867	819,376
Exchange difference on fixed assets	20,181,576	25,629,446
Interest received	43,884	-
<b>Net cash (used in) / from Investing activities (B)</b>	<b>30,751,487</b>	<b>(39,391,173)</b>
<b>C. Cash from Financing activities</b>		
Increase / (Decrease) in statutory reserve	-	6,335,000
Increase / (Decrease) in secured loan	(58,367,876)	(81,597,491)
Increase / (Decrease) in unsecured loan	2,861,163	(14,639,517)
Dividend paid	(12,421,250)	(19,449,375)
Interest paid	(15,682,005)	(19,112,467)
<b>Net cash (used in) / from Financing activities (C)</b>	<b>(83,609,968)</b>	<b>(128,463,850)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>806,539</b>	<b>(19,248,402)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,202,773</b>	<b>26,451,174</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8,009,312</b>	<b>7,202,773</b>

## Notes :

- Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash & Bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No: 003792S  
By the hand of

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368  
Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director

**B. RAMAKRISHNAN**  
Director

Place : Chennai  
Date : March 21, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.12.2010	As at 31.12.2009
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
1,000 equity shares of AED 1,000 each	<u>12,670,000</u>	<u>12,670,000</u>
Issued, subscribed and Paid-up :		
1,000 equity shares of AED 1,000 each fully paid	<u>12,670,000</u>	<u>12,670,000</u>
<b>TOTAL</b>	<u><u>12,670,000</u></u>	<u><u>12,670,000</u></u>
Note : 51% of the above equity shares is held by Mr. Majed Mohammed Majed Al Muhari, a UAE national and the balance 49% held by Larsen & Toubro Internationa FZE, Sharjah, UAE, a wholly owned subsidiary of Larsen & Toubro Limited.		
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
Statutory Reserve		
As per last Balance Sheet	<b>6,335,000</b>	6,335,000
(Refer Note 3 of Schedule 2)		
Profit and Loss Account	<u>174,637,860</u>	<u>210,151,256</u>
<b>TOTAL</b>	<u><u>180,972,860</u></u>	<u><u>216,486,256</u></u>
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Term loan availed from Emirates Bank	<b>230,973,192</b>	288,876,004
(Secured by lien over fixed deposits, personal and corporate guarantees of the partners, assignment of lease hold rights over land in Jebel Ali Industrial Area, charge over movable assets and machinery, and letter of comfort from Larsen & Toubro Limited, India.)		
Car loan availed from Emirates Bank	<b>73,500</b>	538,564
(Secured upon the related vehicle)		
<b>TOTAL</b>	<u><u>231,046,692</u></u>	<u><u>289,414,568</u></u>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
Short term loans		
From Shareholders	<b>292,140,000</b>	304,080,000
From Others	<u>39,381,684</u>	<u>24,580,521</u>
<b>TOTAL</b>	<u><u>331,521,684</u></u>	<u><u>328,660,521</u></u>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)****SCHEDULE - E****FIXED ASSETS**

TANGIBLE	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation reserve	For the year	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
Lease Hold Improvements	32,159,311	(1,262,767)	-	-	30,896,544	6,282,977	(284,232)	1,873,770	-	7,872,516	23,024,028	25,876,334
Plant & Equipment	539,598,821	(20,797,913)	2,035,271	21,508,301	499,327,878	142,188,097	(6,640,159)	61,693,857	8,918,433	188,323,362	311,004,516	397,410,724
Furnitures, Fixtures & office equipment	4,395,819	(173,178)	28,569	-	4,251,210	3,749,420	(153,765)	330,318	-	3,925,973	325,237	646,399
Motor vehicles	1,754,795	(68,904)	-	-	1,685,891	1,754,580	(68,874)	112	-	1,685,818	73	215
<b>TOTAL</b>	<b>577,908,746</b>	<b>(22,302,762)</b>	<b>2,063,840</b>	<b>21,508,301</b>	<b>536,161,523</b>	<b>153,975,074</b>	<b>(7,147,030)</b>	<b>63,898,058</b>	<b>8,918,433</b>	<b>201,807,669</b>	<b>334,353,854</b>	-
Previous Year	503,759,776	(24,765,352)	100,232,562	1,318,240	577,908,746	90,902,435	(5,630,749)	69,202,251	498,864	153,975,073	-	423,933,672

  

	COST / VALUATION					AMORTISATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation reserve	For the year	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
Leasehold Land	165,406,978	(6,494,869)	-	-	158,912,109	33,553,859	(1,522,986)	10,260,226	-	42,291,099	116,621,010	131,853,118
Computer Software	3,484,250	(136,812)	-	-	3,347,438	1,897,206	(82,850)	417,168	-	2,231,524	1,115,914	1,587,044
<b>TOTAL</b>	<b>168,891,228</b>	<b>(6,631,681)</b>	<b>-</b>	<b>-</b>	<b>162,259,547</b>	<b>35,451,065</b>	<b>(1,605,836)</b>	<b>10,677,393</b>	<b>-</b>	<b>44,522,623</b>	<b>117,736,924</b>	<b>-</b>
Previous Year	176,789,258	(7,898,031)	-	-	168,891,228	25,708,348	(1,403,187)	11,145,905	-	35,451,066	-	133,440,162
<b>Grand Total</b>	<b>746,799,974</b>	<b>(28,934,443)</b>	<b>2,063,840</b>	<b>21,508,301</b>	<b>698,421,070</b>	<b>189,426,139</b>	<b>(8,752,866)</b>	<b>74,575,451</b>	<b>8,918,433</b>	<b>246,330,291</b>	<b>452,090,779</b>	<b>-</b>
Previous Year	680,549,034	(32,663,382)	100,232,562	1,318,240	746,799,974	116,610,783	(7,033,936)	80,348,156	498,864	189,426,139	-	557,373,834

Note: Lease Hold Land and Lease Hold Improvements represents 100,000 sq.ft of land taken on lease from Real Estate Department vide Lease Agreement Number. 21329 dt 27/03/2006 for a period of 17 years from 13/07/2006. The cost of Lease Hold Land and Lease Hold Improvements are amortised equally over the lease period of 17 years.

	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Sundry Debtors - Unsecured				
Debts outstanding for more than six months				
Considered good	420,827,670		489,537,695	
Considered doubtful	17,525,199		21,759,699	
Other debts	-		-	
	<b>438,352,869</b>		<b>511,297,394</b>	
Less: Provision for doubtful debts	<b>17,525,199</b>		<b>21,759,699</b>	
		<b>420,827,670</b>		<b>489,537,695</b>
Cash and Bank Balances				
Cash on hand	78,936		41,139	
Balances with non- scheduled banks	7,930,376		7,161,634	
(Refer Note 2 of Schedule 2)		<b>8,009,312</b>		<b>7,202,773</b>
Inventories				
(at cost or net realisable value which ever is lower)				
Raw Materials	4,675,939		4,147,879	
Consumables, spares, tools and tackles	5,962,232		5,802,630	
		<b>10,638,171</b>		<b>9,950,509</b>
Loans and Advances				
Unsecured, Considered good:				
Deposits	857,349		804,545	
Advances recoverable in cash or in kind	12,630,498		23,019,091	
		<b>13,487,847</b>		<b>23,823,636</b>
<b>TOTAL</b>		<b>452,963,000</b>		<b>530,514,613</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
Sundry Creditors				
Due to Holding Company	34,412,828		24,580,520	
Others	99,016,921		183,661,515	
		133,429,749		208,242,035
Advance from Customers		156,843		1,535,205
Other current liabilities		31,310,861		38,738,032
<b>TOTAL</b>		<b>164,897,453</b>		<b>248,515,272</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>				
<b>MANUFACTURING AND OTHER OPERATING EXPENSES</b>				
Raw materials consumed				
Opening stock	4,147,879		8,925,568	
Purchases	298,616,234		588,311,192	
Less: Closing Stock	4,675,939		4,147,879	
		298,088,174		593,088,881
Subcontract charges		2,368,934		5,253,432
Power & Fuel		39,166,246		46,199,161
Consumables and spares		16,009,815		18,133,339
<b>TOTAL</b>		<b>355,633,169</b>		<b>662,674,813</b>
<b>SCHEDULE - I</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages & bonus		64,591,501		70,039,669
Contribution to Gratuity Fund		2,680,543		2,134,983
Staff Welfare expenses		1,214,915		2,052,281
<b>TOTAL</b>		<b>68,486,959</b>		<b>74,226,933</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (Contd.)**

	2010 Rupees	Rupees	2009 Rupees	Rupees
<b>SCHEDULE - J</b>				
<b>SALES, ADMINISTRATION &amp; OTHER EXPENSES</b>				
Rent		23,279,376		33,045,762
Rates & Taxes		4,207,328		6,601,585
Bank Charges		1,727,734		1,944,452
Insurance		7,473,119		7,744,660
Travelling & Conveyance		11,083,394		13,578,302
Transporting and forwarding		1,935,753		625,550
Printing & Stationery		602,809		684,599
Communication expenses		2,744,410		2,787,451
Legal & Professional charges		2,551,214		27,389,961
Loss on sale of fixed assets (net)		2,206,560		303,689
Repairs-others		7,399,759		12,522,397
Testing charges		1,398,189		1,846,514
Provision for doubtful Debts (net of write back)		(3,449,158)		(7,095,508)
Miscellaneous expenses		28,424,143		22,097,284
<b>TOTAL</b>		<b>91,584,630</b>		<b>124,076,698</b>

**SCHEDULE - K****INTEREST AND BROKERAGE**

Interest Paid				
Interest on Loan	13,144,422		18,437,028	
Others	2,537,583		675,439	
		<b>15,682,005</b>		<b>19,112,467</b>
Less: Interest received		43,884		-
<b>TOTAL</b>		<b>15,638,121</b>		<b>19,112,467</b>

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT****SCHEDULE 1****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The accounts have been prepared using historical cost convention and on the basis of going concern, and is made in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956, with revenues recognised and expenses accounted for on accrual, including for committed obligations.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates, is recognized in the period in which the results are known.

**2. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.



## **SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)**

### **3. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) The provision for impairment loss, if any, required or
- b) The reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

### **4. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- a) Plant & Equipment at 10%
- b) Furniture, fixtures and office equipment at 33%
- c) Motor Vehicles at 33%
- d) Leasehold improvements at 5.88%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the assets over its remaining useful life.

### **5. Intangible Assets and Amortisation**

Intangible assets are recognized and amortised as given below:

Leasehold land: over the period of lease (17 years)

Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the revised carrying amount of the assets over its remaining useful life.

### **6. Inventories**

Inventories are stated at the lower of cost and net realizable value after making due allowance for obsolete and slow moving items.

Raw materials, stores, spares and consumables – Weighted average cost

Tools and tackles – Weighted average cost

### **7. Retirement / Termination Benefits**

Accruals for employees end of service benefits comprising of leave salary and end of service gratuity for expatriates is in accordance with Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end.

For UAE nationals, provision for end of service gratuity payable is in accordance with local labour laws.

### **8. Taxation**

As per UAE Legislation, the profits earned by companies doing business in UAE are not liable for any taxation. Hence, no provision for taxation or deferred taxation has been made.

### **9. Foreign currencies**

Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities other than stock are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. Closing stock is valued at average rates.
- e. The resultant difference is accounted as translation reserve in the Balance Sheet.

## **SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)**

### **SCHEDULE 2**

#### **NOTES ON ACCOUNTS**

1) Disclosure of Related Party and Transactions with related parties

i. List of related parties who exercise control over the Company:

<b>S.No</b>	<b>Name of related party</b>	<b>Relationship</b>
1	Larsen & Toubro Limited	Ultimate Holding Company
2	Mr. Majed Mohammed Majed Al Muhari	Shareholder
3	Larsen & Toubro International FZE	Holding Company

ii. List of related parties with whom transactions were carried out during the year and description of relationship

<b>S.No</b>	<b>Name of related party</b>	<b>Relationship</b>
1	Larsen & Toubro Limited	Ultimate Holding Company
2	Larsen & Toubro International FZE	Holding Company

<b>Related Party</b>	<b>Nature of relationship</b>	<b>Amount in Rupees</b>	<b>Nature of transaction</b>	<b>Amount Outstanding in Rupees</b>	
				<b>Due from Related Party</b>	<b>Due to Related Party</b>
Larsen & Toubro Limited	Ultimate Holding Company	<b>26,091,414</b> (23,228,505)	Services received	- (-)	<b>26,091,414</b> (23,228,505)
Larsen & Toubro International FZE	Holding Company	<b>8,321,414</b> (1,352,015)	Services received	- (-)	<b>8,321,414</b> (1,352,015)

(Figures in brackets represent previous year).

iii. No amount has been written off or written back during the year.

2) Balances with non-scheduled banks:

i) Current accounts

(Rupees)

<b>S.No</b>	<b>Bank</b>	<b>As at 31.12.2010</b>	<b>As at 31.12.2009</b>	<b>Maximum amount outstanding at any time during the year</b>	
				<b>2010</b>	<b>2009</b>
1	Mashreq Bank	<b>386,477</b>	7,161,634	<b>475,065</b>	31,283,253
2	Emirates Bank	<b>21,546,057</b>	-	<b>47,651,214</b>	-
	<b>TOTAL</b>	<b>21,932,534</b>	<b>7,161,634</b>		

3) Statutory reserve

In accordance with Article 255 of the UAE Commercial Company Law, 1984, a company must set aside 10% of its net profit every year until it has built up the revenue equal to 50% of the paid up share capital. The reserve is not available for distribution.

4) Taxation

As per UAE Legislation the profits earned by companies doing business in UAE are not liable for any taxation. Hence, no provision for taxation and deferred taxation has been made.

5) Borrowing Cost capitalised during the year Rs. Nil (Previous year Rs. Nil)

6) Auditor's remuneration and expenses charged to the accounts:

	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
Audit fees (Paid to Overseas Auditors only)	<b>434,743</b>	577,003

## SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT (Contd.)

- 7) The Company is a service company and accordingly information required under paragraph 4(c) of Part II of the Schedule VI of the Companies Act, 1956 has not been furnished.
- 8) The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for the impairment in the accounts.
- 9) The Company is engaged only in the business of sale of readymix concrete and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segment Reporting. Further the entire operation of the Company is in the United Arab Emirates only and hence no secondary segment reporting has been made.
- 10) Basic and diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2010	2009
Profit / (loss) after tax as per accounts (Rupees)	(Rupees)	<b>(23,092,147)</b>	152,991,281
No. of shares outstanding	(Nos.)	<b>1,000</b>	1,000
Face value of an equity share	(UAE Dirhams)	<b>1,000.00</b>	1,000.00
Earnings per share (basic and diluted)	(Rupees)	<b>(23,092.15)</b>	152,991.28

- 11) a) Details of Sales made during the year

Particulars	UOM	Quantity	Value in Rs.
Readymix Concrete	Cu.m	<b>159,355</b> (227,477)	<b>555,610,208</b> (1,077,060,464)

- b) Details of Capacities and production:

Particulars	UOM	Licensed Capacity	Installed capacity	Actual production
Readymix Concrete	Cu.m	NA	120 Cum per hour-2 plants	<b>159,355</b> (227,477)

(Figures in bracket indicate previous year)

- |   |                       |                 |
|---|-----------------------|-----------------|
|   | <u>2010</u>           | <u>2009</u>     |
| 12) Contingent Liabilities : Banker' letters of guarantee:  | <b>Rs. 80,034,188</b> | Rs. 132,718,250 |
| 13) Previous year's figures have been reclassified wherever necessary to conform with the presentation adopted in the current year. |                       |                 |

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
Registration No: 003792S  
By the hand of

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368  
Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director

**B. RAMAKRISHNAN**  
Director

Place : Chennai  
Date : March 21, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	5 8 3 1 1 9							State Code	N A	
	Incorporated in UAE									
Balance Sheet Date	3	1		1	2		2	0	1	0
	Date		Month			Year				

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	N I L							Rights Issue	N I L		
Bonus Issue	N I L							Private Placement	N I L		

\*includes advance against equity commitment

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Sources of Fund	Total Liabilities	7 5 6 2 1 1							Total Assets	7 5 6 2 1 1						
	Paid-up Capital	1 2 6 7 0							Reserves & Surplus	1 8 0 9 7 3						
	Secured Loans	2 3 1 0 4 7							Unsecured Loans	3 3 1 5 2 2						
Application of Funds	Net Fixed Assets and net Intangible Assets	4 5 2 0 9 1							Investments	N I L						
	Net Current Assets	2 8 8 0 6 6							Deferred tax	N I L						
	Misc. Expenditure	N I L							Accumulated Losses	N I L						
	Translation Loss	1 6 0 5 5														

**IV. Performance of Company (Amount in Rs. Thousands)**

	Turnover (Including other income)	5 8 2 8 2 6							Total Expenditure	6 0 5 9 1 8						
+ -	Profit / Loss Before Tax	2 3 0 9 2							Profit / Loss After Tax	2 3 0 9 2						
+ -	Basic Earnings Per Share in Rs.	2 3 0 9 2 . 1 5							Dividend Rate %	N I L						

**V. Generic Names of Principal Products/Services of the Company (as per monetary items)**

Item Code No. (ITC Code)	N A						
Product Descriptions	READYMIX CONCRETE						

For and on behalf of the Board

**S. N. SUBRAHMANYAN**  
Director

**B. RAMAKRISHNAN**  
Director

Place : Chennai  
Date : March 21, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Third Annual Report on the affairs of the Company and Statutory Auditors Report thereon. The summarized financial results for the year ended December 31, 2010 are as under:

### 1. PRINCIPAL ACTIVITY

The Company holds a license for investment of own resources and has completed construction of a Heavy-Lift cum Pipe-lay vessel at Singapore on March 29, 2010. The Company commenced commercial operations on July 13, 2010.

### 2. FINANCIAL RESULTS

The Company has given LTS 3000 on time charter from July 13, 2010 to November 13, 2010 to SapuraCrest. The Vessel was employed for 124 days prior to transfer to new joint venture company in India. The Company has made profit during the year and wiped out the previous losses.

Particulars	2010		2009	
	Amount (USD)	Amount (Rs lakhs)	Amount (USD)	Amount (Rs lakhs)
Total Income / (Loss) for the year	4,298,341	1,964.90	(1,820,136)	(881.16)
Issued and paid-up capital (AED 250,000)	67,845	27.19	67,845	27.19
Advance from parents	-	-	35,532,155	16,533.11

As of December 31, 2010, the Company has an issued and paid-up capital of USD 67,845 (AED 250,000). During the year LTS 3000 was sold to L&T Sapura Shipping Pvt Ltd at net book value of Rs. 73,689.48 lakhs (USD 161,200,000) and has assigned loan from BNP Paribas of Rs. 56,654.64 lakhs (USD 126,730,000) and loan from SapuraCrest Ventures Sdn Bhd of Rs. 6,353.92 lakhs (USD 14,213,000) to L&T Sapura Shipping Pvt Ltd.

### 3. CAPITAL EXPENDITURE

As at December 31, 2010, the Capital Work-in-Progress of Rs. 73,257.32 lakhs (USD 163,868,302) was capitalized during the year.

### 4. YEAR UNDER RETROSPECT

Your Company has completed the construction of the Heavy Lift Pipe Lay Vessel at shipyard in Singapore and had taken delivery of Vessel on Mach 29, 2010 and after sea trials of the Vessel, she was employed on July 13, 2010. During first year of operation, your Company has achieved the net profit of Rs. 1,964.90 lakhs (USD 4,298,341) and as result of this accumulated loss of Rs. 1,711.78 lakhs (USD 3,779,102) was wiped out and have recorded positive net worth of Rs. 280.31 lakhs (USD 587,084).

As envisaged in the Joint Venture Agreement the LTS 3000 was transferred on November 18, 2010 to New Joint Venture Company formed in India namely L&T Sapura Shipping Pvt Ltd, at book value of Rs. 73,689.48 lakhs (USD 161,200,000) alongwith BNP Paribas loan of Rs. 56,654.64 lakhs (USD 126,730,000).

### 5. DIRECTORS

The Directors of the Company as at December 31, 2010 are:

Mr. K. Venkataramanan – Chairman

Mr. U. Dasgupta

Datuk Shahril Shamsuddin – Vice Chairman

Mr. R. Shankar Raman

Mr. Rohaizad Bin Darus

Mr. R. Srivatsan

### 6. DIRECTORS INTEREST IN SHAREHOLDING

None of the Directors are having any shareholding interest in the Company.

### 7. DIVIDEND

Directors do not recommend any dividend for the current year.

### 8. AUDITORS

The accounts for the year have been audited by M/s PKF. The auditors have expressed their willingness to continue in office for the year 2011, if re-appointed. A resolution relating to their appointment and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting. The Directors recommend that M/s PKF, Chartered Accountants, be appointed as the Statutory Auditors of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

### 9. AUDITORS' REPORT

The Auditor's Report to the shareholders does not contain any qualification. The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments of Directors.

## OFFSHORE INTERNATIONAL FZC

### 10. POST BALANCE SHEET EVENTS

The shareholders approved the winding-up of the Company at the Extra-Ordinary General Meeting of the Company held on April 26, 2011, at Sharjah, U.A.E.

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the Accounting Standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors 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 December 31, 2010;
- III. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the statutory provisions for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. that the annual accounts have been prepared on a going concern basis.

### 12. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the bankers, employees of the Company, staff and management of the parent company and its subsidiaries.

For and on behalf of the Board

Place : Mumbai  
Date : May 18, 2011

U. DASGUPTA

K. VENKATARAMANAN  
Directors

## AUDITORS' REPORT

### TO THE MEMBERS OF OFFSHORE INTERNATIONAL FZC

The financial statements of Offshore International FZC for the year ended December 31, 2010, being a company registered in the United Arab Emirates, are audited by PKF and we have been furnished with their audit report dated March 30, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Offshore International FZC as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year to 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that :

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the United Arab Emirates, no reporting is required to be made under the said section.

#### Emphasis of matter

Without qualifying our opinion, we draw attention to note 3(l) in Schedule K regarding the shareholders approval for winding up of the Company at the extra ordinary general meeting held on April 26, 2011 at Sharjah, UAE.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule K and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;

- 2 in the case of Profit and Loss Account, of profit for the year ended on that date; and  
 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 109982W)  
 By the hand of

**FIRDOSH D. BUCHIA**  
 Partner  
 Membership No. 38332

Place : Mumbai  
 Date : May 18, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- (i) The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company has no inventories and accordingly paragraphs 4(ii)(a), (b) and (c) are not applicable.
- (iii) There are no loans, secured or unsecured, either granted to companies, firms or other parties. There are unsecured loans taken from shareholders. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the United Arab Emirates. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (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 for the purchase of fixed assets. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) The Company's share capital and reserves were less than Rs. 50 lakhs at the commencement of the year, hence paragraph 4(vii) of the Order is not applicable.
- (viii) The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) The Company being registered in the United Arab Emirates has no statutory liabilities in India and accordingly reporting under paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company is in existence for a year of less than five years, hence reporting under paragraph 4(x) of the Order is not applicable.
- (xi) According to the information and explanations given by management, the Company has neither borrowed from an Indian financial institution nor has it issued any debentures. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a bank.
- (xii) According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has availed term loans during the year and, according to the information and explanations given to us, the term loans were used for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to any party during the year.
- (xix) The Company has not issued debentures during the year and accordingly, no security is required to be provided.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 109982W)  
 By the hand of

**FIRDOSH D. BUCHIA**  
 Partner  
 Membership No. 38332

Place : Mumbai  
 Date : May 18, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	<u>Schedules</u>	<u>As at 31.12.2010</u>		<u>As at 31.12.2009</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	<b>A</b>	<b>2,718,503</b>		2,718,503	
Reserves & Surplus	<b>B</b>	<b>23,527,142</b>	<b>26,245,645</b>	(175,403,296)	(172,684,793)
<b>LOAN FUNDS</b>					
Secured Loans	<b>C</b>	-		4,366,808,060	
Unsecured Loans	<b>D</b>	-	-	1,653,311,172	6,020,119,232
<b>TOTAL</b>			<b>26,245,645</b>		<b>5,847,434,439</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>	<b>E</b>		-		5,614,677,713
<b>Current assets, loans and advances</b>	<b>F</b>				
Cash and bank balances		<b>312,599,075</b>		326,118,695	
Sundry Debtors		<b>32,510,244</b>		-	
Loans and advances		-		12,840,386	
		<b>345,109,319</b>		338,959,081	
Less: <b>Current liabilities and provisions</b>	<b>G</b>	<b>318,863,674</b>		106,202,355	
Net current assets			<b>26,245,645</b>		232,756,726
<b>TOTAL</b>			<b>26,245,645</b>		<b>5,847,434,439</b>
<b>CONTINGENT LIABILITIES</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	<b>H</b>				
	<b>K</b>				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 18, 2011

**U. DASGUPTA**

Director

Place : Mumbai

Date : May 18, 2011

**K. VENKATARAMANAN**

Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	<u>2010 Rupees</u>	<u>2009 Rupees</u>
<b>INCOME</b>			
Income from operation		890,431,174	–
Other Income		48,227	–
<b>TOTAL</b>		<b>890,479,401</b>	<b>–</b>
<b>EXPENDITURE</b>			
Operating expenses	I	356,558,790	–
Administration & Other expenses	J	164,780,361	88,116,230
Finance cost		45,731,867	–
Depreciation		126,917,928	–
<b>TOTAL</b>		<b>693,988,946</b>	<b>88,116,230</b>
<b>Profit / (Loss) during the year</b>		<b>196,490,455</b>	<b>(88,116,230)</b>
Add: Balance carried forward from previous period		<b>(171,177,871)</b>	<b>(83,061,641)</b>
<b>Balance carried to Balance Sheet</b>		<b>25,312,584</b>	<b>(171,177,871)</b>
Earning per share: Basic & Diluted		<b>785,961.82</b>	<b>(352,464.92)</b>
Face Value per equity share (AED 1000)			
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>K</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 18, 2011

**U. DASGUPTA**

Director

Place : Mumbai

Date : May 18, 2011

**K. VENKATARAMANAN**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net profit / (Loss) before tax	196,490,455	(88,116,230)
Adjustments for		
Depreciation	126,917,928	-
Unrealised foreign exchange difference - gain or loss in operating activities	(7,131,886)	3,425,315
<b>Operating profit before working capital changes</b>	<b>316,276,497</b>	<b>(84,690,915)</b>
(Increase) / decrease in trade and other receivables	(20,173,484)	(8,574,314)
Increase / (decrease) in trade payables	216,826,787	(304,102,187)
<b>Cash (used in) / generated from Operating Activities</b>	<b>512,929,800</b>	<b>(397,367,416)</b>
<b>B. Cash Flow from Investing Activities</b>		
Addition to Capital Work in Progress	(1,931,273,662)	(1,760,027,206)
Sale of fixed assets	7,201,613,346	-
<b>Net Cash (used in) / from Investing Activities</b>	<b>5,270,339,684</b>	<b>(1,760,027,206)</b>
<b>C. Cash Flow from Financing activities</b>		
(Repayments) / Proceeds from other borrowings	(4,195,533,083)	1,775,363,914
Loans from Subsidiary and Associate Companies ( net of repayment)	(1,588,464,989)	372,240,000
<b>Net cash (used in) / from Financing Activities</b>	<b>(5,783,998,072)</b>	<b>2,147,603,914</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(728,588)</b>	<b>(9,790,708)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>326,118,695</b>	<b>351,647,260</b>
<b>Foreign Exchange difference in cash and cash equivalents</b>	<b>(12,791,032)</b>	<b>(15,737,857)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>312,599,075</b>	<b>326,118,695</b>

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 18, 2011

**U. DASGUPTA**

Director

Place : Mumbai

Date : May 18, 2011

**K. VENKATARAMANAN**

Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
250 Equity shares of AED 1,000 each	2,718,503	2,718,503
<b>Issued, Subscribed and Paid-up</b>		
250 Equity shares of AED 1,000 each, fully paid up	2,718,503	2,718,503
<b>TOTAL</b>	<b>2,718,503</b>	<b>2,718,503</b>

Note: 60% of the equity shares held by Larsen & Toubro International FZE, Sharjah, UAE a wholly owned subsidiary of Larsen & Toubro Ltd, India and 40% is held by SapuraCrest Venture Sdn Bhd, Malaysia (formerly Petro-Plus Sdn Bhd, Malaysia)

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
Profit & Loss account	25,312,584	(171,177,871)
Translation Reserve	(1,785,442)	(4,225,425)
	<b>23,527,142</b>	<b>(175,403,296)</b>
<b>TOTAL</b>	<b>23,527,142</b>	<b>(175,403,296)</b>

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Loan from BNP Paribas, Singapore (formerly known as Fortis Bank SA/NV, Singapore)	-	4,366,808,060
<b>TOTAL</b>	<b>-</b>	<b>4,366,808,060</b>

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - D</b>		
<b>UNSECURED LOANS</b>		
From Shareholders		
Larsen & Toubro International FZE	-	991,980,282
SapuraCrest Ventures Sdn Bhd (formerly Petro-Plus Sdn. Bhd.)	-	661,330,890
	<b>-</b>	<b>1,653,311,172</b>
<b>TOTAL</b>	<b>-</b>	<b>1,653,311,172</b>

**SCHEDULE - E**  
**FIXED ASSETS**

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION			NET BLOCK		
	Balance as at 01.01.2010	Additions during the year	Deductions during the year	Balance as at 31.12.2010	Balance as at 01.01.2010	Depreciation charge for the year	Deductions during the year	Balance as at 31.12.2010	Balance as at 31.12.2010	Balance as at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Vessel LTS 3000	-	7,325,732,444	(7,325,732,444)	-	-	126,917,928	(126,917,928)	-	-	-
Capital work-in-progress		7,325,732,444	(7,325,732,444)	-	-	126,917,928	(126,917,928)	-	-	5,614,677,713
<b>TOTAL</b>	<b>-</b>	<b>7,325,732,444</b>	<b>(7,325,732,444)</b>	<b>-</b>	<b>-</b>	<b>126,917,928</b>	<b>(126,917,928)</b>	<b>-</b>	<b>-</b>	<b>5,614,677,713</b>

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>Current Assets</b>				
Balances with Non Scheduled Banks				
In Current Account (refer Note 3 (c))	178,482,659		326,118,695	
In Fixed Deposit	134,116,416		-	
		<b>312,599,075</b>		326,118,695
Sundry Debtors		<b>32,510,244</b>		
Loans & Advances				
Prepaid expenses	-		1,402,131	
Deposits	-		1,167,318	
Other receivable	-	-	10,270,937	12,840,386
<b>TOTAL</b>		<b>345,109,319</b>		<b>338,959,081</b>
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Due to Holding Company	37,838,985		34,435,664	
Due to Others	281,024,689		57,807,617	
Interest Accrued but not due	-		13,959,074	
		<b>318,863,674</b>		106,202,355
<b>TOTAL</b>		<b>318,863,674</b>		<b>106,202,355</b>
<b>SCHEDULE - H</b>				
<b>CONTINGENT LIABILITIES</b>				
Letters of credit		-		255,878,660
<b>TOTAL</b>		-		<b>255,878,660</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	2010 Rupees	2009 Rupees
<b>SCHEDULE - I</b>		
<b>OPERATING EXPENSES</b>		
Crew wages & related expenses	71,977,302	–
Insurance	14,230,920	–
Spares, Repairs & Maintenance	221,388,632	–
Vessel operation cost	48,961,936	–
<b>TOTAL</b>	<b>356,558,790</b>	<b>–</b>
<b>SCHEDULE - J</b>		
<b>ADMINISTRATION &amp; OTHER EXPENSES</b>		
Bank Charges	766,383	422,526
Car hire charges	532,092	–
Forex Gain/Loss	4,434,074	(977,972)
Membership & Subscription	541,828	567,080
Office Rent	427,824	304,795
Other Expenses	1,236,375	821,534
Professional Fees	26,158,795	1,339,050
Rental charges	3,926,947	–
Service Charges	123,089,020	84,276,587
Software Lease & License Charges	3,667,023	1,362,630
<b>TOTAL</b>	<b>164,780,361</b>	<b>88,116,230</b>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - K****1) LEGAL STATUS**

Offshore International FZC is a free zone company registered in Hamriyah Free Zone, Sharjah with limited liability under the Hamriyah Free Zone Implementing Rules and Regulations issued pursuant to Sharjah Emiri Decree No.6 of 1995.

The Company was registered on 13 May 2007 initially as free zone establishment under the name "L&T Offshore International FZE". Subsequently, effective 23 September 2007, the Company was converted to a free zone company with the name changed to "Offshore International FZC".

The Company holds license of investment of own resources and has completed the construction of a heavy lift cum pipe lay vessel.

**2) SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) except for the revaluation of certain Fixed Assets, in compliance with the provisions of the Companies Act, 1956 and the Accounting Standard (as specified in the Companies (Accounting Standards) Amendment Rules 2009 prescribed by Central Government. However, certain escalation and other claims, which are not ascertainable / acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the year, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimate include the useful life of tangible and intangible fixed assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates is recognized in the year in which the results are known.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **b. Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the year in which they are incurred less any investment income on the temporary investment of those borrowings.

### **c. Capital Work in Progress**

Capital work-in-progress represents milestone payments against construction of heavy lift cum pipe lay vessel. The costs has been transferred to the relevant asset and depreciation has been provided from the date the relevant assets were put to use.

### **d. Foreign Currency Transactions**

The reporting currency of the company is US Dollar (USD). Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. The resultant difference is accounted as translation reserve in the Balance Sheet.

### **e. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has present obligation as a result of past event,
- b. a probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- b. a present obligation arising from past events, when no reliable estimate is possible;
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

### **3) NOTES ON ACCOUNTS:**

#### **a. (I) List of related parties who exercise control:**

Larsen & Toubro Limted	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

#### **(II) List of related parties with whom transactions were made:**

Larsen & Toubro Limted	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
SapuraCrest Venture Sdn Bhd (formerly Petro-Plus Sdn. Bhd.)	Shareholder
TL Offshore Sdn Bhd	Fellow Subsidiary
L&T Sapura Shipping Private Limited	Fellow Subsidiary

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****(III) Disclosure of Transactions with related parties:**

Related Party	Nature of relationship	Amount		Nature of transaction	Amount Outstanding			
					Due from related parties		Due to related parties	
					2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Larsen & Toubro International FZE	Holding Company	(953,072,824)	991,980,282	Shareholders Loan	-	-	-	991,980,282
SapuraCrest Venture Sdn. Bhd.	Shareholder	(635,392,165)	661,330,890	Shareholders Loan	-	-	-	661,330,890
Larsen & Toubro Limited	Ultimate Holding Company	4,193,718	27,539,485	Capital Work in Progress	-	-	-	15,445,111
Larsen & Toubro Limited	Ultimate Holding Company	66,530,309	61,049,139	Service Charges	-	-	37,808,552	18,979,784
Larsen & Toubro International FZE	Holding Company	3,251,023	357,239	Reimbursement for Hamriyah Free Zone Expenses paid & Interest on short term loan	-	-	30,432	10,769
SapuraCrest Venture Sdn. Bhd.	Shareholder	2,417,490	28,634,141	Capital Work in Progress	-	-	-	15,508,848
SapuraCrest Venture Sdn. Bhd.	Shareholder	51,658,885	24,592,884	Service Charges	-	-	13,234,023	10,466,509
TL Offshore Sdn Bhd	Fellow Subsidiary	29,726,962	-	Service Charges	-	-	27,215,437	-
L&T Sapura Shipping Private Limited	Fellow Subsidiary	7,368,948,000	-	Sale of vessel LTS 3000	-	-	-	-
L&T Sapura Shipping Private Limited	Fellow Subsidiary	5,665,464,650	-	Transfer of Term Loan from BNP Paribas, Singapore	-	-	-	-
L&T Sapura Shipping Private Limited	Fellow Subsidiary	635,392,165	-	Transfer of Loan from Nautical Power Pte Ltd.	-	-	-	-

**b. Balances with non-scheduled banks**

Bank	As at		Maximum amount outstanding at any time during the period	
	31.12.2010 Rupees	31.12.2009 Rupees	2010 Rupees	2009 Rupees
HSBC Bank Middle East Limited, Abu Dhabi (In Current Account)	6,920,620	326,118,695	1,434,263,464	887,801,847
BNP Paribas, Singapore (in current Account)	171,562,039	-	450,445,130	-

**c. Secured Loan**

The long term loan availed from BNP Paribas, Singapore branch has been transferred to L&T Sapura Shipping Private Limited along with sale of Vessel.

**d. Loans from Shareholders**

Interest free long term loans from SapuraCrest Ventures Sdn Bhd transferred to L&T Sapura Shipping Private Limited along with Vessel and from L&T International FZE repaid during the year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****e. Taxation**

Since the Company is registered in Hamriyah Free Zone, Sharjah there is no income tax liability.

**f. Borrowing cost Capitalised**

	As at	
	31.12.2010 Rupees	31.12.2009 Rupees
Borrowing cost capitalised during the year	140,192,864	101,307,400

g. There are no transactions with micro and small enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 2006, during the year.

h. Auditor's remuneration and expenses charged to the accounts:

Particulars	As at	
	31.12.2010 Rupees	31.12.2009 Rupees
Audit Fees	323,521	342,684

i. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Rs. Nil (*Previous Period Rs. 933,251,001*)

**j. Exchange rate risk**

There are no significant exchange rate risks as substantial financial assets and financial liabilities are denominated in US Dollars or UAE Dirhams which is fixed to the US Dollars.

Unhedged foreign currency exposures as at year end are as under:

Particulars	As at	
	31.12.2010 Rupees	31.12.2009 Rupees
Payables	104,774,875	29,402,307

**k. Earnings per Share**

Particulars	As at	
	31.12.2010 Rupees	31.12.2009 Rupees
Profit / (loss) as per Profit & Loss Account	196,490,455	(88,116,230)
Average number of equity shares	250	250
Basic EPS (Rs.)	785,961.82	(352,464.92)

**l. Post balance sheet event**

The shareholders approved the winding-up of the Company at the Extra-Ordinary General Meeting of the Company held on 26 April 2011, at Sharjah, U.A.E.

The Board of Directors of the Company is of the opinion that the assets of the Company are stated at their realisable values. Further, the Company does not expect any material liabilities to arise subsequent to the Balance Sheet date. Liabilities for winding up the Company are not expected to be material and the assets of the Company are adequate to discharge them.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

m. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. 

				1	7	4	6
--	--	--	--	---	---	---	---

State Code 

						N	A
--	--	--	--	--	--	---	---

Incorporated in Hamriyah Free Zone, Sharjah

Balance Sheet Date 

3	1		1	2		2	0	1	0
Date		Month			Year				

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue

				N	I	L
--	--	--	--	---	---	---

Bonus Issue

				N	I	L
--	--	--	--	---	---	---

Rights Issue

				N	I	L
--	--	--	--	---	---	---

Private Placement

				N	I	L
--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities

		2	6	2	4	6
--	--	---	---	---	---	---

Total Assets

		2	6	2	4	6
--	--	---	---	---	---	---

**Sources of Fund**

Paid-up Capital

		2	7	1	9
--	--	---	---	---	---

Secured Loans

--	--	--	--	--	--	--

Reserves &amp; Surplus

		2	3	5	2	7
--	--	---	---	---	---	---

Unsecured Loans

--	--	--	--	--	--	--

**Application of Funds**

Net Fixed Assets and net Intangible Assets

--	--	--	--	--	--	--

Net Current Assets

		2	6	2	4	6
--	--	---	---	---	---	---

Misc. Expenditure

				N	I	L
--	--	--	--	---	---	---

Investments

				N	I	L
--	--	--	--	---	---	---

Deferred Tax

				N	I	L
--	--	--	--	---	---	---

Accumulated Losses

				N	I	L
--	--	--	--	---	---	---

**IV. Performance of Company** (Amount in Rs. Thousands)

Turnover (Including other income)

		8	9	0	4	7	9
--	--	---	---	---	---	---	---

+ -

+	
---	--

Profit / Loss Before Tax

		1	9	6	4	9	0
--	--	---	---	---	---	---	---

+ -

+	
---	--

Total Expenditure

		6	9	3	9	8	9
--	--	---	---	---	---	---	---

Profit / Loss After Tax

		1	9	6	4	9	0
--	--	---	---	---	---	---	---

+ -

+	
---	--

Basic Earning per Share (in Rs.)

7	8	5	9	6	1.	8	2
---	---	---	---	---	----	---	---

Dividend Rate %

				N	I	L
--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code No. 

				N	.	A	.
--	--	--	--	---	---	---	---

(ITC Code)

Product Descriptions 

OFFSHORE INSTALLATION SERVICES
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As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 18, 2011

**U. DASGUPTA**

Director

Place : Mumbai

Date : May 18, 2011

**K. VENKATARAMANAN**

Director

## **DIRECTORS' REPORT**

### **REVIEW OF OPERATIONS:**

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and Audited Accounts of L&T Electrical & Automation FZE (LTEAFZE) for the year ended December 31, 2010.

### **OVERVIEW OF THE YEAR:**

The year under review is the second full year of operations for the Company. During the year, the Company moved from a rented premise to its own Integration Centre constructed on a plot area of 11,249 Sq m in Jebel Ali Free Zone, Dubai.

During the year, the Company received new orders for Emarat Oil Terminal Expansion in Fujairah, DEWA 308 water pipeline project, Public Authority for Electricity & Water in Oman and Ashghal Sewage Treat Plant Controls in Qatar.

### **YEAR IN RETROSPECT:**

The Company was able to secure order inflows of AED 94.17 Mn during the year and sales were AED 92.59 Mn. The order inflow remained low due to the slowdown in the Middle East in early 2010. The Company made a net profit of AED 14.68 Mn during the year.

### **FINANCE:**

During the year 2010, the Company had taken all initiatives in controlling the working capital and overhead expenses.

### **CAPITAL EXPENDITURE:**

The construction of its Integration Centre was completed during the year. At the year end the Gross Fixed Assets stood at AED 13.02 Mn and Net Fixed Assets at AED 11.98 Mn.

### **CURRENT BUSINESS SCENARIO:**

The Oil & Gas, Utility and Infrastructure segments are looking up in KSA, UAE, Qatar and Kuwait markets with significant investments announced over next 3-5 years. With major customer approvals in place, LTEAFZE is focusing as a Turnkey Automation, Telecommunication & Electrical Subcontractor with EPC players and with end users for brown field projects.

### **PERFORMANCE PARAMETERS:**

Particulars	Value in AED / Mn	
	2010	2009
Order Booking	94.17	69.27
Sales	92.59	92.52
Order Backlog	42.64	41.06

### **PERSONNEL:**

There are 60 staff employed as on December 31, 2010.

### **FUTURE OUTLOOK:**

#### • **Industry**

The second half of FY2010 saw slow movement of projects impacting order inflows for the Company. However, market is looking up and the orders are expected to come up for decision making in the first half of the FY 2011.

#### • **Company**

LTEAFZE remains competitive in high end turnkey Automation, Electrical & Telecommunication Solutions and Systems business and has created a niche in the market place with its on-time Project Execution capabilities in Oil & Gas and Water, waste water management solutions. The Major focus during the year was to close DEWA and other projects and get customer approvals in Abu Dhabi and Oman. With investment in Infrastructure in Middle East, the Company is exploring entering into Automation in this segment in next 1-2 years. This is expected to open avenues for the Company as a Systems Integrator in various Oil & Gas companies in Abu Dhabi, Oman and Qatar, and is expected to increase participation in various projects.

For and on behalf of the Board

Place : Mumbai  
Date : May 27, 2011

**J. P. SINGH**  
Director

**V. K. ARORA**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T ELECTRICAL & AUTOMATION FZE

The financial statement of L&T Electrical & Automation FZE for the year ended December 31, 2010, being a Company registered in the Jebel Ali Free Zone, Dubai with limited liability under the Law No.9 of 1992 and implementing regulations issued there under by the Jebel Ali Free Zone prepared by management and are audited by the statutory auditors in the Dubai by PKF Accountants & Business advisers dated March 22, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under

We have audited the attached balance sheet of L&T Electrical & Automation FZE as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period 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.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in Annexure above, we report as under:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - e) as regard reporting on the disqualification of director under Section 274(1)(g) of Companies Act 1956 are not applicable, since the Company is registered in the Jabel Ali Free Zone, Dubai.

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 appearing in schedule 'I', gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:

- 1 in the case of the Balance Sheet, of the state of the Company's affairs as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 27, 2011

## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph (1) of our report of even date)*

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has physically verified fixed assets during the year.  
(c) The Company has not disposed any fixed assets during the year.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable interval during the year. In our opinion, the frequency of such verification is reasonable  
(b) As per the information given to us, the procedures of physical Verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of the business  
(c) The Company is maintaining proper records of inventory. The descriptions noticed on verification between the physical stock and the book records were not material.
- 3 There are no loans secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Dubai.
- 4 In our opinion and according to the information given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal system.
- 5 The Company is incorporated in the Dubai and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- 7 In our opinion the Company has an internal audit system commensurate with its size and nature of its business.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 as the Company is incorporated in Dubai.
- 9 The Company being registered in Dubai, has no statutory liability in India and accordingly reporting for paragraph 4(ix)(a) and (b) is not required.
- 10 The Company has been registered for less than five years and hence clause 4(x) of the Order is not applicable.
- 11 The Company has not defaulted in repayment of dues to financial institutions.
- 12 According to the information and explanations given 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.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 The Company is not dealing or trading in shares or securities.
- 15 The Company has not given guarantees for loans taken by others from banks or financial institutions.
- 16 In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- 17 According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued any debentures during the year.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 109982W)*  
*By the hand of*

*Place : Mumbai*  
*Date : May 27, 2011*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		10,872,110		10,872,110
Reserves & Surplus	B		387,172,117		211,433,387
<b>Loan Funds</b>					
Secured Loan - from bank		68,196,462		–	
Unsecured Loan - from Shareholder		33,165,725		34,127,825	
			101,362,187		34,127,825
<b>TOTAL</b>			<b>499,406,414</b>		<b>256,433,322</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	C	161,579,470		13,049,482	
Less: Depreciation		12,901,399		3,457,629	
Net block		148,678,071		9,591,853	
Capital Work-in-progress		–		778,842	
			148,678,071		10,370,695
<b>Current Assets, Loans and Advances</b>					
Sundry debtors	D	783,083,646		284,893,043	
Inventories		10,272,204		9,311,744	
Cash and Bank balances		92,994,968		307,807,505	
Loans and advances		77,886,488		20,569,022	
		964,237,306		622,581,314	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	E	613,508,963		376,518,687	
<b>Net Current Assets</b>			<b>350,728,343</b>		<b>246,062,627</b>
<b>TOTAL</b>			<b>499,406,414</b>		<b>256,433,322</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	I				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**J. P. SINGH**  
Director

**V. K. ARORA**  
Director

Place : Mumbai  
Date : May 27, 2011

Place : Mumbai  
Date : May 27, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales			1,158,404,283		1,231,436,941
<b>EXPENDITURE</b>					
Manufacturing, Construction and Operating expenses	F	787,957,783		860,184,986	
Staff Expenses	G	77,626,601		53,051,636	
Sales, Administration and other expenses	H	102,637,119		133,816,184	
Depreciation		9,657,814		2,521,649	
			<b>977,879,317</b>		<b>1,049,574,455</b>
<b>Profit from Operating Activities</b>			<b>180,524,966</b>		<b>181,862,486</b>
Interest Income			2,882,654		–
<b>Profit before Tax</b>			<b>183,407,620</b>		<b>181,862,486</b>
Less: Provision for current taxes			–		–
<b>Profit after tax</b>			<b>183,407,620</b>		<b>181,862,486</b>
Balance brought forward from previous year			216,265,612		34,403,126
<b>Balance carried forward to Balance Sheet</b>			<b>399,673,232</b>		<b>216,265,612</b>
Earnings per equity share: basic			183,407,620		181,862,486
Face Value per Equity Share (AED 1,000,000)			10,872,110		10,872,110
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	I				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**J. P. SINGH**

Director

**V. K. ARORA**

Director

Place : Mumbai  
Date : May 27, 2011

Place : Mumbai  
Date : May 27, 2011

**CASH FLOW STATEMENT FOR YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A Cash flow from Operating Activities</b>		
Net Profit / (Loss) before tax	180,524,966	181,862,486
<b>Adjustments for</b>		
Depreciation	9,657,814	2,521,649
Translation Reserve	(8,845,034)	(11,457,214)
<b>Operating Profit before working capital changes</b>	<b>181,337,746</b>	<b>172,926,921</b>
(Increase) / decrease in trade and other receivables	(556,468,529)	(84,164,721)
Increase / (decrease) in trade and other payables	236,990,276	186,614,918
<b>Cash generated from operations</b>	<b>(138,140,507)</b>	<b>275,377,118</b>
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(147,751,146)	(8,628,472)
Interest income	2,882,654	
<b>Net Cash (used in) / from Investing Activities</b>	<b>(144,868,492)</b>	<b>(8,628,472)</b>
<b>C Cash Flow from Financing Activities</b>		
Bank Loan	68,196,462	-
(Repayments) / Proceeds from short-term borrowings	-	-
<b>Net Cash (used in) / from Financing Activities</b>	<b>68,196,462</b>	<b>-</b>
<b>Net (decrease) / increase in Cash and Cash equivalents</b>	<b>(214,598,493)</b>	<b>266,748,646</b>
<b>Cash and Cash equivalents at beginning of year</b>	<b>307,807,505</b>	<b>41,058,859</b>
<b>Cash and Cash equivalents at end of year</b>	<b>92,994,968</b>	<b>307,807,505</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standards (AS) - 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents at the beginning and end of the period represent cash and bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

Place : Mumbai  
Date : May 27, 2011

**J. P. SINGH**

Director

Place : Mumbai  
Date : May 27, 2011

**V. K. ARORA**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
1 Share of AED 1 Million per share	<u>10,872,110</u>	<u>10,872,110</u>
<b>Issued, Subscribed and Paid-up:</b>		
1 Share of AED 1 Million per share	<u>10,872,110</u>	<u>10,872,110</u>
<b>TOTAL</b>	<u><u>10,872,110</u></u>	<u><u>10,872,110</u></u>

<b>SCHEDULE - B</b>		
<b>RESERVES &amp; SURPLUS</b>		
Profit & Loss Account	399,673,232	216,265,612
Translation Reserve	<u>(12,501,115)</u>	<u>(4,832,225)</u>
<b>TOTAL</b>	<u><u>387,172,117</u></u>	<u><u>211,433,387</u></u>

**SCHEDULE - C**  
**FIXED ASSETS**

Particulars	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in translation reserve	Additions	Retirements	As on 31.12.2010	As at 01.01.2010	Exchange difference included in translation reserve	Depreciation for the year	Retirements	As on 31.12.2010	As on 31.12.2009	As on 31.12.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	296,173	(24,309)	-	-	271,864	138,132	(8,474)	91,343	-	221,001	158,041	50,863
Computer & Data Processing	841,431	(49,457)	1,761,858	-	2,553,832	347,812	(26,330)	492,268	-	813,750	493,619	1,740,082
Canteen Equipment	7,520	3,054	-	-	10,574	4,218	1,921	3,553	-	9,692	3,302	882
Furniture & Fixtures	7,095,500	(294,416)	3,759,355	-	10,560,439	2,209,544	(33,394)	2,936,707	-	5,112,857	4,885,956	5,447,582
Aircondition & Refrg	1,583,404	(115,611)	-	-	1,467,793	154,531	(52,588)	493,157	-	595,100	1,428,873	872,693
Office Equipments	1,080,477	(71,999)	5,177,953	-	6,186,431	251,154	(35,303)	1,129,869	-	1,345,720	829,323	4,840,711
Vehicles	2,144,977	(60,469)	273,020	-	2,357,528	352,238	(29,986)	771,739	-	1,093,991	1,792,739	1,263,537
Building	-	-	138,171,009	-	138,171,009	-	(29,890)	3,739,178	-	3,709,288	-	134,461,721
<b>Total Tangible assets</b>	<b>13,049,482</b>	<b>(613,207)</b>	<b>149,143,195</b>	<b>-</b>	<b>161,579,470</b>	<b>3,457,629</b>	<b>(214,044)</b>	<b>9,657,814</b>	<b>-</b>	<b>12,901,399</b>	<b>9,591,853</b>	<b>148,678,071</b>
Previous Year	-	-	8,610,443	-	13,049,482	-	-	2,521,649	-	3,457,629	9,591,853	-
Capital WIP											778,842	-
											10,370,695	148,678,071

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - D</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Sundry Debtors</b>		
Debts outstanding for more than 6 months		
Considered Good	213,344,244	87,108,116
Other Debts		
Considered Good	<u>569,739,402</u>	<u>197,784,927</u>
	<u><u>783,083,646</u></u>	<u><u>284,893,043</u></u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>Inventories</b>		<b>10,272,204</b>		<b>9,311,744</b>
<b>Cash and Bank balances</b>				
Cash and cheques in hand	<b>9,134</b>		<b>14,035,711</b>	
Balances with non-scheduled banks	<b>92,985,834</b>		<b>293,771,794</b>	
		<b>92,994,968</b>		<b>307,807,505</b>
<b>Loans and advances</b>				
Prepaid expenses	<b>4,425,791</b>		<b>3,103,493</b>	
Other receivables	<b>57,637,376</b>		<b>13,919,300</b>	
Deposits	<b>15,823,321</b>		<b>3,546,229</b>	
		<b>77,886,488</b>		<b>20,569,022</b>
<b>TOTAL</b>		<b>964,237,306</b>		<b>622,581,314</b>

**SCHEDULE - E****CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

Due to ultimate holding Company	<b>52,906,796</b>		<b>18,642,208</b>	
Other trade payables	<b>344,406,788</b>		<b>211,971,682</b>	
Provisions for expenses	<b>212,348,006</b>		<b>143,837,015</b>	
		<b>609,661,590</b>		<b>374,450,905</b>
<b>Provisions</b>				
Provision for gratuity		<b>3,847,373</b>		<b>2,067,782</b>
<b>TOTAL</b>		<b>613,508,963</b>		<b>376,518,687</b>

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Opening inventory	<b>9,311,744</b>		<b>20,784,035</b>	
Material Purchased	<b>647,374,711</b>		<b>735,772,780</b>	
Freight	<b>9,484,406</b>		<b>7,149,839</b>	
Rent	<b>9,884,364</b>		<b>3,852,859</b>	
Other direct costs	<b>122,174,762</b>		<b>101,937,217</b>	
		<b>798,229,987</b>		<b>869,496,730</b>
Less : closing inventory		<b>(10,272,204)</b>		<b>(9,311,744)</b>
<b>TOTAL</b>		<b>787,957,783</b>		<b>860,184,986</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>STAFF EXPENSES</b>				
Staff salaries and benefits		75,773,908		51,247,812
Staff end of service gratuity		1,852,693		1,803,824
<b>TOTAL</b>		<b>77,626,601</b>		<b>53,051,636</b>

**SCHEDULE - H****SALES, ADMINISTRATION AND OTHER EXPENSES**

Rent		7,577,507		12,269,291
Provision for doubtful debt - written back		-		(1,464,100)
Hire charges and conveyance		10,938,006		4,893,901
Travelling		13,332,920		12,383,344
Exchange loss		2,769,501		13,229,980
Commission on sales		21,547,875		63,675,133
Other expenses		46,471,310		28,828,635
<b>TOTAL</b>		<b>102,637,119</b>		<b>133,816,184</b>

**SCHEDULE - I****1 LEGAL STATUS**

- a. L&T ELECTRICAL & AUTOMATION FZE (the "entity") was incorporated on April 7, 2008 in the Jebel Ali Free Zone, Dubai as a Free Zone Establishment with Limited Liability pursuant law No. 9 of 1992 and implementing regulations issued there under by the Jebel Ali Free Zone. The registered office is P.O.Box 262158, Jebel Ali Free Zone, Dubai, U.A.E.
- b. The entity is a wholly owned subsidiary of Larsen and Toubro International FZE, an entity registered in Hamriyah Free Zone, Sharjah. The ultimate parent Company is Larsen and Toubro Limited, a Company incorporated in India.
- c. The entity is licensed to do business of Assembly, Integration, Testing of Electrical & Automation and Communication Systems.

**2 SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub Section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.

**2. REVENUE RECOGNITION**

Revenue from sale of goods is recognized when the substantial risks and rewards of ownership is transferred to the buyer.

**3. FIXED ASSETS & DEPRECIATION**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation. Depreciation is calculated using the straight line method. The rate of depreciation considered for assets other than Building is 33.33%. Building is depreciated over period of 12 years which is the remaining period of land lease. This rate is higher than the rates specified under schedule XIV of the Companies Act, 1956.

**4. INVENTORIES**

Raw materials and Components are valued at weighted average cost or net realizable value whichever is lower. Finished goods are valued at lower of cost or net realizable value.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****5. FOREIGN CURRENCY TRANSACTIONS**

Reporting currency used by the Company is United Arab Emirates Dirham. The financial statements are translated in Indian Rupees as follows:

- Share capital is retained at initial contribution amount.
- Other Balance Sheet items are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

**6. LEASES**

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

**NOTES ON ACCOUNTS**

1. Contingent Liability in respect of Bank Guarantees as on December 31, 2010 is Rs. 5,65,22,412/- and unutilized balances of commercial letters of credit is Rs. 3,55,20,969/-.

2. Related party disclosures:

A. List of related parties who exercise control:

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

B. List of related parties with whom transactions were carried out and description of relationship:

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
Larsen & Toubro (Oman) LLC	Fellow Subsidiary
Larsen & Toubro Electromech LLC	Fellow Subsidiary
L&T Electricals Saudi Arabia Company Limited	Fellow Subsidiary

C. (i) Disclosure of transactions with related parties:

Related Party	Nature of Relationship	Rupees	Nature of Transaction
Larsen & Toubro Limited	Ultimate Holding Company	8,58,86,166	Sale of finished goods
Larsen & Toubro (Oman) LLC	Fellow Subsidiary Company	15,29,94,635	Sale of finished goods
Larsen & Toubro Electromech LLC	Fellow Subsidiary Company	17,86,07,071	Sale of finished goods
L&T Electricals Saudi Arabia Company Limited	Fellow Subsidiary Company	16,52,821	Sales of finished goods
Larsen & Toubro Limited	Ultimate Holding Company	5,48,49,294	Purchase of goods

(ii) Amount outstanding with related parties:

Related Party	Amount Outstanding Rupees
Larsen & Toubro International FZE	3,31,65,725 Cr
Larsen & Toubro Limited	2,62,58,815 Dr
Larsen & Toubro (Oman) LLC	15,10,73,656 Dr
Larsen & Toubro Electromech LLC	4,95,82,964 Dr
L&T Electricals Saudi Arabia Company Limited	16,52,821 Dr
Larsen & Toubro Limited	5,29,06,796 Cr

3. Balances with non-scheduled banks

a. Current Accounts

	As at 31.12.2010 Rs.	Maximum outstanding at any time during the period (Rs.)
HSBC Bank, UAE	1,21,42,825	1,21,42,825
Citibank NA, UAE	8,08,43,009	21,78,80,409

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

4. The Company has no foreign currency liability that has been hedged by a derivative instrument or otherwise.
5. Borrowing cost capitalized during the period is Nil.
6. There are no transactions with small scale industries or micro small and medium enterprises during the year.
7. Auditor's remuneration charged to the accounts amounting to Rs. 4,37,850 (AED 35,000) during the year.
8. Capital Commitments  
For construction or enhancement of Property, plant and Equipments NIL
9. Operating Lease Commitments  
The entity has entered into non cancelable operating lease for 15 years. The total of the future lease payments is as follows:  
Rupees  
Not later than one year 69,80,004  
Between one and five years 3,49,00,022  
Later than five years 4,30,43,365

10. Details of sales, raw material & components consumed, inventories and purchases

Sales -

Class of Goods	Unit	Value (Rs.)
Industrial Electronic Control Panels and accessories	No.s**	1,158,404,283 (AED 92,598,264)

Raw material &amp; component consumed -

Class of Goods	Unit	Value (Rs.)
Electronic devices, test and measuring instruments and industrial electronic control panel components	No.s **	64,64,14,251 (AED 51,650,031)

Purchases -

Class of Goods	Unit	Value (Rs.)
Electronic devices, test and measuring instruments and industrial electronic control panel components	No.s **	64,73,74,711 (AED 51,748,578)

\*\* Quantitative data not available

11. Segmental Reporting  
The Company operates wholly in United Arab Emirates and manufactures industrial electronic control panels and accessories. Hence segment reporting is not applicable.
12. There is no income tax payable in UAE where the Company is registered and hence no provision for current tax / deferred tax has been made in these accounts.
13. The Company is considered as a non integral operation of Larsen & Toubro Limited (the ultimate holding Company). In accordance with Accounting Standard – 11 (revised 2003) the exchange differences on translation are accounted in Foreign Currency Translation Reserve in the Reserves & Surplus.
14. Previous year's figures are re-grouped wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 15. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.	N. A.						State Code						N	A
Balance Sheet Date	3	1		1	2		2	0	1	0				
	Date		Month		Year									

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue						N	I	L	Rights Issue						N	I	L
Bonus Issue						N	I	L	Private Placement			1	0	8	7	2	

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities			4	9	9	4	0	6	Total Assets			4	9	9	4	0	6	
<b>Sources of Fund</b>									<b>Reserves &amp; Surplus</b>			3	8	9	4	2	8	
Paid-Up Capital				1	0	8	7	2	Unsecured Loans			3	3	1	6	6		
Secured Loans			6	2	5	1	3		Investments							N	I	L
<b>Application of Funds</b>									Miscellaneous Expenditure							N	I	L
Net Fixed Assets and net Intangible Assets			1	4	8	6	7	8										
Net Current Assets			3	5	0	7	2	8										
Accumulated Losses								N	I	L								

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover			1	1	5	8	4	0	4	Total Expenditure			9	7	7	8	7	9	
Profit / Loss Before Tax			1	8	3	4	0	7	Profit / Loss After Tax			1	8	3	4	0	7		
Earnings Per Share in Rs. (Basic)	1	8	3	4	0	7	6	2	0	Dividend Rate %							N	I	L

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No. (ITC Code)						N	A
Product Descriptions	ELECTRONIC PRODUCTS						

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**J. P. SINGH**  
Director

**V. K. ARORA**  
Director

Place : Mumbai  
Date : May 27, 2011

Place : Mumbai  
Date : May 27, 2011

## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting to you the Annual Report and Audited Accounts of Pathways FZE for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

	<b>2010</b>	<i>2009</i>
	<b>Rs.</b>	<i>Rs.</i>
Total Income / (Loss)	-	-
Excess of expenditure over Income before tax	<b>(1,082,419)</b>	<i>(1,021,137)</i>

### **OVERVIEW OF THE YEAR**

The Company was incorporated on August 2, 2009 and primarily targeting on IT Services business in the Middle East. During the year under review, activity in the field of Information Technology was generally subdued in the middle-east due to various economic reasons.

### **CAPITAL EXPENDITURE**

No Capital Expenditure incurred during the year.

### **DIVIDEND**

No Dividend was proposed during the period.

### **AUDITOR'S REPORT**

The Auditors Report to the shareholders does not contain any qualifications. The notes to the Accounts referred to in the Auditor's Report are self Explanatory and do not call for further comments.

### **DISCLOSURES OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure Particulars in the Report of Board of Directors) Rules, 1988 are not applicable. Hence, the same has not been furnished.

### **PERSONNEL**

The Company does not have any full time employee on the rolls.

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

1. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
2. that the selected Accounting policies were applied consistently and the Directors made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2010 and of the excess of expenditure over income of the Company during the pre-operational period for the year ended on that date;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other regularities and
4. that the annual accounts have been prepared on a going concern basis.

### **PROSPECTS FOR THE COMPANY**

In view of the global economic scenario, business is on the downtrend. Given the continuing resilience and buoyancy in the Middle East economy, we are confident that the Company will grow in the coming years.

For and on behalf of the Board

Place : Mumbai  
Date : June 22, 2011

**S. N. BABUGOVINDARAJ**  
Director

**SHRINATH RAO**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF PATHWAYS FZE

The financial statements of PATHWAYS FZE for the year ended December 31 2010, being a Company registered in the United Arab Emirates, are audited by the Statutory auditors PKF, Chartered Accountants, Sharjah, UAE and we have been furnished with their audit report dated January 30, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of PATHWAYS FZE, UAE as at 31 December 2010 and also the statement of income and expenditure and the Cash Flow Statement of the Company during the pre-operational period from January 1 2010 to December 31 2010, 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, statement of income and expenditure and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - (d) in our opinion, the Balance Sheet, statement of income and expenditure and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Companies Act, 1956, since the Company is registered in the United Arab Emirates, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule F and other notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the statement of income and expenditure, of the excess of expenditure over income during the pre-operational period from January 1, 2010 to December 31, 2010; and
- 3 in the case of the Cash Flow Statement, of the cash flows during the pre-operational period from January 1, 2010 to December 31, 2010.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph 1 of our report of even date)*

- 1 The Company has no fixed assets and accordingly paragraphs 4(i)(a), (b) and (c) of the Order are not applicable.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii)(a), (b) and (c) are not applicable.
- 3 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 4 The Company has no inventories or fixed assets and has no income from the sale of goods and services. Accordingly, reporting under paragraph 4(iv) is not applicable.
- 5 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, reporting under paragraphs 4(v)(a) and (b) of the Order is not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956, and the rules framed there under are not applicable.
- 7 The Company has no internal audit system at present.
- 8 The Company is incorporated in the United Arab Emirates and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- 9 The Company being registered in the United Arab Emirates has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required
- 10 The Company is in existence for a period of less than 5 years and hence, reporting under paragraphs 4(x) is not applicable.
- 11 The Company has not raised any loans from banks or financial institutions during the year.
- 12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not availed any term loans during the year.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(Registration No. 109982W)*  
*By the hand of*

*Place : Mumbai*  
*Date : June 22, 2011*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A		1,975,815		1,975,815
Unsecured Loans	B		740,088		–
<b>TOTAL</b>			<b>2,715,903</b>		<b>1,975,815</b>
<b>APPLICATION OF FUNDS</b>					
<b>Current assets, loans and advances</b>					
Cash and bank balances	C		106,205	235,662	
Loans and advances			519,158	746,707	
			<b>625,363</b>	<b>982,369</b>	
<b>Less: Current liabilities and provisions</b>					
Liabilities	D		60,863	63,350	
<b>Net current assets</b>			<b>564,500</b>		<b>919,019</b>
<b>Translation Loss</b>			<b>47,847</b>		<b>35,659</b>
<b>Excess of expenditure over income</b>			<b>2,103,556</b>		<b>1,021,137</b>
<b>TOTAL</b>			<b>2,715,903</b>		<b>1,975,815</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	F				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

**S. N. BABUGOVINDARAJ**

Director

Place : Mumbai  
Date : June 22, 2011

**SHRINATH RAO**

Director

**STATEMENT OF INCOME & EXPENDITURE DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2010 TO DECEMBER 31, 2010**

	<u>Schedules</u>	<u>2010 Rupees</u>	<u>2009 Rupees</u>
<b>INCOME</b>		-	-
<b>EXPENDITURE</b>			
Pre-operative expenses	<b>E</b>	<b>1,082,419</b>	839,886
Preliminary expenses		-	181,251
<b>Excess of expenditure over income before tax</b>		<b>(1,082,419)</b>	<b>(1,021,137)</b>
Provision for Tax		-	-
<b>Excess of expenditure over income after tax</b>		<b>(1,082,419)</b>	<b>(1,021,137)</b>
Add: Balance carried from last year		<b>(1,021,137)</b>	-
<b>Balance carried to Balance Sheet</b>		<b>(2,103,556)</b>	<b>(1,021,137)</b>
<b>Earnings per equity share (Basic &amp; Diluted) [Note No. 4(h)]</b>		<b>(1,082,419)</b>	<b>(1,021,137)</b>
Face value per Equity Share (AED 150,000)			
<b>SIGNIFICANT ACCOUNTING POLICES AND NOTES ON ACCOUNTS</b>	<b>F</b>		

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**S. N. BABUGOVINDARAJ**  
Director

**SHRINATH RAO**  
Director

Place : Mumbai  
Date : June 22, 2011

Place : Mumbai  
Date : June 22, 2011

## CASH FLOW STATEMENT DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Excess of expenditure over income	(1,082,419)	(1,021,137)
Unrealised foreign exchange difference - gain or loss	23,899	-
<b>Operating profit before working capital changes</b>	(1,058,520)	(1,021,137)
(Increase) / decrease in trade and other receivables	198,229	(746,707)
Increase / (decrease) in trade payables	-	63,350
<b>Cash (used in) / generated from Operating Activities (A)</b>	(860,291)	(1,704,494)
<b>B. Cash Flow from Investing Activities</b>	-	-
<b>Net Cash (used in) / from Investing Activities (B)</b>	-	-
<b>C. Cash Flow from Financing activities</b>		
Proceeds from issue of share capital	-	1,975,815
(Repayments) / Proceeds from other borrowings	740,088	-
Unrealised foreign exchange difference - gain or loss in financing activities	(9,253)	(35,659)
<b>Net cash (used in) / from Financing Activities (C)</b>	730,835	1,940,156
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	(129,456)	235,662
<b>Cash and cash equivalents at beginning of the year</b>	235,662	-
<b>Cash and cash equivalents at end of the year</b>	106,205	235,662

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(Registration No. 109982W)  
by the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : June 22, 2011

**S. N. BABUGOVINDARAJ**

Director

Place : Mumbai  
Date : June 22, 2011

**SHRINATH RAO**

Director

**SCHEDULE FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
1 Equity Share of AED 150,000 each		1,975,815		1,975,815
<b>Issued, Subscribed and Paid-up</b>				
1 Equity Share of AED 150,000 each		1,975,815		1,975,815
(All the above equity shares are held by Larsen & Toubro International FZE, the Holding Company)				
<b>TOTAL</b>		<b>1,975,815</b>		<b>1,975,815</b>
<b>SCHEDULE - B</b>				
<b>UNSECURED LOAN</b>				
Shareholders Loan Account - Larsen & Toubro International FZE		740,088		-
<b>TOTAL</b>		<b>740,088</b>		<b>-</b>
<b>SCHEDULE - C</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets:</b>				
Cash and bank balances:				
Balances with non-scheduled banks				
On Current Accounts		106,205		235,662
<b>Loans and advances:</b>				
Unsecured-Considered good				
Advance recoverable in cash or in kind				
Deposits	216,671		88,690	
Prepaid expenses	302,487		658,017	
		<b>519,158</b>		<b>746,707</b>
<b>TOTAL</b>		<b>625,363</b>		<b>982,369</b>
<b>SCHEDULE - D</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities:</b>				
Sundry creditors :				
Others		60,863		63,350
<b>TOTAL</b>		<b>60,863</b>		<b>63,350</b>

**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>PRE-OPERATIVE EXPENSES</b>				
<b>Administration and Other Expenses</b>				
Lease Rent - Office Building		780,446		435,003
Insurance		26,451		19,773
Bank charges		3,423		4,614
Other Rates & Taxes		140,032		-
Professional & consultancy expenses		-		208,538
Audit Fees		62,237		65,910
Miscellaneous expenses		69,830		106,048
<b>TOTAL</b>		<b>1,082,419</b>		<b>839,886</b>

**SCHEDULE - F****1) LEGAL STATUS**

Pathways FZE was incorporated on August 2, 2009 in the Sharjah Airport International Free Zone (SAIF Zone), Sharjah as a Free Zone Establishment with Limited Liability under the SAIF- Zone implementing Rules and Regulation issued pursuant to Law No. 2 of 1995, decreed by H. H. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah.

The Establishment holds a license for providing IT Services, However during the period no revenue was generated.

- 2) The Establishment is a wholly owned subsidiary of Larsen & Toubro International FZE, an establishment registered in Hamriyah Free Zone, Sharjah, UAE and the ultimate holding Company is Larsen & Toubro Limited, India.

**3) SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and are in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by Central Government.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Actual results could differ from these estimates.

**b. Foreign Currency Translation**

The reporting currency of the Company is United Arab Emirates Dirham (AED). Accounts are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed and Current assets & Current liabilities are translated at year-end rates.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as translation reserve in the Balance Sheet.

**4) NOTES ON ACCOUNTS:**

- a. (I) List of related parties who exercise control :

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

- (II) List of related parties with whom transactions were made:

Larsen & Toubro International FZE	Holding Company
Larsen & Toubro Limited	Ultimate Holding Company

**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)**

(III) Disclosure of Transactions with related parties:

Sr No.	Related party	Nature of relationship	Nature of transaction	2010 Amount in Rs.	2009 Amount in Rs.
1.	Larsen & Toubro International FZE	Holding Company	Contribution towards equity capital	–	19,75,815
2	Larsen & Toubro International FZE	Holding Company	Loan	7,40,088	–
3.	Larsen & Toubro International FZE	Holding Company	Cost of Services	55,953	55,634

(IV) Amount due to / from related parties

Sr No.	Related party	Nature of Transaction	Nature of relationship	2010 Amount in Rs.		2009 Amount in Rs.	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
1.	Larsen & Toubro International FZE	Loan	Holding Company	–	7,40,088	–	–

b. Balances with non-scheduled banks:

Current accounts

	As at		Maximum amount outstanding at any time during the year	
	31.12.2010 Rs.	31.12.2009 Rs.	2010 Rs.	2009 Rs.
HSBC, Abu Dhabi, UAE	106,205	235,662	816,353	19,75,815

c. Taxation:

There is no income tax payable in UAE where the Company is registered and hence, no provision for current tax / deferred tax has been made in these accounts.

d. There are no transactions with micro and small enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 2006, during the year.

e. Segment Reporting:

The Company operates in only one segment, i.e. IT services and from one geographical location, i.e. UAE. Accordingly no segment reporting is required.

f. Auditor's remuneration and expenses charged to the accounts: Audit Fees Rs. 62,237/-.

g. The estimated amount of contracts remaining to be executed on capital account (net of advances) : Nil.

h. Earnings per share (EPS)

Particulars	2010	2009
Excess of expenditure over income during the pre-operational period (Rs.)	(10,82,419)	(10,21,137)
Average number of equity shares	1	1
Basic & Diluted EPS (Rs.)	(10,82,419)	(10,21,137)

i. Previous period figures are for a period of five months, from the date of incorporation of the establishment and hence, are not strictly comparable with the figures of current year which are for a period of twelve months.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue  
Rights Issue  
Bonus Issue  
Private Placement  
**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities  
Total Assets  
**Sources of Fund**Paid-Up Capital  
Reserves & Surplus  
Secured Loans  
Unsecured Loans  
**Application of Funds**Net Fixed Assets and net Intangible Assets  
Investments  
Net Current Assets  
Deferred Tax  
Misc. Expenditure  
Accumulated Losses  
**IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income)  
Total Expenditure  
+ -  
Profit / (Loss) Before Tax  
+ -  
Profit / (Loss) After Tax  
+ -  
Earnings Per Share in Rs. (Basic)  
Dividend Rate %  
**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(Registration No. 109982W)  
by the hand of**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332**S. N. BABUGOVINDARAJ**

Director

**SHRINATH RAO**

Director

Place : Mumbai  
Date : June 22, 2011Place : Mumbai  
Date : June 22, 2011

**DIRECTORS' REPORT - 2010**

The Directors have pleasure in submitting the Sixteenth Annual Report and the Audited Financial Statements of Larsen & Toubro (Oman) LLC for the year ended December 31, 2010.

**FINANCIAL RESULTS**

	<b>2010</b>	<i>2009</i>
	<b>Rs. In Millions</b>	<i>Rs. In Millions</i>
<b>Financial Parameters</b>		
Total Income	<b>16,626.22</b>	<i>15,467.45</i>
Operating Profit	<b>1,253.96</b>	<i>1,168.36</i>
Add: Interest Income	<b>14.35</b>	<i>0.10</i>
Less: Finance Costs	<b>17.13</b>	<i>112.89</i>
<b>Profit before Tax</b>	<b>1,251.18</b>	<i>1,055.57</i>
Less: Income Tax Expenses	<b>149.74</b>	<i>126.85</i>
<b>Net Profit after Tax</b>	<b>1,101.44</b>	<i>928.72</i>
Dividend	<b>60.41</b>	<i>45.06</i>
<b>Balance to be carried Forward</b>	<b>1,041.03</b>	<i>883.66</i>

**PRINCIPAL ACTIVITY**

The principal activities of the Company spanned across Civil Constructions, Power Transmission & Distribution and Infrastructure Projects.

**FINANCIAL REVIEW**

The Order Inflow for the year 2010 stood at Rs. 21,342 Million registering an increase of 25% over the previous year.

The Revenue from the projects stood at Rs. 16,288 Million registering an increase of 12% over the previous year.

The Board is pleased to report that the Profit Before Tax for 2010 increased to Rs. 1,226 Million from Rs. 990 Million in 2009, registering a growth of 24% over the previous year and the Profit after Tax stood at Rs. 1,079 Million registering an increase of 24% over the previous year.

**DIVIDEND**

The Directors recommend payment of Rs. 59,181,675/- for equity share of OMR 1.000 each for the year 2010.

**CAPITAL EXPENDITURE**

As at December 31, 2010 the Gross Fixed Assets stood at Rs. 1,282 Million and Net Fixed Assets at Rs 629 Million. Additions during the year amounted to Rs. 317 Million (*previous year Rs. 123 Million*)

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

**AUDITOR'S REPORT**

The Auditor's Report to Shareholders does not contain any qualifications.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the financial statements, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected Accounting Policies were applied consistently and the Directors 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 of the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Commercial Company's Law, 4/1974 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.



**AUDITORS**

The Board recommends the reappointment of auditors M/s RSM & Co., Chartered Accountants to be the auditors of the Company for the year 2011.

**THE YEAR AHEAD**

The Sultanate of Oman has raised the total spending 11% higher than 2010 Budget. The economy is expected to grow by 6%. Budget year 2011 marks the start of the country's Eighth Five Year plan.

The Company expects to leverage its position in securing large orders against the backdrop of the successful and timely completion of the nation's prestigious Asian Beach Games Project and the award of New Salalah International Airport.

The Company continues to focus on Power Transmission & Distribution sector of the nation to capitalize its leadership position and its recent foray into Infrastructure projects will augment the revenue of the Company as a whole.

The Company has a healthy order book with its portfolio predominantly of Ministerial and Reputed private institutions which will support the growth in revenue. LTO offers a positive outlook and potential for profit growth in 2011.

The Company will focus on Airport Projects, Infrastructure projects, and maintain the market leadership of Power Transmission & Distribution Sector.

The Company foresees a stable performance, through continuous effort in cost control and prudent spending.

**ACKNOWLEDGEMENT:**

On behalf of the Board of Directors, we would like to take this opportunity to thank the Staff and Workforce for the dedication and commitment, The Zubair Corporation, Larsen & Toubro Limited, India and Larsen & Toubro International FZE, UAE for the support and co-operation in steering the Company to reach higher levels of excellence.

The Board would like to thank Governmental Authorities, Banks and the Stakeholders of the Company for their continued cooperation and support.

The Board of Directors is deeply grateful to His Majesty Sultan Qaboos bin Said for his vision, guidance and providing an environment for growth and opportunities, which has helped the country to achieve its growth, prosperity and conducive environment for businesses.

For and on behalf of the Board

*Place : Chennai*

*Date : March 21, 2011*

**S. N. SUBRAHMANYAN**

*Director*

**N. BASKARA RAJU**

*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO (OMAN) LLC**

The financial statements of Larsen & Toubro (Oman) LLC, Oman, for the year ended December 31, 2010, being a Company registered in Oman, are audited by RSM & Co., Chartered Accountants, Oman and we have been furnished with their audit report dated February 7, 2011 on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared by the management on the basis of aforesaid financial statements in Omani Riyal to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro (Oman) LLC, Oman as at December 31, 2010, and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c. the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. as regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Oman, no reporting is required to be made under the said section.
  - f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies in Schedule '1' and the Notes on Accounts in Schedule '2', 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.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - (ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
*Registration No. 003792S*

**L.VAIDYANATHAN**  
*Partner*  
*Membership No. 16368*

*Place: Chennai*  
*Date : March 21, 2011*

**ANNEXURE TO THE AUDITORS' REPORT***(Referred to in paragraph 1 of our Report of even date)*

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) As explained to us, inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification (indirect method in respect of construction work in progress) of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks (indirect method in respect of construction work in progress) and book records were not material.
- (iv) (a) In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory, fixed assets and for sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) The Company has not furnished an internal audit report for the year and hence we could not report whether the internal audit system is commensurate with its size and nature of its business.
- (ix) The Company being registered in Oman, has no statutory liabilities in India and accordingly, reporting for clauses 4(ix)(a) and (b) of the Companies (Auditors' Report) Order, 2003 is not required.
- (x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the financial year covered by our audit or 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 financial institution, bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not required.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) The Company has applied the term loans for the purpose for which they were availed.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds have been raised on short term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses (iii), (v), (vi), (viii), (xiii) and (xviii) of the Companies (Auditors' Report) Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 003792S

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place: Chennai  
Date : March 21, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share capital	A	89,800,324		89,800,324	
Reserves & surplus	B	3,292,032,543		2,229,974,169	
			3,381,832,867		2,319,774,493
<b>Secured Loans</b>	C		1,096,653,380		733,190,846
<b>Deferred tax liability</b> (Refer Note 9 of Schedule 2)			6,199,919		-
<b>Translation Reserve</b>			480,651,765		401,910,985
<b>TOTAL</b>			<b>4,965,337,931</b>		<b>3,454,876,324</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	D	1,282,353,988		1,034,256,306	
Less: Depreciation		653,156,002		518,307,541	
Net block			629,197,986		515,948,765
<b>Current assets, loans and advances</b>					
Sundry debtors	E	9,154,208,260		7,437,249,310	
Cash and bank balance		31,582,243		591,676,624	
Inventories		2,087,623,695		1,540,269,926	
Loans and advances		210,870,690		242,078,781	
		11,484,284,888		9,811,274,641	
<b>Less: Current liabilities and provisions</b>					
Current liabilities	F	6,728,535,959		6,614,410,588	
Provisions		419,608,984		257,936,494	
		7,148,144,943		6,872,347,082	
<b>Net current assets</b>			<b>4,336,139,945</b>		<b>2,938,927,559</b>
<b>TOTAL</b>			<b>4,965,337,931</b>		<b>3,454,876,324</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The schedules referred to above and the notes attached from an integral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368  
Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director  
Place : Chennai  
Date : March 21, 2011

**N. BASKARA RAJU**  
Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales & service	G		16,626,220,154		15,467,455,062
Other income	H		10,944,780		20,379,700
<b>TOTAL</b>			<b>16,637,164,934</b>		<b>15,487,834,762</b>
<b>EXPENDITURE</b>					
Construction & operating expenses	I	11,830,765,271		11,036,862,005	
Staff expenses	J	1,995,376,481		1,770,828,374	
Sales, administration & other expenses	K	1,377,081,222		1,288,231,319	
Interest and brokerage	L	2,777,889		112,787,195	
Depreciation	D	179,984,183		163,418,071	
<b>TOTAL</b>			<b>15,385,985,046</b>		<b>14,372,126,964</b>
<b>Profit before tax</b>			<b>1,251,179,888</b>		<b>1,115,707,798</b>
Provision for :					
Current tax		143,935,702		126,840,075	
Deferred tax		6,328,547		–	
(Refer Note 9 of Schedule 2)			<b>150,264,249</b>		<b>126,840,075</b>
<b>Profit after tax</b>			<b>1,100,915,639</b>		<b>988,867,723</b>
Add: Balance brought forward from previous year			<b>2,199,389,101</b>		<b>1,210,521,378</b>
Profit available for appropriation			<b>3,300,304,740</b>		<b>2,199,389,101</b>
Dividend paid during the year			<b>43,149,677</b>		–
<b>Balance carried to Balance Sheet</b>			<b>3,257,155,063</b>		<b>2,199,389,101</b>
Earnings per equity share- Basic / Diluted			<b>1,511.06</b>		<b>1,357.27</b>
Face Value per Equity Share (in Omani Riyal)			<b>1.000</b>		<b>1.000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The schedules referred to above and the notes attached form an integral part of the Profit and Loss Account.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368  
Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director  
Place : Chennai  
Date : March 21, 2011

**N. BASKARA RAJU**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Net profit before tax</b>	<b>1,251,179,888</b>	1,115,707,798
<b>Adjustments for</b>		
Depreciation	179,984,183	163,418,071
Interest (net)	2,777,889	112,684,162
Profit on sale of fixed assets	(4,058,452)	(2,028,619)
Hedge Reserve	4,292,412	-
Unrealised foreign exchange difference- gain or loss	78,612,151	(43,307,669)
<b>Operating profit before Working Capital changes</b>	<b>1,512,788,071</b>	1,346,473,744
<b>Adjustments for</b>		
(Increase) / Decrease in Trade and other receivables	(1,685,750,860)	77,520,623
(Increase) / Decrease in Inventories	(547,353,769)	591,997,082
Increase / (Decrease) in Trade payables and provisions	275,797,861	177,279,209
Cash (used in) / generated from operations	(444,518,696)	2,193,270,658
Direct tax refund / (paid) - net	(143,935,702)	(126,840,075)
<b>Net cash (used in) / generated from operating activities</b>	<b>(588,454,398)</b>	2,066,430,583
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(317,158,404)	(130,281,732)
Difference in opening balance of fixed assets due to exchange fluctuation	47,207,170	48,797,202
Difference in opening balance of cumulative depreciation due to exchange fluctuation	(23,875,606)	(21,519,336)
Sale of fixed assets	4,651,888	104,492,133
Interest received	14,350,810	103,033
<b>Net cash (used in) / from investing activities</b>	<b>(274,824,142)</b>	1,591,300
<b>C. Cash Flow from Financing activities</b>		
Dividends paid	(43,149,677)	(33,297,666)
Interest paid	(17,128,699)	(112,787,195)
Increase / decrease on secured loans	363,462,534	(1,987,091,509)
<b>Net cash (used in) / from financing activities</b>	<b>303,184,159</b>	(2,133,176,369)
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(560,094,381)</b>	(65,154,486)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>591,676,624</b>	656,831,110
<b>Cash and cash equivalents at the end of the year</b>	<b>31,582,243</b>	591,676,624

**Notes:**

- Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash & Bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368  
Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director

**N. BASKARA RAJU**  
Director

Place : Chennai  
Date : March 21, 2011

**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
728,572 Equity shares of Omani Riyal 1 each		<b>89,800,324</b>		89,800,324
<b>Issued, Subscribed and Paidup</b>				
728,572 Equity shares of Omani Riyal 1 each		<b>89,800,324</b>		89,800,324
<b>TOTAL</b>		<b>89,800,324</b>		89,800,324

Note: 65% of Equity Shares is held by Larsen & Toubro International FZE, Sharjah, UAE, a wholly owned subsidiary of Larsen & Toubro Limited and balance 35% is held by Muscat Trading Co. LLC

<b>SCHEDULE B</b>				
<b>RESERVES AND SURPLUS</b>				
Statutory reserve		<b>30,585,068</b>		30,585,068
Profit and Loss Account		<b>3,257,155,063</b>		2,199,389,101
Hedging Reserve (Refer Note 10 of Schedule 1)		<b>4,292,412</b>		–
<b>TOTAL</b>		<b>3,292,032,543</b>		2,229,974,169

<b>SCHEDULE C</b>				
<b>SECURED LOANS</b>				
From banks		<b>1,096,653,380</b>		733,190,846
(Secured against assignment of project receivables from contracts, assignment of insurance policies, counter indemnity from the company and comfort letter from the ultimate holding company)				
<b>TOTAL</b>		<b>1,096,653,380</b>		733,190,846

**SCHEDULE D****Fixed Assets**

PARTICULARS	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation reserve	For the year	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	657,962,733	(31,375,765)	261,988,421	7,999,758	<b>880,575,631</b>	282,347,896	(13,316,076)	109,709,219	7,999,757	<b>370,741,282</b>	<b>509,834,349</b>	375,614,837
Other Equipments	163,740,400	(6,703,272)	8,947,121	100,683	<b>165,883,566</b>	82,728,046	(3,743,058)	22,074,697	74,860	<b>100,984,825</b>	<b>64,898,741</b>	81,012,354
Furniture & Fixtures	36,471,772	(1,453,047)	–	–	<b>35,018,725</b>	29,916,824	(1,322,472)	6,424,373	–	<b>35,018,725</b>	–	6,554,948
Vehicles	176,081,401	(7,675,086)	46,222,862	13,753,111	<b>200,876,066</b>	123,314,775	(5,494,000)	41,775,894	13,185,499	<b>146,411,170</b>	<b>54,464,896</b>	52,766,626
<b>Total</b>	<b>1,034,256,306</b>	<b>(47,207,170)</b>	<b>317,158,404</b>	<b>21,853,552</b>	<b>1,282,353,988</b>	<b>518,307,541</b>	<b>(23,875,606)</b>	<b>179,984,183</b>	<b>21,260,116</b>	<b>653,156,002</b>	<b>629,197,986</b>	
Previous Year	1,097,885,397	(48,797,202)	130,281,732	145,113,621	1,034,256,306	419,058,912	(21,519,336)	163,418,071	42,650,107	518,307,541		515,948,765

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
<b>Inventories</b>				
Stock-in-trade, at cost or net realisable value whichever is lower				
Construction materials	911,091,442		399,757,835	
Stores, spare parts and loose tools	<u>53,625,212</u>		<u>92,672,559</u>	
		<b>964,716,654</b>		<b>492,430,394</b>
Work in progress				
Construction and Project related work-in-progress				
At cost	58,529,106		1,047,731,197	
At estimated realisable value on sale	<u>27,564,377,249</u>		<u>27,119,625,114</u>	
Less: Progress bills raised	<u>26,499,999,314</u>		<u>27,119,516,779</u>	
Due from customers		<u>1,122,907,041</u>		<u>1,047,839,532</u>
		<b>2,087,623,695</b>		<b>1,540,269,926</b>
<b>Sundry Debtors - Unsecured</b>				
Debits outstanding for more than 6 months				
Considered good	1,738,583,664		569,914,781	
Considered doubtful	-		-	
Other debts				
Considered good	<u>7,415,624,596</u>		<u>6,867,334,529</u>	
	<b>9,154,208,260</b>		<b>7,437,249,310</b>	
Less: Provision for Doubtful Debts	<u>-</u>		<u>-</u>	
		<b>9,154,208,260</b>		<b>7,437,249,310</b>
<b>Cash and Bank balances</b>				
Cash on hand	2,440,722		2,591,789	
Balances with scheduled banks				
On Current accounts	725,962		1,515,311	
Balances with non scheduled banks (Refer Note 3 of Schedule 2)	<u>28,415,559</u>		<u>587,569,524</u>	
		<b>31,582,243</b>		<b>591,676,624</b>
<b>Loans and Advances</b>				
Unsecured - Considered good				
Derivatives (Refer Note 10 of Schedule 1)	4,292,412		-	
Advances recoverable in cash or in kind	203,724,445		229,173,918	
Due from fellow subsidiary companies	<u>2,853,833</u>		<u>12,904,863</u>	
		<b>210,870,690</b>		<b>242,078,781</b>
<b>TOTAL</b>		<b><u>11,484,284,888</u></b>		<b><u>9,811,274,641</u></b>



**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
<b>Sundry Creditors</b>				
Due to Holding Company	25,311,770		38,408,451	
Others	4,530,355,945		4,270,505,626	
		4,555,667,715		4,308,914,077
Due to customers				
Progress bills raised	26,692,258,969		16,305,572,096	
Less: Construction and project related work-in-progress				
At cost	841,075,072		232,875,810	
At estimated realisable value	25,279,981,351		15,426,308,935	
		571,202,546		646,387,351
Advance from Customers		1,601,665,698		1,659,109,160
		6,728,535,959		6,614,410,588
<b>Provisions for</b>				
Taxes	141,010,204		123,358,163	
Gratuity	133,873,939		–	
Leave Encashment	144,724,841		134,578,331	
		419,608,984		257,936,494
<b>TOTAL</b>		<b>7,148,144,943</b>		<b>6,872,347,082</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE G</b>				
<b>SALES &amp; SERVICE</b>				
Construction, project related activity		16,626,220,154		15,467,455,062
<b>TOTAL</b>		<b>16,626,220,154</b>		<b>15,467,455,062</b>
<b>SCHEDULE H</b>				
<b>OTHER INCOME</b>				
Profit on sale of fixed assets		4,058,452		2,028,619
Miscellaneous income		6,886,328		18,351,081
<b>TOTAL</b>		<b>10,944,780</b>		<b>20,379,700</b>
<b>SCHEDULE I</b>				
<b>CONSTRUCTION &amp; OPERATING EXPENSES</b>				
Construction materials		7,281,235,567		6,325,376,808
Subcontracts		3,665,157,959		4,093,246,894
Stores, spares & tools		558,053,485		440,039,797
Direct expenses on jobs		195,076,608		113,280,960
Power & fuel		131,241,652		64,917,546
<b>TOTAL</b>		<b>11,830,765,271</b>		<b>11,036,862,005</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages & bonus		1,547,401,543		1,393,043,928
Contribution to & provisions for provident fund & pension fund		27,834,802		27,294,149
Welfare and other expenses		420,140,136		350,490,297
<b>TOTAL</b>		<b>1,995,376,481</b>		<b>1,770,828,374</b>
<b>SCHEDULE K</b>				
<b>SALES, ADMINISTRATION &amp; OTHER EXPENSES</b>				
Rent		163,829,380		164,489,834
Rates & taxes		220,339,032		167,793,437
Travelling & conveyance		35,885,138		28,317,797
Telephone, postage and telegrams		31,555,317		30,662,194
Stationery & printing		7,256,958		6,749,695
Insurance		68,682,640		50,742,444
Bank charges		40,623,375		29,352,083
General repairs & maintenance		163,218,651		152,286,702
Miscellaneous expenses		645,690,731		657,837,133
<b>TOTAL</b>		<b>1,377,081,222</b>		<b>1,288,231,319</b>
<b>SCHEDULE L</b>				
<b>INTEREST &amp; BROKERAGE</b>				
On banks		17,128,699		112,890,228
Less: Interest received		(14,350,810)		(103,033)
<b>TOTAL</b>		<b>2,777,889</b>		<b>112,787,19</b>

# **SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

## **SCHEDULE 1**

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **1) Basis of preparation**

The accounts have been prepared using historical cost convention and on the basis of going concern, and is made in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956, with revenues recognised and expenses accounted for on accrual, including for committed obligations.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful life of tangible and intangible assets, provision for doubtful debts / advances, etc. Difference, if any, between the actual results and estimates, is recognized in the period in which the results are known.

#### **2) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

#### **3) Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) The provision for impairment loss, if any, required or
- b) The reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

#### **4) Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- 1) Machinery and other equipment at 15%
- 2) Vehicles and Furniture & Fixtures at 33.33 %

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the assets over its remaining useful life.

#### **5) Inventories**

Inventories are stated at the lower of cost and net realizable value after making due allowance for obsolete and slow moving items.

Stores, spares and consumables	Weighted average cost
Tools, scaffolding materials, tackles, etc.	Weighted average cost less amortization over estimated useful life.
Construction Materials	Weighted Average Cost
Construction work in progress	At cost till such time the outcome of the job cannot be ascertained reliably and at realizable value thereafter.

#### **6) Retirement / Termination Benefits**

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law, 1991) for Omani employees, administered by the Government of Sultanate of Oman.

Accruals for employees end of service benefits comprising of leave salary and end of service gratuity for non-Omani employees is in accordance with the Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end.

#### **7) Taxation**

##### **a) Current tax**

Tax on income for the current period is determined on the basis of taxable income and tax credit is computed in accordance with law of income tax of companies in Oman.

##### **b) Deferred tax**

Deferred tax is accounted for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet, using the currently enacted tax rates. A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and related tax benefit realised.

## **SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)**

### **8) Revenue Recognition**

Contract revenue comprising the total value of construction work performed during the year is recognized on a percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Provision is made for all losses incurred to the accounting date together recorded on the basis of progress bills prepared by the Company and are considered as revenue to the extent that they are probable of being certified and recovered.

### **9) Foreign currencies**

Accounts are translated in Indian Rupees as follows:

- a) Share capital is retained at the initial contribution amount.
- b) Fixed Assets, Current assets and Current liabilities other than stock are translated at year-end rates.
- c) Revenue transactions are translated at the average rates.
- d) Closing stock is valued at average rates.
- e) The resultant exchange difference is accounted as translation reserve in the balance sheet.

### **10) Hedge Accounting**

The Company is a party to forward foreign currency contracts that reduce exposure to fluctuations in foreign currency exchange rates on specific hedged items comprising of firm commitments and highly probable forecast contract revenues and costs. These contracts are designated as cash flow hedges under IAS 39 and are initially recognised at cost and subsequently re-measured to their fair value at each reporting date.

#### **Cash Flow Hedges**

The effective portion of changes in the fair value of such forward foreign currency contracts that are designated and qualify as cash flow hedges are deferred as Hedge Reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Profit and Loss Account.

Amounts under Hedge Reserve are recycled to the Profit and Loss Account in the periods when the forecast hedged item is recognised in Profit and Loss Account, in the same line of the Profit and Loss Account as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge Accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Profit and Loss Account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Profit and Loss Account.

## **SCHEDULE 2**

### **NOTES ON ACCOUNTS**

- 1) Disclosure pursuant to Accounting Standard (AS) 7 (Revised):

<b>Particulars</b>	<b>2010 Rupees</b>	<i>2009 Rupees</i>
Contract revenue recognized during the year	<b>16,626,220,154</b>	<i>15,467,455,062</i>
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) as at the end of the financial year for all contracts in progress as on that date	<b>53,743,962,778</b>	<i>43,826,541,056</i>
Amount of customer advances outstanding for contracts in progress as at the end of the financial year	<b>1,601,211,972</b>	<i>1,657,610,285</i>
Retention amounts due from customers for contracts in progress as at the end of the financial year	<b>2,534,652,852</b>	<i>2,023,616,830</i>

- 2) Disclosure of Related Party and transactions with related parties
  - i. List of related parties who exercise control over the Company:

<b>S. No</b>	<b>Name of related party</b>	<b>Relationship</b>
1	Larsen & Toubro Limited	Ultimate Holding Company
2	Larsen & Toubro International FZE	Holding Company

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

ii. List of related parties with whom transactions were carried out during the year and description of relationship

S. No	Name of related party	Relationship
1	Larsen & Toubro Limited	Ultimate Holding Company
2	Larsen & Toubro Electromech LLC	Fellow Subsidiary

iii. Disclosure of related party transactions

In Rupees

Related Party	Nature of relationship	Nature of transaction	Amount in Rupees	Amount Outstanding In Rupees	
				Due from Related Party	Due to Related Party
Larsen & Toubro Limited	Ultimate Holding Company	Services received	25,311,770 (57,486,353)		25,311,770 (57,486,353)
Larsen & Toubro Limited	Ultimate Holding Company	Services rendered	- (57,193,757)	- (57,193,757)	
Larsen & Toubro Electromech LLC	Fellow Subsidiary	Services received	- (13,302,180)		- (13,302,180)
Larsen & Toubro Electromech LLC	Fellow Subsidiary	Services rendered	2,853,833 (42,302,663)	2,853,833 (42,302,663)	

(Figures in brackets represent previous year)

iv. No amount has been written off or written back during the year.

3) Balances with non-scheduled banks

Balances with non-scheduled banks represent the balances with local banks and foreign banks in the Sultanate of Oman.

i) Current accounts

(Rupees)

S. No	Bank	As at 31.12.2010	As at 31.12.2009	Maximum amount outstanding at any time during the year	
				2010	2009
1	Bank Dhofar	645,196	509,051,307	525,373,317	518,016,609
2	Bank Muscat	5,838,098	67,033,854	768,254,571	964,678,123
3	National Bank of Oman	552,246	2,507,793	610,454,174	4,909,800
4	Oman Arab Bank	20,170,392	6,123,729	550,903,981	10,482,995
5	Bank Sohar	765,764	1,273,234	303,645,257	3,876,090
6	Ahli Bank	433,303	1,476,274	205,616,634	9,098,870
7	Emirates Bank	10,560	103,333	91,869	553,541
	<b>TOTAL</b>	<b>28,415,559</b>	<b>587,569,524</b>		

4) Statutory reserve

Statutory reserve represents amount transferred as per Article 154 of the Commercial Companies Law of Oman, 1974 and the same is not available for distribution / appropriation.

5) Taxation

Provision for tax has been made by adjusting the net profit as per the Company's financial statements, for matters as per the past assessments, and applying the tax rates specified in the Law of Income tax on Companies in Oman. Additional tax liability that may arise in future on finalisation of pending tax assessments for the tax years 2006 to 2010 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the tax assessments are finalized.

6) Borrowing Cost capitalised during the year Rs. Nil (Previous year Rs. Nil)

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

7) The Company is engaged only in the business of construction related activity and hence no reporting has been made as per the requirements under Accounting Standard 17 – “Segment Reporting”. Further the entire operations of the Company are in Oman only and hence no secondary segment reporting has been made.

8) Basic and diluted Earnings per Share (“EPS”) computed in accordance with Accounting Standard (AS) 20 “Earnings per Share”

Particulars		2010	2009
Profit / (loss) after tax as per accounts	(Rupees)	1,100,915,639	988,867,723
No. of shares outstanding	(Nos.)	728,572	728,572
Face value of an equity share	(Omani Riyal)	1.00	1.00
Earnings per share (basic and diluted)	(Rupees)	1,511.06	1,357.27

9) Major components of deferred tax liabilities and deferred tax assets are as under:

(Rupees)

Particulars	As at 31.12.2010		As at 31.12.2009	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between book and tax depreciation	-	5,684,922	-	-
Deferred tax liability on hedging reserve	-	514,997	-	-
	-	6,199,919	-	-
Net deferred tax (liability) / asset	-	(6,199,919)	-	-

Change in Deferred Tax liability compared to Previous year	A	6,199,919
Effect of translation loss / (gain)	B	128,627
Net incremental liability debited to the Profit and Loss Account	A + B	6,328,547

10) Auditor’s remuneration and expenses charged to the accounts:

(Amount in Rupees)

	2010	2009
Audit fees (paid to overseas auditor only)	1,539,850	1,917,176
Certification Work	236,900	272,115
Taxation	88,838	204,086

11) The Company is a service company and accordingly information required under paragraph 4(c) of Part II of the Schedule VI of the Companies Act, 1956 has not been furnished.

12) The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for the impairment in the accounts.

13) Previous year’s figures have been reclassified wherever necessary to conform to the presentation adopted in the current year.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (Registration No.003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**  
 Partner  
 Membership No. 16368  
 Place : Chennai  
 Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
 Director  
 Place : Chennai  
 Date : March 21, 2011

**N. BASKARA RAJU**  
 Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date 

Date Month Year

**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets and net Intangible Assets Investments Net Current Assets Deferred tax Misc. Expenditure Accumulated Losses Translation Gain **IV. Performance of Company** (Amount in Rs. Thousands)Turnover (including other income) Total Expenditure + -  
Profit / Loss Before Tax + -  
Profit / Loss After Tax + -  
Basic Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Principal Products/Services of the Company** (as per monetary items)Item Code No. 

(ITC Code)

Product Descriptions

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and Accounts for Larsen & Toubro Electromech LLC for the year ended December 31, 2010.

### FINANCIAL RESULTS

	2010		2009	
	RO	Rs. lakhs	RO	Rs. lakhs
Total Income	38,614,212	45,828.17	19,771,669	24,861.92
Operating Profit / (loss)	3,329,272	3,951.25	2,968,959	3,733.33
Add: Interest income	119,928	142.33	154,407	194.16
Less: Finance costs	3,778	4.48	6,852	8.62
<b>Profit / (Loss) before Tax</b>	<b>3,445,422</b>	<b>4,089.10</b>	<b>3,116,514</b>	<b>3,918.87</b>
Less: Income tax expense	414,722	492.20	389,693	490.02
<b>Net Profit / (Loss) after Tax</b>	<b>3,030,700</b>	<b>3,596.90</b>	<b>2,726,821</b>	<b>3,428.85</b>
Add: Balance brought forward from previous year	3,933,363	4,733.68	1,806,542	2,029.98
Balance available for disposal which Directors appropriate as follows:	6,964,063	8,330.58	4,533,363	5,458.83
Dividend	600,000	712.09	600,000	725.15
<b>Balance to be carried forward</b>	<b>6,364,063</b>	<b>7,618.49</b>	<b>3,933,363</b>	<b>4,733.68</b>

### DIVIDEND

The Directors recommend payment of dividend of RO 0.60 mn i.e. @ 200% of the paid up share capital of the Company as at December 31, 2010.

### PERFORMANCE OF THE COMPANY

During the year under review, the Company posted Sales Revenue of RO 38.61 Mn as against RO 19.77 Mn for the previous financial year thus registering an impressive growth of 95%. Profit before tax of RO 3.44 Mn and Profit after tax of RO 3.03 Mn for the financial year under review as against RO 3.12 Mn and 2.73 Mn respectively for the previous financial year, improved by over 10% and 11% respectively. Income from Interest on surplus funds and gains on forward cover transactions amounted to RO 0.2 Mn.

The major projects secured by the Company during the year are:

Sl. No.	Client	Job	Total Contract Value (In RO mn)
1	EPCC of Power generation & distribution facility	Daleel Petroleum LLC	19
2	EPC of fixed roof filed erected tanks	Occidental Mukhaizna LLC	6
3	Mechanical, Electrical & Instrumentation construction works for 445 MW power plant + 15 MGD desalination plan for an IWPP	SEPCO III Construction LLC	11

Hydrocarbon sector continues to play a dominant role in Oman's GDP growth despite low levels of natural reserves and investments, albeit at a receding pace. The Eighth Five Year Plan (2011 – 15) unveiled by the Government early this year re-affirms the Sultanate's focus on manufacturing and non-oil exports. Notwithstanding the Government's efforts to boost non-oil revenues as a share of GDP, the planned expenditure of the tune of over RO 6.5 bn in the Oil & Gas sector during the Eighth Five Year Plan is encouraging for the industry in general and the Company in particular. Overall, the Sultanate presents a progressive and buoyant scenario for doing business for the next five years.

### CAPITAL EXPENDITURE

As at December 31, 2010, the gross Fixed Assets stood at RO 6.14 mn of which assets amounting to RO 2.60 mn were added during the year.

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualifications.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not relevant. Hence the same has not been furnished.

### PARTICULARS OF EMPLOYEES

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.



**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010 and of the profit of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.

**DIRECTORS**

The present directors of the Company are:

- Mr. M. R. Shanker
- Mr. D. S. Shevde
- Mr. M. Habibulla
- Mr. P. S. Kapoor
- Mr. C. S. Badrinath

**AUDITORS**

The auditors M/s RSM & Co., Chartered Accountants continue to be the auditors of the Company for the financial year 2011.

**PERSONNEL**

The Board of Directors wishes to express their appreciation to the employees for their outstanding contribution to the operations of the Company.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended by the Government authorities in the Sultanate of Oman and takes this opportunity to thank them for the same. The Directors also thank the customers, vendors and bankers of the Company for their continued co-operation and support to the Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 19, 2011*

**D. S. SHEVDE**  
*Director*

**P. S. KAPOOR**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO ELECTROMECH LLC

The financial statements of Larsen & Toubro Electromech LLC for the year ended December 31, 2010, being a company registered in the Sultanate of Oman, are audited by RSM & Company and we have been furnished with their audit report dated April 10, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Electromech LLC as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the Sultanate of Oman, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and notes appearing thereon in Schedule M, 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 109982W

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 19, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) Fixed assets disposed of during the year are not substantial in relation to the Company and do not affect the going concern.
- (ii) (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Sultanate of Oman. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) The Company is incorporated in the Sultanate of Oman and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) The Company has not conducted internal audit during the year.
- (viii) The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- (ix) The Company being registered in the Sultanate of Oman, has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company has no accumulated losses as at December 31, 2010. It has not incurred cash losses in the current financial year or in preceding financial year.
- (xi) According to the information and explanations given by management, the Company has neither borrowed from a bank nor a financial institution in India and neither has it issued any debentures.
- (xii) According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has availed term loans during the year and according to the information and explanations given to us, the term loans were used for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to any party during the year.
- (xix) The Company has not issued debentures during the period and accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 19, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	35,560,200		35,560,200	
Reserves and surplus	B	753,651,825		488,159,372	
			789,212,025		523,719,572
<b>Loan Funds</b>					
Secured Loans	C		-		-
<b>TOTAL</b>			<b>789,212,025</b>		<b>523,719,572</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	D	712,544,001		431,896,120	
Less: Depreciation		341,116,212		221,442,000	
Net block		371,427,789		210,454,120	
Capital work-in-progress		-		3,941,163	
			371,427,789		214,395,283
<b>Current Assets, Loans and Advances</b>					
Inventories	E	162,169,974		85,650,050	
Sundry Debtors		904,700,402		576,550,220	
Cash and Bank Balances		436,349,158		721,568,464	
Other current assets		679,159,387		142,917,982	
Loans and advances		32,400,574		196,191,848	
		2,214,779,495		1,722,878,564	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	F	1,612,573,763		1,241,688,143	
Provisions		184,421,496		171,866,132	
		1,796,995,259		1,413,554,275	
<b>Net Current Assets</b>			<b>417,784,236</b>		<b>309,324,289</b>
<b>TOTAL</b>			<b>789,212,025</b>		<b>523,719,572</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>NOTES FORMING PART OF ACCOUNTS</b>					

The schedules referred to above and the notes attached form an intergral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 19, 2011

**HEMA K.**

Company Secretary

Place : Mumbai

Date : May 19, 2011

**D. S. SHEVDE**

Director

**P. S. KAPOOR**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedules	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales & Service	G		4,582,816,590		2,486,192,473
Other income	H(i)		9,074,672		1,602,371
Interest income	H(ii)		14,233,309		19,415,939
			<u>4,606,124,571</u>		<u>2,507,210,783</u>
<b>EXPENDITURE</b>					
Construction & Operating Expenses	I	2,728,116,222		1,074,663,119	
Staff Expenses	J	1,039,208,652		779,254,824	
Sales, administration and other expenses	K	295,102,854		194,104,315	
Interest expenses and other finance costs	L	448,381		861,606	
Depreciation			<u>134,338,429</u>	<u>66,440,243</u>	
			<b>4,197,214,538</b>		<b>2,115,324,107</b>
<b>Profit before Tax</b>			<b>408,910,033</b>		<b>391,886,676</b>
Income Tax paid		1,801,357		2,428,265	
Provision for current taxes		47,418,729		46,573,759	
Provision for deferred tax		-		-	
			<u>49,220,086</u>		<u>49,002,024</u>
<b>Profit after Tax</b>			<b>359,689,947</b>		<b>342,884,652</b>
Add: Balance brought forward from previous year			<b>473,367,972</b>		<b>202,997,820</b>
<b>Profit available for distribution</b>			<b>833,057,919</b>		<b>545,882,472</b>
Proposed dividend			<b>71,209,272</b>		<b>72,514,500</b>
<b>Balance carried to Balance Sheet</b>			<b>761,848,647</b>		<b>473,367,972</b>
Basic and diluted earnings per equity share			<b>1,198.97</b>		<b>1,142.95</b>
Face value of shares - RO 1			<b>1,198.97</b>		<b>1,142.95</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	M				
<b>NOTES FORMING PART OF ACCOUNTS</b>	N				

The schedules referred to above and the notes attached form an intergral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 19, 2011

**HEMA K.**

Company Secretary

Place : Mumbai

Date : May 19, 2011

**D. S. SHEVDE**

Director

**P. S. KAPOOR**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net profit / (loss) before tax</b>	<b>408,910,033</b>	<b>391,886,676</b>
Adjustments for		
Depreciation	<b>134,338,429</b>	<b>66,440,243</b>
Interest (net) & loss on forward covers	<b>(13,784,928)</b>	<b>(18,554,333)</b>
(Profit) / loss on sale of fixed assets and other receipts	<b>(9,074,672)</b>	<b>(1,602,371)</b>
Increase / (decrease) in staff end of service gratuity liability	<b>12,636,420</b>	<b>7,983,784</b>
Increase / (decrease) in translation gains	<b>(28,865,194)</b>	<b>(25,822,430)</b>
<b>Operating profit before working capital changes</b>	<b>504,160,088</b>	<b>420,331,569</b>
Adjustments for		
(Increase) / decrease in trade and other receivables	<b>(164,358,908)</b>	<b>681,764,865</b>
(Increase) / decrease in inventories	<b>(612,761,329)</b>	<b>(161,308,338)</b>
Increase / (decrease) in trade payables	<b>370,885,620</b>	<b>(199,971,728)</b>
<b>Cash generated from operations</b>	<b>97,925,471</b>	<b>740,816,368</b>
Direct taxes refund / (paid)	<b>(47,995,915)</b>	<b>(29,734,287)</b>
<b>Net Cash from Operating Activities</b>	<b>49,929,556</b>	<b>711,082,081</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	<b>(298,090,890)</b>	<b>(78,842,840)</b>
Sale of Fixed assets	<b>1,323,233</b>	<b>-</b>
Profit / (loss) on sale of fixed assets and other receipts	<b>9,074,672</b>	<b>1,602,371</b>
Difference in the opening value of fixed assets / cumulative depreciation due to exchange difference	<b>5,396,721</b>	<b>6,760,347</b>
Interest received	<b>14,233,309</b>	<b>19,415,939</b>
<b>Net Cash (used in) / from Investing Activities</b>	<b>(268,062,955)</b>	<b>(51,064,184)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds / (Repayments) from long term borrowings	<b>-</b>	<b>(118,611,235)</b>
Proceeds / (Repayments) from other borrowings (net)	<b>-</b>	<b>(12,081,837)</b>
Interest paid & loss on forward contracts	<b>(448,379)</b>	<b>(861,606)</b>
Increase in Hedge Reserve	<b>5,876,972</b>	<b>-</b>
Dividend paid	<b>(72,514,500)</b>	<b>(94,890,000)</b>
<b>Net cash (used in) / from Financing Activities</b>	<b>(67,085,907)</b>	<b>(226,444,678)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(285,219,306)</b>	<b>433,573,219</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>721,568,464</b>	<b>287,995,245</b>
<b>Cash and cash equivalents at end of the year</b>	<b>436,349,158</b>	<b>721,568,464</b>

- Notes:
1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Amendment Rules, 2009.
  2. Purchase of fixed assets includes movement of Capital Work-in-Progress during the year.
  3. Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration no. 109982W

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 19, 2011

**HEMA K.**

Company Secretary

Place : Mumbai

Date : May 19, 2011

**D. S. SHEVDE**

Director

**P. S. KAPOOR**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
3,00,000 Equity shares of RO 1 each (Previous year 3,00,000 Equity shares of RO 1 each)		<b>35,560,200</b>		<b>35,560,200</b>
<b>Issued, Subscribed and paid-up</b>				
3,00,000 Equity shares of RO 1 each (Previous year 3,00,000 Equity shares of RO 1 each)		<b>35,560,200</b>		<b>35,560,200</b>
<b>TOTAL</b>		<b>35,560,200</b>		<b>35,560,200</b>

**Note:** 65% of the equity is held by Larsen & Toubro International FZE, Sharjah, UAE a wholly owned subsidiary of Larsen & Toubro Ltd, India and balance 35% is held by Muscat Trading Company LLC, Oman

**SCHEDULE - B****RESERVES AND SURPLUS**

<b>Legal Reserve</b>				
As per last Balance Sheet		<b>11,853,400</b>		<b>11,853,400</b>
Fair Value of Cashflow Hedge		<b>5,876,972</b>		<b>-</b>
Profit & Loss account		<b>761,848,647</b>		<b>473,367,972</b>
Translation Profit / (Loss)		<b>(25,927,194)</b>		<b>2,938,000</b>
<b>TOTAL</b>		<b>753,651,825</b>		<b>488,159,372</b>

**SCHEDULE - C****SECURED LOANS**

<b>Loans from banks</b>				
Overdraft		-		-
Bill discounted / Clean import loans		-		-
<b>Other loans</b>				
Due within 1 year		-		-
Due more than 1 year		-		-
<b>TOTAL</b>		-		-

**SCHEDULE - D****FIXED ASSETS**

Description	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions / Adjustment	As at 31.12.2010	Upto 01.01.2010	Exchange difference included in the translation reserve	For the Year	Deductions / Adjustment	Upto 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	255,896,177	(10,195,097)	231,181,956	-	<b>476,883,036</b>	116,669,908	(6,451,558)	81,078,522	-	<b>191,296,873</b>	<b>285,586,163</b>	139,226,269
Motor Vehicles	172,192,327	(6,860,196)	69,543,110	(4,177,182)	<b>230,698,059</b>	101,839,485	(5,227,922)	52,632,553	(2,853,949)	<b>146,390,167</b>	<b>84,307,892</b>	70,352,843
Furniture & Fixtures	3,807,616	(151,697)	1,306,987	-	<b>4,962,906</b>	2,932,607	(130,789)	627,354	-	<b>3,429,172</b>	<b>1,533,734</b>	875,008
<b>TOTAL</b>	<b>431,896,120</b>	<b>(17,206,990)</b>	<b>302,032,053</b>	<b>(4,177,182)</b>	<b>712,544,001</b>	<b>221,442,000</b>	<b>(11,810,269)</b>	<b>134,338,429</b>	<b>(2,853,949)</b>	<b>341,116,212</b>	<b>371,427,789</b>	<b>210,454,120</b>
Previous Year	373,720,373	(16,725,930)	74,901,677	-	431,896,120	164,967,341	(9,965,583)	66,440,243	-	221,442,000	-	3,941,163
Add: Capital Work in progress												214,395,283
											<b>371,427,789</b>	<b>214,395,283</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Current Assets				
Inventories				
Construction Materials	116,328,777		79,849,946	
Stores, spares & tackles	45,841,197		5,800,104	
		162,169,974		85,650,050
Sundry Debtors				
Unsecured				
Debts outstanding for more than 6 months				
Considered good	160,443,029		183,833,564	
Considered doubtful				
Other Debts				
Considered good	744,257,373		392,716,656	
	904,700,402		576,550,220	
Less: Provision for doubtful debts				
		904,700,402		576,550,220
Cash and bank balances				
Cash on hand	4,314,924		1,802,590	
Balances with non-scheduled banks				
on current accounts	69,004,208		120,398,846	
on fixed deposits including interest accrued thereon	120,000,710		594,694,436	
on call deposit accounts	243,029,316		4,672,592	
		436,349,158		721,568,464
Other Current Assets				
Work in Progress				
Construction and project related work-in-progress				
At Cost	321,901,083		229,316,592	
At estimated realisable Value	6,867,168,635		5,460,518,181	
	7,189,069,718		5,689,834,773	
Less: Progress bills raised	6,509,910,331		5,546,916,791	
Due from customer		679,159,387		142,917,982
Loans and advances				
Unsecured, considered good				
Holding Company	208,877			
Hedging asset	5,876,972			
Subsidiary companies				
Others				
Inter-corporate deposits				
Holding Company			139,227,840	
Advances recoverable in cash or in kind	26,249,161		56,964,008	
Due from related party	65,564			
		32,400,574		196,191,848
<b>TOTAL</b>		<b>2,214,779,495</b>		<b>1,722,878,564</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Acceptances				
Sundry creditors				
Due to : Holding company	9,821,721		7,574,986	
Subsidiary companies	2,991,692		8,272,696	
Others	1,268,054,790		751,020,470	
		1,280,868,203		766,868,152
Due to Customer				
Progress bills raised	1,522,738,974		683,061,572	
Less: Construction and project related work-in-progress				
At Cost	-		64,045,652	
At estimated realisable value	1,365,128,612		285,996,221	
		157,610,362		333,019,699
		1,438,478,565		1,099,887,851
Advances from customers		174,095,198		141,800,292
<b>Provisions for</b>				
Taxation	46,364,085		45,139,914	
Proposed dividend	71,209,272		72,514,500	
Gratuity	66,848,139		54,211,719	
		184,421,496		171,866,132
<b>TOTAL</b>		<b>1,796,995,259</b>		<b>1,413,554,275</b>
<b>SCHEDULE - G</b>				
<b>SALES &amp; SERVICE</b>				
Construction and project related activity		3,951,931,042		1,790,689,484
Maintenance services		630,885,548		695,502,988
<b>TOTAL</b>		<b>4,582,816,590</b>		<b>2,486,192,473</b>
<b>SCHEDULE - H(i)</b>				
<b>OTHER INCOME</b>				
Profit on disposal of fixed assets		434,377		568,997
Miscellaneous Income		8,640,295		1,033,374
<b>TOTAL</b>		<b>9,074,672</b>		<b>1,602,371</b>
<b>SCHEDULE - H(ii)</b>				
<b>INTEREST INCOME</b>				
Interest received on fixed deposits		14,233,309		19,415,939
<b>TOTAL</b>		<b>14,233,309</b>		<b>19,415,939</b>
<b>SCHEDULE - I</b>				
<b>CONSTRUCTION &amp; OPERATING EXPENSES</b>				
Materials consumed				
Construction materials	445,812,531		201,956,977	
Less: Scrap sales	2,764,937		528,130	
		443,047,594		201,428,847
Sub-contracting charges		1,801,748,750		652,449,844

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
Stores, spares and tools		46,930,589		10,196,050
Other manufacturing, construction and operating expenses				
Power and fuel		59,423,425		30,265,486
Hire charges - Plant & Machinery and others		199,833,036		74,046,318
Technical fees		102,563,664		67,776,663
Repairs and maintenance of buildings and premises		9,919,998		3,695,400
Repairs and maintenance of plant and machinery		52,725,766		25,804,675
Expenses on installation of temporary structures		4,419,841		638,660
Callibration charges		3,596,662		3,096,476
Direct expenses		3,906,897		5,264,700
<b>TOTAL</b>		<b>2,728,116,222</b>		<b>1,074,663,119</b>
<b>SCHEDULE - J</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		754,617,710		552,034,342
Contribution to and provision for				
Social Security Scheme		12,663,145		10,229,749
End of Service benefits & Gratuity Fund		24,719,943		18,126,674
Provident Fund & Super Annuation Fund		2,459,687		1,661,509
Welfare and other expenses		244,748,167		197,202,551
<b>TOTAL</b>		<b>1,039,208,652</b>		<b>779,254,824</b>
<b>SCHEDULE - K</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Power and fuel		8,606,946		4,633,962
Packing and forwarding		14,311,046		2,148,608
Insurance		18,114,215		16,714,303
Rent		38,273,560		34,940,190
Water expenses		9,579,190		7,673,349
Travelling and conveyance		43,934,222		56,376,477
Telephone and postage		15,752,321		12,351,322
Advertising & publicity		2,388,121		1,484,548
Stationery and printing		6,942,667		6,454,250
Service, Consultancy and Agency fees		49,993,300		11,898,011
Bank charges		8,858,077		6,518,002
Audit and professional fees		4,349,700		591,002
Visa and emigration expenses		60,057,307		20,355,884
Software and other computer related expenses		7,896,159		9,193,986
Miscellaneous expenses		6,046,023		2,770,418
<b>TOTAL</b>		<b>295,102,854</b>		<b>194,104,315</b>
<b>SCHEDULE - L</b>				
<b>INTEREST EXPENSES &amp; OTHER FINANCE COSTS</b>				
Fixed loans		333,853		860,726
Others		114,528		880
<b>TOTAL</b>		<b>448,381</b>		<b>861,606</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE M**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and is in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

##### **2. Revenue Recognition**

- a) Sales & Service
  - i) Revenue from construction / project related activity is recognized on percentage of completion basis. Percentage of Completion is determined as a proportion of the cost incurred-to-date to the total estimated cost.
  - ii) Project and construction related work-in-progress is reflected at cost till such time the outcome of the job cannot be ascertained reasonably and at realizable value thereafter. Full provision is made for any loss in the period in which it is foreseen.
- b) Interest income is accrued at applicable interest rate.
- c) Other Income represents income earned from the activities incidental to the business and is recognized when the right to receive the income is established as per the terms of the contract.

##### **3. Employee benefits**

- a) Short Term Employee Benefits
 

All employee benefits due for payment wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages and bonuses are recognized in the period in which the employee renders the related service.
- b) Post-Employment Benefits
  - i) Defined Contribution Plan: The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined Contribution Retirement Plan and Occupational Hazard Insurance for Omani Employees in accordance with Omani Social Insurance Law 1991) for Omani employees, administered by the Government of Sultanate of Oman. The contribution paid / payable under the said Plan is recognized during the period in which the employee renders the related service.
  - ii) Benefit Plan: Accruals for End of Service Benefits comprising of End of Service Gratuity for non-Omani employees is made in accordance with the Oman Labour laws and is based on the liability which would arise if the employment of all staff were terminated at the year end.
  - iii) Accrual for Leave Salary and Staff Passage is made on the basis of proportionate leave entitlement of employees in accordance with the employment agreements with the staff within the broad framework of the Company's rules.

##### **4. Fixed assets**

Fixed assets are stated at original cost less depreciation.

##### **5. Leases**

Operating lease rentals are recognized as an expense on a straight line basis over the lease term.

##### **6. Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on straight line basis to write off the cost of property, plant and equipment less their estimated residual value, where material, in equal annual instalments over their estimated useful lives. Depreciation has been calculated from the date of acquisition at the following rates:

	%
Porta cabins	15
Plant, machinery and equipment	15
Vehicles	33.33
Furniture and Fixtures	33.33

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **7. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a) the provision for impairment loss, if any, required or
- b) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

### **8. Inventories**

Inventories are valued at lower of cost and net realizable value as under, after providing for obsolescence and slow moving items. Cost is determined on the weighted average cost basis and comprises of invoice value plus applicable landing charges. Net realizable value is based on estimated selling price less than estimated cost of completion and disposal.

Stores, spares and consumables	Weighted average cost
Tools, scaffolding materials, tackles, etc.	Weighted average cost less amortization over estimated useful life
Construction Materials	Weighted Average Cost

### **9. Legal Reserve**

As required by Article 154 of the Commercial Companies Law of Oman 1974, the Company has created the required reserve of 33.33% of its issued share capital. The reserve is not available for distribution.

### **10. Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other finance costs are recognized as an expense in the year in which they are incurred.

### **11. Foreign Currency Transactions and translation of financial statements into Indian Rupees**

- a) The reporting currency of the Company is Rials Omani.
- b) Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction.
- c) At the Balance Sheet date, the financial statements are translated into Indian Rupees as follows:
  - i) Share capital is retained at the initial contribution amount.
  - ii) Legal Reserve is not subject to any translation differences.
  - iii) All other liabilities and assets are translated at year-end rates.
  - iv) Revenue transactions are translated at the average rates.

Exchange differences arising out of the translation is recognized as Translation Reserve in the Balance Sheet.

### **12. Hedge Accounting**

The Company is a party to forward foreign currency contracts that reduce exposure to fluctuations in foreign currency exchange rates on specific hedged items comprising of firm commitments and highly probable forecast contract revenues and costs. These contracts are designated as hedges and are initially recognized at cost and subsequently remeasured to their fair value or as cash flow hedge at each reporting date.

#### **Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in income statement immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to income statement from that date.

#### **Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognized immediately in income statement and is included in the "Other Income" in the Profit and Loss Account.

Amounts deferred in equity are recycled in the Profit and Loss Account in the periods when the hedged item is recognized in profit or loss, in the same line of the Profit and Loss Account as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold terminated or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognised in the Profit and Loss Account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss.

### **13. Taxes on Income**

Provision for income tax has been made on the basis of the Company's taxable net profit arrived at after making suitable adjustments to the net profit as per the Company's financial statements, for likely disallowances as per the past completed income tax assessments deducting the available accumulated tax loss and then applying the income tax rate specified in the Law of Income-Tax on Companies in Oman.

### **14. Provisions, contingent liabilities and contingent assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) The Company has a present obligation as a result of a past event,
- b) A probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- b) a present obligation arising from past events, when no reliable estimate is possible; and
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE N****NOTES FORMING PART OF ACCOUNTS**

- Working Capital facilities from banks including overdraft, short term loans, bank guarantees & letter of credit are secured by irrevocable assignment of contract receivables, assignment of insurance policies.
- Balances with non-scheduled banks represent the balances with local banks and foreign banks in the Sultanate of Oman. The balances with Non-Scheduled banks are as follows:

PARTICULARS	As at 31.12.2010	As at 31.12.2009	Maximum amount outstanding at any time during	
	Rupees	Rupees	2010 Rupees	2009 Rupees
<b>i) Current Accounts</b>				
Bank Muscat, Oman	23,104,178	47,234,011	86,926,624	99,672,147
Hongkong & Shanghai Banking Corporation, Oman	2,887,950	1,483,888	2,887,950	45,253,882
Bank Dhofar, Oman	33,782,060	71,680,946	163,884,618	110,613,377
Bank Sohar, Oman	6,909,170	–	6,964,639	–
National Bank of Oman	2,320,850	–	2,320,850	–
<b>TOTAL (I)</b>	<b>69,004,208</b>	<b>120,398,846</b>		
<b>ii) Call Deposits</b>				
Bank Muscat, Oman	131,119,786	4,672,592	134,038,023	293,777,148
Bank Dhofar, Oman	5,848,078	–	163,530,688	
Bank Sohar, Oman	106,061,452	–	106,061,452	
<b>TOTAL (II)</b>	<b>243,029,316</b>	<b>4,672,592</b>		
<b>iii) Fixed Deposits</b>				
Bank Muscat, Oman	116,042,500	435,087,000	417,753,000	519,687,250
Bank Dhofar, Oman	–	157,114,750	150,855,250	241,715,000
<b>TOTAL (III)</b>	<b>116,042,500</b>	<b>592,201,750</b>		
<b>TOTAL (I) + (II) + (III)</b>	<b>428,076,024</b>	<b>717,273,188</b>		

- Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

	Rupees
i) Contract revenue recognized for the year ended December 31, 2010	3,951,931,042
ii) Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto December 31, 2010 for all contracts in progress as at that date	8,554,198,329
iii) Amount of customer advances outstanding for contracts as at December 31, 2010	174,095,198
iv) Retention amounts due from customers for contracts in progress as at December 31, 2010	168,670,791

- Other Income for the year ended December 31, 2010 includes gain of Rs. 8,640,296 made on forward contracts entered into by the Company during the year.

- Disclosures pursuant to Accounting Standard (AS) 15 (Revised):

- Defined Contribution Plans:**

Amount of Rs. 12,663,145 (*previous year Rs. 10,229,749*) is recognized as an expense and included in "Staff Expenses" (Schedule J) in the Profit and Loss Account.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****ii. Benefit Plans:**

Amount recognized in Balance Sheet are:

Particulars	End of Service Gratuity	
	2010 Rupees	2009 Rupees
Amounts reflected in Liabilities	<b>66,848,139</b>	54,211,719

Amount recognized in Profit and Loss Account are:

Particulars	End-of-Service Gratuity		Provident Fund & Super Annuation Fund	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Amount recognized in Staff Expenses	<b>24,719,943</b>	18,126,674	<b>2,459,687</b>	1,661,509

**iii. Principal Assumption:**

The Company computes the liability to staff end-of-service gratuity assuming that all employees were to leave as of the Balance Sheet date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite affects.

**6. Segment Reporting:**

The Company is engaged only in the business of construction related activity and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segmental Reporting. Further the entire operations of the Company are in Oman only and hence no secondary segment reporting has been made.

**7. Disclosure of related parties / related party transactions:****i. List of related parties who exercise control over the Company:**

<u>Sr. No</u>	<u>Name of Related Party</u>	<u>Relationship</u>
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	Larsen & Toubro International FZE	Holding Company

**ii. List of related parties with whom the Company had transactions during the year:**

<u>Sr. No.</u>	<u>Name of the Related Party</u>	<u>Relationship</u>
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	Larsen & Toubro International FZE	Holding Company
3.	Muscat Trading Co LLC	Holding Company
4.	Larsen & Toubro (Oman) LLC	Fellow subsidiary
5.	L&T Modular Fabrication Yard LLC	Fellow subsidiary
6.	Larsen & Toubro Saudi Arabia LLC	Fellow subsidiary
7.	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	Fellow subsidiary
8.	L&T Electrical & Automation FZE	Fellow subsidiary
9.	L&T - Gulf Private Ltd	Fellow subsidiary
10.	Larsen & Toubro Heavy Engineering LLC	Fellow subsidiary
11.	L&T - Sargent & Lundy Ltd	Fellow subsidiary
12.	L&T - Eastern Joint Venture	Fellow Joint Venture
13.	The Zubair Corporation	Associate
14.	Zubair Automotive Group LLC	Associate
15.	SOCAT LLC	Associate
16.	General Automotive Company LLC	Associate

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

<b>Sr. No.</b>	<b>Name of the Related Party</b>	<b>Relationship</b>
17.	Zubair Electric LLC	Associate
18.	Zubair Telecommunications & Services LLC	Associate
19.	Zubair General Automative Enterprises LLC	Associate
20.	Zubair Enterprises – Southern LLC	Associate
21.	Zubair Enterprises – Northern LLC	Associate
22.	International Heavy Equipment LLC	Associate
23.	Oman Oil Industry Supplies and Services Company	Associate

## iii. Disclosure of related party transactions:

<b>Sr.No.</b>	<b>Name / Nature of transaction / relationship</b>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>1</b>	<b>Holding Company</b>		
	Larsen & Toubro Limited		
	Purchase of Goods & Services	<b>140,649,706</b>	78,303,208
	Purchase of Fixed Assets	<b>486,478</b>	–
	Overheads charged by the related Party	<b>27,839,146</b>	5,506,117
	Overheads charged to the related Party	<b>2,686,845</b>	559,315
	Larsen & Toubro International FZE		
	Purchase of Fixed Assets	<b>88,510,158</b>	–
	Hire charges	–	24,566,211
	Overheads charged by the related Party	–	237,281
	Dividend paid	<b>47,134,425</b>	61,678,500
	Term Loan / ICD	–	144,858,470
	Interest on Term Loan / ICD	<b>1,822,364</b>	41,622
	Repayment of ICD	<b>136,721,802</b>	–
<b>2</b>	<b>Fellow subsidiaries</b>		
	Larsen & Toubro (Oman) LLC		
	Purchase of Goods & Services	<b>282,707,337</b>	66,770,978
	Overheads charged by the related party	<b>3,676,535</b>	4,621,981
	Overheads charged to the related party	<b>757,785</b>	4,085,794
	Term Loan / ICD	–	94,308,900
	Interest on Term Loan / ICD	–	2,435,237
	Larsen & Toubro Heavy Engineering LLC		
	Term Loan / ICD	–	188,617,800
	Interest on Term Loan / ICD	–	5,111,165
	Overheads charged by the related Party	<b>7,121</b>	–
	L&T Electrical & Automation FZE		
	Purchase of Goods & Services	<b>142,321,225</b>	32,890,870
	Overheads charged to the related party	<b>2,711,530</b>	–
	L&T - Eastern Joint Venture		
	Purchase of Fixed Assets	<b>4,858,846</b>	9,566,946
	L&T-Gulf Private Limited		
	Purchase of Goods & Services	–	1,452,206
	Overheads charged by the related party	–	380,651
	L&T Modular Fabrication Yard LLC		
	Overheads charged to the related party	<b>32,875</b>	–
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		
	Overheads charged by the related party	<b>133,873</b>	–
	Overheads charged to the related party	<b>772,858</b>	–



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sr.No.	Name / Nature of transaction / relationship	2010 Rupees	2009 Rupees
	Larsen & Toubro Saudi Arabia LLC		
	Overheads charged to the related party	34,180	–
	L&T - Sargent & Lundy Limited		
	Purchase of Goods & Services	3,168,338	–
3	<b>Associates</b>		
	General Automotive Company LLC		
	Purchase of Fixed Assets	35,022,500	20,110,430
	Purchase of Goods & Services	7,940,306	4,322,089
	Zubair Automotive Group LLC		
	Hire charges	7,211,482	7,969,195
	Purchase of Goods & Services	–	393,205
	Socat LLC		
	Purchase of Goods & Services	20,227,813	14,738,666
	International Heavy Equipment LLC		
	Purchase of Fixed Assets	3,619,805	–
	Purchase of Goods & Services	1,612,089	1,896,261
	Oman Oil Industry Supplies and Services Company		
	Purchase of Goods & Services	3,591,588	433,004
	Zubair Electric LLC		
	Purchase of Goods & Services	619,248	5,135,605
	Wattayah Motors		
	Purchase of Fixed Assets	–	1,696,931
	Zubair General Automotive Enterprises LLC		
	Purchase of Goods & Services	238,207	81,104
	Zubair Enterprises Northern LLC		
	Purchase of Goods & Services	114,897	24,398
	Zubair Enterprises Southern LLC		
	Purchase of Goods & Services	10,444	92,426
	Zubair Telecommunications & Services LLC		
	Purchase of Goods & Services	272,732	–
	The Zubair Corporation		
	Dividend paid	25,380,075	33,211,500
	Overheads charged by the related Party	3,215,692	1,375,009
iv.	Amount due to / due from related parties (Net):		
1	<b>Accounts Receivable</b>		
	<b>Fellow subsidiaries</b>		
	Larsen & Toubro (Oman) LLC	12,771,986	13,301,939
2	<b>Accounts Payable</b>		
	<b>Holding Company</b>		
	Larsen & Toubro Limited	2,088,765	2,031,252
	Larsen & Toubro International FZE	–	3,867,693
	<b>Fellow subsidiaries</b>		
	Larsen & Toubro (Oman) LLC	121,770,590	60,461,043
	L&T Electrical & Automation FZE	3,553,221	–
	L&T-Sargent & Lundy Ltd	379,343	–
	<b>Associates</b>		
	General Automotive Company LLC	8,862,033	6,915,844
	Zubair Automotive Group LLC	2,785,020	1,372,060
	Zubair Enterprises Southern LLC	13,461	3,339

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Sr.No.	Name / Nature of transaction / relationship	2010 Rupees	2009 Rupees
	Zubair Enterprises Northern LLC	133,577	22,161
	SOCAT LLC	4,975,085	2,430,030
	International Heavy Equipment LLC	675,873	1,613,183
	Zubair Electric LLC	408,117	427,154
	Oman Oil Industry Supplies and Services Company	179,605	211,924
	Zubair Telecommunications & Services LLC	266,666	-
	Zubair General Automative Enterprises LLC	307,756	77,952
3	<b>Loans &amp; Advances recoverable</b>		
	<b>Holding Company</b>		
	Larsen & Toubro International FZE	-	139,267,844
	<b>Fellow subsidiaries</b>		
	L&T Modular Fabrication Yard LLC	32,144	
	Larsen & Toubro Saudi Arabia LLC	33,420	
	<b>Associates</b>		
	The Zubair Corporation	635,333	-
4	<b>Other Current liabilities</b>		
	<b>Holding Company</b>		
	Larsen & Toubro Limited	109,895,381	68,126,308
	Larsen & Toubro International FZE	-	488,506
	<b>Fellow subsidiaries</b>		
	Larsen & Toubro (Oman) LLC	2,853,833	3,980,451
	L&T - Eastern Joint Venture	-	3,808,220
	L&T-Gulf Private Ltd	-	472,589
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	130,896	11,481
	Larsen & Toubro Heavy Engineering LLC	6,963	-
	<b>Associates</b>		
	The Zubair Corporation	2,089	
8.	Leases:		
	Operating Leases:		
	The Company has taken on non-cancelable operating leases certain assets, the future minimum lease payments in respect of which, as at December 31, 2010 are as follows:		
	Minimum Lease Payments:		
	i. Payable not later than one year	77,758,571	14,539,278
	ii. Between one year and five years	3,795,054	2,099,899
	Total minimum lease payments	81,553,625	16,639,177

The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancelable period. There are no exceptional / restrictive covenants in the lease agreements.

9. Provision for current tax has been made at Rs. 46,364,085 at the applicable rate of 12% (Previous year 12%) after the basic exemption in accordance with the law of Income Tax on Company's in Oman.

Additional income tax liability that may arise in future on completion of pending income tax assessments for the tax years 2005 to 2009 is not expected to be material to the company's financial position, and would be paid for and accounted in the financial statements of the year in which the income tax assessments are completed.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

10. Basic and Diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share".

		<b>2010</b>	<i>2009</i>
		<b>Rupees</b>	<i>Rupees</i>
<b>Basic</b>	Profit / (Loss) after Tax as per Accounts	<b>359,689,947</b>	<i>342,884,652</i>
	No. of shares outstanding	<b>300,000</b>	<i>300,000</i>
	Basic EPS	<b>1,198.97</b>	<i>1,142.95</i>
<b>Diluted</b>	Diluted EPS	<b>1,198.97</b>	<i>1,142.95</i>

11. Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets":

There are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.

12. Exchange rate risk

The Company is not exposed to significant exchange risks, as substantial financial assets and financial liabilities are denominated in Rial Omani, UAE Dirhams and / or US Dollars to which the Rial Omani is currently pegged.

As part of its exchange risk management, the Company enters into forward foreign exchange contracts to cover its exposure to exchange rate movements from time to time.

a) The particulars of derivative contracts entered into for hedging purposes outstanding as at December 31, 2010 are as under:

<b>Category of Derivative Instruments</b>	<b>Currency Pair</b>	<b>Amount of Exposure Hedged</b>	
		<b>As at 31.12.2010</b>	<i>As at 31.12.2009</i>
		<b>Rupees</b>	<i>Rupees</i>
i. For hedging foreign currency risks			
a. Forward contracts for payables	EUR / USD	<b>40,074,117</b>	–
	EUR / OMR	<b>1,726,944</b>	–
	GBP / USD	<b>254,536,323</b>	–
b. Currency swaps	USD / GBP	<b>52,992,780</b>	–

b) Unhedged foreign currency exposures as at December 31, 2010 are as under:

<b>Unhedged Foreign Currency Exposures</b>	<b>Currency</b>	<b>As at 31.12.2010</b>	<i>As at 31.12.2009</i>
		<b>Rupees</b>	<i>Rupees</i>
Receivables – Outstanding as at the Balance Sheet date	USD	<b>118,899,698</b>	<i>289,363,311</i>
Receivables – Firm commitments and highly probable forecasted transactions	USD	<b>1,235,152,889</b>	<i>1,739,231,881</i>
Payables – Outstanding as at the Balance Sheet date	USD / AED / EUR	<b>148,172,070</b>	<i>134,974,802</i>

13. Estimated amount of contracts remaining to be executed on capital account (net of advances): Rs. Nil

14. Managerial remuneration: Rs. Nil

15. Auditor's remuneration and expenses charged to the accounts:

	<b>2010</b>	<i>2009</i>
	<b>Rupees</b>	<i>Rupees</i>
Audit Fees	<b>580,213</b>	<i>502,981</i>
Fees for taxation services	<b>116,043</b>	<i>88,022</i>

16. There are no transactions with micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

17. The Company is engaged into construction services and accordingly information required under paragraph 4(c) of Part II of the Schedule VI of the Companies Act, 1956 has not been furnished.

18. Borrowing Costs capitalized during the year Rs. Nil (*previous year Rs. Nil*).

19. The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for the impairment in the accounts.

20. The Company has no contingent liabilities as at the Balance Sheet date.

21. Figures for the previous year have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 22. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No. 

1	/	0	4	4	4	5	/	1
---	---	---	---	---	---	---	---	---

State Code 

										N	A
--	--	--	--	--	--	--	--	--	--	---	---

Incorporated in Sultanate of Oman

Balance Sheet Date 

3	1		1	2		2	0	1	0
---	---	--	---	---	--	---	---	---	---

Date Month Year

#### ii. Capital raised during the year (Amount in Rs. Thousands)

Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement 

						N	I	L
--	--	--	--	--	--	---	---	---

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 

		7	8	9	2	1	2
--	--	---	---	---	---	---	---

Total Assets 

		7	8	9	2	1	2
--	--	---	---	---	---	---	---

##### Sources of Fund

Paid-Up Capital 

			3	5	5	6	0
--	--	--	---	---	---	---	---

Reserves & Surplus 

		7	5	3	6	5	2
--	--	---	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

Unsecured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

##### Application of Funds

Net Fixed Assets and Net Intangible Assets 

		3	7	1	4	2	8
--	--	---	---	---	---	---	---

Investments 

						N	I	L
--	--	--	--	--	--	---	---	---

Net Current Assets 

		4	1	7	7	8	4
--	--	---	---	---	---	---	---

Deferred Tax 

						N	I	L
--	--	--	--	--	--	---	---	---

Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses 

						N	I	L
--	--	--	--	--	--	---	---	---

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income) 

		4	6	0	6	1	2	5
--	--	---	---	---	---	---	---	---

Total Expenditure 

		4	1	9	7	2	1	5
--	--	---	---	---	---	---	---	---

+ - Profit / Loss Before Tax 

			4	0	8	9	1	0
--	--	--	---	---	---	---	---	---

+ - Profit / Loss After Tax 

			3	5	9	6	9	0
--	--	--	---	---	---	---	---	---

+ - Basic Earning per Share in Rs. 

		1	1	9	8	.	9	7
--	--	---	---	---	---	---	---	---

Dividend rate % 

						2	0	0
--	--	--	--	--	--	---	---	---

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code) 

						N	.	A	.
--	--	--	--	--	--	---	---	---	---

Product Descriptions 

Construction Activity in Hydrocarbon & Power sector
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As per our report attached of even date

For and on behalf of the Board

#### SHARP & TANNAN

Chartered Accountants

ICAI registration no. 109982W

#### FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : May 19, 2011

#### HEMA K.

Company Secretary

Place : Mumbai

Date : May 19, 2011

#### D. S. SHEVDE

Director

#### P. S. KAPOOR

Director

## DIRECTORS' REPORT

The Directors have pleasure in presenting the fourth Annual Report and Accounts of L&T Modular Fabrication Yard LLC for the year ended December 31, 2010.

### FINANCIAL RESULTS

	2010		2009	
	Amount (RO Mn)	Amount ( Rs lakhs )	Amount (RO Mn)	Amount ( Rs lakhs )
Contract Revenue	21.23	25,208.34	10.85	13,651.50
Operating Profit / (Loss)	2.81	3,326.11	0.40	492.80
Less Finance Cost	0.19	214.09	0.23	274.68
Profit / (Loss) after tax	2.62	3,112.02	0.17	218.12

### DIVIDEND

The Directors do not recommend payment of any dividend.

### PERFORMANCE OF THE COMPANY

Our Yard is now a major fabrication service provider for the region's booming offshore oil & gas industry, comparable with some of the biggest fabrication yards of this kind in the region.

The business portfolio during the year comprised of Upstream Oil & Gas Projects for Oil & Natural Gas Corporation, India, and Refurbishment of Rig FDVII for Lynemouth Drilling Limited, U.K.

During the year, we have successfully completed the Rig FDVII Project for Lynemouth Drilling. We have also successfully shipped the ultra large process platform 8 legged jacket weighing 13,500 MT single piece for MHN Project, during the last quarter of the year.

The Organization is certified for OHSAS: 18001 - 2007, ISO: 14001 - 2004, ISO 9001 -2008 Quality System Standard and for API 2B, API 5L, and ASME with U,S,R stamps.

The Company has secured orders during the year which are given below:

Client	Job	Value (Mn RO)	Value (Rs lakhs)
Larsen & Toubro Limited	Refurbishment of Jack up rig SAGAR Uday, ONGC	9.69	11,500.30
Larsen & Toubro Limited	Fabrication of 2 Jackets & Piles – MHNDRD, ONGC	4.53	5,376.30
Larsen & Toubro Limited	MNP & MLQ Jacket, increase in weight , MHN Project, ONGC	4.01	4,759.15
Lynemouth Drilling Limited	Refurbishment of Rig – Variation orders	1.74	2,065.07

### CAPITAL EXPENDITURE

Capital expenditure incurred by Company as at December 31, 2010 as under:

	2010		2009	
	Amount (RO Mn)	Amount ( Rs lakhs )	Amount (RO Mn)	Amount ( Rs lakhs )
Gross Tangible Assets	13.58	15,749.90	10.13	12,239.83
Gross Intangible Assets	0.58	675.15	0.58	703.17
Capital Work In Progress	0.12	141.66	1.09	1,320.30
<b>TOTAL</b>	<b>14.28</b>	<b>16,566.71</b>	<b>11.80</b>	<b>14,263.30</b>

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualifications. The Notes to the Accounts referred to in the Auditors' Report are self-explanatory.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements misleading.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not relevant. Hence the same has not been furnished.

## L&T MODULAR FABRICATION YARD LLC

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

The Company has no subsidiary companies.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors 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 December 31, 2010 and of the profit of the Company for the year ended on that date;
- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.

### **DIRECTORS**

The Directors of the Company are:

K. Venkataramanan  
Rashad M. Al Zubair  
D. S. Shevde  
U. Dasgupta  
P. S. Kapoor  
C. S. Badrinath

### **AUDITORS**

The auditors M/s RSM & Co., Chartered Accountants continue to be the auditors of the Company for the financial year 2010.

### **ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and employees of the Company.

For and on behalf of the Board

**K. VENKATARAMANAN**  
*Director*

**U. DASGUPTA**  
*Director*

*Place : Mumbai*  
*Date : May 19, 2011*

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T MODULAR FABRICATION YARD LLC

The financial statements of L&T Modular Fabrication Yard LLC for the year ended December 31, 2010, being a company registered in the Sultanate of Oman, are audited by RSM & Company and we have been furnished with their audit report dated February 12, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of L&T Modular Fabrication Yard LLC as at December 31, 2010 and the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the Sultanate of Oman, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule O and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 19, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.
- (c) The assets disposed off during the year are not substantial in relation to the Company and do not affect its going concern status.
- (ii) (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the period. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) There are no loans secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Sultanate of Oman. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems to commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) The Company is incorporated in the Sultanate of Oman and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted any deposits in terms of provisions of Sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has not conducted internal audit during the period.
- (viii) We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- (ix) The Company being registered in the Sultanate of Oman has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company has been registered for a period less than five years. Accordingly, clause (x) of the Order is not applicable.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank and neither has it issued any debentures.
- (xii) According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the period.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the period. Accordingly, clause (xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the period.
- (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 instances of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*by the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

*Place : Mumbai*  
*Date : May 19, 2011*



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	327,489,633		104,786,989	
Reserves and surplus	B	286,397,281		13,077,980	
			613,886,914		117,864,969
Secured Loans	C	497,355,382		719,317,118	
Unsecured Loans	D	334,737,981		455,539,836	
			832,093,363		1,174,856,954
<b>TOTAL</b>			<b>1,445,980,277</b>		<b>1,292,721,923</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	E (i)	1,574,989,662		1,223,983,150	
Less: Depreciation		464,987,338		286,381,090	
Net block		1,110,002,324		937,602,060	
Capital work-in-progress		14,166,137		132,029,926	
			1,124,168,461		1,069,631,986
<b>Intangible Assets</b>					
Gross block	E (ii)	67,515,386		70,316,831	
Less: Amortisation		10,660,389		7,525,820	
Net block			56,854,997		62,791,011
<b>Current assets, loans and advances</b>					
Inventories	F	16,361,762		55,783,094	
Sundry debtors		230,465,978		23,377,168	
Cash and bank balances		469,513,732		73,297,783	
Other current assets		-		258,277,784	
Loans and advances		87,101,717		40,543,626	
		803,443,189		451,279,455	
<b>Less: Current liabilities and provisions</b>					
Current Liabilities	G	486,634,017		314,162,289	
Provisions		51,852,353			
		538,486,370		314,162,289	
Net current assets			264,956,819		137,117,166
Profit and Loss Account			-		23,181,760
<b>TOTAL</b>			<b>1,445,980,277</b>		<b>1,292,721,923</b>
<b>CONTINGENT LIABILITIES</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES AND</b>					
<b>NOTES ON ACCOUNTS</b>					
	H				
	O				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai

Date : May 19, 2011

**K. VENKATARAMANAN**

Director

Place : Mumbai

Date : May 19, 2011

**U. DASGUPTA**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	2010		2009	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Sales & Service	I		2,520,834,498		1,365,150,346
Other operating income	J(i)		16,525,284		19,681,229
Interest income	J(ii)		526,711		–
			<u>2,537,886,493</u>		<u>1,384,831,575</u>
<b>EXPENDITURE</b>					
Manufacturing, Construction & Operating Expenses	K	1,018,083,252		538,089,866	
Staff Expenses	L	749,405,760		507,728,394	
Sales, administration and other expenses	M	235,897,874		121,008,113	
Interest	N	21,409,045		27,468,151	
Depreciation		198,376,154		165,003,699	
Amortisation of intangible assets		3,512,522		3,721,537	
			<u>2,226,684,608</u>		<u>1,363,019,760</u>
<b>Profit before tax</b>			<b>311,201,885</b>		<b>21,811,815</b>
Provision for current taxes			–		–
<b>Profit after tax</b>			<b>311,201,885</b>		<b>21,811,815</b>
Less: Transferred to Legal Reserve			29,935,190		2,181,176
			<u>281,266,695</u>		<u>19,630,639</u>
Add: Balance brought forward from previous year			(23,181,760)		(42,812,399)
Balance carried to Balance Sheet			<u>258,084,935</u>		<u>(23,181,760)</u>
Face value per equity share RO 1					
Earnings per equity share - Basic & Diluted			121.07		21.81
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	O				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 19, 2011

**K. VENKATARAMANAN**

Director

Place : Mumbai  
Date : May 19, 2011

**U. DASGUPTA**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
<b>Net profit / (loss) before tax</b>	<b>311,201,885</b>	<b>21,811,815</b>
Adjustments for		
Depreciation & Amortisation	<b>201,888,676</b>	<b>168,725,237</b>
Interest (net)	<b>20,882,334</b>	<b>27,468,151</b>
(Increase)/Decrease in Translation loss	<b>(14,700,825)</b>	<b>(4,301,725)</b>
Profit on sale of fixed asset	<b>878,929</b>	<b>-</b>
<b>Operating profit before working capital changes</b>	<b>518,393,141</b>	<b>213,703,479</b>
(Increase) / decrease in trade and other receivables:		
(Increase) / decrease in inventories	<b>297,699,115</b>	<b>(265,080,003)</b>
(Increase) / decrease in loans and advances	<b>(46,558,091)</b>	<b>12,067,402</b>
(Increase) / decrease in sundry debtors	<b>(207,088,810)</b>	<b>445,166,470</b>
Increase / (decrease) in trade payables	<b>224,324,081</b>	<b>(203,858,539)</b>
Changes in working capital	<b>268,376,295</b>	<b>(11,704,671)</b>
<b>Cash generated from / (used in) operations</b>	<b>786,769,436</b>	<b>201,998,808</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	<b>(285,955,872)</b>	<b>(398,379,466)</b>
Sale of fixed assets	<b>889,491</b>	<b>-</b>
Difference in the opening value of fixed assets due to exchange difference	<b>51,565,755</b>	<b>6,864,952</b>
Difference in the cumulative depreciation due to exchange difference	<b>(16,109,581)</b>	<b>(12,730,665)</b>
Interest received	<b>526,711</b>	<b>-</b>
<b>Net Cash (used in) / from investing activities</b>	<b>(249,083,496)</b>	<b>(404,245,179)</b>
<b>C. Cash Flow from Financing activities</b>		
Proceeds from issue of share capital	<b>222,702,644</b>	<b>-</b>
Increase / (decrease) in secured & unsecured loans	<b>(342,763,591)</b>	<b>296,442,149</b>
Interest paid	<b>(21,409,045)</b>	<b>(27,468,151)</b>
<b>Net cash (used in) / from financing activities</b>	<b>(141,469,992)</b>	<b>268,973,998</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>396,215,949</b>	<b>66,727,627</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>73,297,783</b>	<b>6,570,155</b>
<b>Cash and cash equivalents at end of the year</b>	<b>469,513,732</b>	<b>73,297,783</b>

**Notes :**

- Cash Flow Statement has been prepared under the Indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Amendment Rules, 2009.
- Purchase of Fixed Assets includes movement of Capital Work-in-progress during the year.
- Previous years figures have been regrouped / reclassified wherever applicable.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332Place : Mumbai  
Date : May 19, 2011**K. VENKATARAMANAN**

Director

Place : Mumbai  
Date : May 19, 2011**U. DASGUPTA**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
28,84,615 Equity shares of RO. 1 each		<b>327,489,633</b>		<b>104,786,989</b>
<b>Issued, Subscribed and Paid-up</b>				
28,84,615 Equity shares of RO. 1 each		<b>327,489,633</b>		<b>104,786,989</b>
(Previous Year : 10,00,000 Equity shares of RO. 1 each)				
<b>TOTAL</b>		<b>327,489,633</b>		<b>104,786,989</b>

Note: 65% of the equity held by Larsen & Toubro International FZE, Sharjah, UAE a wholly owned subsidiary of Larsen & Toubro Ltd, India and balance 35% is held by The Zubair Corporation, Oman

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
Opening Legal Reserve		<b>2,875,876</b>		<b>694,700</b>
Legal Reserve		<b>29,935,190</b>		<b>2,181,176</b>
		<b>32,811,066</b>		<b>2,875,876</b>
Translation Gain		<b>(4,498,721)</b>		<b>10,202,104</b>
Balance in Profit and Loss account		<b>258,084,935</b>		
<b>TOTAL</b>		<b>286,397,281</b>		<b>13,077,980</b>

<b>SCHEDULE - C</b>				
<b>SECURED LOAN</b>				
<b>Term Loan</b>				
Due within 1 year		<b>133,895,232</b>		<b>139,450,885</b>
Others		<b>334,677,885</b>		<b>557,799,663</b>
		<b>468,573,117</b>		<b>697,250,548</b>
Bank Overdrafts		<b>28,782,265</b>		<b>55,039,702</b>
<b>TOTAL</b>		<b>497,355,382</b>		<b>719,317,118</b>

<b>SCHEDULE - D</b>				
<b>UNSECURED LOAN</b>				
Shareholders Loan Account - L&T International FZE		<b>217,579,688</b>		<b>296,100,875</b>
Shareholders Loan Account - The Zubair Corporation		<b>117,158,293</b>		<b>159,438,961</b>
<b>TOTAL</b>		<b>334,737,981</b>		<b>455,539,836</b>

<b>SCHEDULE - E</b>												
<b>FIXED ASSETS</b>												
Description	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions / Adjustment	As at 31.12.2010	Upto 01.01.2010	Exchange difference included in the translation reserve	For the Year	Deductions / Adjustment	Upto 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	968,806,513	(38,597,906)	332,806,293	152,248	<b>1,262,862,652</b>	227,790,247	(12,681,357)	162,193,482	53,763	<b>377,248,609</b>	<b>885,614,043</b>	741,016,266
Buildings	182,294,831	(7,262,661)	53,119,847	0	<b>228,152,017</b>	21,132,057	(1,108,228)	11,974,255		<b>31,998,084</b>	<b>196,153,933</b>	161,162,774
Motor Vehicles	39,364,684	(1,568,359)	11,191,951	3,896,591	<b>45,091,685</b>	20,527,568	(1,027,301)	13,408,725	3,984,515	<b>28,924,477</b>	<b>16,167,208</b>	18,837,116
Furniture & Fixtures	33,517,123	(1,335,385)	6,701,570	0	<b>38,883,308</b>	16,931,218	(914,742)	10,799,692		<b>26,816,168</b>	<b>12,067,140</b>	16,585,905
<b>Total</b>	<b>1,223,983,151</b>	<b>(48,764,311)</b>	<b>403,819,661</b>	<b>4,048,839</b>	<b>1,574,989,662</b>	<b>286,381,090</b>	<b>(15,731,628)</b>	<b>198,376,154</b>	<b>4,038,278</b>	<b>464,987,338</b>	<b>1,110,002,324</b>	
Previous Year	923,912,164	(3,570,419)	303,641,405	0	1,223,983,150	133,778,384	(12,400,993)	165,003,699	0	286,381,090		937,602,061
Add: Capital Work in progress											<b>14,166,137</b>	132,029,926
											<b>1,124,168,460</b>	1,069,631,987

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - E (ii)****FIXED ASSETS - INTANGIBLE**

Description	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	Deductions / Adjustment	As at 31.12.2010	Upto 01.01.2010	Exchange difference included in the translation reserve	For the Year	Deductions / Adjustment	Upto 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land - leasehold - Developments	70,316,831	(2,801,445)	0	0	67,515,386	7,525,820	(377,953)	3,512,522		10,660,389	56,854,997	62,791,011
<b>Total</b>	<b>70,316,831</b>	<b>(2,801,445)</b>	<b>0</b>	<b>0</b>	<b>67,515,386</b>	<b>7,525,820</b>	<b>(377,953)</b>	<b>3,512,522</b>	<b>0</b>	<b>10,660,389</b>	<b>56,854,997</b>	<b>62,791,011</b>
<i>Previous Year</i>	<i>73,611,364</i>	<i>(3,294,533)</i>	<i>0</i>	<i>0</i>	<i>70,316,831</i>	<i>4,133,958</i>	<i>(329,675)</i>	<i>3,721,537</i>	<i>0</i>	<i>7,525,820</i>		<i>62,791,011</i>

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Stores, spares & tackles	3,867,180		6,649,386	
Raw material & Components	-		16,314,460	
Consumables	12,494,582		32,819,248	
		16,361,762		55,783,094
<b>Sundry Debtors: Unsecured</b>				
Debts outstanding for less than 6 months	230,465,978		20,915,542	
Other Debts:				
Considered good	-		2,461,626	
		230,465,978		23,377,168
<b>Cash and bank balances</b>				
Cash on hand	1,369,321		644,485	
Balances with non-scheduled banks (Refer Note 3 (e))	468,144,411		72,653,298	
		469,513,732		73,297,783
<b>Other Current Assets</b>				
Due from Customers				
Work in progress (At RSV)	-		2,329,393,612	
Work in progress (At Cost)	-		88,188,026	
Less: Progress Billing	-		2,159,303,854	
		-		258,277,784
<b>Loans and advances</b>				
Unsecured : Considered good				
Prepaid expenses	8,822,364		21,664,189	
Advances to Suppliers	3,195,841		4,451,376	
Advances recoverable in cash or in kind	8,685,969		12,070,362	
Intercorporate deposit with related party	58,021,250		-	
Due from related party	8,376,293		2,357,699	
		87,101,717		40,543,626
<b>TOTAL</b>		<b>803,443,189</b>		<b>451,279,455</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Liabilities				
Liability for Revenue goods	461,503		39,881,010	
Liability for Capital goods	7,020,538		17,613,030	
Liability for Revenue Services	168,933,845		39,101,784	
Sundry Creditors	40,067,263		45,778,743	
Due to holding , ultimate holding company and its subsidiaries	17,879,985		123,726,574	
Other payables	79,720,203		48,061,148	
Due to Customer	13,166,182		–	
		327,249,518		314,162,289
Progress bills raised	4,944,007,647		–	
Less: Work in progress (At Cost)	108,798,381		–	
Less: Work in progress (At RSV)	4,675,824,768		–	
		159,384,498		–
<b>Provisions</b>				–
Provisions (refer schedule O note no. n)		51,852,353		–
<b>TOTAL</b>		<b>538,486,370</b>		<b>314,162,289</b>
<b>SCHEDULE - H</b>				
<b>CONTINGENT LIABILITIES</b>				
Claims against the Company not acknowledged as debts		174,220,291		3,253,484
<b>SCHEDULE - I</b>				
<b>SALES AND SERVICES</b>				
Construction and project related activity		2,519,392,708		1,364,929,582
Exchange difference gain / (loss)		1,441,790		220,764
<b>TOTAL</b>		<b>2,520,834,498</b>		<b>1,365,150,346</b>
<b>SCHEDULE - J</b>				
<b>OTHER INCOME</b>				
<b>J(i) Other Operating Income</b>				
Income from services to Group companies		5,636,986		8,917,347
Recoveries from Group companies		7,829,084		10,314,124
Other income		3,059,214		449,758
<b>TOTAL</b>		<b>16,525,284</b>		<b>19,681,229</b>
<b>J(ii) Interest Income</b>				
Interest received from others		526,711		–
<b>TOTAL</b>		<b>526,711</b>		<b>–</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - K</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Raw Materials & Components	144,246,688		24,178,978	
Components	53,473,189		22,301,531	
Less: Scrap sales	33,504,455		1,836,755	
		164,215,422		44,643,753
Consumables		162,868,398		83,989,889
Spares & Tools		31,691,646		7,916,274
Freight		41,633,302		36,912,521
Power and fuel		16,558,871		14,663,743
Subcontracting Expenses		300,780,171		230,935,575
Engineering & technical services		1,455,911		7,445,282
Lease Rent		37,866,099		27,627,157
Hire charges		240,577,040		74,665,789
Repairs and maintenance		10,824,942		2,010,626
Cost of Software		2,815,603		2,206,174
Insurance premium		6,795,849		5,073,082
<b>TOTAL</b>		<b>1,018,083,252</b>		<b>538,089,866</b>
<b>SCHEDULE - L</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		655,891,224		439,100,120
Contribution to social security scheme		9,451,536		7,361,085
Provision for Gratuity		11,510,116		12,458,730
Welfare and other expenses		72,552,884		48,808,459
<b>TOTAL</b>		<b>749,405,760</b>		<b>507,728,394</b>
<b>SCHEDULE - M</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Rent		35,681,731		35,651,971
Travelling and conveyance		5,957,861		11,066,739
Telephone, postage and telegram		18,111,514		13,694,487
Professional Fees		19,361,952		10,759,503
Insurance		4,221,821		3,215,373
Stationery and printing		2,230,378		2,642,244
Entertainment expenses		2,875,866		2,096,457
Exhibition expenses		11,900,000		
Bank charges		1,052,480		1,289,602
Repairs & Maintenance		14,011,357		12,183,388
Software		876,687		289,251
Fees paid to Ministry of Manpower		29,577,613		3,888,911
Provision for Customer Claim		51,852,353		
Power & Fuel		20,907,665		14,543,507
Miscellaneous expenses		17,278,597		9,686,680
<b>TOTAL</b>		<b>235,897,874</b>		<b>121,008,113</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - N</b>				
<b>INTEREST AND BROKERAGE</b>				
Interest paid to banks		21,409,045		27,467,900
Interest on Lease Finance		-		251
<b>TOTAL</b>		<b>21,409,045</b>		<b>27,468,151</b>

**SCHEDULE - O****1) LEGAL STATUS**

L&T Modular Fabrication Yard LLC is a Limited Liability Company, registered under the Commercial Laws of the Sultanate of Oman. The Company is engaged in execution of modular fabrication contracts.

**2) SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The accounts have been prepared using historical cost convention and accrual basis and in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

**b. Revenue Recognition**

Revenue from project related activity is recognized on percentage of completion basis. Percentage of completion is determined as a proportion of the cost incurred to date to the total estimated cost.

No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing the contracts to completion.

Contract billings are recorded on the basis of progress bills prepared by the Company and are considered to the extent that they are probable of being certified and recovered.

**c. Retirement / Termination Benefits**

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law 1991) for Omani employees administered by the Government of Sultanate of Oman. The contribution paid / payable under the said plan is recognized during the period in which the employee renders the related service.

Accruals for employees benefits comprising of leave salary and end of service gratuity for non-Omani employees is in accordance with Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end .

**d. Fixed assets**

Fixed assets are stated at cost less depreciation.

**e. Leases**

Operating lease rentals are recognized as an expense on a straight line basis over the lease term.

**f. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1. Plant, Machinery and Equipment	15%
2. Motor Vehicles	33.33 %
3. Furniture & Fixtures	33.33%
4. Office Buildings	4%
5. Factory Buildings	8%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories.



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### g. Impairment of assets

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- the provision for impairment loss, if any, required or
- the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

### h. Inventories

Inventories are stated at the lower of cost and net realizable value after making due allowance for obsolete and slow moving items.

Raw Materials, Stores, spares and consumables                      Weighted average cost

Tools, tackles, etc.    Weighted average cost less amortization over estimated useful life.

### i. Legal reserve

Legal reserve is created by appropriating 10% of the net profit for the year as required by Article 154 of the Commercial Companies Law of Oman 1974. The Company may resolve to discontinue such annual transfers when the reserve totals 33.33% of the paid-up share capital. The reserve is not available for distribution.

### j. Translation of financial statements in foreign currency to Indian Rupees

Accounts are translated in Indian Rupees as follows:

- Share capital and Legal Reserve are retained at the initial contribution amount.
- Fixed and Current assets & Current liabilities are translated at year-end rates.
- Revenue transactions are translated at the average rates.

The resultant difference is accounted as translation reserve in the Balance Sheet.

## 3) NOTES ON ACCOUNTS

- Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

	Amount in Rupees
i) Contract revenue recognized for the period ended December 31, 2010	2,520,834,498
ii) Aggregate amount of contract costs incurred and recognized profits (less recognized losses) up to December 31, 2010 for all contracts in progress as at that date	2,143,776,887
iii) Amount of customer advances outstanding for contracts as at December 31, 2010	Nil
iv) Retention amounts due from customers for contracts in progress as at December 31, 2010	Nil

- Name of the Company who exercise control
    - Larsen & Toubro Limited – Ultimate Holding Company
    - Larsen & Toubro International FZE - Holding Company
  - Disclosure of major transactions with related parties

**Amount in Rupees**

Related Party	Nature of relationship	Nature of transaction	Year 2010	Year 2009
Larsen & Toubro Limited – India	Ultimate Holding Company	Contract and other revenues	<b>2,062,325,678</b>	227,051,946
Larsen & Toubro Limited – India	Ultimate Holding Company	Subcontract expenses	<b>84,607,045</b>	208,712,385
Larsen & Toubro Limited – India	Ultimate Holding Company	Purchase of Plant and Machinery	–	16,460,046
Larsen & Toubro International FZE	Holding Company	Purchase of Plant and Machinery	–	29,322,020
The Zubair Corporation LLC	Associate	Loan	<b>42,280,650</b>	77,865,325
The Zubair Corporation LLC	Associate	Share Capital	<b>76,543,417</b>	NIL
Larsen & Toubro International FZE	Holding Company	Share Capital	<b>142,152,062</b>	NIL
Larsen & Toubro International FZE	Holding Company	Loan	<b>78,251,206</b>	144,606,980

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(iii) Amount due to / due from related parties

*Amount in Rupees*

Related Party	Nature of relationship	Year 2010		Year 2009	
		Due from Related Party	Due to Related Party	Due from Related Party	Due to Related Party
Larsen & Toubro Limited, India	Ultimate Holding Company	230,465,978	174,509,868	114,690,547	123,720,543
Larsen & Toubro International FZE	Holding Company	–	435,159,375	–	402,840,510
Larsen & Toubro Heavy Engineering LLC, Oman	Fellow Subsidiary	8,376,293	–	–	1,783,275
Larsen & Toubro Heavy Engineering LLC, Oman	Fellow Subsidiary	58,021,250	–	–	–
Larsen & Toubro Electromech LLC	Fellow Subsidiary	–	32,144	–	–
Larsen & Toubro (Oman) LLC	Fellow Subsidiary	–	1,862,661	–	–
L&T-Valdel Engineering Limited	Fellow Subsidiary	–	859,686	–	224,818
Tractor Engineers Limited	Fellow Subsidiary	–	–	2,928,859	–
The Zubair Corporation, Oman	Associate	–	234,268,544	–	201,742,953
Zubair General Automotive	Associate	–	1,072,117	–	659,918
Zubair Electric Northern	Associate	–	15,086	–	–
International Heavy Equipment Company LLC	Associate	–	548,301	–	484,034
Oasis Water Company LLC	Associate	–	82,738	–	47,678
Pentagon Freight Services	Associate	–	47,810	–	–
Zeenah Events	Associate	–	1,761,177	–	–
Jawahir Oman	Associate	–	275,601	–	–
<b>TOTAL</b>		<b>296,911,562</b>	<b>734,500,648</b>	<b>117,619,406</b>	<b>731 503,729</b>

(iv) No amount due from Group companies has been written-off as bad debts during the year.

## c. Secured Loan

The bank loan and facilities are secured by mortgage over Company's plant and machinery. Also the ultimate parent company Larsen & Toubro Ltd., India and a member of The Zubair Corporation LLC have given letters of comfort to the bank.

## d. Unsecured Loan

Interest on unsecured loan received from members is payable after settlement of debt obligations to the banks. The loans are not payable for a minimum period of 10 years from the date of infusion.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## e. Balances with non-scheduled banks

*Amount in Rupees*

<b>Bank</b>	<b>As at 31.12.2010</b>	<b>Maximum amount outstanding at any time during the period</b>	<b>As at 31.12.2009</b>	<b>Maximum amount outstanding at any time during the period</b>
Bank Muscat	<b>18,471,921</b>	31,251,861	1,008,529	48,995,839
HSBC Bank Middle East Limited (USD)	<b>418,299,481</b>	778,587,030	70,855,690	155,976,146
Oman Arab Bank-Smart Card Account	<b>730,696</b>	5,871,402	789,079	5,872,828
HSBC Bank Middle East Limited-Overdraft Account (RO)	<b>30,612,923</b>	106,461,231	–	–
Oman Arab Bank Account (USD)	<b>29,390</b>	29,390	–	–

## f. Taxation

Provision for tax for the current period has not been made in the financial statements since the Company has obtained income-tax exemption in Sultanate of Oman for a period of 5 years with effect from September 1, 2007. As per the Law of Income Tax on Companies in Oman, losses incurred can be carried forward indefinitely till they are fully adjusted against subsequent year's taxable income.

## g. Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials Omani or UAE Dirhams / US Dollar to which the Rial Omani is fixed, except for the following:

*Amount in Rupees*

<b>Currency</b>	<b>Trade Payables</b>	<b>Due to Customer</b>
Euro	6,254,459	–
Indian Rupee	–	3,959,486

## h. Borrowing cost capitalized during the period is Rs. Nil

## i. The Company is engaged only in the business of modular fabrication and hence no reporting has been made as per the requirements under Accounting Standard 17 on Primary Segmental Reporting. Secondary Segmental Reporting in respect of Contract revenue (Geographical segment) provided below:

<b>Location</b>	<b>Amount in Rupees</b>
India	2,057,244,373
Central America	462,148,335

All assets are located in the Sultanate of Oman

## j. Operating leases

The Company has taken on non-cancellable operating leases certain assets, the future minimum lease payments in respect of which, as at December 31, 2010 are as follows:

*Amount in Rupees*

<b>Minimum Lease Payments</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
i. Payable not later than one year	<b>71,418,008</b>	61,100,355
ii. Between one year and five years	<b>204,786,002</b>	213,578,770
iii. Beyond five years	<b>566,725,112</b>	636,772,425
Total minimum lease payments	<b>842,929,123</b>	911,451,550

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- k. Auditor's remuneration and expenses charged to the accounts:

**Amount in Rupees**

Particulars	2010	2009
Audit Fees	694,290	597,290
Taxation	130,550	292,358
Expenses Reimbursed	40,910	83,361

- l. The Company is engaged in modular fabrication, which involves primarily labour and consumables and accordingly information required under paragraph 4 (c) of Part II of the Schedule VI of the Companies Act 1956 has not been furnished.
- m. Estimated amount of contracts remaining to be executed on capital accounts (net of advances): Rs. 5,278,889 (*previous year Rs. 83,793,255*)
- n. Disclosure required under AS-29 "Provisions, Contingent Liabilities and contingent assets".

A customer has claimed Rs. 226,072,644 from the Company towards losses, damages, costs and expenses. As per the customer, there may be other claims including loss of hire due to delay caused based on examination by their lawyer for which no claim intimation has been received till date. Company has provided Rs. 51,852,353 as provision for customer claims. The balance claim of Rs. 174,220,291 is related to subcontract work done by ultimate parent company and has been disclosed above as claims against the Company not acknowledged as debts. The Company's management has strongly disputed the customer's claim. The Company and customer have decided to resolve the matter through arbitration and have appointed arbitrators.

Provision made during the year Rs. 51,852,353. (*Previous Year: NIL*).

- o. Under the sub-usufruct agreement between the Company and Sohar Industrial Port Company SAOC, (SIPC), the SIPC at the time of expiry or termination of the sub-usufruct agreement would require the Company to restore the land to its original form at the Company's sole costs. Since, the obligation of the Company is contingent and the liability can only be determined at the time of termination of the usufruct agreement, the Company has not made any provision towards site restoration costs in the financial statements.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

p. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. 

	1	0	0	1	9	1	0
--	---	---	---	---	---	---	---

State Code 

						N	A
--	--	--	--	--	--	---	---

(Incorporated in Sultanate of Oman)

Balance Sheet Date 

3	1		1	2		2	0	1	0
---	---	--	---	---	--	---	---	---	---

Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

	2	2	2	7	0	2
--	---	---	---	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

	1	4	4	5	9	8	0
--	---	---	---	---	---	---	---

Total Assets

	1	4	4	5	9	8	0
--	---	---	---	---	---	---	---

**Sources of Fund**

Paid-up Capital

		3	2	7	4	7	0
--	--	---	---	---	---	---	---

Secured Loans

		4	9	7	3	5	5
--	--	---	---	---	---	---	---

Reserves &amp; Surplus

		2	8	6	3	9	8
--	--	---	---	---	---	---	---

Unsecured Loans

		3	3	4	7	3	7
--	--	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets and net Intangible Assets

	1	1	8	1	0	2	4
--	---	---	---	---	---	---	---

Net Current Assets

		2	6	4	9	5	6
--	--	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Investments

					N	I	L
--	--	--	--	--	---	---	---

Deferred Tax

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)

	2	5	3	7	8	8	6
--	---	---	---	---	---	---	---

+ -  

+	
---	--

Profit / Loss Before Tax

		3	1	1	2	0	1
--	--	---	---	---	---	---	---

+ -  

+	
---	--

Basic Earning per Share (in Rs.)

		1	2	1	.	0	7
--	--	---	---	---	---	---	---

Total Expenditure

	2	2	2	6	6	8	4
--	---	---	---	---	---	---	---

Profit / Loss After Tax

		3	1	1	2	0	1
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Dividend Rate %

					N	I	L
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**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No.

				N	.	A	.
--	--	--	--	---	---	---	---

(ITC Code)

Product Descriptions

MODULAR FABRICATION IN UPSTREAM OIL & GAS PROJECTS
--

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 19, 2011

**K. VENKATARAMANAN**

Director

**U. DASGUPTA**

Director

Place : Mumbai

Date : May 19, 2011

## ***DIRECTORS' REPORT***

The Directors have pleasure in presenting the Third Annual Report and Audited Accounts of Larsen & Toubro Heavy Engineering LLC for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

Particulars	<b>2010</b> <i>(Rs. in Lakhs)</i>	<i>2009</i> <i>(Rs. in Lakhs)</i>	<b>2010</b> <i>(OMR in Lakhs)</i>	<i>2009</i> <i>(OMR in Lakhs)</i>
Total Income	<b>3,330.99</b>	<i>1,047.55</i>	<b>28.07</b>	<i>8.39</i>
Profit / (Loss) before Tax	<b>(3,141.15)</b>	<i>(1,545.84)</i>	<b>(26.47)</b>	<i>(12.38)</i>
Profit / (Loss) after Tax	<b>(3,141.15)</b>	<i>(1,545.84)</i>	<b>(26.47)</b>	<i>(12.38)</i>

### **OVERVIEW OF THE YEAR**

The Company was commercially registered under the Oman Commercial Law on April 7, 2008. The construction of the fabrication shop which started in June 2008 was completed in the month of October 2009. The focus in the year 2010 was towards executing a variety of jobs and generating references for further Shop qualifications.

### **CAPITAL & FINANCE**

The Company has been funded by the contributions from its shareholders, Larsen & Toubro International FZE & The Zubair Corporation amounting to Rs. 5,064.78 Lakhs. As on December 31, 2010, the Company has outstanding shareholders' loan amounting to Rs. 3,440.08 Lakhs from Larsen & Toubro International FZE & Rs. 1,474.32 Lakhs from The Zubair Corporation. Further the Company has utilized term loans from bank for Rs. 10,338.98 Lakhs and Overdraft facility of Rs. 402.30 Lakhs.

The Company also has Rs. 580.21 Lakhs loan from Larsen & Toubro Modular Fabrication Yard, LLC.

### **CAPITAL EXPENDITURE**

As on December 31, 2010, the Gross fixed assets and the net fixed assets stood at Rs. 17,966.60 and Rs. 16,520.03 Lakhs respectively. Capital Work-in-Progress as on that date was Rs. 57.26 Lakhs.

### **DIVIDEND**

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

### **SUBSIDIARY COMPANIES**

The Company has no subsidiary companies.

### **AUDITOR'S REPORT**

The Auditor's Report to the shareholders does not contain any qualifications. The Notes to the Accounts referred to in the Auditor's Report are self explanatory.

### **CHANGE OF CIRCUMSTANCES**

At the date of this Report, the Directors are not aware of any circumstances, not otherwise dealt with in this report for the financial statements of the Company, which would render any amount stated in the financial statements misleading.

### **DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 are not relevant. Hence the same has not been furnished.

### **PARTICULARS OF EMPLOYEES**

The Company being registered outside India, the disclosures required to be made under provisions of Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not relevant. Hence, the same has not been furnished.

### **DIRECTORS**

Mr. V. C. Bedi resigned from the Directorship of the company during the year under review. Mr. S. Suryanarayanan was appointed as Director in the vacancy caused by the resignation of Mr. V. C. Bedi.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms

- i. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors 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 on December 31, 2010 and of the loss of the Company for the year ended on that date;

- iii. that proper and sufficient care has been taken for the maintenance of adequate 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. that the annual accounts have been prepared on a going concern basis.

**AUDITORS**

The Company re-appointed M/s. RSM & Co., Chartered Accountants as the Auditors of the Company for the financial year 2011.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and the employees of the Company.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 16, 2011*

**M. V. KOTWAL**  
*Director*

**Y. S. TRIVEDI**  
*Director*

**S. A. GUNE**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO HEAVY ENGINEERING LLC

The financial statements of Larsen & Toubro Heavy Engineering LLC for the year ended December 31, 2010, being a company registered in the Sultanate of Oman, are prepared by management and audited by the statutory auditors in Sultanate of Oman RSM & Co. Chartered Accountants, Sultanate of Oman and we have been furnished with their audit report dated March 12, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Heavy Engineering LLC as at December 31, 2010 and the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the Sultanate of Oman, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in schedule N and other notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

Place : Mumbai  
Date : May 16, 2011

**R. D. Kare**  
Partner  
Membership No. 8820



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has formulated the programme of physical verification of all the fixed assets over the period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of fixed assets have been carried out by management during the year and no material discrepancies were noticed on such verification.
- (c) Fixed assets have not been disposed off during the year and hence, reporting under paragraph 4(i)(c) is not applicable.
- ii. (a) As explained to us, inventories have been physically verified by management at reasonable intervals.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- iii. The Company being incorporated and doing business only in the Sultanate of Oman, register is not required to be maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. The Company is incorporated in the Sultanate of Oman and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- ix. The Company being registered in the Sultanate of Oman has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- x. The Company has been registered for less than 5 years and hence, paragraph 4(x) of the Order is not applicable to the Company.
- xi. According to the information and explanations given by management, the Company has neither borrowed from a bank nor a financial institution from India and neither has it issued any debentures.
- xii. According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to any party during the year.
- xix. The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W  
By the hand of

Place : Mumbai  
Date : May 16, 2011

**R. D. KARE**  
Partner  
Membership No. 8820

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	506,477,934		506,477,934	
Reserves & surplus					
Translation Reserve		2,946,125		8,814,358	
			509,424,059		515,292,292
<b>Loan Funds</b>					
Secured Loans	B	1,074,127,675		666,063,901	
Unsecured Loans	C	549,461,237		386,945,349	
			1,623,588,912		1,053,009,250
<b>TOTAL</b>			<b>2,133,012,971</b>		<b>1,568,301,542</b>
<b>APPLICATION OF FUNDS</b>					
Fixed assets	D				
Gross block		1,796,659,696		1,475,047,404	
Less: Depreciation		144,656,063		37,994,837	
Net block		1,652,003,633		1,437,052,567	
Add : Capital work In Progress		5,725,643		16,269,250	
			1,657,729,276		1,453,321,817
Investment			-		-
Current assets, loans and advances	E				
Inventories		54,417,024		3,176,661	
Sundry debtors		36,556,522		81,547,563	
Cash and bank balance		2,851,394		7,438,735	
Other current assets		209,652,037		12,617,345	
Loans and advances		3,304,305		4,658,598	
		306,781,282		109,438,902	
Less: Current liabilities and provisions	F				
Liabilities		334,350,157		185,384,204	
Provisions		3,906,181		1,719,035	
		338,256,338		187,103,239	
Net current assets			(31,475,056)		(77,664,337)
Miscellaneous Expenditure					
Excess of Expenditure over Income			506,758,751		192,644,063
<b>TOTAL</b>			<b>2,133,012,971</b>		<b>1,568,301,542</b>
<b>Contingent Liability</b>	G				
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>AND NOTES ON ACCOUNTS</b>	N				

The schedules referred to above and the notes attached form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration no. 109982W

**R. D. KARE**

Partner

Membership No. 8820

Place : Mumbai

Date : May 16, 2011

**M. V. KOTWAL**

Director

Place : Mumbai

Date : May 16, 2011

**Y. S. TRIVEDI**

Director

**S. A. GUNE**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and service	H		330,662,351		102,199,142
Other income	I		2,436,673		2,555,642
			<u>333,099,024</u>		<u>104,754,784</u>
<b>EXPENDITURE</b>					
Manufacturing, Construction and operating expenses	J	343,437,206		120,234,022	
Staff expenses	K	92,471,481		45,123,857	
Sales, administration and other expenses	L	63,883,856		42,276,781	
Interest and brokerage	M	55,732,570		13,224,090	
Depreciation		110,635,605		38,479,845	
		<u>666,160,718</u>		<u>259,338,595</u>	
Less : Overheads capitalised		<u>(18,947,006)</u>		<u>-</u>	
			<u>647,213,712</u>		<u>259,338,595</u>
<b>Profit before tax</b>			<b>(314,114,688)</b>		<b>(154,583,811)</b>
Provision for current year taxes			-		-
<b>Profit after tax</b>			<b>(314,114,688)</b>		<b>(154,583,811)</b>
Dividend - Interim			-		-
Proposed dividend			-		-
Profit available for appropriation			<u>(314,114,688)</u>		<u>(154,583,811)</u>
Add: Balance brought forward from previous year			<u>(192,644,063)</u>		<u>(38,060,252)</u>
Balance carried to Balance Sheet			<u>(506,758,751)</u>		<u>(192,644,063)</u>
Earnings per equity share - Basic			(74.17)		(61.28)
Earnings per equity share - Diluted			(74.17)		(61.28)
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	N				

The schedules referred to above and the notes attached form an integral part of the Profit and Loss Account.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration no. 109982W

**R. D. KARE**

Partner  
Membership No. 8820

Place : Mumbai  
Date : May 16, 2011

**M. V. KOTWAL**

Director

Place : Mumbai  
Date : May 16, 2011

**Y. S. TRIVEDI**

Director

**S. A. GUNE**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A Cash Flow from operating activities</b>		
Net profit / (Loss) before tax	(314,114,688)	(154,583,810)
<b>Adjustments for:</b>		
Depreciation	110,635,605	38,479,845
Interest (net)	55,732,570	13,224,090
Unrealised foreign exchange difference - gain / (loss) in operating activities	4,525,523	3,706,686
<b>Operating profit before working capital changes</b>	<b>(143,220,990)</b>	<b>(99,173,189)</b>
(Increase) / decrease in Inventories	(51,366,983)	(15,793,954)
(Increase) / decrease in Trade and other receivables	(154,626,497)	(57,848,772)
Increase / (decrease) in Trade payables & Customer advances	158,607,297	(272,926,857)
<b>Cash (used in) / generated from Operating Activities</b>	<b>(190,607,173)</b>	<b>(445,742,773)</b>
<b>B. Cash Flow from Investing Activities</b>		
Additions to Fixed Assets	(370,483,039)	(776,051,423)
<b>Net Cash (used in) / from Investing Activities</b>	<b>(370,483,039)</b>	<b>(776,051,423)</b>
<b>C. Cash Flow from Financing activities</b>		
Proceeds from issue of share capital & Share Application Money Received	-	102,930,004
(Repayments) / Proceeds from other borrowings	177,931,911	666,061,696
Secured Loans from Bank	434,599,934	386,944,068
Interest paid	(55,732,570)	(13,224,090)
<b>Net cash (used in) / from Financing Activities</b>	<b>556,799,190</b>	<b>1,142,711,678</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(4,291,022)</b>	<b>(79,082,518)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>7,438,735</b>	<b>90,575,299</b>
<b>Foreign Exchange difference in cash and cash equivalents</b>	<b>(296,319)</b>	<b>(4,054,047)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,851,394</b>	<b>7,438,735</b>

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 16, 2011

For and on behalf of the Board

**M. V. KOTWAL**  
Director

**Y. S. TRIVEDI**  
Director

**S. A. GUNE**  
Director

Place : Mumbai  
Date : May 16, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE A</b>				
<b>SHARE CAPITAL</b>				
Authorised:				
16,940,000 Equity shares of Omani Rial 1 each (Previous year : 16,940,000 equity shares of Omani Rial 1/- each)		<b>2,047,326,050</b>		<b>2,047,326,050</b>
Issued, Subscribed and Paid-up:				
4,235,000 Equity shares of Omani Rial 1 each (Previous year : 4,235,000 equity shares of Omani Rial 1/- each)		<b>506,477,934</b>		<b>506,477,934</b>
<b>TOTAL</b>		<b>506,477,934</b>		<b>506,477,934</b>

Note: 70% of equity is held by Larsen & Toubro International FZE, Sharjah, UAE, a wholly owned subsidiary of Larsen & Toubro Limited and balance 30% is held by Zubair corporation, Sultanate of Oman.

**SCHEDULE B**  
**SECURED LOAN**

From Banks:				
Term Loan		<b>1,033,898,060</b>		<b>640,544,750</b>
Bank Sohar - OD Acct.(Sohar Br.)		<b>40,229,615</b>		<b>25,519,151</b>
<b>TOTAL</b>		<b>1,074,127,675</b>		<b>666,063,901</b>

**SCHEDULE C**  
**UNSECURED LOAN**

From shareholders:				
Larsen & Toubro International FZE		<b>344,007,991</b>		<b>270,861,720</b>
The Zubair Corporation		<b>147,431,996</b>		<b>116,083,629</b>
		<b>491,439,987</b>		<b>386,945,349</b>
From others:				
Larsen & Toubro MFY LLC,Oman		<b>58,021,250</b>		<b>-</b>
<b>TOTAL</b>		<b>549,461,237</b>		<b>386,945,349</b>

**SCHEDULE D**  
**FIXED ASSETS**

PARTICULARS	COST / VALUATION				DEPRECIATION			BOOK VALUE		
	As at 01.01.2010	Exchange difference included in the translation reserve	Additions during the year	As at 31.12.2010	Up to 01.01.2010	Exchange difference included in the translation reserve	For the year	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	1,222,824,676	(48,717,711)	4,329,518	<b>1,178,436,483</b>	24,447,701	(2,659,790)	75,796,143	<b>97,584,055</b>	<b>1,080,852,428</b>	1,198,376,975
Plant & Machinery	219,023,894	(8,725,979)	366,926,341	<b>577,224,256</b>	7,771,010	(879,201)	25,610,355	<b>32,502,165</b>	<b>544,722,091</b>	211,252,884
Computers	5,258,426	(209,497)	571,915	<b>5,620,844</b>	239,358	(29,620)	902,995	<b>1,112,733</b>	<b>4,508,111</b>	5,019,067
Other Equipments	6,349,957	(252,985)	5,242,969	<b>11,339,941</b>	432,946	(46,893)	1,332,272	<b>1,718,324</b>	<b>9,621,616</b>	5,917,012
Air Condition & Refrigeration	2,243,115	(89,366)	161,879	<b>2,315,628</b>	62,462	(10,272)	349,975	<b>402,165</b>	<b>1,913,463</b>	2,180,653
Furniture & Fixtures	13,939,531	(555,355)	1,017,979	<b>14,402,155</b>	3,016,560	(225,974)	4,757,283	<b>7,547,869</b>	<b>6,854,286</b>	10,922,971
Vehicles	5,407,805	(215,449)	2,128,034	<b>7,320,390</b>	2,024,800	(122,628)	1,886,582	<b>3,788,753</b>	<b>3,531,637</b>	3,383,005
<b>TOTAL</b>	<b>1,475,047,403</b>	<b>(58,766,342)</b>	<b>380,378,635</b>	<b>1,796,659,697</b>	<b>37,994,837</b>	<b>(3,974,379)</b>	<b>110,635,605</b>	<b>144,656,063</b>	<b>1,652,003,633</b>	<b>1,437,052,567</b>
Previous Year	16,696,145	(747,309)	1,459,098,568	1,475,047,404	778,180	(1,263,189)	38,479,845	37,994,837	1,437,052,567	15,917,965
Capital Work In Progress									<b>5,725,643</b>	16,269,250
<b>TOTAL</b>									<b>1,657,729,276</b>	<b>1,453,321,817</b>

\*Note: Additions during the year & capital work-in-progress include Rs. Nil being borrowing cost capitalised in accordance with Accounting Standard (AS) 16 on 'Borrowing costs' as specified in the Companies (Accounting Standard) Rules, 2006.\*

Capital work-in-progress includes advances Rs. 33,81,130 (previous year Rs. Nil)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Current Assets:				
Inventories				
Stock-in-trade, at cost or net realisable value whichever is lower:				
Raw Materials	16,756,338		-	
Components	7,795,052		-	
Stores, spare parts and loose tools	<u>29,865,634</u>		<u>3,176,661</u>	
	54,417,024		3,176,661	
Work-in-Progress				
Manufacturing work-in-progress at cost or net realisable value whichever is lower	<u>-</u>		<u>-</u>	
		54,417,024		3,176,661
Sundry Debtors				
Secured :	-		-	
Unsecured :				
Debts outstanding for more than 6 months	-		-	
Other debts				
Considered good	<u>36,556,522</u>		<u>81,547,563</u>	
		36,556,522		81,547,563
Cash and Bank balances				
Cash on hand	335,088		545,150	
Balances with non scheduled banks	<u>2,516,306</u>		<u>6,893,585</u>	
		2,851,394		7,438,735
Other current assets				
Due from customers :				
Construction and Project related work-in-progress :				
At cost	6,326,489		-	
At estimated realisable value on sale	232,883,235		17,389,162	
Less: Provision for Expected Loss	<u>(29,557,687)</u>		<u>(4,771,817)</u>	
Total work-in-progress		209,652,037		12,617,345
Loans and Advances:				
Unsecured - Considered good :				
Advances recoverable in cash or in kind				
Due from holding, ultimate holding & subsidiary companies	426,305		-	
Due from fellow subsidiaries	33,024		1,783,275	
Advance to Suppliers	65,681		-	
Prepaid Insurance	1,266,639		783,093	
Prepaid Expenses	1,103,804		1,813,733	
Deposit Paid	328,783		183,317	
Advance to Employees	<u>80,069</u>		<u>95,180</u>	
		3,304,305		4,658,598
<b>TOTAL</b>		<u><u>306,781,282</u></u>		<u><u>109,438,902</u></u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Raw Material		208,122,239		65,826,392
Components		62,602,547		7,725,242
Stores Spares and Tools		24,123,203		17,693,322
Power and Fuel		2,758,784		3,892,754
Subcontracting charges		241,949		1,077,155
Hire Charges- Plant and Machinery		1,567,970		877,626
Repairs and maintenance - Plant and Machinery		3,763,133		1,935,169
Rent Premises Facility		22,890,527		16,718,807
Rates and Taxes		70,129		-
Water Charges		1,309,035		976,629
Workmen Transportation		4,177,165		1,252,485
Other Contract Costs		11,810,524		2,258,441
<b>TOTAL</b>		<b>343,437,206</b>		<b>120,234,022</b>
<b>SCHEDULE K</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		71,457,293		27,404,248
Contribution to and provision for				
Social Insurance Scheme	2,308,391		847,152	
Gratuity	1,156,744		727,388	
Leave Encashment	4,516,008		1,119,575	
		7,981,143		2,694,115
Welfare and Other Expenses				
Medical Expenses	1,273,503		301,803	
Tuition Fees	2,793,266		12,150,914	
Staff Welfare Expenses	4,367,770		1,598,722	
Canteen expenses	4,598,506		974,056	
		13,033,045		15,025,494
<b>TOTAL</b>		<b>92,471,481</b>		<b>45,123,857</b>
<b>SCHEDULE L</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Rent		9,942,653		9,510,022
Transfer allowance		228,006		291,891
Travelling and conveyance		5,672,998		2,621,118
Power (Other than Manufacturing Activity)		110,941		566,062
Telephone, postage and telegram		4,778,017		3,118,120
Advertisement and Publicity		207,296		8,151,990
Stationery and printing		337,122		812,349



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Insurance		2,039,140		566,414
Bank charges		3,168,096		455,140
General repairs and maintenance		3,578,649		3,708,429
Audit Fees		581,542		499,371
Professional Fees		1,633,266		2,848,822
Miscellaneous expenses		1,376,095		4,197,885
Provision for Expected Loss		30,230,035		4,929,166
<b>TOTAL</b>		<b>63,883,856</b>		<b>42,276,781</b>

**SCHEDULE M****INTEREST AND BROKERAGE**

Interest paid to banks		55,205,859		12,542,568
Interest on Inter corporate borrowings		526,711		681,523
<b>TOTAL</b>		<b>55,732,570</b>		<b>13,224,090</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE N**

#### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

##### **1) LEGAL STATUS AND BUSINESS ACTIVITY**

- i) Larsen and Toubro Heavy Engineering LLC is a Limited Liability Company, registered on April 7, 2008 under the Commercial Laws of the Sultanate of Oman.
- ii) The parent Company is Larsen and Toubro International FZE, United Arab Emirates, and the ultimate parent is Larsen and Toubro Ltd. – India, a public Company incorporated in India.
- iii) The Company is engaged in manufacture of equipments for core sector industries.

##### **2) GOING CONCERN CONCEPT**

As per the statement of financial position, the company has incurred accumulated losses of Rs. 50,67,58,751 which has eroded the share capital of Rs. 50,64,77,934. The company is dependant upon the continued financial support of members, related parties & bankers. The financial statements have been prepared on going concern basis assuming that :

- i) The company will continue to receive financial support from its bankers.
- ii) The company will continue to receive financial support from members and the related parties in order that it can meet its liabilities as they fall due; and
- iii) The members have agreed to continue with the operations of the company, and the company would be able to generate sufficient profits in future to make it an economically viable unit.

##### **3) SIGNIFICANT ACCOUNTING POLICIES**

###### **a. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and is in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956 and the Accounting Standard as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

###### **b. Revenue Recognition**

Contract revenues are recognized on percentage of completion method. When the outcome of a contract can be estimated reliably, contract revenue and contract cost associated with the contract are recognized as revenue and expenses respectively by reference to the stage of completion of contract activity at the year end. When the outcome of the contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract cost incurred that are likely to be recovered.

The stage of completion is determined on the basis of progress on each contract measured by reference to proportion that contract cost incurred for work performed to date bear to the estimated total cost. No profit is recognized until a contract has fulfilled the margin recognition criteria laid down in the company's policy. Provision is made for all losses incurred till the end of the accounting period together with any further losses that are foreseen in bringing the contract to completion.

###### **c. Fixed Assets and Depreciation**

Fixed Assets are stated at Original Cost less accumulated depreciation.

###### **d. Impairment of Assets**

As at Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- i) the provision for impairment loss, if any, required or
- ii) the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **e. Depreciation**

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Sr. No.	Asset category	Depreciation rate
1	Building	5.71 % to 33.33%
2	Plant and Machinery	7.42 % to 15%
3	Furniture	33.33%
4	Equipment	15%
5	Vehicle	33.33%
6	Computers	16.21%
7	Air condition and Refrigeration	15%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 and are provided in line with the estimated useful life of the assets.

The depreciation rate for computers has been revised to 16.21% from 15% and in case of Plant and machinery, where the rate was lower than the minimum rate of 7.42%, it has been raised to 7.42% in order to comply with the Schedule XIV rates.

### **f. Inventories**

Inventories are valued after providing for obsolescence, as under:

- a) Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realizable value.
- b)
  - i. Work-in-progress (other than project and construction related) at lower of cost including related overheads or net realizable value.
  - ii. Project and construction related work in progress at cost till such time the outcome of the job cannot be ascertained reliably and at realizable value thereafter.

### **g. Retirement / Termination Benefits**

Payment is made to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees. In respect of staff deputed from Ultimate holding company Larsen and Toubro Limited, the provisions / contributions are made in the books of Ultimate holding Company and the corresponding cost is absorbed in the books of accounts.

Additional provision for end of service gratuity is made for non Omani employees, not covered under the Government Social Security scheme as per Omani laws. Provision is also made for leave salary for all employees as per Company policy.

### **h. Foreign currencies Translation**

Accounts are translated in Indian Rupees as follows:

- i. Share capital is retained at the initial contribution amount.
- ii. Fixed and Current assets and Current liabilities are translated at year-end rates.
- iii. Revenue transactions are translated at the average rates.
- iv. The resultant difference is accounted as Translation Reserve in the balance sheet.

### **i. Legal Reserve**

As per Article 154 of the Commercial Companies Law of Oman 1974, the company is required to create a legal reserve by appropriating 10% of net profit for the year. The company may resolve to discontinue such annual transfers when the reserve totals 33.33% of the paid up share capital.

Since the company has incurred loss, no provision is required.

### **j. Leases**

Operating Leases are recognized as an expense on straight line basis over the lease term.

## **4) NOTES FORMING PART OF ACCOUNTS**

### **a. List of Related parties who exercise control**

Larsen and Toubro Limited –	Ultimate Holding Company
Larsen and Toubro International FZE –	Holding Company
The Zubair Corporation LLC –	Member Company

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

b. List of Related Parties with whom transactions were carried out and description of relationship

<b>Party Name</b>	<b>Relationship</b>
Larsen and Toubro Limited	Ultimate Holding Company
Larsen and Toubro International FZE	Holding Company
Larsen and Toubro Modular Fabrication Yard LLC – Oman	Fellow Subsidiary
Larsen and Toubro (Oman) LLC	Fellow Subsidiary
Larsen and Toubro Electromach LLC	Fellow Subsidiary
The Zubair Corporation LLC	Member Company
Zubair General Auto, Entp LLC	Other related parties
Zubair Enterprises Northern LLC	Other related parties
Zeenah LLC	Other related parties
International Heavy Equipment	Other related parties

c. Disclosure of transactions with related parties

<b>Sr. No</b>	<b>Relationship/ Name/ Nature of Transaction</b>	<b>Amount (Rs.) 2010</b>	<b>Amount (Rs.) 2009</b>
<b>1</b>	<b>Ultimate Holding Company</b>		
	<b>Larsen and Toubro Limited – India</b>		
	Purchase of goods and Overheads	<b>29,37,27,634</b>	8,49,54,368
	Purchase of fixed assets	<b>23,09,12,693</b>	30,45,005
	Sales of Goods and Services	<b>29,99,78,849</b>	9,72,69,980
<b>2</b>	<b>Holding Company</b>		
	<b>Larsen and Toubro International FZE</b>		
	Term Loan Taken	<b>8,39,37,486</b>	27,08,61,720
<b>3</b>	<b>Fellow Subsidiary</b>		
	<b>Larsen and Toubro Modular Fabrication Yard LLC – Oman</b>		
	Hire charges (Equipment)	<b>1,81,426</b>	3,66,913
	Purchase of fixed assets	–	2,62,865
	Sales of Goods and Services	<b>3,79,071</b>	24,99,352
	Term Loan Taken	<b>5,80,21,250</b>	–
	Interest payments	<b>5,26,711</b>	–
	<b>Larsen and Toubro (Oman) LLC</b>		
	Purchase of goods and Overheads	–	90,386
	Purchase of fixed assets	–	44,28,65,147
	<b>Larsen and Toubro Electromach LLC</b>		
	Interest Paid	–	50,74,483
	Term loan taken	–	18,12,86,250
	Term loan repaid	–	18,12,86,250
<b>4</b>	<b>Member Company</b>		
	<b>Zubair Corporation LLC</b>		
	Term Loan Taken	<b>3,59,73,175</b>	11,60,83,629
<b>5</b>	<b>Other related parties</b>		
	<b>Zubair General Auto, Entp LLC</b>		
	Purchase and Expenses	<b>4,07,909</b>	2,03,619
	Purchase of fixed assets	–	6,67,160
	<b>Zubai Enterprises Northern LLC</b>		
	Purchase and Expenses	<b>2,59,202</b>	–
	Purchase of fixed assets	<b>20,99,325</b>	–
	<b>Zeenah LLC</b>		
	Purchase and Expenses	–	58,99,994
	<b>International Heavy Equipment</b>		
	Purchase of fixed assets	<b>8,58,715</b>	–

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## d. Amount due to / due from related party (Net)

Sr.No.	Relationship/ Name	As at 31.12.2010		As at 31.12.2009	
		Due from related party Rupees	Due to related party Rupees	Due from related party Rupees	Due to related party Rupees
<b>1</b>	<b>Ultimate Holding Company</b>				
	Larsen and Toubro Limited – India	3,69,82,826	28,28,86,997	9,41,64,913	8,95,37,520
	Larsen and Toubro Limited – India - Advance	-	11,67,006	-	-
<b>2</b>	<b>Holding Company</b>				
	Larsen and Toubro International FZE - Loan	-	34,40,07,991	-	27,08,61,720
<b>3</b>	<b>Fellow Subsidiary</b>				
	Larsen and Toubro Modular Fabrication Yard LLC – Oman	-	83,76,293	17,83,252	-
	Larsen and Toubro Modular Fabrication Yard LLC – Oman-Loan	-	5,80,21,250	-	-
	Larsen and Toubro (Oman) LLC	-	-	-	5,49,47,258
	Larsen and Toubro Electromach LLC	6,963	-	-	-
	Larsen and Toubro Infotech Limited	26,062	-	-	-
<b>4</b>	<b>Member Company</b>				
	Zubair Corporation LLC	-	-	-	10,394
	Zubair Corporation LLC - Loan	-	14,74,31,996	-	11,60,83,629
<b>5</b>	<b>Other Related Parties</b>				
	Zubair General Auto, Entp LLC	-	-	-	72,031
	Zeenah LLC	-	-	-	31,423
	Zubai Enterprises Northern LLC	-	43,632	-	-

No amount due from group companies has been written-off as bad-debts during the year.

## e. Balances with non-scheduled banks

Particulars	As at	Maximum amount	As at	Maximum amount
	31.12.2010	outstanding at any time during the year (2010)	31.12.2009	outstanding at any time during the year (2009)
Bank	Amount in Rupees	Amount in Rupees	Amount in Rupees	Amount in Rupees
<b>i) Current accounts</b>				
OAB - FAQ,Smart Card A/c	569	9,10,226	2,405	8,09,62,439
Oman Arab Bank (S.A.O.C.)- FAQ	5,55,605	1,40,93,512	30,84,152	13,71,48,447
Oman Arab Bank (S.A.O.C), Ruwi	1,36,187	8,98,50,138	79,358	10,88,51,108
Bank Sohar - Current Acct.(Qurum Br.)	3,20,035	3,32,44,530	21,61,355	10,91,32,301
<b>Total (i)</b>	<b>10,12,396</b>	<b>1,30,98,406</b>	<b>53,27,271</b>	<b>43,60,94,295</b>
<b>ii) Fixed Deposit</b>				
Oman Arab Bank (S.A.O.C.)- FAQ	15,03,910	15,03,910	15,66,313	73,48,136
<b>Total (ii)</b>	<b>15,03,910</b>	<b>15,03,910</b>	<b>15,66,313</b>	<b>73,48,136</b>
<b>Total (i) + (ii)</b>	<b>25,16,306</b>	<b>13,96,02,316</b>	<b>68,93,584</b>	<b>44,34,42,431</b>

## f. Taxation

Provision for tax for the current year has not been made in the financial statements on account of the loss incurred during the tax year. Additional tax liability that may arise in future on completion of pending tax assessment for the tax year 2008, 2009 and 2010 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the tax assessment is completed. As per the Law of Income Tax on Companies in Oman, losses incurred shall be carried forward for five years after the expiry of the tax year in which it was incurred and shall be deducted in computation of taxable income of those years.

Deferred tax asset on unused tax losses are not recognized on account of uncertainty regarding availability of future taxable income against which the unused tax losses can be utilized.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## g. Auditors' Remuneration

Auditors' remuneration and expenses charged to the accounts:

Audit Fees	: Rs. 4,74,728 (Previous year: Rs. 4,99,371)
Certification work	: Rs. 1,06,814 (Previous year : Rs. Nil)
Expenses reimbursed	: Rs. 53,502 (Previous year: Rs. 78,277)

## h. Operating Lease Commitments

The Company has entered into long term operating lease for its business premises and manufacturing facility at Sohar Industrial Port. The total of the future lease payments is as follows:

	<b>As at 31.12.2010</b>	<i>As at 31.12.2009</i>
	<b>Rupees</b>	<i>Rupees</i>
Not later than one year	<b>2,69,67,900</b>	<i>2,12,75,875</i>
Between one and five years	<b>12,35,30,280</b>	<i>12,18,08,165</i>
Later than five years	<b>35,68,84,123</b>	<i>39,48,74,205</i>
	<b>50,73,82,303</b>	<i>53,79,58,245</i>

## i. Contingent Liability

Under the sub-usufruct agreement between the Company and Sohar Industrial Port Company SAOC, (SIPC), the SIPC at the time of expiry or termination of the sub-usufruct agreement would require the Company to restore the land to its original form at the Company's sole costs. Since the obligation of the Company is contingent and the liability can only be determined at the time of termination of the sub-usufruct agreement, the Company has not made any provision towards site restoration cost in the financial statement as it can not be quantified.

Apart from the above mentioned item, there are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.

j. The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for the impairment in the accounts.

k. Estimated amount of contract remaining to be executed on capital account (net of advance) : Rs. 65,98,176/- (Previous year 6,93,95,047/-)

## l. Segment Reporting

The company is engaged only in the business of manufacturing equipment and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segmental Reporting. Further the entire operations of the company are in Oman only and hence no secondary segment reporting has been made.

## m. Disclosures pursuant to Accounting Standard (AS) 7 (Revised) Amount (Rs.)

a. Contract revenue recognised for the year ended December 31, 2010	29,98,11,513
b. Aggregate amount of contract costs incurred and recognised profits (less recognised losses) upto December 31, 2010 for all contracts in progress as at that date	20,96,52,037
c. Amount of customer advances outstanding for contracts as at December 31, 2010	11,67,006
d. Retention amounts due from customers for contracts in progress as at December 31, 2010	Nil

## n. Disclosures pursuant to Accounting Standard (AS) 15 (Revised)

## a. Defined contribution plans

Amount of Rs. 23,08,391 (Previous year Rs. 8,47,152) is recognised as an expense and included in Staff expenses (Schedule K)

## b. Benefit plans

<b>Particulars</b>	<b>2010</b>	<i>2009</i>
	<b>Rupees</b>	<i>Rupees</i>
Amount recognised in Balance Sheet		
Leave encashment	<b>21,43,415</b>	<i>10,14,867</i>
Gratuity	<b>17,62,766</b>	<i>7,04,168</i>
Amount recognised in Profit and Loss Account		
Leave encashment	<b>45,16,008</b>	<i>11,19,575</i>
Gratuity	<b>11,56,744</b>	<i>7,27,388</i>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

o. There are no transactions with micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

p. Details of raw materials and components consumed and inventories and capacities

**Raw materials and components consumed**

Class of goods	Units	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Components	Nos.	21	9,29,044	18	4,60,464
	Set	–	–	2	1,250
	MT	230.24	6,08,95,242	14.798	72,63,529
	Lot	2	4,70,575	–	–
	Misc		3,07,686		
<b>Total</b>			<b>6,26,02,547</b>		<b>77,25,243</b>
Raw materials	Nos	7	8,91,302	15	11,22,687
	MT	677.10	2,61,42,798	470.157	6,47,03,705
	M2	1618	18,10,88,139		
<b>Total</b>			<b>20,81,22,239</b>		<b>6,58,26,392</b>
<b>Grand Total</b>			<b>27,07,24,786</b>		<b>7,35,51,635</b>

**Inventories**

Class of goods	Units	As at 31.12.2010		As at 31.12.2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Welding consumables	Kgs.	112645.926	2,70,07,739	6,460	16,22,790
Raw materials	M2	370.789	1,67,56,338	–	–
Components	MT	25.163	77,95,052	–	–
Factory operating supplies		–	28,57,895	–	15,53,871
<b>Total</b>			<b>5,44,17,024</b>		<b>31,76,661</b>

**Capacities and production**

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Chemical plant and machinery, including pharmaceutical, dyestuff, distillery, brewery and solvent extraction plants, evaporator and crystallizer plants and pollution control equipment in aggregate	Tonnes	–	5000	1818.36

q. Value of imports on CIF basis

Particulars	2010 Rupees	2009 Rupees
Raw materials	22,52,59,691	6,58,26,392
Components	7,02,67,273	77,25,242
Consumables	2,73,74,299	91,01,348
SST	30,95,466	–
Capital goods	30,30,61,996	18,68,68,885

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## r. Expenditure in foreign currency

Particulars	<b>2010 Rupees</b>	<i>2009 Rupees</i>
On overseas contract	-	-
Fees for technical services	-	-
Fees for design and engineering services	-	-
Other matters	<b>1,35,64,938</b>	<i>1,00,21,570</i>

## s. Earnings in foreign exchange

Particulars	<b>2010 Rupees</b>	<i>2009 Rupees</i>
Project related activities	<b>29,93,58,621</b>	<i>8,42,36,576</i>
Export of services	<b>3,53,768</b>	-

## t. Secured Loan

The company's Plant and Machinery and Building at Sohar Industrial Port area as well as current assets are mortgaged over the Bank term loan and overdraft facilities.

## u. Exchange Rate Risk

There are no significant exchange rate risks as substantially all financial Assets and financial liabilities are denominated in Rials Omani or UAE Dirhams / US Dollars to which the Rial Omani is fixed except for the following amounts:

Currency	Amount due from customer for Contract work		Trade Payables		Advance to Suppliers	
	2010	2009	2010	2009	2010	2009
Euro	13,16,16,332	-	14,23,65,929	-	17,68,604	-
Indian Rupees	-	-	17,75,334	61,69,480	-	-
GBP	-	-	1,76,733	-	-	-

## v. Borrowing costs capitalized during the year Rs. Nil (Previous year Rs. 1,94,48,219)

## w. Basic and Diluted Earnings per share "EPS" computed in accordance with Accounting Standard AS (20) "Earnings per Share"

Particulars	<b>2010 Rupees</b>	<i>2009 Rupees</i>
<b>Basic :</b>		
Profit after tax as per Accounts	<b>(31,41,14,688)</b>	<i>(15,45,83,810)</i>
Weighted Average number of shares outstanding	<b>42,35,000</b>	<i>25,22,658</i>
<b>Basic EPS</b>	<b>(74.17)</b>	<i>(61.28)</i>
<b>Diluted :</b>		
Profit after tax as per Accounts	<b>(31,41,14,688)</b>	<i>(15,45,83,810)</i>
Weighted Average number of shares outstanding for Diluted EPS	<b>42,35,000</b>	<i>25,22,658</i>
<b>Diluted EPS</b>	<b>(74.17)</b>	<i>(61.28)</i>

## x. Figures of the previous year have been regrouped / reclassified wherever necessary.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

y. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. 

	1	0	4	2	9	2	8
--	---	---	---	---	---	---	---

State Code 

						N	A
--	--	--	--	--	--	---	---

Incorporated in Sultanate of Oman

Balance Sheet Date 

3	1		1	2		2	0	1	0
Date		Month			Year				

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

	2	1	3	3	0	1	3
--	---	---	---	---	---	---	---

Total Assets

	2	1	3	3	0	1	3
--	---	---	---	---	---	---	---

**Sources of Fund**

Paid-up Capital

		5	0	6	4	7	8
--	--	---	---	---	---	---	---

Reserves &amp; Surplus

				2	9	4	6
--	--	--	--	---	---	---	---

Secured Loans

	1	0	7	4	1	2	8
--	---	---	---	---	---	---	---

Unsecured Loans

		5	4	9	4	6	1
--	--	---	---	---	---	---	---

**Application of Funds**

Net Fixed and Net Intangible Assets

	1	6	5	7	7	2	9
--	---	---	---	---	---	---	---

Investments

					N	I	L
--	--	--	--	--	---	---	---

+ -

	-
--	---

Net Current Assets

			3	1	4	7	5
--	--	--	---	---	---	---	---

Deferred Tax

					N	I	L
--	--	--	--	--	---	---	---

Miscellaneous Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

		5	0	6	7	5	9
--	--	---	---	---	---	---	---

Translation Loss

					N	I	L
--	--	--	--	--	---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other income)

		3	3	3	0	9	9
--	--	---	---	---	---	---	---

Total Expenditure

		6	4	7	2	1	4
--	--	---	---	---	---	---	---

+ -

	-
--	---

Profit / Loss Before Tax

		3	1	4	1	1	5
--	--	---	---	---	---	---	---

+ -

	-
--	---

Profit / Loss After Tax

		3	1	4	1	1	5
--	--	---	---	---	---	---	---

+ -

	-
--	---

Basic Earnings Per Share in Rs.

						7	4
--	--	--	--	--	--	---	---

Dividend Rate %

					N	I	L
--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. 

8	4	1	9	8	9	1	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Descriptions 

PRESSURE VESSEL, REACTORS, COLUMNS, TOWERS OR CHEMICAL STORAGE PLANT
--

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration no. 109982W**R. D. KARE**  
Partner  
Membership No. 8820Place : Mumbai  
Date : May 16, 2011**M. V. KOTWAL**  
DirectorPlace : Mumbai  
Date : May 16, 2011**Y. S. TRIVEDI**  
Director**S. A. GUNE**  
Director

## ***DIRECTORS' REPORT***

### **REVIEW OF OPERATIONS**

On behalf of the Board of Directors, it gives us great pleasure to present to you the Annual Report and Audited Accounts of Larsen & Toubro Saudi Arabia LLC (LTSA) for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

The loss for the year amounted to INR 20.89 million (*previous year : INR 145.59 million*) and the accumulated losses as at December 31, 2010 amounted to INR 133.99 million (*previous year: INR 113.10 million*). No dividends are recommended.

### **PRINCIPAL ACTIVITY**

The principal activities of the Company spanned across Civil Constructions, Power Transmission & Distribution and Infrastructure projects.

### **OVERVIEW OF THE YEAR**

During the year 2010, our focus was on aggressively pursuing on PT & D projects in Saudi Arabia with the immense opportunities available in this sector of business. With constant efforts, we made a breakthrough later in the year and were awarded the first transmission line project in Nov'10 for Rs. 1608.51 Mn. This followed the signing of another contract for a second transmission line project in Dec'10 for Rs. 894.38 Mn.

During the year on review, the Dawadmi 200 Bed Hospital by the Clients (Ministry of Health) was officially concluded and we received the Performance Bank Guarantee. Now the contractual closure with the main contractor – M/s. Al Mobty is being closely pursued for early closure of the project in all aspects.

### **YEAR IN RETROSPECT**

As there were no business operations during the year, there were no sales. However, we had facilitated for the business of M/s. Larsen & Toubro Infotech Limited with our registration and pre-qualification with M/s. SABIC and earned a commission of 5% on the transactions which was classified as other income.

### **FINANCE**

During the year 2010, the Company had taken all initiatives in controlling the working capital and overhead expenses.

### **CAPITAL EXPENDITURE**

During the year, there was not major capital expenditure incurred.

### **EVENTS SINCE END OF THE YEAR**

There are no significant events since the end of the year.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

The Directors confirm that Larsen & Toubro International FZE, UAE, shall continue to provide Financial support to Larsen & Toubro Saudi Arabia LLC to ensure the Company's ability to continue as a going concern.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the financial statements, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected Accounting Policies were applied consistently and the Directors 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 of the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Commercial Company's Law, 4/1974 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

### **CURRENT BUSINESS SCENARIO**

The business scenario in Saudi Arabia is large and poised for greater growth in the next few years. Presently, the PT&D business of L&T is pursuing efforts to leverage the business opportunities amidst competition. If several projects are bagged within the shortest duration, with continuous operations, gradually reasonable margins could be achieved.

**Performance Parameters**

<b>Particulars</b>	<b>Value in Rs. (millions)</b>	
	<b>2010</b>	<b>2009</b>
Order Booking	<b>2,503</b>	<i>Nil</i>
Sales	–	<i>Nil</i>
Order Backlog	<b>2,503</b>	<i>Nil</i>

**PERSONNEL**

There are 2 staff in employment visa as of Dec '10. About 8 staff are on temporary work permit / visit visas. Once block employment visas are obtained, more staff who have been recruited will be brought into Saudi Arabia.

**FUTURE OUTLOOK**

The future looks bright for the Company with focus now on PT&D projects and we are optimistic in achieving large value projects in 2011 and expecting a 'turn around' for the Company in the next two to three years.

For and on behalf of the Board

*Place : Chennai*  
*Date : March 21, 2011*

**B. RAMAKRISHNAN**  
*Director*

**J. S. SUDARSAN**  
*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO SAUDI ARABIA LLC**

The financial statements of Larsen & Toubro Saudi Arabia LLC, Saudi, for the year ended December 31, 2010, being a company registered in Saudi Arabia, are audited by Ernst & Young Chartered Accountants, Saudi Arabia and we have been furnished with their audit report dated January 31, 2011 on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the attached Balance Sheet of Larsen & Toubro Saudi Arabia LLC, Saudi Arabia as at December 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the said Balance Sheet, Profit and Loss Account 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. as regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Saudi Arabia, no reporting is required to be made under the said Section.
  - f. without qualifying our opinion, we draw attention to Note 12 in Schedule 2 forming part of the financial statements. As stated therein, the Company has taken certain legal steps in order to comply with the requirements of Saudi Arabian Regulations for Companies in respect of losses exceeding half of the capital.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies in Schedule '1' and the Notes forming part of Accounts in Schedule '2' 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.

- (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of Profit and Loss Account, of the loss of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
*Registration No. 003792S*  
*By the hand of*

**L. VAIDYANATHAN**  
*Partner*  
*Membership No. 16368*

*Place : Chennai*  
*Date : March 21, 2011*

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) The Company does not carry any inventory in its books and accordingly reporting under clauses 4(ii)(a), (b) and (c) of the Order is not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory, fixed assets and for sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vii) The Company has not furnished an internal audit report for the year and hence we could not report whether the internal audit system is commensurate with its size and nature of its business.
- (ix) The Company being registered in Saudi Arabia, has no statutory liabilities in India and accordingly reporting for clauses 4(ix)(a) and (b) of the Companies Auditors' Report Order, 2003 is not required. However, the Company has complied with all the local statutory laws applicable to it.
- (x) The accumulated losses of the Company as at the end of the financial year exceed fifty percent of its net worth. The Company has incurred cash losses during the financial year ended March 31, 2011 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 any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly reporting under clause 4(xiv) of the Companies Auditors' Report Order, 2003 does not arise.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) The Company has not availed any term loans during the year covered by our audit and hence reporting on the application of the term loans for the purpose for which they were availed does not arise.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds have been raised on short term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted audited practices in India and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses 4(iii), (v), (vi), (viii), (xiii) and (xviii) of the Companies (Auditors' Report) Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 003792S  
By the hand of

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	<u>Schedules</u>	<u>As at 31.12.2010</u>		<u>As at 31.12.2009</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	<b>A</b>	<b>46,350,000</b>		<b>46,350,000</b>	
Reserves and Surplus	<b>B</b>	<b>1,183,084</b>		<b>1,183,084</b>	
			<b>47,533,084</b>		<b>47,533,084</b>
<b>Loan Funds</b>					
Unsecured Loans	<b>C</b>		<b>140,440,421</b>		<b>161,685,234</b>
<b>TOTAL</b>			<b>187,973,505</b>		<b>209,218,318</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	<b>D</b>	<b>563,220</b>			
Less: Depreciation		<b>6,711</b>			
Net Block			<b>556,509</b>		
<b>Current assets, loans and advances</b>					
Cash and bank balance	<b>E</b>	<b>1,596,968</b>		<b>5,583,623</b>	
Loans and advances		<b>69,663,366</b>		<b>85,783,830</b>	
		<b>71,260,334</b>		<b>91,367,453</b>	
<b>Less: Current liabilities</b>	<b>F</b>	<b>126,993,596</b>		<b>111,990,241</b>	
<b>Net Current Assets</b>			<b>(55,733,262)</b>		<b>(20,622,788)</b>
<b>Profit &amp; Loss account</b>			<b>133,991,937</b>		<b>113,101,127</b>
<b>Translation Difference</b>			<b>109,158,321</b>		<b>116,739,979</b>
<b>TOTAL</b>			<b>187,973,505</b>		<b>209,218,318</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>1</b>				
<b>NOTES ON ACCOUNTS</b>	<b>2</b>				

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No:003792S)  
By the hand of

**L. VAIDYANATHAN**

Partner  
Membership No: 16368

Place : Chennai

Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

Place : Chennai

Date : March 21, 2011

**J. S. SUDARSAN**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010 Rupees	2009 Rupees
<b>INCOME</b>			
Other Income		4,967,475	8,071,001
<b>TOTAL</b>		<b>4,967,475</b>	<b>8,071,001</b>
<b>EXPENDITURE</b>			
Construction and operating expenses	G	9,670	135,403,919
Staff expenses	H	7,242,661	6,128,818
Sales, administration and other expenses	I	18,599,106	7,841,856
Interest and brokerage	J	-	4,295,437
Depreciation	D	6,848	-
<b>TOTAL</b>		<b>25,858,285</b>	<b>153,670,030</b>
<b>Profit / (Loss) before and after tax</b>		<b>(20,890,810)</b>	<b>(145,599,029)</b>
Add: Balance brought forward from previous year		<b>(113,101,127)</b>	<b>32,497,902</b>
<b>Balance carried to Balance Sheet</b>		<b>(133,991,937)</b>	<b>(113,101,127)</b>
<b>Earnings per equity share - Basic / Diluted</b>		<b>(5,223)</b>	<b>(36,400)</b>
Face Value per Equity Share (Saudi Arabian Riyal) (Refer Note No. 7 in Schedule 2)		<b>1,000</b>	<b>1,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>1</b>		
<b>NOTES ON ACCOUNTS</b>	<b>2</b>		

---

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No:003792S)  
By the hand of

**L. VAIDYANATHAN**

Partner  
Membership No: 16368

**B. RAMAKRISHNAN**

Director

**J. S. SUDARSAN**

Director

Place : Chennai  
Date : March 21, 2011

Place : Chennai  
Date : March 21, 2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash flow from operating activities</b>		
Net profit / (Loss) before tax	(20,890,810)	(145,599,029)
<b>Adjustments for</b>		
Depreciation	6,848	-
Interest (net)	-	4,295,437
Translation reserve	7,593,038	78,127,680
<b>Operating profit before Working Capital changes</b>	<b>(13,290,924)</b>	<b>(63,175,912)</b>
(Increase) / Decrease in Trade and other receivables	16,120,464	10,503,990
Increase / (Decrease) in Trade payables	15,003,355	(1,867,567,168)
<b>Cash generated from operations</b>	<b>17,832,895</b>	<b>(1,920,239,090)</b>
Less: Direct taxes paid (net of refund)	-	-
<b>Net cash from / (used in) operating activities</b>	<b>(A) 17,832,895</b>	<b>(1,920,239,090)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(574,737)	-
Increase in Reserves	-	1,560,155,057
<b>Net cash from / (used in) investing activities</b>	<b>(B) (574,737)</b>	<b>1,560,155,057</b>
<b>C. Cash Flow from Financing activities</b>		
Interest paid	-	(4,295,437)
Repayment of unsecured loans (net)	(21,244,813)	-
<b>Net cash from / (used in) financing activities</b>	<b>(C) (21,244,813)</b>	<b>(4,295,437)</b>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	<b>(3,986,655)</b>	<b>(364,379,470)</b>
Cash and cash equivalents at the beginning of the year	5,583,623	369,963,093
<b>Cash and cash equivalents at the end of the year</b>	<b>1,596,968</b>	<b>5,583,623</b>

**Notes**

- Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash & Bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No:003792S)

By the hand of

**L. VAIDYANATHAN**

Partner

Membership No: 16368

Place : Chennai

Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

Place : Chennai

Date : March 21, 2011

**J. S. SUDARSAN**

Director



**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
4,000 Equity shares of SAR 1000 each		46,350,000		46,350,000
<b>Issued, subscribed and paid up</b>				
4,000 Equity shares of SAR 1000 each, fully paid up		46,350,000		46,350,000
[95% of equity shares is held by Larsen & Toubro International FZE and balance 5% by Tractors Engineers Limited, wholly owned subsidiaries of Larsen & Toubro Limited]				
<b>TOTAL</b>		<b>46,350,000</b>		<b>46,350,000</b>
<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
Statutory Reserve (Refer Note No. 4 in Schedule 2)		1,183,084		1,183,084
<b>TOTAL</b>		<b>1,183,084</b>		<b>1,183,084</b>
<b>SCHEDULE - C</b>				
<b>UNSECURED LOANS</b>				
Short term loans				
From Holding Company		140,440,421		161,685,234
<b>TOTAL</b>		<b>140,440,421</b>		<b>161,685,234</b>

**SCHEDULE - D****FIXED ASSETS***(Amount in Rupees)*

PARTICULARS	COST					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Additions during the year	Translation difference	Deductions during the year	As at 31.12.2010	Upto 31.12.2009	For the Year	Translation difference	On deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009
Furniture, fixtures & Office equipments	-	574,737	(11,517)	-	563,220		6,848	(137)		6,711	556,509	-
<b>TOTAL</b>	-	<b>574,737</b>	<b>(11,517)</b>	-	<b>563,220</b>	-	<b>6,848</b>	<b>(137)</b>	-	<b>6,711</b>	<b>556,509</b>	-
<i>Previous year</i>	-	-	-	-	-	-	-	-	-	-	-	-

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Cash and bank balances</b>				
Cash on hand	399,835		1,108,511	
Balances with non scheduled banks (Refer Note No. 3 in Schedule 2)	1,197,133		4,475,112	
		1,596,968		5,583,623
<b>Loans and Advances</b>				
Unsecured, Considered good				
Advances recoverable in cash or in kind or for the value to be received	69,663,366		70,587,285	
Due from Subsidiary Company	-		15,196,545	
		69,663,366		85,783,830
<b>TOTAL</b>		<b>71,260,334</b>		<b>91,367,452</b>

**SCHEDULE - F****CURRENT LIABILITIES**

## Sundry Creditors

Due to holding Company

49,642,066

26,446,921

Due to others

6,667,701

7,631,317

56,309,767

34,078,238

Liability for expenses

70,683,829

77,912,003

**TOTAL**

126,993,596

111,990,241

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT**

	2010	2009
	Rupees	Rupees
<b>SCHEDULE - G</b>		
<b>CONSTRUCTION AND OPERATING EXPENSES</b>		
Construction materials	-	135,035,056
Direct expenses on jobs	-	358,654
Power and fuel	9,670	10,209
<b>TOTAL</b>	<b>9,670</b>	<b>135,403,919</b>
<b>SCHEDULE - H</b>		
<b>STAFF EXPENSES</b>		
Salaries, wages and bonus	6,780,354	5,863,770
Welfare and other expenses	462,307	265,048
<b>TOTAL</b>	<b>7,242,661</b>	<b>6,128,818</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	2010 Rupees	2009 Rupees
<b>SCHEDULE - I</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Rent	1,550,525	1,629,090
Travelling and conveyance	3,454,895	648,550
Telephone, postage and telegrams	81,582	711,237
Stationery and printing	403,861	16,202
Insurance	756,622	471,414
Bank charges	598,117	1,644,390
General repairs and maintenance	898,013	354,629
Miscellaneous expenses	10,855,491	2,366,344
<b>TOTAL</b>	<b>18,599,106</b>	<b>7,841,856</b>
<b>SCHEDULE - J</b>		
<b>INTEREST AND BROKERAGE</b>		
On bank overdrafts, etc.	-	4,295,437
<b>TOTAL</b>	<b>-</b>	<b>4,295,437</b>

**SCHEDULES FORMING PART OF ACCOUNTS****SCHEDULE - 1****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The financial statements have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in India (Indian GAAP), on accrual basis and in compliance with the Accounting standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government and other provisions of the Companies Act, 1956. However, certain escalation and other claims are accounted for in terms of contracts with the customers. Insurance claims are accounted for as and when admitted by the appropriate authorities.

**2. Use of estimates**

The preparation of financial statements under Indian GAAP requires the management to make estimates and assumptions that affect and the reported amounts of revenues and expenses during the period, the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statements. Actual results could differ from those estimates. Difference, if any, between the Actual results and estimates is recognized in the period in which the results are known.

**3. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

**4. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- The provision for impairment loss, if any, required or
- The reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

**5. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows -

- Motor vehicles 25 %
- Furniture Fixtures and Office Equipments 10 – 20 %

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the assets over its remaining useful life.

**6. Retirement / Termination Benefits**

Payment is made according to Saudi Arabian labour Law. In respect of staff deputed from parent company L&T India, the provisions / contributions are made in the books of parent company and the cost is debited. Provision towards other expatriate costs is covered under Saudi Arabian labour Law as at the Balance Sheet date.

**7. Taxation**

Tax on income for the current period is determined on the basis of taxable income and tax credit is computed in accordance with law of income tax for companies in Saudi Arabia in accordance with Saudi Arabian fiscal regulations.

**8. Revenue Recognition**

Contract revenue comprising the total value of construction work performed during the year is recognized on a percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Provision is made for all losses incurred to the accounting date together recorded on the basis of progress bills prepared by the Company and are considered as revenue to the extent that they are probable of being certified and recovered.

**9. Foreign currency transactions**

Accounts are translated in Indian Rupees as follows:

- a) Share capital is retained at the initial contribution amount.
- b) Fixed and Current assets & Current liabilities are translated at year-end rates.
- c) Revenue transactions are translated at the average rates.
- d) Closing stock is valued at average rates.
- e) The resultant difference is accounted as translation reserve in the Balance Sheet.

**10. Provisions for Contingent liabilities and Contingent assets**

- (a) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if
  - i) the Company has a present obligation as a result of past event;
  - ii) a probable outflow of resources is expected to settle the obligation; and
  - iii) the amount of the obligation can be reliably estimated.
- (b) Reimbursements by another party, expected in respect of expenditure required to settle a provision, is recognised when it is virtual certain that reimbursement will be received if obligation is settled.
- (c) Contingent liability is disclosed in the case of
  - i) a present obligation arising from a 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 of resources is remote.
- (d) Contingent assets are not recognised.
- (e) Provision, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

**SCHEDULE - 2****NOTES ON ACCOUNTS**

1. Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

Particulars	2010 Rupees	2009 Rupees
Contract revenue recognized during the year	NIL	NIL

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 2. Disclosure of Related Party and Transactions with related parties

## i. List of related parties who exercise control over the Company

S. No.	Name of related party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	Larsen & Toubro International FZE	Holding Company

## ii. List of related parties with whom transactions were carried out during the year and description of relationship

S.No.	Name of related party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	Larsen & Toubro International FZE	Holding Company
3.	Larsen & Toubro ATCO Saudia Company LLC	Fellow subsidiary

## iii. Disclosure of related party transactions

Related Party	Amount in Rupees	Nature of transaction	Amount Outstanding in Rupees	
			Due from Related Party	Due to Related Party
Larsen & Toubro Limited – India	<b>30,902,174</b> (26,446,921)	Cost of Services and Overhead Charged		<b>30,902,174</b> (26,446,921)
Larsen & Toubro International FZE, Sharjah, Dubai	<b>140,440,421</b> (161,685,234)	Interest free Loan availed		<b>140,440,421</b> (161,685,234)
Larsen & Toubro ATCO Saudia Company LLC	<b>18,739,892</b> (15,196,545)	Cost of Service & Overhead Charged		<b>18,739,892</b> (15,196,545)

(Figures in bracket represent previous year)

## iv. No amount has been written off or written back during the year.

## 3. Balances with non-scheduled banks

## i) Current accounts

Bank	As at 31.12.2010	
	Amount in Rupees	Maximum amount outstanding at any time during the year Rupees
The Saudi British Bank	9,057	9,057
	–	–
The Saudi British Bank	1,188,076	154,541,727
	(4,443,734)	(74,315,856)
The Saudi Fransi Bank	–	–
	(31,378)	(31,378)
TOTAL	1,197,133	
	(4,475,112)	

(Figures in brackets represent previous year)

## 4. Statutory reserve

In accordance with Saudi Arabian Regulations for companies, the Company must set aside 10% of its net income in each year after deducting losses brought forward until it has built up reserve equal to one half of the capital. In view of the loss for the year no such transfer has been made. The reserve is not available for distribution / appropriation.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 5. Taxation

Provision for tax has been made by adjusting the net profit as per the Company's financial statements, for matters as per the past assessments, and applying the tax rates specified in the Law of Income tax on Companies in Saudi Arabia. Additional tax liability that may arise in future on finalisation of pending tax assessments for the tax years 2004 to 2009 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the tax assessments are finalized.

6. Borrowing Cost capitalised during the year Rs. Nil (*Previous year Rs. Nil*).

## 7. Basic and diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2010	2009
Profit / (loss) after tax as per accounts	(Rupees)	<b>(20,890,810)</b>	<i>(145,599,029)</i>
No. of shares outstanding	(Nos.)	<b>4,000</b>	<i>4,000</i>
Face value of an equity share	(Saudi Riyal)	<b>1,000</b>	<i>1,000</i>
Earnings per share (basic and diluted)	(Rupees)	<b>(5,223)</b>	<i>(36,400)</i>

## 8. The Company is engaged only in the business of construction related activity and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segmental Reporting. Further the entire operation of the Company is situated in Saudi Arabia only and hence no secondary segment reporting has been made. The Company's tangible assets are situated entirely outside India.

## 9. Auditor's remuneration and expenses charged to the accounts:

(Rupees)

Particulars		2010	2009
Audit fees (paid to overseas auditor only)		<b>754,153</b>	<i>818,898</i>

## 10. The Company is a service company and accordingly information required under paragraph 4 (c) of Part II of the schedule VI of the Companies Act, 1956 has not been furnished.

## 11. The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for the impairment in the accounts.

## 12. The Company's losses have exceeded the paid-up capital and free reserves as at December 31, 2010. However, in the opinion of the management, the financial statements are prepared on a going concern basis based on the understanding that the holding company, Larsen &amp; Toubro International FZE, UAE, will continue to provide unconditional financial support to the Company, to enable it discharge its obligations as and when they fall due (Refer Note 13 below).

## 13. Subsequent events

The Partners of the Company have passed a resolution dated January 2, 2011 offering unconditional financial support to the Company as necessary to ensure the Company's ability to continue as a going concern.

## 14. Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No:003792S)

By the hand of

**L. VAIDYANATHAN**

Partner

Membership No: 16368

**B. RAMAKRISHNAN**

Director

**J. S. SUDARSAN**

Director

Place: Chennai

Date : March 21, 2011

Place: Chennai

Date : March 21, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code 

(Incorporated in Kingdom of Saudi Arabia)

Balance Sheet Date   
Date Month Year**II. Capital raised during the year** (Amount in Rs. Thousands)Public Issue Bonus Issue Rights Issue Private Placement **III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Secured Loans Reserves & Surplus Unsecured Loans **Application of Funds**Net Fixed Assets and net Intangible Assets + -  
Net Current Assets Misc. Expenditure Translation Difference Investments Deferred Tax Accumulated Losses **IV. Performance of Company** (Amount in Rs. Thousands)Turnover (Including other income) + -  
Profit Before Tax + -  
+ -  
Earning per Share (in Rs.) Total Expenditure Profit After Tax Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code No. 

(ITC Code)

Product Descriptions 

For and on behalf of the Board

Place : Chennai  
Date : March 21, 2011**B. RAMAKRISHNAN**  
Director**J. S. SUDARSAN**  
Director

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and Audited Accounts of L&T Electricals Saudi Arabia Company Limited (LTESA) for the year ended December 31, 2010.

### FINANCIAL RESULTS

Particulars	2010		2009	
	Million SAR	Rupees Lakhs	Million SAR	Rupees Lakhs
Total Income	24.44	2,978.84	43.36	5,597.27
Profit / (Loss) Before Tax	0.15	18.34	2.10	270.53
Tax	NIL	NIL	NIL	NIL
Profit / (Loss) After Tax	0.15	18.34	2.10	270.53

During the year on review, we are the only Indian origin manufacturer approved by ARAMCO for the supply of LV switch gear and control gear. Company has entered into frame agreement with Bechtel for LV MCC for alumina smelter project of Ma'aden.

Company is increasing thrust on localization of manufacturing including export of LTESA manufactured 'Energys Enclosures' to neighboring GCC countries through ESP distribution channel.

During the year Company obtained long term loan of Rs. 1,311 Lakhs (SAR 11 Million) from Saudi Industrial Development Fund (SIDF) to finance production of electrical control and distribution panels, out of which Rs. 1,049 Lakhs (SAR 8.8 Million) has been drawn as on December'10.

### YEAR IN RETROSPECT

During the year on review, the Company had an order Inflow of Rs. 12,903 Lakhs (SAR 105.86 Million), Order Booking of Rs. 11,918 Lakhs (SAR 97.78 Million). The sale for the year under review was Rs. 2,969 Lakhs (SAR 24.36 Million).

### FINANCE

During the year, the Company had taken all initiatives in controlling the working capital and overhead expenses.

### CAPITAL EXPENDITURE

During the year, the Company has added furniture & fixture worth Rs. 3.11 Lakhs and the gross fixed assets stood at Rs. 2,329 Lakhs (SAR 19.53 Million) and net fixed assets at Rs. 2,022 Lakhs (SAR. 16.96 Million) for the period ended December 31, 2010.

### CURRENT BUSINESS SCENARIO

#### Major Government policies and reforms impacting the Company's sector

Saudi Arabia is the largest market in the Middle East. The policy of the Government is continually inclined towards providing business opportunities for locally established Industries. The Government has ambitious plans for large scale development and investments in the field of Power & Gas, Hydro-carbon, Refineries and Infrastructure, etc. over the next 10 years.

LTESA being a locally registered Company, can leverage on being a preferred vendor with the Government's initiative to encourage local industries.

### Performance Parameters

Particulars	2010		2009	
	Million SAR	Rupees Lakhs	Million SAR	Rupees Lakhs
Order Inflow	105.86	12,903	28.88	3,728
Sales	24.36	2,969	43.27	5,585
Order Booking	97.78	11,918	18.01	2,325

### PARTICULARS OF EMPLOYEES

There are 14 staffs, 5 Saudi PRO and 48 workers as on December 31, 2010.

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### FUTURE OUTLOOK

The Company started the year 2011 with a healthy order book. The Company has successfully customised MV Panels & Ring Main Units to suit Saudi local requirements which will enable business with Saudi Electricity Company (SEC) and SEC approved contractors. With the oil prices firming up and demand rising, the Company expects new opportunities for major Oil & Gas projects. Further, the Company is also likely to benefit from the proposed investments announced in Power, Metals, Health, Education, Housing & Infrastructure sectors in Saudi Arabia.



**DIVIDEND**

The directors do not recommend any dividend for the year.

**AUDITORS' REPORT**

The Auditors' Report to shareholders does not contain any qualification.

**MATERIAL CHANGES**

There have been no changes between Balance Sheet date and date of Directors Report.

**DISCLOSURE OF PARTICULARS**

The Company has disclosed in notes forming part of accounts the quantitative details in respect of sales, raw material and components consumed and inventory as required vide sub-Para 3(i)(1), 3(ii)(a)(1) and (2) and 3(ii)(b) of Para II of Schedule VI of the Companies Act, 1956.

**SUBSIDIARY COMPANIES**

The Company has no subsidiaries.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms

- i. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010;
- iii. that 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
- iv. that the annual accounts have been prepared on a going concern basis.

**DIRECTORS**

Mr. S. C. Bhargava, Mr. J. P. Singh, Mr. S. K. Mukherjee and Mr. Badar Kanoo are the Directors of the Company.

**AUDIT COMMITTEE**

The Company has not been incorporated under the provision of Indian Companies Act, 1956 and hence the requirement of having an Audit Committee is not applicable.

**AUDITORS**

The Auditors, Deloitte & Touche Bakr Abulkhair & Co., holds office until conclusion of the forthcoming Annual General Meeting and is recommended for re-reappointment.

**CONVERSATION OF ENERGY**

As the Company is in initial stage of commencement of operations, energy consumption related information as required in Form A are not available.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by bankers, employees and staff of ultimate holding Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**S. K. MUKHERJEE**  
Director

## AUDITORS' REPORT

The financial statements of L&T Electrical Saudi Arabia Company Limited for the year ended December 31, 2010, being a Company registered in the kingdom of Saudi Arabia are prepared by management and are audited by the statutory auditors in the kingdom of Saudi Arabia by Deloitte & Touche Bakr Abulkhair & Co., Public Accountant, dated February 7, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of L&T Electrical Saudi Arabia Company Limited as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period 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.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in Annexure above, we report as under:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the said Balance Sheet, Profit and Loss Account statement of and Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, the Statement of Income and Expenditure for pre incorporation period and Cash Flow Statement comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable; and
  - e) as regard reporting on the disqualification of director under Section 274(1)(g) of Companies Act 1956 are not applicable, since the Company is registered in Saudi Arabia.

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 appearing in Schedule 'L', gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:

- 1 in the case of the Balance Sheet, of the state of the Company's affairs as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration number 109982W  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

Place : Mumbai  
Date : May 9, 2011

## **ANNEXURE TO AUDITOR' S REPORT**

(Referred to paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified fixed assets during the year.
- (c) The Company has not disposed of any fixed assets during the year.
- ii. (a) As explained to us, inventories have been physically verified by management at reasonable interval during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of the business.
- b. (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material.
- iii. There are no loans secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Saudi Arabia.
- iv. In our opinion and according to the information given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and for sale goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal system.
- v. The Company is incorporated in the kingdom of Saudi Arabia and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 as the Company is incorporated in the kingdom of Saudi Arabia.
- ix. The Company being registered in Saudi Arabia, has no statutory liability in India and accordingly reporting for paragraph 4(ix)(a) and (b) is not required.
- x. The Company has been registered for less than five years and hence clause 4(x) of the Order is not applicable.
- xi. The Company has not defaulted in repayment of dues to financial institutions.
- xii. According to the information and explanations given 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 provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares or securities.
- xv. The Company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. The Company has applied the term loans raised during the year for the purpose for which it was raised.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to any party during the year.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration number 109982W  
by the hand of

**R. D. KARE**  
*Partner*  
Membership No. 8820

Place : Mumbai  
Date : May 9, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS FUNDS</b>					
Share Capital	A	222,885,000		222,885,000	
Reserves and Surplus	B	18,492,985		27,747,569	
			241,377,985		250,632,569
<b>LOAN FUNDS</b>					
Secured Loan	C		140,656,000		–
<b>TOTAL</b>			<b>382,033,985</b>		<b>250,632,569</b>
<b>APPLICATION OF FUNDS</b>					
Fixed Assets					
Tangible Assets Gross Block	D	232,849,702		242,049,009	
Less: Depreciation and Impairment		30,699,232		17,878,897	
Net Block		202,150,470		224,170,112	
Capital Work in Progress		–		–	
			202,150,470		224,170,112
<b>Current Assets Loans and Advances</b>					
Inventories	E	76,186,191		125,197,366	
Sundry Debtors		125,936,338		232,044,429	
Cash and Bank Balances		137,097,389		4,518,095	
Loans and advances		65,360,485		43,338,948	
		404,580,403		405,098,838	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	F	219,324,937		371,559,962	
Provisions		5,371,951		7,076,419	
		224,696,888		378,636,381	
<b>Net current Assets</b>			<b>179,883,515</b>		<b>26,462,457</b>
<b>TOTAL</b>			<b>382,033,985</b>		<b>250,632,569</b>
<b>Contingent Liabilities</b>			<b>54,551,928</b>		<b>59,528,269</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	L				

The Schedules referred to above an interegral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI registration number 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 8820

**S. C. BHARGAVA**

Director

**S. K. MUKHERJEE**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedules	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and Service(Net)	G		296,864,607		558,593,516
Interest Income	H		1,019,731		1,133,515
			<u>297,884,338</u>		<u>559,727,031</u>
<b>EXPENDITURE</b>					
Mfg Construction and Operating expenses	I	198,983,254		446,132,173	
Staff Expenses	J	36,330,661		26,523,588	
Sales Administration and Other Expenses	K	46,908,641		37,041,904	
Depreciation, obsolescence and impairment		13,827,641		14,624,665	
Miscellaneous Expenditure writtenoff		-		8,352,162	
			<u>296,050,197</u>		<u>532,674,491</u>
<b>Profit before tax</b>			<b>1,834,141</b>		<b>27,052,540</b>
Provision for tax & zakat			-		-
<b>Profit after tax</b>			<b>1,834,141</b>		<b>27,052,540</b>
<b>Balance carried to Balance Sheet</b>			<b>1,834,141</b>		<b>27,052,540</b>
No. of Shares			<b>18,000</b>		<b>18,000</b>
<b>Earning per share</b>			<b>102</b>		<b>1,503</b>
Face value per equity share			<b>1,000</b>		<b>1,000</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	L				

The Schedules referred to above an intergral part of the Profit & Loss Account.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI registration number 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. C. BHARGAVA**  
Director

**S. K. MUKHERJEE**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit Before Tax</b>	1,834,141	27,052,540
Adjustments for:		
Interest Income	-	(57,518)
Translation Reserve & Other Reserves	(9,887,987)	(11,643,220)
Amortisation	-	8,352,162
Depreciation (including obsolescence)	13,827,641	14,624,665
Interest paid	9,645,907	3,084,869
<b>Operating Profit before Working Capital Changes</b>	15,419,702	41,413,499
Adjustments for:		
(Increase) / Decrease in Inventories	49,011,175	130,906,762
(Increase) / Decrease in Receivables and loans	84,086,554	(108,562,044)
Increase / (Decrease) in Current liabilities	(150,678,433)	(107,440,426)
<b>Cash generated from Operations</b>	(2,161,002)	(43,682,209)
Direct Taxes refund / (paid) (net)	(4,461,798)	(3,540,207)
<b>Net Cash From Operating Activities</b>	(6,622,800)	(47,222,416)
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (Tangible & Intangible)	(310,981)	-
Interest received	-	57,518
Exchange difference in opening value of Fixed Assets	(8,502,982)	(10,522,173)
<b>Net Cash used in / from Investing Activities</b>	8,192,001	10,579,691
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	140,656,000	-
Interest paid	(9,645,907)	(3,084,869)
<b>Net Cash Used in / From Financing Activities</b>	131,010,093	(3,084,869)
<b>Net Decrease / Increase in cash and Cash Equivalents (A+B+C)</b>	132,579,294	(39,727,594)
<b>Cash and Cash Equivalents at the beginning of the period</b>	4,518,096	44,245,689
<b>Cash and Cash Equivalents at the end of the period</b>	137,097,390	4,518,096

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS)3: "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Cash and Cash equivalents represent cash and bank balances.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI registration number 109982W  
By the hand of

**R. D. KARE**

Partner  
Membership No. 8820

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**

Director

Place : Mumbai  
Date : May 9, 2011

**S. K. MUKHERJEE**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010 Rupees	Rupees	As at 31.12.2009 Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity share capital				
18,000 Shares of SR 1000 Each		222,885,000		222,885,000
<b>Issued Subscribed &amp; Paid-up</b>				
18,000 Shares of SR 1000 Each		222,885,000		222,885,000
<b>TOTAL</b>		<b>222,885,000</b>		<b>222,885,000</b>

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
Foreign currency translation reserve	(689,494)		10,953,726	
Additions during the year	(9,887,987)		(11,643,220)	
		<b>(10,577,481)</b>		<b>(689,494)</b>
Profit and Loss Account	25,210,336		4,298,304	
Additions during the year	1,834,141		27,052,540	
Less : Transfer to Statutory Reserve	(179,372)		(2,600,302)	
Less : Income Tax & Zakat	(1,200,737)		(3,540,207)	
		<b>25,664,367</b>		<b>25,210,336</b>
Statutory Reserve		<b>3,406,099</b>		<b>3,226,727</b>
<b>TOTAL</b>		<b>18,492,985</b>		<b>27,747,569</b>

<b>SCHEDULE - C</b>				
<b>SECURED LOANS</b>				
Loan from Bank				
Working capital demand loan	35,760,000		-	
Term loan	104,896,000		-	
		<b>140,656,000</b>		<b>-</b>
<b>TOTAL</b>		<b>140,656,000</b>		<b>-</b>

**SCHEDULE - D**  
**FIXED ASSETS** (Figures in Rupees)

Fixed Assets - Tangible	Gross Block					Depreciation					Book Value	
	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
Buildings	205,583,317	(8,077,523)	-	-	197,505,794	12,848,934	(727,451)	10,097,802	-	22,219,285	175,286,509	192,734,383
Plant and Machinery General	34,616,578	(1,360,112)	-	-	33,256,466	4,327,078	(244,981)	3,400,647	-	7,482,744	25,773,722	30,289,499
Furniture and Fixtures	1,749,855	(68,754)	310,981	-	1,992,082	667,710	(32,954)	304,766	-	939,522	1,052,560	1,082,145
Vehicles	99,260	(3,900)	-	-	95,360	35,175	(1,920)	24,426	-	57,681	37,679	64,085
<b>TOTAL</b>	<b>242,049,009</b>	<b>(9,510,288)</b>	<b>310,981</b>	<b>-</b>	<b>232,849,702</b>	<b>17,878,897</b>	<b>(1,007,306)</b>	<b>13,827,641</b>	<b>-</b>	<b>30,699,232</b>	<b>202,150,470</b>	<b>224,170,112</b>
Previous Year	253,022,418	(10,973,409)	-	-	242,049,009	3,745,389	(491,157)	14,624,665	-	17,878,897	-	-
Add: Capital work in progress (net of deductions on account)											-	-
<b>TOTAL</b>											<b>202,150,470</b>	<b>224,170,112</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31-12-2010 Rupees	Rupees	As at 31-12-2009 Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
<b>Inventories</b>				
Raw Materials		76,186,191		125,197,366
<b>Sundry Debtors</b>				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	41,267,159		221,861,549	
Due from Related Party				
Considered good	5,168,822		4,578,994	
Other debts				
Considered good	79,500,357		5,603,886	
		125,936,338		232,044,429
<b>Cash and bank balances</b>				
Cash on hand	319,151		613,551	
Balances with non scheduled banks				
Balances with Non Schedule Banks Current account	136,778,238		3,904,544	
		137,097,389		4,518,095
<b>Loans &amp; advances</b>				
Unsecured				
Considered good				
Advance recoverable in cash or kind				
Prepaid Expenses	15,120,460		319,332	
Prepaid Rent	60,601		90,029	
Deposits Paid	3,811,968		5,102,992	
Advance to Employees	1,011,889		473,346	
Others	6,360,336		-	
Balance with Customs	38,995,231		37,353,250	
		65,360,485		43,338,949
<b>TOTAL</b>		<b>404,580,403</b>		<b>405,098,839</b>
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
<b>Sundry Creditors</b>				
Due to subsidiaries				
Due to fellow subsidiaries	1,799,181		1,872,763	
Due to parent	198,523,786		339,415,054	
Due to others				
Liability for revenue goods	1,924,007		3,162,318	
Liability for other expenses	-		10,680,250	
Other payables	17,077,963		16,429,577	
		219,324,937		371,559,962
<b>Provisions</b>				
Provisions for income tax & zakat	1,199,188		4,460,248	
Provisions for expenses	3,056,896		1,942,134	
Provisions for end of service indemnity	1,115,867		674,037	
		5,371,951		7,076,419
<b>TOTAL</b>		<b>224,696,888</b>		<b>378,636,381</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>SALES AND SERVICES</b>				
Manufacturing & trading		265,076,337		556,088,944
Servicing		31,788,270		2,504,572
<b>TOTAL</b>		<b>296,864,607</b>		<b>558,593,516</b>
<b>SCHEDULE - H (I)</b>				
<b>OTHER INCOME</b>				
Miscellaneous Income		410,296		198,233
Rent Received		609,435		877,764
<b>TOTAL</b>		<b>1,019,731</b>		<b>1,075,997</b>
<b>SCHEDULE - H (II)</b>				
<b>INTEREST INCOME</b>				
Interest received from Banks		-		57,518
<b>TOTAL</b>		<b>1,019,731</b>		<b>1,133,515</b>
<b>SCHEDULE - I</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Raw Material and Component consumed				
Purchase Raw Materials Other	194,543,096		430,565,770	
Freight Inwards	3,806,192		6,776,212	
		198,349,288		437,341,982
Stores Spares and Tools		459,680		8,603,550
Fuel & Oil		174,286		186,641
<b>TOTAL</b>		<b>198,983,254</b>		<b>446,132,173</b>
<b>SCHEDULE - J</b>				
<b>STAFF EXPENSES</b>				
Salaries, Wages and bonus				
Salaries	14,307,875		7,685,073	
Labour wages	19,575,339		17,318,356	
		33,883,214		25,003,429
Contribution to and provision for				
Gratuity Funds				
Provision for Gratuity Fund & Other		527,100		371,540
Welfare and other expenses				
Staff Welfare expenses not liable for FBT		1,920,347		1,148,619
<b>TOTAL</b>		<b>36,330,661</b>		<b>26,523,588</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010 Rupees	2009 Rupees
<b>SCHEDULE - K</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Rent	4,765,839	4,335,588
Rates and Taxes	-	52,924
Travelling and conveyance	6,532,599	5,586,874
Power other than Mfg Activity	1,229,442	755,265
Telephone postage and Telegrams	2,551,994	2,515,659
Advertising and Publicity	416,329	141,991
Stationary and printing	744,571	447,053
Commission	914,153	-
Bank Charges & Interest	11,571,033	4,321,854
General repairs and Maintenance	5,666,283	2,613,092
Audit Fees	18,283	1,163,425
Packing & Forwarding Expenses	13,712	491,393
Licence & Fees	65,027	437,514
Hire Charges	1,032,353	813,042
Transportation Charges	1,230,658	3,941,937
Insurance Charges	1,091,792	1,144,850
Consultation Charges / Professional Fees	7,185,519	5,948,829
Exchange (Gain) / Loss	226,547	266,808
Others	1,652,507	2,063,805
<b>TOTAL</b>	<b>46,908,641</b>	<b>37,041,904</b>

**SCHEDULE - L****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. LEGAL STATUS**

L&T Electricals Saudi Arabia Co. Ltd. ("the Company") is a Saudi limited liability Company registered on August 22, 2006 under commercial registration number 2050051859. The share capital of the Company, amounting to SR 18 million, is divided into 18,000 shares of SR 1,000 each. The Company's shareholders are as follows:

Name	Shareholding
Larsen & Toubro International FZE, U.A.E	75%
Yusuf Bin Ahmed Kanoo	25%

The principal activity of the Company is to manufacture switchgear / control / PLC panels of all sorts, switchgear and control gear of all sorts, part assembled switchboards and AC / DC drives including designing, installation, maintenance and operation of the above products in accordance with Saudi Arabian General Investment Authority ("SAGIA") license number 3-2-193 dated July 18, 2006.

Company obtained an additional commercial registration as a branch of Company on July 5, 2008 under commercial registration number 2050061138. The principal activities as per this commercial registration are performing contracts of electro mechanical works, maintenance of electrical installations, buildings and industrial entities in accordance with Saudi Arabian General Investment Authority ("SAGIA") license number 13912/1 dated April 5, 2008. The results, assets and liabilities of this branch are included in these financial statements.

The Company's registered office is at Dammam, Kingdom of Saudi Arabia.

**B. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 2. Revenue Recognition

Revenue is recognized upon delivery of goods to the customers under the term of the contract. Revenue from services is recognized as and when services are rendered.

### 3. Employee Benefits

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service and the Company policy.

### 4. Foreign Currency Transactions

Reporting currency used by the Company for Saudi Arabia GAAP Accounts is Saudi Riyals (SAR).

The accounts are translated in Indian Rupees (INR) as follows:

- Share capital is translated / retained at rates prevailing on the date of contribution.
- Fixed assets, Current assets and current liabilities are translated at rates prevailing on the date of Balance Sheet.
- The resultant differences are accounted as foreign exchange translation reserve and shown in the Balance Sheet.

### 5. Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The rates of depreciation are as follows:

Furniture & Fixture	16.67 %
Office Equipment	16.67 %
Factory Building	5.00 %
Motor Vehicles	25.00 %
Plant & Machinery	10.00 %

### 6. Leases

Leases are classified as capital lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payable under operating leases are charged to statement of operations on a straight line basis over the term of the operating lease.

### 7. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

### 8. Segment Accounting

The Company operates in only one segment i.e. electrical products and from one geographical location i.e Kingdom of Saudi Arabia. Accordingly, no segment reporting is required.

### 9. Taxes on Income

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the Saudi shareholder's share of zakat base and income tax charge is computed on the foreign shareholder's share of the adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

### 10. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using degree of estimation, if

- a) The Company has a present obligation as a result of a past event,
- b) A probable outflow of resources is expected to settle the obligation; and
- c) The amount of obligation can be reliably estimated

Contingent Assets are neither recognized nor disclosed.

### 11. Statutory Reserve

In accordance with Regulations for Companies in Kingdom Saudi Arabia, the Company has to establish a statutory reserve by the appropriating 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****C. NOTES ON ACCOUNTS**

- Contingent Liability as at December 31, 2010 is Rs. 54,551,928 (Previous year Rs. 5,95,28,269)
- The disclosure regarding the related party transactions are as follows:

**A. List of Related parties who exercise control :**

Larsen & Toubro International FZE	Holding Company
Yusuf Bin Ahmed Kanoo	Joint Venture Partner

**B. Transactions with related parties**

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
Yusuf Bin Ahmed Kanoo	Joint Venture Partner
L&T ATCO Saudi Arabia LLC	Fellow Subsidiary
Tamco Switchgear (Malaysia) SDN. BHD	Fellow Subsidiary
Larsen & Toubro Infotech Limited	Fellow Subsidiary

**C. Disclosure of Transaction with related parties**

Related Party	Nature of Relationship	2010 Amount Rupees	2009 Amount Rupees
Larsen & Toubro Limited-EBG Division	Ultimate Holding Company	(87,035,513)	(19,84,80,011)
Larsen & Toubro Limited-EBG Division	Ultimate Holding Company	22,591,919	-
Larsen & Toubro Limited-HED Division	Ultimate Holding Company	-	481,896
Larsen & Toubro Limited-E&C Division	Ultimate Holding Company	3,819,770	4,097,292
Larsen & Toubro Infotech Limited	Fellow Subsidiary	596,000	-
L&T ATCO Saudi Arabia LLC	Fellow Subsidiary	753,058	-
Larsen & Toubro International FZE	Holding Company	(134,080,189)	(140,935,043)
Yusuf Bin Ahmed Kanoo LLC	Joint Venture Partner	-	260,880
L&T Electrical & Automation FZE	Fellow Subsidiary	(1,799,181)	(1,872,763)

Related Party	Nature of Transaction	2010 Amount Rupees	2009 Amount Rupees
Larsen & Toubro Limited-EBG Division	Purchase of Goods	124,015,415	305,930,621
	Rendering of Service	(15,597,453)	-
	Expenses	6,681,431	19,878,782
	Sales of Goods	(11,734,013)	-
Larsen & Toubro Limited-HED Division	Sales of Goods	-	15,478,691
	Rental Income	-	(232,349)
Larsen & Toubro Limited-E&C Division	Sales of Goods	(6,826)	-
Larsen & Toubro Infotech Limited	Rental Income	(609,435)	(645,415)
L&T ATCO Saudi Arabia LLC	Sales of Goods	(1,068,656)	-
	Manpower Supply Expenses	-	747,132
Larsen & Toubro International FZE	Finance charges	6,856,144	1,424,547
Yusuf Bin Ahmed Kanoo LLC	Service, Travel, Visa related Expenses	-	77,99,905

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3. Balances with non-scheduled banks

Name of the Bank	As at 31.12.2010 (INR)	Maximum outstanding at any time during the period (INR)	As at 31.12.2009 (INR)	Maximum outstanding at any time during the period (INR)
The Saudi Arabia British Bank				
On current accounts	136,778,238	172,510,031	3,904,544	(29,948,400)
On deposit accounts	NIL		NIL	

4. The Company has no foreign currency liabilities that have not been hedged by a derivative instrument or otherwise. (Previous Year Rs. 34,12,87,817).

5. Borrowing cost capitalized during the period is Rs. Nil.

6. There are no transactions with Suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) during the period.

7. Auditor's remuneration charged to the accounts amounted to Rs. 18,283 during the period. (Previous Year Rs. 1,163,425)

8. Earnings Per Share (Basic & Diluted)

Particulars	For the year	
	2010	2009
Profit / (Loss) After Tax (Rs.)	1,834,141	27,052,540
No. of Shares	18,000	18,000
Earnings per share (Rs.)	102	1,503

9. Details of sales, raw material & components consumed, inventories and purchases –

**Sales -**

Class of Goods	Unit	2010		2009	
		Quantity	Value	Quantity	Value
Switchboards	Nos.	94	296,864,607	219	558,593,516

**Raw material & component consumed -**

Class of Goods	Unit	2010		2009	
		Quantity	Value	Quantity	Value
Switchboards	Nos.	91	198,349,288	213	437,341,982

**Inventories -**

Class of Goods	Unit	2010		2009	
		Quantity	Value	Quantity	Value
Switchboards	Nos.	24	76,186,191	39	1,251,987,366

**Capacities and Production -**

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
AC/DC Machine Drive	Nos.	2500	0	
Electrical Switch Panel	Nos.	6000	0	
Switchboards	Nos.	10000	10,000	91
Electrical Switches	Nos.	500	0	
Assembled Control Panels	Nos.	1250	0	

10. Figures for the previous year have been regrouped / reclassified wherever necessary.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 11. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	<input type="text" value="205001859"/>	State Code	<input type="text" value="N A"/>
	Incorporated in the Kingdom of Saudi Arabia		
Balance Sheet Date	<input type="text" value="31"/> <input type="text" value="12"/> <input type="text" value="2010"/>		
	Date	Month	Year

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="N I L"/>	Rights Issue	<input type="text" value="N I L"/>
Bonus Issue	<input type="text" value="N I L"/>	Private Placement	<input type="text" value="N I L"/>

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="382034"/>	Total Assets	<input type="text" value="382034"/>
<b>Sources of Fund</b>		Reserves & Surplus	<input type="text" value="18493"/>
Paid-Up Capital (Including Advance Reserves & Surplus)	<input type="text" value="222885"/>	Unsecured Loans	<input type="text" value="N I L"/>
Secured Loans	<input type="text" value="140656"/>	Capital Work in Progress incl. Pre-operative expenses	<input type="text" value="N I L"/>
<b>Application of Funds</b>		Net Current Assets	<input type="text" value="179884"/>
Net Fixed Assets	<input type="text" value="202150"/>	Accumulated Losses	<input type="text" value="N I L"/>
Investments	<input type="text" value="N I L"/>	Total Expenditure	<input type="text" value="296050"/>
Misc. Expenditure	<input type="text" value="N I L"/>	Profit / Loss After Tax	<input type="text" value="1834"/>

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	<input type="text" value="297884"/>	Profit / Loss Before Tax	<input type="text" value="1834"/>
Profit / Loss After Tax	<input type="text" value="1834"/>	Earnings Per Share in Rs.	<input type="text" value="102"/>
Dividend Rate %	<input type="text" value="N A"/>		

#### V. Generic Names of Principal Products / Services of the Company (as per monetary items)

Item Code No. (ITC Code)	<input type="text" value="N A"/>
Product Descriptions	<input type="text" value="ELECTRICAL &amp; ELECTRONIC PRODUCTS"/>

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration number 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. C. BHARGAVA**  
Director

**S. K. MUKHERJEE**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

## DIRECTORS' REPORT

### FINANCIAL RESULTS

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and Audited Accounts of Larsen & Toubro Atco Saudia LLC for the year ended 31st December, 2010.

Particulars	2010		2009	
	SAR Million	INR Lakhs	SAR Million	INR Lakhs
Total Income	20.31	2,479	5.25	678
Profit / (Loss) after tax	0.07	8.80	(2.96)	(382)

### DIVIDEND

The Directors do not recommend payment of any dividend.

### OVERVIEW OF THE COMPANY

Larsen & Toubro ATCO Saudia LLC (L&T-ATCO) is a strategic JV of Larsen & Toubro International FZE (LTIFZE) (International wing of L&T) and Abdulrahman Ali Al -Turki Group of Companies (ATCO) Dammam, a renowned Saudi conglomerate.

The Shareholding Pattern is 51% by ATCO and 49% by LTIFZE.

L&T-ATCO was formed as an In - Kingdom company to take advantage of the enormous opportunities existing in electro-mechanical construction areas of oil & gas, petrochemicals, power and water related projects in Saudi Arabia.

The Company has built up its resource base to bid & execute construction work either directly from prime customers like Aramco, Sabic, Pvt Companies or through global EPC companies.

### PERFORMANCE OF THE COMPANY

The Company has made modest Profit Before Tax of Rs. 10.55 Lakhs (SAR 0.08 Mn) during 2010. During the year, company has executed the construction work which was received on subcontract basis from a Leading Korean Company for Jubail Export Refinery project in Saudi Arabia owned by Aramco.

### CAPITAL EXPENDITURE

As at December 31, 2010, the Gross Fixed Assets stood at Rs. 222.25 Lakhs (SAR 1.86 Mn) and Net Fixed Assets at Rs. 181.31 Lakhs (SAR 1.52 Mn).

### AUDITORS' REPORT

The Auditors' Report to the shareholders contains qualifications that as at December 31, 2010, the accumulated losses of the Company have exceeded more than 50% of Shareholders funds.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not relevant and hence have not been furnished.

### PARTICULARS OF EMPLOYEES

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 are not relevant and hence have not been furnished.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010 and of the loss of the Company for the year ended on that date;
- that 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;
- that the annual accounts have been prepared on a going concern basis.

### OUTLOOK

Future looks very encouraging for construction related jobs in view of the large investment in Kingdom of Saudi Arabia in various sectors. L&T ATCO is presently participating in many bids and is well positioned to exploit into activities in key segments covering Oil & Gas, Hydro Carbon, Petrochemicals, Pipe Lines.

LARSEN & TOUBRO ATCO SAUDIA COMPANY LLC

**AUDITORS**

The auditors Abdulaziz Al-Mogren, member firm of Pannell Kerr Forster, continue to be the auditors of the Company for the financial year 2011.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and employees of the Company.

For and on behalf of the Board

*Place : Mumbai*

*Date : May 13, 2011*

**D. S. SHEVDE**

*Director*

**P. S. KAPOOR**

*Director*



## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO ATCO SAUDIA LLC

The financial statements of Larsen & Toubro ATCO Saudia LLC for the year ended December 31, 2010, being a company registered in the Kingdom of Saudi Arabia, are audited by Abdul Aziz Almogren and we have been furnished with their audit report dated March 14, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro ATCO Saudia LLC as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the Kingdom of Saudi Arabia, no reporting is required to be made under the said section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule I and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
*by the hand of*

*Place : Mumbai*  
*Date : May 13, 2011*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.
- (b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.
- (c) No fixed assets have been disposed of during the year.
- ii. (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Kingdom of Saudi Arabia. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. The Company is incorporated in the Kingdom of Saudi Arabia and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. The Company has not conducted internal audit during the year.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- ix. The Company being registered in the Kingdom of Saudi Arabia has no statutory liabilities in India and accordingly reporting under paragraphs 4(ix)(a) and (b) is not required.
- x. The Company has not been registered for a period of more than five years, hence paragraph 4(x) of the Order is not applicable to the Company.
- xi. According to the information and explanations given by management, the Company has neither borrowed from a bank or financial institution nor has it issued any debentures.
- xii. According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has not availed any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to any party during the year.
- xix. The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- xx. The Company has not raised any money by public issues during the year.
- 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI Registration No. 109982W)  
by the hand of

Place : Mumbai  
Date : May 13, 2011

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A		10,819,314		10,819,314
Reserves and Surplus	B		2,698,909		(77,382)
<b>Shareholders' Loan</b>	<b>C</b>		<b>74,047,040</b>		<b>44,916,552</b>
<b>TOTAL</b>			<b>87,565,263</b>		<b>55,658,484</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	D		22,225,007		10,686,692
Less: Depreciation			4,093,292		2,890,575
Net block			18,131,715		7,796,117
Capital work-in-progress			-		-
			<b>18,131,715</b>		<b>7,796,117</b>
<b>Current assets, loans and advances</b>					
Inventories	E		2,837,079		2,584,867
Sundry debtors			11,609,389		28,046,384
Cash and bank balances			112,082,890		466,956
Loans and advances			10,771,043		5,759,971
Other Current assets			146,716,843		-
			<b>284,017,244</b>		<b>36,858,179</b>
<b>Less: Current liabilities and provisions</b>	<b>F</b>		<b>293,426,654</b>		<b>68,637,421</b>
<b>Net current liabilities</b>			<b>(9,409,410)</b>		<b>(31,779,243)</b>
<b>Profit &amp; Loss Account</b>			<b>78,842,958</b>		<b>79,641,610</b>
<b>TOTAL</b>			<b>87,565,263</b>		<b>55,658,484</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	M				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached of even date  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)

For and on behalf of the Board

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332  
Place : Mumbai  
Date : May 13, 2011

**D. S. SHEVDE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 13, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales & Service	G	242,244,525		44,465,828	
Other Operational Income	H(i)	–		22,511,675	
Other Income	H(ii)	5,408,931		699,281	
Interest Income	H(iii)	197,932		110,689	
			<b>247,851,388</b>		<b>67,787,473</b>
<b>EXPENDITURE</b>					
Manufacturing, Construction and operating expenses	I	156,124,607		43,131,587	
Staff expenses	J	70,537,116		38,388,380	
Sales, administration and other expenses	K	15,279,011		22,270,458	
Interest expenses	L	–		131,561	
Depreciation		4,855,539		2,039,215	
			<b>246,796,273</b>		<b>105,961,201</b>
<b>Profit / (Loss) before tax</b>			<b>1,055,115</b>		<b>(38,173,728)</b>
Less: Provision for current year taxes			<b>167,729</b>		<b>–</b>
<b>Profit / (Loss) after tax</b>			<b>887,386</b>		<b>(38,173,728)</b>
Less: Transfer to Statutory reserve			<b>88,734</b>		<b>–</b>
<b>Profit / (Loss) after tax and after transfer to Statutory reserve</b>			<b>798,652</b>		<b>(38,173,728)</b>
Add: Balance brought forward			<b>(79,641,610)</b>		<b>(41,467,882)</b>
<b>Balance carried to Balance Sheet</b>			<b>(78,842,958)</b>		<b>(79,641,610)</b>
Earnings per equity share - Basic / Diluted			<b>798.65</b>		<b>(38,173.73)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	<b>M</b>				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached of even date

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 13, 2011

For and on behalf of the Board

**D. S. SHEVDE**

Director

**P. S. KAPOOR**

Director

Place : Mumbai

Date : May 13, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A Cash Flow from Operating Activities</b>		
Net Profit/(Loss) before Tax	1,055,115	(38,173,728)
Adjustment for:		
Depreciation	4,855,539	2,039,215
<b>Interest Income</b>	<b>(197,932)</b>	<b>(110,689)</b>
(Profit) / Loss on sale of Fixed assets	317,040	(256,488)
(Increase) / Decrease in Translation loss	2,683,859	2,986,561
<b>Operating Profit / (Loss) before working capital changes</b>	<b>8,713,622</b>	<b>(33,515,130)</b>
(Increase) / decrease in trade and other receivables	11,425,924	(26,301,697)
(Increase) / decrease in inventories	<b>(146,969,056)</b>	254,318
Increase / (decrease) in trade payables & other payables	<b>224,625,202</b>	29,226,476
<b>Cash generated from operations</b>	<b>97,795,692</b>	<b>(30,336,034)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	<b>(16,843,591)</b>	(2,505,670)
Difference in the opening value of fixed assets due to exchange difference	2,710,589	491,290
Difference in the opening value of cumulative depreciation due to exchange difference	<b>(2,511,314)</b>	(144,699)
Proceeds from sale of fixed Assets	1,136,139	2,113,022
Interest from Bank deposit	197,932	110,689
<b>Net Cash (used in) / from investing activities</b>	<b>(15,310,245)</b>	64,632
<b>C. Cash Flow from Financing Activities</b>		
Loan from shareholders	29,130,487	5,954,052
<b>Net cash (used in) / from financing activities</b>	<b>29,130,487</b>	5,954,052
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>111,615,934</b>	<b>(24,317,350)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>466,956</b>	24,784,306
<b>Cash and cash equivalents at end of the year</b>	<b>112,082,890</b>	466,956

**Notes:**

- Cash flow statement has been prepared under the Indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous years figures have been regrouped/reclassified wherever applicable.

As per our report attached of even date

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 13, 2011

For and on behalf of the Board

**D. S. SHEVDE**

Director

Place : Mumbai

Date : May 13, 2011

**P. S. KAPOOR**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
1,000 Equity shares of SAR 1,000 each	<u>10,819,314</u>	<u>10,819,314</u>
<b>Issued, Subscribed and Paid-up:</b>		
1,000 Equity shares of SAR 1,000 each	<u>10,819,314</u>	<u>10,819,314</u>
<b>TOTAL</b>	<u><u>10,819,314</u></u>	<u><u>10,819,314</u></u>

Note: 49% of the equity held by Larsen & Toubro International FZE, Sharjah, UAE a wholly owned subsidiary of Larsen & Toubro Ltd, India and 51% is held by A. A. Turki Contracting & Trading Corporation.

<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
Translation Reserve	2,612,131	(77,382)
Statutory Reserve	86,778	-
<b>TOTAL</b>	<u><u>2,698,909</u></u>	<u><u>(77,382)</u></u>

<b>SCHEDULE C</b>		
<b>SHAREHOLDERS' LOAN</b>		
Loans from shareholders (Refer Sch M Note 3(j))	74,047,040	44,916,552
<b>TOTAL</b>	<u><u>74,047,040</u></u>	<u><u>44,916,552</u></u>

**SCHEDULE D**  
**FIXED ASSETS**

DESCRIPTION	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference included in translation reserve	Additions during the year	Deductions during the year	As at 31.12.2010	Upto 01.01.2010	Exchange difference included in the translation	Additions during the year	Deductions during the year	Upto 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Plant & Machinery	2,927,264	(2,405,717)	8,703,185	-	9,224,733	531,978	(2,375,022)	2,876,472	-	1,033,428	8,191,305	2,395,286
Motor Vehicles	4,002,659	(157,267)	-	637,720	3,207,672	1,119,651	(63,564)	887,922	358,720	1,585,288	1,622,384	2,883,008
Furniture & Fixtures	3,756,768	(147,606)	8,140,406	1,956,966	9,792,602	1,238,945	(72,728)	1,091,145	782,786	1,474,576	8,318,026	2,517,823
<b>Total</b>	<b>10,686,691</b>	<b>(2,710,589)</b>	<b>16,843,591</b>	<b>2,594,686</b>	<b>22,225,007</b>	<b>2,890,574</b>	<b>(2,511,314)</b>	<b>4,855,539</b>	<b>1,141,507</b>	<b>4,093,292</b>	<b>18,131,715</b>	<b>7,796,117</b>
Previous Year	11,001,062	(491,290)	2,505,670	2,328,751	10,686,691	1,468,276	(144,699)	2,039,214	472,217	2,890,574	7,796,117	
Add: Capital Work in progress											-	-
											18,131,715	7,796,117

Add: Capital Work in progress

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
Inventories				
Inventories Stores, spares & tackles		2,837,079		2,584,867
Sundry Debtors				
Other Debts				
Considered good	11,609,389		28,046,384	
	<u>11,609,389</u>		<u>28,046,384</u>	
Less: Provision for doubtful debts	-		-	
		11,609,389		28,046,384
Cash and bank balances				
Cash on hand	26,319		141,793	
Balances with non-scheduled banks (Refer Note 3(a))	112,056,570		325,163	
		<u>112,082,890</u>		<u>466,956</u>
<b>Loans and advances</b>				
Unsecured, considered good				
Due from Related parties	2,046,795		56,603	
Prepaid Rent	2,946,874		430,962	
Prepaid Insurance	190,935		66,839	
Prepaid Expenses	4,452,466		211,560	
Advance to suppliers	1,133,973		4,454,057	
Staff Advances	-		539,950	
		<u>10,771,043</u>		<u>5,759,971</u>
Other Current assets				
Due from Customers (Construction and Project related Activity)		146,716,843		-
		<u>284,017,244</u>		<u>36,858,179</u>
<b>SCHEDULE F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Due to Related parties	32,923,183		43,843,229	
Sundry creditors	21,476,943		15,082,309	
Liability for Expenses	14,631,919		7,252,928	
Advance from customers	195,624,114		-	
Other payables	25,685,752		725,231	
		<u>290,341,913</u>		<u>66,903,697</u>
<b>Provisions for</b>				
Gratuity	2,890,135		1,653,622	
Social Insurance	30,575		80,102	
Income Tax and Zakat	164,031		-	
		<u>3,084,741</u>		<u>1,733,724</u>
<b>TOTAL</b>		<u>293,426,654</u>		<u>68,637,421</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE G</b>				
<b>SALES AND SERVICE</b>				
Construction and project related activity		241,991,171		–
Service income		253,354		44,465,828
<b>TOTAL</b>		<b>242,244,525</b>		<b>44,465,828</b>
<b>SCHEDULE H(I)</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Income from equipment rental		–		10,935,253
Income from manpower supply services		–		11,576,422
<b>TOTAL</b>		<b>–</b>		<b>22,511,675</b>
<b>SCHEDULE H(II)</b>				
<b>OTHER INCOME</b>				
Profit on sale of fixed assets (net)		–		256,488
Miscellaneous Income		5,408,931		442,793
<b>TOTAL</b>		<b>5,408,931</b>		<b>699,281</b>
<b>SCHEDULE H(III)</b>				
<b>INTEREST INCOME</b>				
Interest received on fixed deposits		197,932		110,689
<b>TOTAL</b>		<b>197,932</b>		<b>110,689</b>
<b>SCHEDULE I</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Fabrication Cost		2,862,638		4,278,856
Erection charges		1,280,642		13,748,630
Testing & Inspection		2,101,417		30,980
Hire Charges Equipment & P&M		27,195,696		12,554,561
Safety materials		756,041		177,141
Repairs Tools & Consumables		13,345,846		19,853
Temporary structure		13,042,994		–
Man Power Contract		39,527,491		–
Service & Consultancy Charges		18,061,118		–
Rent		6,497,394		–
Insurance		2,553,240		–
Conveyance, vehicle hire and maintenance		1,672,826		–
Accommodation expenses		8,329,051		–
Visa and emigration expenses		11,036,648		–
Other direct expenses		7,861,565		–
Piping Erection charges		–		11,278,033
Hire Charges Others		–		1,043,533
<b>TOTAL</b>		<b>156,124,607</b>		<b>43,131,587</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE J</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		64,763,451		34,718,951
Contribution to and provision for:				
Social Insurance Scheme		426,897		317,118
End of Service benefits		1,452,540		966,212
Welfare and other expenses		3,894,229		2,386,099
<b>TOTAL</b>		<b>70,537,116</b>		<b>38,388,380</b>
<b>SCHEDULE K</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Power and Electricity		311,884		398,557
Insurance		527,649		277,064
Rent		1,829,402		5,086,232
Travelling and conveyance		5,026,827		2,370,700
Telephone and postage		2,151,988		356,411
Stationery and printing		328,510		303,539
Service and Agency fees		–		5,874,942
Repairs & Maintenance		650,864		2,098,141
Bank charges		83,688		–
Audit Fees		268,151		232,349
Visa and emigration expenses		559,998		4,352,963
Conveyance, vehicle hire and maintenance		1,744,313		–
Other expenses		1,478,697		688,477
Rates & taxes		–		231,084
Loss on sale of Fixed assets		317,040		–
<b>TOTAL</b>		<b>15,279,011</b>		<b>22,270,458</b>
<b>SCHEDULE L</b>				
<b>INTEREST EXPENSES</b>				
Interest on Vehicle Loan		–		93,366
Interest on Shareholders loan		–		38,196
<b>TOTAL</b>		<b>–</b>		<b>131,561</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE M**

#### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

##### **1) LEGAL STATUS**

Larsen & Toubro ATCO Saudia LLC is incorporated as an in-kingdom Company in Saudi Arabia. It is a mixed limited liability company engaged in general contracting including electro-mechanical, construction and civil works in project of oil, gas, electrical power, water, airports, cement, maintenance and cleaning petroleum facilities, in accordance with Saudi Arabian General Investment Authority (SAGIA).

##### **2) SIGNIFICANT ACCOUNTING POLICIES**

###### **a. Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and is in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

###### **b. Revenue Recognition**

###### **i. Construction and Project-related activity**

Contract revenue comprising the total value of construction work performed during the year is recognized on percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined.

###### **ii. Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

###### **c. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

###### **d. Inventories**

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

###### **e. Retirement / Termination Benefits**

At the balance sheet date, employees' terminal benefits are calculated under the framework of the Saudi Regulations for labour and workmen.

###### **f. Statutory Reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company has to appropriate at least 10% of its net profit each year to the statutory reserve until such reserve reaches to 50% of paid up capital. Such reserve is not available for distribution until the Company is liquidated or dissolved.

###### **g. Fixed assets**

Fixed assets are stated at actual cost less depreciation.

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

###### **h. Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine the

a) provision for impairment loss, if any, required or

b) reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****i. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1. Plant & Machinery, Air conditioners	10%
2. Motor Vehicles	25%
3. Furniture & Fixtures	15%
4. Portacabins	20%
5. Office Equipments	15%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

**j. Translation of financial statements in foreign currency to Indian Rupees**

Accounts are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed and Current assets & Current liabilities are translated at year-end rates.
- Revenue transactions are translated at the average rates.

The resultant difference is accounted as translation reserve in the balance sheet.

**3) NOTES ON ACCOUNTS****a. Balances with Non-scheduled banks**

Amount in Rupees

Bank	As at 31.12.2010	Maximum amount outstanding at any time during the period	As at 31.12.2009	Maximum amount outstanding at any time during the period
In Current Account with The Saudi British Bank	16,696,570	233,110,613	325,163	17,753,665
In Fixed Deposit Account with The Saudi British Bank	95,360,000	161,805,800	–	–

**b. Disclosures pursuant to Accounting Standard (AS) 7**

Particulars	Amount in Rupees
Contract Revenue recognized for the year ended December 31, 2010	241,991,171
Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto December 31, 2010 for all contracts in progress as at that date	236,656,474
Amount of customer advances outstanding for contracts in progress as at December 31, 2010	195,624,114
Retention amounts due from customers for contracts in progress as at December 31, 2010	Nil

**c. (i) List of Companies who exercise control**

- Larsen & Toubro Limited – Ultimate Holding Company
- Larsen & Toubro International FZE - Holding Company

**(ii) Disclosure of major transactions with related parties**

Related Party	Nature of relationship	Nature of transaction	Year 2010	Year 2009
Larsen & Toubro International FZE	Holding Company	Hire of P&M	–	12,372,606
Larsen & Toubro International FZE	Holding Company	Loan from shareholder	22,755,280	4,463,750
Larsen & Toubro Limited	Ultimate Holding Company	Payment of Hire charges	26,130,994	–
Larsen & Toubro Limited	Ultimate Holding Company	Payment of Technical charges	14,527,353	2,679,105
Larsen & Toubro Limited	Ultimate Holding Company	Local purchases made for Chemanol site	592,864	2,816,911
Larsen & Toubro Saudi Arabia LLC	Fellow Subsidiary company	Staff PF Recovery & Chamber Charges & purchase of Fixed Assets	Nil	348,923

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

(iii) Amount due to/due from Related parties

Related Party	Nature of relationship	31.12.2010		31.12.2009	
		Due from Related Party	Due to Related Party	Due from Related Party	Due to Related Party
Larsen & Toubro Limited	Ultimate Holding Company	1,711,116	27,296,955	36,218	9,247,781
Larsen & Toubro International FZE	Holding Company	-	258,140	-	6,627,193
Larsen & Toubro Qatar LLC	Fellow Subsidiary	-	-	20,386	-
Larsen & Toubro Electromech LLC	Fellow Subsidiary	-	33,257	-	-
Larsen & Toubro Kuwait Construction	Fellow Subsidiary	-	144,065	-	-
A. A. Turki Contracting & Trading Corporation	Associate	335,679	5,190,767	-	10,629,270
A. A. Turki Real Estate	Associate	-	-	-	1,474,011
A. A. Turki Engineering	Associate	-	-	-	668,429
Larsen & Toubro Saudi Arabia LLC	Fellow Subsidiary	-	-	-	15,196,545

(iv) No amount due from Group companies has been written-off as bad debts during the year.

- d. Borrowing cost capitalised during the period is Rs. Nil.
- e. There are no transactions with micro and small enterprises as defined in the Micro and Small and Medium Enterprises Development Act, 2006, during the period.
- f. Auditor's remuneration and expenses charged to the accounts:

Rupees

Particulars	2010	2009
Audit Fees	268,151	232,349

- g. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil.
- h. Contingent Liabilities  
There are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.
- i. Earnings Per share (EPS)

Particulars	2010	2009
Profit / (Loss) for the year (Rs)	798,652	(38,173,728)
Average number of Equity shares	1000	1000
Basic EPS (Rs.)	798.65	(38,173)

- j. Shareholders' Loan Account  
This amount represents the unsecured loan provided by the Shareholders to promote the business and to support the company by providing additional funds.
- k. Zakat and Income-tax provision  
Provision for Zakat and income Tax are measured and recognized in the statement of income for each financial year in pursuant to Zakat and income-tax laws applicable in Saudi Arabia. Income-tax @ 20% is provided on current year taxable profit to the extent of L&T's share, i.e Non GCC share. Since the net Zakat base is negative and unadjusted accumulated loss of previous years is remaining, there is no liability for Zakat during the year.
- l. Previous year's figures have been regrouped / reclassified wherever necessary to conform to the Presentation adopted in the current year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

m. Balance Sheet abstract and Company's general business profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets and net Intangible Assets Investments Net Current Assets Deferred tax Misc. Expenditure Accumulated Losses + -  
**IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income) Total Expenditure + -  
Profit / Loss Before Tax\* + -  
Profit / Loss After Tax\* 

\* Excluding Prior period

\* Excluding Prior period

+ -  
Basic Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Principal Products/Services of the Company (as per monetary items)**Item Code No. 

(ITC Code)

Product Descriptions 

As per our report attached of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner

Membership No. 38332

Place : Mumbai

Date : May 13, 2011

**D. S. SHEVDE**

Director

Place : Mumbai

Date : May 13, 2011

**P. S. KAPOOR**

Director

**DIRECTORS' REPORT**

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2010.

**FINANCIAL RESULTS**

Financial Results	2010		2009	
	RMB (MN)	RupeesLakhs	RMB (MN)	Rupees Lakhs
Total Income / (loss)	588.86	4,011.99	432.04	3099.75
Profit before Tax	36.54	248.94	0.25	17.88
Taxes	4.62	31.45	-	-
Profit after Tax	31.92	217.49	0.25	17.88

**APPROPRIATIONS**

In view of past accumulated losses there is no amount that can be appropriated.

**DIVIDEND**

The Directors do not recommend any dividend for the year.

**CAPITAL EXPENDITURE**

As at December 31, 2010 the gross fixed assets stood at Rs. 3,213.50 Lakhs (Million RMB 46.50) and net fixed assets at Rs. 2,465.50 Lakhs (Million RMB 35.68).

**AUDITOR'S REPORT**

The Auditors' Report to the shareholders does not contain any qualifications.

**MATERIAL CHANGES**

There have been no material changes between Balance Sheet date and date of Directors' Report.

**DISCLOSURE OF PARTICULARS****A. Conservation of Energy:**

Energy conservation measures taken:

- Good Improvement achieved in the Power factor.
- Limiting of factory and office lighting to the areas where work is going on and switching off the lights in non-working areas.
- Control of AC temperature as per China norms. 23 degrees C.
- **Technological absorption**

Transfer of Circuit Breaker assembly, Testing & application, to serve local customers. The details are as per Form B.

**B.****Form B****1. Efforts in brief made towards technology absorption, adaptation and innovation:**

- The Company is now equipped to assemble and test range of Air Circuit Breakers.
- The Company has enhanced the product basket by starting design range of MCCBs.
- The Quality laboratory is ready and includes all necessary equipments for ensuring highest quality level.
- The Company has been emphasizing on training on products and processes. Apart from local training, for better technology absorption, the Company engineers were trained by L&T experts coming from India and Company Chinese employees were also sent to L&T India.
- Parts of Air Circuit Breaker, cradle and 100 amps MCCB are procured from local sources.
- Manufacturing processes have been approved as per ISO 9000 standard.
- All the operations are backed up by ERP system.

**2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.**

Above effort resulted in products of high quality and reliability. Localization effort has resulted in import substitution and Cost saving.

**3. Information regarding technology imported during the last five years**

Not Applicable

**C. Foreign exchange earnings and outgo:**

Foreign exchange earnings and outgo is limited to the sale of MCCB's and tools to India and purchase of components from India.

**PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**SUBSIDIARY COMPANIES**

The Company has no Subsidiaries.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010;
- iii. that 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
- iv. that the annual accounts have been prepared on a going concern basis.

**DIRECTORS**

Mr. S. C. Bhargava, Mr. P. K. Bajaj and Mr. J. J. Shrikhande are the Directors of the Company.

During the year Mr. Ajit Singh resigned from directorship of the Company and Mr. P. K. Bajaj was appointed as director on board.

**AUDIT COMMITTEE**

The Company has not been incorporated under the provision of Indian Companies Act 1956 and hence the requirement of having an Audit Committee is not applicable.

**AUDITORS**

M/s Jingsu Gongzheng Tianye Certified Public Accountants, the Auditors of the Company have indicated their willingness and are eligible for reappointment.

**ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the Bankers, employees of the Company and staff of the ultimate holding Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**P. K. BAJAJ**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO (WUXI) ELECTRIC COMPANY LIMITED

The financial statement of Larsen & Toubro (Wuxi) Electric Company Limited for the year ended December 31, 2010, being a Company registered in the People's Republic of China are prepared by management and are audited by the statutory auditors in the People's Republic of China by Jiangsu Gong Zheng, Certified Public Accountant Co. Ltd. dated March 18, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirement of Section 212 of the Companies Act, 1956. We give our report as under

We have audited the attached Balance Sheet of Larsen & Toubro (Wuxi) Electric Company Limited as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period 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.

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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- 1 As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in Annexure above, we report as under:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The said Balance Sheet, Profit and Loss Account statement of and Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, the statement of income and expenditure for pre incorporation period and Cash Flow Statement comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable; and
  - e) As regard reporting on the disqualification of director under Section 274(1)(g) of Companies Act 1956 are not applicable, since the Company is registered in People's Republic of China.

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 appearing in Schedule 'K', gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:

- 1 in the case of the Balance Sheet, of the state of the Company's affairs as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

Place : Mumbai  
Date : May 9, 2011

**R. D. KARE**  
Partner  
Membership No. 8820



## **ANNEXURE TO THE AUDITORS REPORT**

*(Referred to in paragraph (1) of our report of even date)*

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified fixed assets during the year.
- (c) The Company has not disposed of any fixed assets so as to affect its going concern status.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable interval during the year. In our opinion, the frequency of such verification is reasonable
- (b) As per the information given to us, the procedures of physical Verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of the business
- (c) The Company is maintaining proper records of inventory. The descriptions noticed on verification between the physical stock and the book records were not material.
- 3 There are no loans secured or unsecured, either granted to or taken from companies, firms or other parties. However, no registered is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the People's Republic of China.
- 4 In our opinion and according to the information given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and for sale goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal system.
- 5 The Company is incorporated in the People's Republic of China and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not applicable.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- 7 In our opinion the Company has an internal audit system commensurate with its size and nature of its business.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 as the Company is incorporated in the People's Republic of China.
- 9 The Company being registered in People's Republic of China, has no statutory liability in India and accordingly reporting for paragraph 4(ix)(a) and (b) is not required.
- 10 The Company does not have accumulated losses as at end of the year.
- 11 The Company has not raised any loans from financial institutions or banks during the year.
- 12 According to the information and explanations given 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.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 The Company is not dealing or trading in shares or securities.
- 15 The Company has not given guarantees for loans taken by others from banks or financial institutions.
- 16 The Company has not taken any term loans.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds . raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued any debentures during the year.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 109982W)*  
*By the hand of*

**R. D. KARE**  
*Partner*  
*Membership No. 8820*

*Place : Mumbai*  
*Date : May 9, 2011*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	246,102,418		246,102,418	
Reserves and surplus	B	63,079,225		39,715,855	
			<b>309,181,643</b>		<b>285,818,273</b>
<b>TOTAL</b>			<b>309,181,643</b>		<b>285,818,273</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Tangible assets					
Gross block	C(i)	295,863,978		228,069,884	
Less: Depreciation and impairment		62,436,111		48,765,410	
Net block		233,427,867		179,304,474	
Capital work in progress		205,922		4,297,812	
			<b>233,633,789</b>		<b>183,602,286</b>
Intangible assets					
Gross block	C(ii)	25,279,626		25,164,754	
Less: Amortisation and impairment		12,363,093		10,387,561	
Net block		12,916,533		14,777,193	
Capital work in progress		—		—	
			<b>12,916,533</b>		<b>14,777,193</b>
<b>Current assets, loans and advances</b>	D				
Inventories		140,453,427		92,641,366	
Sundry debtors		42,577,771		58,328,003	
Cash and bank balances		77,140,839		73,388,765	
Loans and advances		1,872,723		924,182	
		262,044,760		225,282,316	
<b>Less: Current liabilities and provisions:</b>					
Liabilities	E	199,413,439		137,843,522	
		199,413,439		137,843,522	
<b>Net current assets</b>			<b>62,631,321</b>		<b>87,438,794</b>
<b>TOTAL</b>			<b>309,181,643</b>		<b>285,818,273</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>	L				

The Schedules referred to above an integral part of the Balance Sheet.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**S. C. BHARGAVA**

Director

**P. K. BAJAJ**

Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Sales and service	F		393,560,086		309,886,214
Other income	G		7,638,913		89,528
			<b>401,198,999</b>		<b>309,975,743</b>
<b>EXPENDITURE</b>					
Manufacturing, construction and operating expenses	H	309,945,688		234,778,524	
Staff expenses	I	25,854,194		24,912,805	
Sales, administration and other expenses	J	21,403,525		25,102,984	
Interest expense and brokerage	K	1,231,076		667,495	
Depreciation, obsolescence and impairment		15,969,046		18,165,070	
Amortisation of intangible assets		1,901,048		4,560,975	
			<b>376,304,577</b>		<b>308,187,853</b>
<b>Profit before tax</b>			<b>24,894,422</b>		<b>1,787,889</b>
Provision for tax			3,145,402		-
<b>Profit after tax</b>			<b>21,749,020</b>		<b>1,787,889</b>
<b>Balance carried to Balance sheet</b>			<b>21,749,020</b>		<b>1,787,889</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS</b>	L				

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. C. BHARGAVA**  
Director

**P. K. BAJAJ**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit Before Tax</b>	<b>24,894,422</b>	1,787,889
Depreciation and amortisation	17,870,094	22,726,045
Foreign currency translation Reserve	1,614,350	41,596,674
Profit / Loss on Sale of Fixed Assets	(1,993,294)	55,009
Interest Paid & Other Finance Expenses	1,231,076	667,495
<b>Operating Profit before Working Capital Changes</b>	<b>43,616,648</b>	66,833,113
Adjustments for:		
(Increase) / Decrease in Inventories	(47,812,061)	(13,264,012)
(Increase) / Decrease in Sundry Debtors	15,750,232	(12,242,941)
(Increase) / Decrease in Loans & Advances	(948,541)	9,820,360
Increase / (Decrease) in trade Payables	61,569,917	53,205,188
<b>Cash generated from Operations</b>	<b>72,176,195</b>	104,351,708
Direct Taxes refund / (paid) (net)	3,145,402	-
<b>Net Cash From Operating Activities</b>	<b>69,030,793</b>	104,351,708
<b>B. Cash Flow from Investing Activities</b>		
Interest Received		
Purchase of Fixed Assets (Tangible & Intangible)	(69,918,228)	(3,821,824)
Sale of Tangible Fixed Assets	6,502,109	4,788,118
Exchange difference in opening balance of fixed assets / cumulative depreciation due to exchange fluctuation	(608,443)	(45,089,403)
<b>Net Cash used in / from Investing Activities</b>	<b>(64,024,562)</b>	(44,123,109)
<b>C. Cash Flow from Financing Activities</b>		
Interest Paid & Other Finance Expenses	(1,231,076)	(667,495)
<b>Net Cash used in / From Financing Activities</b>	<b>(1,231,076)</b>	(667,495)
<b>Net Decrease / Increase in cash and Cash Equivalents (A+B+C)</b>	<b>3,775,155</b>	59,561,103
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>73,388,765</b>	13,827,662
<b>Cash and Cash Equivalents at the end of the year</b>	<b>77,140,839</b>	73,388,765

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 : "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Purchase of Fixed Assets includes movement of Capital Work in Progress during the year.
- Cash and Cash equivalents represent cash and bank balances.

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**

Partner  
Membership No. 8820

**S. C. BHARGAVA**

Director

**P. K. BAJAJ**

Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
Equity share capital		<b>250,000,000</b>		<b>250,000,000</b>
<b>Issued:</b>				
Issued equity share capital		<b>246,102,418</b>		<b>246,102,418</b>
<b>Subscribed and paid up:</b>				
Subscribed equity share capital		<b>246,102,418</b>		<b>246,102,418</b>
<b>TOTAL</b>		<b>246,102,418</b>		<b>246,102,418</b>

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
<b>Foreign currency translation reserve</b>				
Opening balance		<b>50,599,068</b>		<b>9,002,393</b>
Addition / (deduction) during the year		<b>1,614,350</b>		<b>41,596,674</b>
		<b>52,213,418</b>		<b>50,599,068</b>
<b>Profit &amp; Loss Account</b>				
Opening balance		<b>(10,883,213)</b>		<b>(12,671,102)</b>
Addition / (deduction) during the year		<b>21,749,020</b>		<b>1,787,889</b>
		<b>10,865,807</b>		<b>(10,883,213)</b>
<b>TOTAL</b>		<b>63,079,225</b>		<b>39,715,855</b>

**SCHEDULE - C (i)**

Fixed Assets - Tangible	COST / VALUATION					DEPRECIATION					BOOK VALUE		
	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009	
Buildings	145,292,000	663,232	72,029,666	-	<b>217,984,898</b>	19,536,945	181,372	6,475,237	-	<b>26,193,554</b>	<b>191,791,344</b>	125,755,056	
Plant and machinery general	47,976,908	219,005	-	2,365,144	<b>45,830,769</b>	13,481,267	114,126	3,693,546	739,910	<b>16,549,029</b>	<b>29,281,740</b>	34,495,641	
Computers	3,459,334	15,791	401,613	-	<b>3,876,738</b>	1,536,656	16,088	637,279	-	<b>2,190,023</b>	<b>1,686,715</b>	1,922,678	
Furniture and fixtures	31,341,643	143,069	1,578,840	4,891,978	<b>28,171,573</b>	14,210,543	138,375	5,162,984	2,008,397	<b>17,503,505</b>	<b>10,668,068</b>	17,131,100	
<b>TOTAL</b>	<b>228,069,884</b>	<b>1,041,097</b>	<b>74,010,119</b>	<b>7,257,122</b>	<b>295,863,978</b>	<b>48,765,410</b>	<b>449,961</b>	<b>15,969,046</b>	<b>2,748,307</b>	<b>62,436,111</b>	<b>233,427,867</b>	179,304,474	
Previous Year	188,109,091	45,293,189	104,485	5,436,881	228,069,884	27,192,347	4,001,747	18,165,070	593,754	48,765,410			
Add: Capital work in progress (net of deductions on account)											<b>205,922</b>	4,297,812	
											<b>233,633,789</b>	183,602,286	

**SCHEDULE - C (i)**

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Fixed Assets - Intangible	COST / VALUATION					DEPRECIATION					BOOK VALUE		
	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009	
Leasehold land	14,286,489	65,215	-	-	14,351,704	1,142,988	9,612	282,937	-	1,435,171	12,916,533	13,143,501	
Specialised software	4,343,500	19,827	-	-	4,363,327	4,343,500	19,827	-	-	4,363,327	-	-	
Lump sum fees for technical knowhow	6,534,765	29,830	-	-	6,564,595	4,901,074	47,500	1,618,111	-	6,564,595	-	1,633,691	
<b>TOTAL</b>	<b>25,164,754</b>	<b>114,872</b>	-	-	<b>25,279,626</b>	<b>10,387,561</b>	<b>76,939</b>	<b>1,901,048</b>	-	<b>12,363,093</b>	<b>12,916,533</b>	<b>14,777,193</b>	
Previous Year	20,566,186	4,595,727	2,841	-	25,164,754	5,051,829	774,758	4,560,975	-	10,387,561	-	-	
Add: Capital work in progress (net of deductions on account of obsolescence)												-	-
											<b>12,916,533</b>	<b>14,777,193</b>	

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - D</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
<b>Inventories</b>				
Raw materials	31,269,849		2,592,030	
Components	83,591,799		89,289,691	
Finished goods	24,751,822		759,644	
	<b>139,613,470</b>		<b>92,641,366</b>	
Manufacturing work in progress	839,957		-	
		<b>140,453,427</b>		<b>92,641,366</b>
<b>Sundry Debtors</b>				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	-		-	
Other debts:				
Considered good	42,577,771		58,328,003	
		<b>42,577,771</b>		<b>58,328,003</b>
<b>Cash and bank balances</b>				
Cash on hand	255,451		268,237	
Balances with non scheduled banks				
Balances with non schedule banks current account	44,815,614		73,120,529	
Balances with non schedule banks fixed deposit account	32,069,774		-	
		<b>77,140,839</b>		<b>73,388,765</b>
<b>Loans and advances</b>				
Unsecured, Considered good				
Advance recoverable in cash or kind				
Advances to suppliers	504,222		165,012	
Prepaid expenses	1,368,501		759,170	
		<b>1,872,723</b>		<b>924,182</b>
<b>TOTAL</b>		<b>262,044,760</b>		<b>225,282,316</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry Creditors				
Due to subsidiaries		–		–
Due to parent		127,221,575		27,171,428
Due to others				
Liability for revenue goods		7,049,948		2,835,279
Liabilities TDS on salary		154,662		136,293
Short term bank borrowing		58,862,001		105,912,606
Other payables		6,125,253		1,787,917
<b>TOTAL</b>		<b>199,413,439</b>		<b>137,843,522</b>
	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>SALES &amp; SERVICE</b>				
Manufacturing & trading		392,928,155		309,886,214
Servicing		631,931		–
<b>TOTAL</b>		<b>393,560,086</b>		<b>309,886,214</b>
<b>SCHEDULE - G (i)</b>				
<b>OTHER INCOME</b>				
Exchange gain / loss - others		4,754,413		–
Miscellaneous income		644,663		9,007
<b>TOTAL</b>		<b>5,399,076</b>		<b>9,007</b>
<b>SCHEDULE - G (ii)</b>				
<b>INTEREST INCOME</b>				
Interest received from others		246,543		80,522
Profit on sale of fixed assets		1,993,294		–
<b>TOTAL</b>		<b>2,239,837</b>		<b>80,522</b>
<b>SCHEDULE - H</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Raw material and component consumed		316,151,017		225,093,250
Stores, spares and tools		–		103,342
Increase / Decrease in Mfg Trading stock				
Closing stock - FG, manufacturing WIP				
Closing stock - finished goods	(24,404,370)		(759,644)	
Closing Stock - work-in-progress	(828,166)		–	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
Opening stock - FG, manufacturing WIP				
Opening Stock - finished goods	759,644		1,941,814	
Opening Stock - work-in-progress	—		—	
		(24,472,892)		1,182,170
Freight inwards		10,535,194		4,824,066
Power and fuel		1,585,591		1,600,922
Repairs to plant & machinery, buildings		243,273		67,620
Insurance		145,088		135,156
Rates taxes		2,615,565		225,720
General repairs maintenance		187,940		64,976
Other manufacturing construction and operating expenses		2,954,912		1,481,302
<b>TOTAL</b>		<b>309,945,688</b>		<b>234,778,524</b>
<b>SCHEDULE - I</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		23,062,229		22,556,845
Welfare and other expenses		2,791,965		2,355,960
<b>TOTAL</b>		<b>25,854,194</b>		<b>24,912,805</b>
<b>SCHEDULE - J</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Rent		1,723,735		2,579,418
Rates and taxes		2,546,063		4,140,289
Travelling and conveyance		4,047,229		5,140,685
Power other than manufacturing activity		425,353		—
Telephone postage and telegrams		1,071,946		1,618,362
Stationary and printing		165,136		239,314
Insurance		282,298		359,701
Bank charges		140,335		180,326
General repairs and maintenance		1,024,202		1,602,105
Professional fees		907,464		2,000,100
Miscellaneous expenses		9,069,764		7,242,683
<b>TOTAL</b>		<b>21,403,525</b>		<b>25,102,984</b>
<b>SCHEDULE - K</b>				
<b>INTEREST, EXPENSE &amp; BROKERAGE</b>				
Debentures & fixed loans		—		—
Others		1,231,076		667,495
<b>TOTAL</b>		<b>1,231,076</b>		<b>667,495</b>



## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - L**

#### **LEGAL STATUS**

Larsen & Toubro (Wuxi) Electric Company Limited is a wholly foreign owned enterprise established in Wuxi, Jiangsu Province, in the People's Republic of China ("PRC"). The entire shareholding is held by Larsen & Toubro International FZE, Sharjah. The ultimate holding Company is Larsen & Toubro Limited.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub Section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.

##### **2. REVENUE RECOGNITION**

Revenue from sale of goods is recognized when the substantial risks and rewards of ownership is transferred to the buyer.

##### **3. RESEARCH & DEVELOPMENT**

Revenue expenditure on research and development is charged under respective heads of accounts. There is no capital expenditure on research and development.

##### **4. FIXED ASSETS & DEPRECIATION**

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation. Depreciation is calculated using the straight line method. The rate of depreciation are as follows.

Building (Factory)	4.5%
Plant & Machinery	9%
Computers	18%
Furniture	18%
Office Equipment	18%

Above rates are higher than the rates specified under schedule XIV of the Companies Act, 1956.

##### **5. INVENTORIES**

Raw materials, Components and Finished Goods are valued at lower of weighted average cost or net realizable value.

Work-in-progress are valued at lower of cost including related overheads or net realizable value.

##### **6. EMPLOYEE SOCIAL SECURITY BENEFITS**

The Company participates in employee social security plans, including pension, medical, unemployment, housing and other welfare benefits, organized by the government authorities pursuant to the relevant regulation.

According to the relevant regulations, contributions accrued and remitted to the Wuxi Municipal Administration Center of Social Security Fund and Housing Fund are calculated based on percentages of the employees' salaries, subject to certain ceilings. Contribution to the plans are charged to the Profit and Loss Account as incurred.

##### **7. FOREIGN CURRENCY TRANSACTIONS**

Reporting currency used by the Company is Renminbi. The financial statements are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed Assets, Current Assets and Current liabilities are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

##### **8. INTANGIBLE ASSETS AND AMORTISATION**

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by Institute of Chartered Accountants of India and are amortised as follows:

- Leasehold Land : Over the period of lease.
- Specialised Software : Over the period of 3 years.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- Lump sum fees for technical know-how : Over the period of six years in case of foreign technology and three years in case of indigenous technology.

Amortisation on impaired asset is provided by adjusting the amortisation charges in the remaining period so as to allocate the asset's revised carrying amount over its remaining useful life.

**NOTES ON ACCOUNTS**

- Contingent Liability as on December 31, 2010 is Rs. Nil. (*Previous year Rs. Nil*).
- Related party disclosures:

**A. List of Related parties who exercise control:**

	<b>Relationship</b>
Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

**B. Transactions with related parties during the year:**

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro Limited - US Branch	Branch of Ultimate Holding Company

**C. Disclosure of Transaction with related parties:**

Year		2010	2009	2010	2009
Related Party	Nature of Transaction	Rs.	Rs.	Outstanding Balance (Rs.)	
Larsen & Toubro Limited	Purchase of raw material & components	296,761,312	216,418,977	Accounts Receivable	
				2,480,886	Nil
	Sale of Products	665,971	5,262,994	Other Receivables	
				3,553,462	3,537,315
	Sale of Asset	6,438,817	Nil	Accounts Payable	
				122,374,934	22,574,874
				Other Payable	
				4,846,641	4,596,554
Larsen & Toubro Limited - US Branch	Purchase of Services	631,931	Nil	Advance Receiver	
				789,329	Nil

- Balances with non-scheduled banks  
Current Accounts

Name of Bank	As at 31.12.2010 Rs.	Maximum outstanding at any time during the period (Rs.)	As at 31.12.2009 Rs.	Maximum outstanding at any time during the period (Rs.)
Bank of China	38,100,681	40,358,266	30,294,245	42,416,697
Jiang Su Bank ( <i>formerly Commercial Bank</i> )	5,473,442	5,473,442	1,436,606	2,959,355
Bank of China - Auditing Accounts	136	795,255	-	-
Bank of China - Settlement Account	1,237,373	4,024,007	-	-
Bank of China - Loan 1	3,792	3,907	-	-
Bank of China - Loan 2	190	1,358,866	-	-
Bank of China - Deposit Account	32,069,774	63,226,791	41,389,677	41,389,674

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

4. The Company has foreign currency liability amounting to Rs. 121,588,720 that have not been hedged by a derivative instrument or otherwise. (Previous Year Rs. 22,574,874)
5. Based on information and records available with the Company there are no transactions with small scale industries or micro small and medium enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 1956.
6. Auditor's remuneration charged to the accounts during the year under head professional fees is as under :

Particulars	2010 (Rs.)	2009 (Rs.)
Audit Fees	211,206	Rs. 157,843
Tax Audit Fees	156,701	Rs. 107,621
	367,907	Rs. 265,464

7. Details of sales, raw material & components consumed, inventories and purchases:

Sales -

Class of Goods	Unit	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Switchgear, all types	Nos.	21,763	74,870,335	20,645	63,877,796
Air Circuit Breakers	Nos.	4,025	318,057,820	2,965	246,008,417
			392,928,155		309,886,213

Raw material & component consumed -

Class of Goods	Unit	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Switchgear components	Nos.	37,94,181	236,087,807	2,138,539	216,099,632
Others	Nos.	80,424	80,063,210	44,389	8,993,618
			3,874,605	2,182,928	225,093,250

Inventories -

Class of Goods	Unit	As at 31.12.2010		As at 31.12.2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Switchgear, all types	Nos.	1,621,456	115,701,605	1,995,480	91,881,722
Air Circuit Breakers	Nos.	1,097	4,820,636	476	104,285
Moulded Case Circuit Breakers	Nos.	847,376	19,931,186	165	655,359
			140,453,427		92,641,366

8. Capacities and Production:

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Air Circuit Breaker	Nos.	-	12,000 p.a	4,115

9. Segmental Reporting

The Company operates wholly in Peoples Republic of China and manufactures electrical products (ACB & MCCB). Hence segment reporting is not applicable.

10. Company is entitle to two years' exemption of income tax followed by three years of 50% reduction, commencing from 2008. Hence, provision for taxes is made accordingly to the extent applicable.
11. The Company is considered as a non integral operation of Larsen & Toubro Limited (the ultimate holding company). In accordance with Accounting Standard – 11 (revised 2003) the exchange differences on translation are accounted in Foreign Currency Translation Reserve in the Reserves & Surplus.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

12. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date   
Date Month Year

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Fund**

Paid-Up Capital (incl. Share Appl. Money)

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets and net Intangible Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (incl. other income)

Total Expenditure (incl. Prior year Adj.)

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

Earnings Per Share in Rs. (Basic)

Dividend Rate %

**V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**

Item Code No.

(ITC Code)  
Product Descriptions

As per our attached report of even date

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
by the hand of

**R. D. KARE**  
Partner  
Membership No. 8820

**S. C. BHARGAVA**  
Director

**P. K. BAJAJ**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Annual Report and Balance Sheet for the year ended December 31, 2010.

**FINANCIAL RESULTS**

Particulars	<b>Year ended 31.12.2010 Rupees</b>	<i>Year ended 31.12.2009 Rupees</i>
<b>Gross Profit / (Loss)</b>	<b>(33,823,565)</b>	<i>(10,876,547)</i>
Less: Depreciation on Fixed Assets	<b>(22,447,873)</b>	<i>(21,366,058)</i>
Profit before Taxes	<b>(56,271,438)</b>	<i>(32,242,605)</i>
Provision for Taxes	<b>NIL</b>	<i>NIL</i>
Provision for deferred Taxes	<b>NIL</b>	<i>NIL</i>
Profit / (Loss) after Taxes	<b>(56,271,438)</b>	<i>(32,242,605)</i>

**CAPITAL EXPENDITURE**

As at December 31, 2010, the Gross Fixed Assets stood at Rs. 330,583,536 and the Net Fixed Assets at Rs. 252,555,039. Assets amounting to Rs. 2,385,745 were added during the year.

**AUDITORS' REPORT**

The Auditors' report to the Shareholders does not contain any qualifications.

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

**DIVIDEND**

The directors do not recommend dividend for the current year.

**DISCLOSURE OF PARTICULARS**

As per the Company, the Company being registered outside India, there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors made judgements 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 December 31, 2010 and the loss of the Company for the year ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

Place : Chennai

Date : May 11, 2011

**S. RAGHAVAN**

*Director*

**S. S. CHANDILYA**

*Director*

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO (JIANGSU) VALVE COMPANY LIMITED**

The financial statements of Larsen & Toubro (Jiangsu) Valve Company Limited for the year ended December 31, 2010, being a company registered in Jiangsu Province, People's Republic of China are audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co. Ltd, and we have been furnished with their audit report dated February 13, 2011, on which we have placed reliance for the purpose of giving our opinion.

We are presented with the Accounts in Indian Rupees prepared by the management on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro (Jiangsu) Valve Company Limited as at December 31, 2010 and also the Profit & Loss account and the Cash Flow Statement for the year ended on the 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.

We have 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The said Balance Sheet, Profit & Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the said Balance Sheet, the Profit & Loss account and the Cash Flow Statement, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. As regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the company is registered in Jiangsu Province, People's Republic of China, no reporting is required to be made under the said section.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule 1 and notes appearing in Schedule 2, give the information required by the Companies Act 1956, in the manner so required and gives 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 December 31, 2010;
    - (ii) in the case of the Profit & Loss Account, the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 003792S

*Place : Chennai*  
*Date : May 11, 2011*

**V. R. LALITHA**  
*Partner*  
Membership No. 18284

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) We are informed that the management has physically verified the fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and books records were not material.
- (iv) (a) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control systems.
- (vii) The Company has an internal audit system commensurate with its size and nature of its business.
- (ix) The Company being registered in the Peoples' Republic of China has no statutory liabilities in India and accordingly, reporting under paragraphs 4(ix)(a) and (b) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (x) The Company has been registered for less than five years and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003 is not required.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or Bank. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) In our opinion and according to the information & explanation given to us, the Company has not availed term loans during the year and hence reporting under this clause is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investments.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge needs to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by management.

The clauses 4(iii), (v), (vi), (viii), (xiii) and (xviii) of the Companies (Auditors' Report) Order are not applicable to the company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 003792S

Place : Chennai  
Date : May 11, 2011

**V. R. LALITHA**  
*Partner*  
Membership No. 18284

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	369,056,396		369,056,396	
Translation Reserve		62,042,094		61,423,350	
			431,098,490		430,479,746
<b>Loan Funds</b>					
Secured Loans	B		89,831,300		110,059,200
<b>TOTAL</b>			<b>520,929,790</b>		<b>540,538,946</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
<b>Tangible Assets</b>					
Gross Block	C1	285,507,108		282,100,487	
Less: Depreciation		75,026,439		53,133,796	
		210,480,669		228,966,691	
Add: Capital Work in progress		1,333,166		1,327,108	
			211,813,835		230,293,799
<b>Intangible Assets</b>					
Gross Block	C2	45,076,428		44,871,596	
Less: Amortisation		4,335,224		3,203,191	
Net Block			40,741,204		41,668,405
<b>Current Assets, Loans and advances</b>					
Inventories	D	136,954,789		125,570,056	
Sundry Debtors		71,584,980		62,454,510	
Cash and bank balances		43,742,425		25,157,325	
Loans & advances		20,936,905		4,655,188	
		273,219,099		217,837,079	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities		180,552,400		68,696,951	
			92,666,699		149,140,128
<b>Profit &amp; Loss Account</b>					
			175,708,052		119,436,614
<b>TOTAL</b>			<b>520,929,790</b>		<b>540,538,946</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCCOUNTS</b>	2				

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

**V. R. LALITHA**  
Partner  
Membership No. 18284  
Place : Chennai  
Date : May 11, 2011

For and on behalf of the Board

**S. RAGHAVAN**  
Director

**S. S. CHANDILYA**  
Director

Place : Chennai  
Date : May 11, 2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010 Rupees	2009 Rupees
<b>INCOME</b>			
Sales		325,145,727	283,640,027
Other Income		136,943	3,064
		<b>325,282,670</b>	<b>283,643,091</b>
<b>EXPENDITURE</b>			
Manufacturing and operating expenses	F	289,738,582	232,008,666
Staff Expenses	G	28,351,848	32,550,816
Sales and administration expenses	H	36,113,951	22,840,414
Interest & Finance charges	I	4,901,854	7,119,742
Depreciation & Amortisation	J	22,447,873	21,366,058
		<b>381,554,108</b>	<b>315,885,696</b>
<b>Loss before taxes</b>		<b>(56,271,438)</b>	<b>(32,242,605)</b>
Provision for Current Taxes		-	-
Provision for Deferred Taxes		-	-
<b>Loss after taxes</b>		<b>(56,271,438)</b>	<b>(32,242,605)</b>
<b>Add: Balance brought forward from Previous Year</b>		<b>(119,436,614)</b>	<b>(87,194,009)</b>
<b>Balance carried to Balance Sheet</b>		<b>(175,708,052)</b>	<b>(119,436,614)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON ACCOUNTS</b>	2		

The schedules referred to above form an integral part of the Profit & Loss Account.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (Registration No.003792S)

**V. R. LALITHA**  
 Partner  
 Membership No. 18284  
 Place : Chennai  
 Date : May 11, 2011

For and on behalf of the Board

**S. RAGHAVAN**  
 Director

**S. S. CHANDILYA**  
 Director

Place : Chennai  
 Date : May 11, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31 2010**

	2010 Rupees	2009 Rupees
<b>A Cash Flow from Operating activities</b>		
Net Profit / (Loss) before Tax & Extraordinary Items	(56,271,438)	(32,242,605)
<b>Adjustment for:</b>		
Depreciation	22,447,873	21,366,058
Translation difference adjustment	(30,145)	(5,491,485)
Interest received / paid	4,901,854	7,119,742
<b>Operating Profit/ (loss) before Working Capital changes</b>	<b>(28,951,856)</b>	<b>(9,248,290)</b>
<b>Adjustment for:</b>		
(Increase) / Decrease in trade and other receivables	(9,130,470)	(8,534,501)
(Increase) / Decrease in Inventories	(11,384,733)	78,335,108
(Increase) / Decrease in Loans & Advances	(16,281,717)	29,285,054
Increase / (Decrease) in Trade Payables	111,855,435	2,154,029
<b>Cash Generated from operations</b>	<b>46,106,659</b>	<b>91,991,400</b>
<b>Net Cash from operating activities (A)</b>	<b>46,106,659</b>	<b>91,991,400</b>
<b>B Cash Flow from investing activities</b>		
Purchase of Fixed Assets	(2,391,803)	(45,053,907)
<b>Net Cash Flow from investing activities (B)</b>	<b>(2,391,803)</b>	<b>(45,053,907)</b>
<b>C Cash Flow from Financing activities</b>		
Inflows from Secured loans	(20,227,900)	(36,071,791)
Interest Received / Paid	(4,901,854)	(7,119,742)
<b>Net Cash from financing activities (C)</b>	<b>(25,129,754)</b>	<b>(43,191,533)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>18,585,102</b>	<b>3,745,960</b>
Cash and cash equivalents as at the beginning of the year	25,157,325	21,411,365
Cash and cash equivalents as at the end of the year	<b>43,742,425</b>	<b>25,157,325</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash and Bank balances.
- Fixed assets additions include movement in capital work-in-progress.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

**V. R. LALITHA**  
Partner  
Membership No. 18284  
Place : Chennai  
Date : May 11, 2011

For and on behalf of the Board

**S. RAGHAVAN**  
Director

**S. S. CHANDILYA**  
Director

Place : Chennai  
Date : May 11, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
Lumpsum	<b>372,608,000</b>	372,608,000
<b>Issued, subscribed and paid-up</b>		
Entire paid up share capital is held by Larsen & Toubro International FZE , Dubai (the holding company)	<b>369,056,396</b>	369,056,396
<b>TOTAL</b>	<b>369,056,396</b>	369,056,396

<b>SCHEDULE B</b>		
<b>SECURED LOANS</b>		
Short Term Loan from Bank of China	<b>62,190,900</b>	110,059,200
Short Term Loan from State Bank of India (Secured by Land & Building)	<b>27,640,400</b>	-
<b>TOTAL</b>	<b>89,831,300</b>	110,059,200

**SCHEDULE C**  
**FIXED ASSETS**

DESCRIPTION	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 01.01.2010	Exchange difference included in translation reserve	Additions during the year	Deductions during the year	As at 31.12.2010	As at 01.01.2010	Exchange difference included in the translation	For the year	On deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>TANGIBLE ASSETS - C1</b>												
BUILDING - OWNED	156,576,092	714,741		-	157,290,833	17,511,224	180,551	7,065,614	-	24,757,389	132,533,444	139,064,868
PLANT & MACHINERY												
General	104,561,523	483,269	418,916	-	105,463,708	28,314,408	287,519	11,114,695	-	39,716,622	65,747,086	76,247,115
Computers	2,347,934	10,718	-	-	2,358,652	1,102,112	10,993	418,602	-	1,531,707	826,945	1,245,822
Office Equipments	1,521,328	9,792	199,991	-	1,731,111	618,202	7,260	311,603	-	937,065	794,046	903,126
Air Conditioners & Refrigeration	1,155,278	5,273	-	-	1,160,551	629,642	5,807	205,966	-	841,415	319,136	525,636
Lab Equipments	6,014,515	47,274	1,391,735	-	7,453,524	1,827,698	24,498	1,134,916	-	2,987,112	4,466,412	4,186,817
Canteen Equipments	237,012	1,082	-	-	238,094	119,896	1,185	44,844	-	165,925	72,169	117,116
Photographic Equipments	94,032	429	-	-	94,461	41,217	427	16,767	-	58,411	36,050	52,815
<b>Sub - Total (P&amp;M)</b>	115,931,622	557,837	2,010,642	-	118,500,101	32,653,175	337,689	13,247,394	-	46,238,257	72,261,844	83,278,447
Furniture & Fixtures	1,947,002	9,999	78,500	-	2,035,501	1,006,402	9,594	351,575	-	1,367,571	667,930	940,600
Vehicles - Cars	7,645,771	34,902	-	-	7,680,673	1,962,995	18,674	681,553	-	2,663,222	5,017,451	5,682,776
<b>Total</b>	282,100,487	1,317,479	2,089,142	-	285,507,108	53,133,796	546,508	21,346,136	-	75,026,439	210,480,669	228,966,691
Add Capital Work in Progress											1,333,166	1,327,108
<b>Total Tangible assets (C1)</b>	282,100,487	1,317,479	2,089,142	-	285,507,108	53,133,796	546,508	21,346,136	-	75,026,439	211,813,835	230,293,799
Previous year	248,708,213	(14,125,373)	47,517,647	-	282,100,487	35,524,145	(2,862,181)	20,471,832		53,133,796	230,293,799	217,271,519
<b>INTANGIBLE ASSETS - C2</b>												
Leasehold Land (Land User Rights)	42,169,127	(927)	193,422	-	42,361,622	2,671,034	24,070	834,057	-	3,529,161	38,832,461	39,498,093
Specialised Software	2,702,469	(90,844)	103,181	-	2,714,806	532,157	6,241	267,665	-	806,063	1,908,743	2,170,312
<b>Total Intangible Assets (C2)</b>	44,871,596	(91,771)	296,603	-	45,076,428	3,203,191	30,311	1,101,723	-	4,335,224	40,741,204	41,668,405
Previous year	47,259,071	(2,684,078)	296,603	-	44,871,596	2,487,115	(178,150)	894,226	-	3,203,191	41,668,405	44,771,956
<b>TOTAL (C1 + C2)</b>	326,972,083	1,225,708	2,385,745	-	330,583,536	56,336,987	576,819	22,447,859	-	79,361,663	252,555,039	271,962,204
As at 31.12.2009	295,967,284	(16,809,451)	47,814,250	-	326,972,083	38,011,260	(3,040,331)	21,366,058	-	56,336,987	271,962,204	262,043,475



**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE F</b>				
<b>MANUFACTURING AND OPERATING EXPENSES</b>				
Opening stock of raw material & Components	39,696,524		58,088,357	
Add: Purchases	263,049,976		128,361,460	
Less: closing stock of raw materials & components	40,196,611		39,696,524	
	262,549,889		146,753,293	
Opening stock of Work in Progress	68,954,256		111,655,633	
Opening stock of Finished Goods	16,919,277		34,161,173	
	85,873,533		145,816,806	
Less : Closing stock of Work in Progress	64,469,547		68,954,256	
Closing stock of Finished Goods	32,288,631		16,919,277	
	96,758,178		85,873,533	
	251,665,244		206,696,566	
Less: Scrap sales	4,344,286		3,612,555	
Raw material & components consumed		247,320,958		203,084,011
Freight inwards		7,530,007		4,166,025
Sub contract		12,022,552		2,928,383
Stores, spares & others		17,552,497		13,580,581
Power & fuel		4,414,426		3,603,443
Repairs to building		-		143,494
Insurance		538,370		552,545
Professional & Consultation fees		359,772		3,950,182
<b>TOTAL</b>		<b>289,738,582</b>		<b>232,008,664</b>
<b>SCHEDULE G</b>				
<b>STAFF EXPENSE</b>				
Salaries		12,839,433		18,217,998
Wages		6,460,380		5,340,847
Welfare contribution to social security		6,448,437		7,271,587
Welfare contribution to canteen		1,643,751		1,076,542
Staff welfare		959,847		643,843
<b>TOTAL</b>		<b>28,351,848</b>		<b>32,550,817</b>
<b>SCHEDULE H</b>				
<b>SELLING &amp; ADMINISTRATION EXPENSES</b>				
Rent		-		1,126,256
Rates & Taxes		4,662,306		4,551,738
Travel & Conveyance		1,285,179		1,633,909
Postage & Telegram		372,689		213,749
Telephone expense		877,579		864,142
Printing & Stationary		304,906		173,800
Bank Charges		558,959		140,753
Repairs & Maintenance		1,658,740		804,750
Audit fees		149,888		505,436
TAT developmental expense		-		615,431
Business Promotion Expenses		421,600		922,982
Packing & forwarding		7,038,409		5,284,260
Exchange loss (net)		1,355,742		589,086
Miscellaneous Expenses		17,427,954		5,414,122
<b>TOTAL</b>		<b>36,113,951</b>		<b>22,840,414</b>

**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE I</b>				
<b>INTEREST AND FINANCE CHARGES</b>				
Interest Paid		4,901,854		7,119,742
Interest Received		-		-
<b>TOTAL</b>		<b>4,901,854</b>		<b>7,119,742</b>
<b>SCHEDULE J</b>				
<b>DEPRECIATION &amp; AMORTISATION</b>				
Depreciation		21,346,143		20,471,832
Amortisation		1,101,730		894,226
<b>TOTAL</b>		<b>22,447,873</b>		<b>21,366,058</b>

**SCHEDULE 1****SIGNIFICANT ACCOUNTING POLICIES****a. Basis of preparation**

The accounts have been prepared using historical costs convention and on the basis of going concern, and is made in accordance with the provisions of Section 211 (3C) and the other provisions of the companies Act 1956, with revenues recognized and expenses accounted for on accrual, including for committed obligations.

These financial statements have been prepared in conformity with the Generally Accepted Accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**b. Fixed Assets**

Fixed assets are capitalized at acquisition cost.

**c. Depreciation**

Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Their estimated useful lives, estimated residual value and depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings	20 years	10%	4.5%
Machinery	10 years	10%	9%
Office and electronic equipment	5 years	10%	18%
Vehicles	10 years	10%	9%
Tools and apparatus	5-10 years	10%	9-18%
Accessorial works of plant (Part of Buildings)	20 years	10%	4.5%
Other equipment	5 years	10%	18%

The rates applied are more than the rates prescribed in Schedule XIV to Companies Act, for the respective categories of assets.

**d. Inventories**

Inventories are stated at the lower of cost or net realizable value.

Raw Materials & Components	-	Weighted Average Cost
Work in Progress & Finished Goods	-	Weighted Average Cost of material plus proportionate production overhead

**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)****e. Foreign Currency Transactions**

The accounts are translated in Indian Rupees as follows:

- Share capital additions are translated at the date of investment rate.
- Fixed and Current Assets & Current Liabilities are translated at the rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as translation reserve/ difference in the Balance Sheet.

**SCHEDULE 2****NOTES ON ACCOUNTS**

- Auditors' remuneration and expenses charged to accounts for Auditors in China.

	Rs. In lakhs	
	2010	2009
Audit Fees	1.50	5.05

- Borrowing costs capitalized during the year Rs. Nil. (Previous year Nil)

- The Company has been allotted Land User Rights (LUR) for setting up the manufacturing facility at Yancheng, Jiangsu Province, People's Republic of China (PRC), vide Land Certificate No 20060077 dated September 26, 2006 issued by the Yancheng Land Resource Bureau, Yancheng Peoples Government. Under the prevailing Laws of PRC, the LUR can be bestowed on the Company for a maximum period of 50 years. Accordingly the amount paid towards the land – Rs. 42,169,127/- (RMB 6,130,392/-) is treated as Intangible Asset under the category – Leasehold Land and the value is amortised equally over a period of 50 years. The amount amortised for the year 2010 is Rs. 834,057/- (PY Rs. 888,752/-).

- Amortization towards software for the year amounts to Rs. 267,665/-.

- Contingent liabilities as at the balance sheet date is Rs. Nil.

- Related Parties and Related Party Transactions during the year are as follows. Transactions and outstanding of Larsen & Toubro (Qingdao) Trading Company Limited are pending reconciliation

SI No	Names of parties	Nature of relationship	Nature of Transaction	Amount Rs.	Amount outstanding	
					Due from related party Rs.	Due to related party Rs.
1.	Larsen & Toubro Limited	Holding Company	Sales & Service	324,735,354 (252,640,102)	(41,580,816)	29,019,302 (-)
2.	Qingdao Larsen & Toubro Trading Company Limited	Associate	Sales & Service	410,371 (30,999,928)	9,455,628 (20,873,691)	- (-)
			Reimbursement of Expense	- (14,858)	- (14,858)	- (-)

(Figures in brackets are for previous year)

- Balances with Non - Scheduled Banks:

	(In Rs. lakhs)	
In Current Account	As at 31.12.2010	As at 31.12.2009
Bank Of China	435.59	247.41
Maximum outstanding at any time during the year.	607.66	723.80

**SCHEDULE FORMING PART OF ACCOUNTS (Contd.)**

## 8. Details of Sales, raw material &amp; components consumed inventories and purchases -

PARTICULARS	UNITS	2010		2009	
		Qty.	Rs. Lakhs	Qty.	Rs. Lakhs
<b>Sales</b>					
Class of Goods					
Valves	NOS.	26,875	3,251.46	18,100	2,836.40
<b>Raw Materials &amp; Components consumed</b>					
Casting	KG.	32,64,964	1,937.08	1,474,776	893.73
Steel	KG.	98,048	61.23	81,347	65.66
Standard Component	NOS.	14,14,505	274.98	749,584	178.89
Others		-	23.12	-	892.56
<b>Inventories</b>					
Finished Valves	NOS.	3,462	322.89	2,679	169.19
<b>Capacities and Production</b>					
Installed Capacity	NOS.	42,000		42,000	
Actual Production	NOS.	27,658		17,200	

9. The Company is engaged in manufacturing of industrial valves i.e single segment. Hence details of primary segment under Accounting Standard – 17 on Segment Reporting have not been made. We give below the details of secondary segment being geographical segment.

Country	Industrial Valves Turnover (Rs.)
Overseas	410,372
Domestic	324,735,355
Total Turnover	325,145,727

10. The Company accounts for income tax using the tax payable method. The income tax rate applicable to the company is 25%. The Company is entitled to two years exemption from income tax followed by three years of a 50% reduction, commencing from 2008. The Company has not provided for any enterprise or local income taxes since it has no taxable income for the year.

11. The Company's sales of self manufactured products are subject to Value added tax (VAT). The applicable tax rate for domestic sales is 17%. Goods exported can apply the "exempt, credit, refund" method and allowing for a tax refund rate of 14%. Input VAT from purchases of raw materials and other production materials can be netted off against output VAT from sales. VAT payable or receivable is the net difference between periodic output and deductible input VAT and grouped under Sundry Creditors or Loans and advances as the case may be.

12. The Company participates in employee social security plans, including pension, medical, unemployment and other welfare benefits, organized by the government authorities pursuant to the relevant regulations. Accordingly the relevant regulations, contributions accrued and remitted to the Yancheng Municipal Administration Center of Social Security Fund are calculated based on percentages of the employees' salaries, subject to certain ceilings. Contribution to the plan is charged to the profit and loss account as incurred.

13. Previous Year figures have been regrouped / reclassified wherever necessary.

As per our report attached

**SHARP & TANNAN**

Chartered Accountants

(Registration No.003792S)

**V. R. LALITHA**

Partner

Membership No. 18284

Place : Chennai

Date : May 11, 2011

For and on behalf of the Board

**S. RAGHAVAN**

Director

**S. S. CHANDILYA**

Director

Place : Chennai

Date : May 11, 2011



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****Balance Sheet abstract and Company's general business profile****I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Deferred tax Accumulated Losses Translation Gain **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (including other income) Total Expenditure + -  
 Profit / Loss Before Tax Profit / Loss After Tax Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products/Services of the Company (as per monetary items)**Item Code No. 

(ITC Code)

Product Descriptions

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Annual Report and Balance Sheet for the year ended 31st December 2010.

**FINANCIAL RESULTS**

Particulars	Year ended 31.12.2010 Rs. Lakhs	Year ended 31.12.2009 Rs. Lakhs	Year ended 31.12.2010 RMB	Year ended 31.12.2009 RMB
Gross Profit/(Loss)	484.79	220.66	7,115,560	3,075,573
Less: Depreciation	423.91	131.61	6,222,028	1,834,322
<b>Profit before Taxes</b>	<b>60.88</b>	<b>89.05</b>	<b>8,93,532</b>	<b>1,241,251</b>
Provision for Taxes	8.33	NIL	1,22,239	NIL
<b>Profit / (Loss) after Taxes</b>	<b>52.55</b>	<b>89.05</b>	<b>7,71,293</b>	<b>1,241,251</b>

**SALES AND REVENUE**

Income from sales and other sources was Rs. 7,025.43 Lakhs (RMB 103,116,729) during the year against Rs. 5,154.53 Lakhs (RMB 71,843,218) for the previous financial year.

**CAPITAL EXPENDITURE**

As at December 31, 2010, the Gross Fixed Assets stood at Rs. 6,084.56 Lakhs (RMB 88,053,188) and the Net Fixed Assets at Rs. 5,435.43 Lakhs (RMB 78,659,262) out of which assets amounting to Rs.177.85 Lakhs (RMB 2,610,411) were added during the year.

**AUDITORS' REPORT**

The Auditors' report to the Shareholders does not contain any qualification.

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

**DISCLOSURE OF PARTICULARS**

As per the Company, the Company being registered outside India, there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors made judgements 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 December 31, 2010 and the profit of the Company for the year ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

Place : Chennai  
Date : May 9, 2011

**S. VENKATARAMAN**  
Director

**S. RAGHAVAN**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO (QINGDAO) RUBBER MACHINERY COMPANY LIMITED

The financial statements of Larsen & Toubro (Qingdao) Rubber Machinery Company Limited for the year ended December 31, 2010, being a company registered in Qingdao Province, People's Republic of China are audited by Shandong Rudder Certified Public Accountants Co. Ltd, and we have been furnished with their audit report dated March 10, 2011, on which we have placed reliance for the purpose of giving our opinion. The operations and the accounts of the Company are for the period of January 1, 2010 to December 31, 2010.

We are presented with the Accounts in Indian Rupees prepared by the management on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro (Qingdao) Rubber Machinery Company Limited as at December 31, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standard 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report as under:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c. The said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section(3C) of Section 211 of the Companies Act 1956.
  - e. As regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Qingdao Province, People's Republic of China, no reporting is required to be made under the said section.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010
    - (ii) in the case of Profit and Loss account, of the profit for year ended December 31, 2010; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI registration no. 003792S

Place : Chennai  
Date : May 9, 2011

**V. R. LALITHA**  
Partner  
Membership No. 18284

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) The Company is in the process of setting up an internal audit system.
- (ix) The Company being registered in People's Republic of China has no Statutory liabilities in India and accordingly reporting for Paragraphs 4(ix)(a) and (b) is not required.
- (x) Since the Company is registered for a period of less than five years, reporting on accumulated losses does not arise. However the Company has not incurred cash losses during the year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank nor has issued any debentures.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of special statute applicable to chit fund / nidhi / mutual benefit fund / society 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 provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) The Company has not availed any term loans during the year and hence reporting on the purpose for which they were raised does not arise.
- (xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that no funds have been raised on short term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses 4(iii), (v), (vi), (viii) and (xviii) of the Companies (Auditors Report) Order are not applicable to the company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI registration no. 003792S

*Place : Chennai*  
*Date : May 9, 2011*

**V. R. LALITHA**  
*Partner*  
Membership No. 18284

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A		268,386,082		268,386,082
Reserves & Surplus			13,487,952		8,233,071
Translation Reserve			54,028,759		52,476,328
<b>Loan Funds</b>					
Secured Loans	B		351,028,056		388,055,236
<b>TOTAL</b>			<b>686,930,849</b>		<b>717,150,717</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	C		608,456,335		587,735,230
Less: Depreciation			65,000,914		21,906,080
Net Block			543,455,421		565,829,150
Add: Capital Work in progress			87,945		87,545
			<b>543,543,366</b>		565,916,695
<b>Investments</b>	D		5,405,100		5,405,100
<b>Current Assets, Loans and Advances</b>					
Inventories	E		432,826,890		207,472,983
Sundry Debtors			121,766,216		101,214,169
Cash and bank balances			42,203,802		28,690,494
Loans & advances			38,736,100		19,665,288
			<b>635,533,008</b>		357,042,934
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	F		497,550,625		211,214,012
<b>Net Current Assets</b>			<b>137,982,383</b>		145,828,922
<b>TOTAL</b>			<b>686,930,849</b>		<b>717,150,717</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The schedules referred to above and the notes attached form an integral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

For and on behalf of the Board

**V. R. LALITHA**  
Partner  
Membership No. 18284

**S. VENKATARAMAN**  
Director

**S. RAGHAVAN**  
Director

Place : Chennai  
Date : May 9, 2011

Place : Chennai  
Date : May 9, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	For the year ended 31.12.2010 Rupees	For the year ended 31.12.2009 Rupees
<b>INCOME</b>			
Sales		702,242,067	514,179,123
Other Income		300,457	1,274,413
		<b>702,542,524</b>	<b>515,453,536</b>
<b>EXPENDITURE</b>			
Manufacturing and operating expenses	G	527,199,305	399,239,898
Staff Expenses	H	52,290,348	45,909,463
Sales and administration expenses	I	52,936,978	38,060,370
Interest		21,637,014	10,177,491
Depreciation and obsolescence		42,391,174	13,160,710
		<b>696,454,819</b>	<b>506,547,932</b>
<b>Profit before taxes</b>		<b>6,087,705</b>	<b>8,905,604</b>
Current Taxes		832,824	–
<b>Profit after taxes</b>		<b>5,254,881</b>	<b>8,905,604</b>
Add: Balance brought forward		8,233,071	(672,533)
<b>Balance carried to Balance Sheet</b>		<b>13,487,952</b>	<b>8,233,071</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON ACCOUNTS</b>	2		

The schedules referred to above and the notes attached form an integral part of the Profit & Loss Account.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (Registration No.003792S)

For and on behalf of the Board

**V. R. LALITHA**  
 Partner  
 Membership No. 18284

**S. VENKATARAMAN**  
 Director

**S. RAGHAVAN**  
 Director

Place : Chennai  
 Date : May 9, 2011

Place : Chennai  
 Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>Net Profit / (Loss) Before Tax &amp; Extra Ordinary Items</b>	<b>6,087,705</b>	8,905,604
<b>Adjustment for:</b>		
Depreciation	42,391,174	13,160,710
Exchange difference on Translation	1,552,431	(19,344,273)
Interest paid / (received)	21,637,014	10,177,491
Deferred Credit	-	-
Profit / (Loss) on Sales of Fixed Assets (Net)	-	-
<b>Operating Profit before Working Capital changes</b>	<b>71,668,324</b>	12,899,532
<b>Adjustment for:</b>		
(Increase) / Decrease in trade and other receivables	(20,552,047)	(13,347,321)
(Increase) / Decrease in Inventories	(225,353,907)	(24,774,810)
(Increase) / Decrease in Loans & Advances	(19,070,812)	248,633,108
Increase / (Decrease) in Trade Payables	286,336,613	25,055,961
(Increase) / Decrease in Miscellaneous Expenditure	-	-
<b>Cash Generated from operations</b>	<b>93,028,171</b>	248,466,470
Direct Taxes paid (Net of refund)	832,824	-
<b>Net Cash from operating activities (A)</b>	<b>92,195,347</b>	248,466,470
<b>Cash Flow from investing activities</b>		
Purchase of Fixed Assets	(17,785,338)	(410,366,560)
Translation Reserve on Fixed assets and Depreciation	(2,232,507)	5,024,408
Sale of Fixed Assets / Deduction from Fixed assets	-	6,899,882
<b>Net Cash Flow from investing activities (B)</b>	<b>(20,017,845)</b>	(398,442,270)
<b>Cash Flow from financing activities</b>		
Proceeds from long term loans	1,238,952	271,413,230
Proceeds from short term loans	(38,266,132)	(185,284,054)
Interest (paid) / received	(21,637,014)	(10,177,491)
<b>Net cash from financing activities (C)</b>	<b>(58,664,194)</b>	75,951,685
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>13,513,308</b>	(74,024,115)
Cash and cash equivalents as at the beginning	28,690,494	102,714,609
Cash and cash equivalents as at the end	42,203,802	28,690,494

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 specified under Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash and Bank balances.
- Purchase of Fixed assets includes movement in Capital Work in progress during the year.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(Registration No.003792S)**V. R. LALITHA**Partner  
Membership No. 18284Place : Chennai  
Date : May 9, 2011**S. VENKATARAMAN**

Director

Place : Chennai  
Date : May 9, 2011**S. RAGHAVAN**

Director

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
USD 6,000,000	<b>268,386,082</b>	268,386,082
<b>Issued, Subscribed and Paid-up</b>		
268,386,082	<b>268,386,082</b>	268,386,082
100% of Share Capital held by Larsen & Toubro International FZE		
<b>TOTAL</b>	<b>268,386,082</b>	268,386,082
<b>SCHEDULE - B</b>		
<b>SECURED LOANS</b>		
<b>Long term loan</b>		
DBS Bank (China) Limited Company, Beijing	<b>272,652,182</b>	271,413,230
<b>Short term loan</b>		
DBS Bank (China) Limited Company, Beijing (Mortgage Loan repayable within one year)	<b>78,375,874</b>	116,642,006
<b>TOTAL</b>	<b>351,028,056</b>	388,055,236

**SCHEDULE - C****FIXED ASSETS**

CATEGORY	GROSS BLOCK					DEPRECIATION				NET BLOCK		
	As at 01.01.2010 Rupees	Additions Rupees	Deletion Rupees	Translation Reserve Rupees	As at 31.12.2010 Rupees	As at 01.01.2010 Rupees	For the Year Rupees	Deductions Rupees	Translation Reserve Rupees	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees	
<b>TANGIBLE ASSETS</b>												
Buildings - Owned	269,141,567	860,376	-	1,240,834	271,242,777	22,026	11,819,781	-	168,417	12,010,224	259,232,553	269,119,541
Plant & Machinery												
General	276,171,138	2,029,473	-	1,289,571	279,490,182	14,162,046	23,875,533	-	404,641	38,442,220	241,047,962	262,009,092
Office Equipments/others	10,381,293	3,261,755	-	93,837	13,736,885	2,702,242	2,437,924	-	47,053	5,187,219	8,549,666	7,679,051
Sub - Total (Plant & Machinery)	286,552,431	5,291,228	-	1,383,408	293,227,067	16,864,288	26,313,457	-	451,694	43,629,439	249,597,628	269,688,143
Vehicles												
Cars	2,460,229	-	-	11,230	2,471,459	801,960	438,619	-	9,907	1,250,486	1,220,973	1,658,269
<b>Total Tangible assets (A)</b>	<b>558,154,227</b>	<b>6,151,604</b>	<b>-</b>	<b>2,635,472</b>	<b>566,941,303</b>	<b>17,688,274</b>	<b>38,571,857</b>	<b>-</b>	<b>630,018</b>	<b>56,890,149</b>	<b>510,051,154</b>	
<i>Previous Year</i>	<i>64,048,990</i>	<i>506,547,633</i>	<i>8,804,736</i>	<i>(3,637,660)</i>	<i>558,154,227</i>	<i>9,470,858</i>	<i>11,036,920</i>	<i>1,904,854</i>	<i>(914,650)</i>	<i>17,688,274</i>		<i>540,465,953</i>
<b>INTANGIBLE ASSETS</b>												
Leasehold Land (Land User Rights)	23,284,241	-	-	106,289	23,390,530	1,659,459	428,366	-	13,675	2,101,500	21,289,030	21,624,782
Software	6,296,762	-	-	28,744	6,325,506	2,558,347	1,258,171	-	29,595	3,846,113	2,479,393	3,738,415
Technical patent	-	11,633,334	-	165,662	11,798,996	-	2,132,780	-	30,372	2,163,152	9,635,844	-
<b>Total Intangible assets (B)</b>	<b>29,581,003</b>	<b>11,633,334</b>	<b>-</b>	<b>300,695</b>	<b>41,515,032</b>	<b>4,217,806</b>	<b>3,819,317</b>	<b>-</b>	<b>73,642</b>	<b>8,110,765</b>	<b>33,404,267</b>	
<i>Previous Year</i>	<i>44,376,808</i>	<i>(12,275,425)</i>	<i>-</i>	<i>(2,520,380)</i>	<i>29,581,003</i>	<i>2,312,998</i>	<i>2,123,790</i>	<i>-</i>	<i>(218,982)</i>	<i>4,217,806</i>		<i>25,363,197</i>
<b>Grand Total (A+B)</b>	<b>587,735,230</b>	<b>17,784,938</b>	<b>-</b>	<b>2,936,167</b>	<b>608,456,335</b>	<b>21,906,080</b>	<b>42,391,174</b>	<b>-</b>	<b>703,660</b>	<b>65,000,914</b>	<b>543,455,421</b>	<b>-</b>
Capital Work in Progress											87,945	87,545
<i>Previous Year</i>	<i>108,425,798</i>	<i>494,272,208</i>	<i>8,804,736</i>	<i>(6,158,040)</i>	<i>587,735,230</i>	<i>11,783,856</i>	<i>13,160,710</i>	<i>1,904,854</i>	<i>(1,133,632)</i>	<i>21,906,080</i>	<i>-</i>	<i>565,829,150</i>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - D</b>				
<b>INVESTMENTS</b>				
<b>Investments</b>				
Long term investments (in Qingdao Larsen & Toubro Trading)		5,405,100		5,405,100
<b>TOTAL</b>		<u>5,405,100</u>		<u>5,405,100</u>

**SCHEDULE - E****CURRENT ASSETS, LOANS AND ADVANCES**

## Current Assets

## Stock-in-trade at lower cost or net realisable value

Raw Materials	259,254,030		127,498,472	
Work in Progress	145,427,062		77,822,372	
Finished Goods	<u>28,145,798</u>		<u>2,152,139</u>	
		<b>432,826,890</b>		<b>207,472,983</b>

## Sundry debtors, Unsecured, considered good

Outstanding for more than six months	51,877,693		65,142,954	
Other debts				
Considered good	<u>69,888,523</u>		<u>36,071,215</u>	
		<b>121,766,216</b>		<b>101,214,169</b>

## Cash and Bank balances

Cash	503,560		92,890	
Balances with non-scheduled banks :				
Bank of China, Agricultural Bank of China & DBS Bank in Current account	<u>41,700,242</u>		<u>28,597,604</u>	
		<b>42,203,802</b>		<b>28,690,494</b>

## Loans and Advances - Unsecured - considered good

Advances recoverable in cash or in kind or for value to be received		<b>38,736,100</b>		<b>19,665,288</b>
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**TOTAL**

	<u><b>635,533,008</b></u>		<u><b>357,042,934</b></u>
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**SCHEDULE - F****CURRENT ASSETS, LOANS AND ADVANCES**

## Current Liabilities

Dues to Micro and Small Enterprises		-		-
Dues to Other than Micro and Small Enterprises		<b>497,550,625</b>		<b>211,214,012</b>

**TOTAL**

	<u><b>497,550,625</b></u>		<u><b>211,214,012</b></u>
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**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>MANUFACTURING &amp; OPERATING EXPENSES</b>				
Raw material & components consumed				
Opening stock of raw material & Components	127,498,472		69,003,519	
Add: Purchases	736,181,666		414,512,048	
Less: Closing stock of raw material & Components	259,254,030		127,498,472	
		604,426,108		356,017,095
(Increase)/ Decrease in Stock				
Add: Opening Stock				
Work in Progress	77,822,372		92,867,059	
Finished Goods	2,152,139		20,827,595	
	79,974,511		113,694,654	
Less: Closing Stock				
Work in Progress	145,427,062		77,822,372	
Finished Goods	28,145,798		2,152,139	
	173,572,860		79,974,511	
		(93,598,349)		33,720,143
		510,827,759		389,737,238
Stores spares & others		6,052,604		-
Direct expenses on jobs		5,395,660		5,320,808
Power & fuel		3,353,868		3,730,987
Repairs to plant & machinery		950,234		157,951
Inspection and other expenses		261,779		258,289
Other Business Cost		357,401		34,625
<b>TOTAL</b>		<b>527,199,305</b>		<b>399,239,898</b>
<b>SCHEDULE - H</b>				
<b>STAFF EXPENSES</b>				
Salaries		45,624,342		39,889,451
Social Insurance & housing fund		6,666,006		6,020,011
<b>TOTAL</b>		<b>52,290,348</b>		<b>45,909,462</b>
<b>SCHEDULE - I</b>				
<b>SALES &amp; ADMINISTRATION EXPENSES</b>				
Commission		3,511,605		5,389,871
Water Charges		1,200,274		799,735
Other rates & taxes		4,614,261		2,127,772
Packing & forwarding		14,853,714		7,558,389
Travelling & conveyance		3,676,467		5,683,274
Telephone & postage		1,737,846		1,617,672
Printing & Stationary		2,458,452		1,604,500
Insurance		470,416		339,342
Bank Charges		1,307,512		1,234,486
Other Repairs & maintenance		7,977,074		4,740,941
Entertainment expenses		1,416,807		1,483,735
Miscellaneous Expenses		9,712,550		5,480,653
<b>TOTAL</b>		<b>52,936,978</b>		<b>38,060,370</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - 1****SIGNIFICANT ACCOUNTING POLICIES****a. Basis of preparation**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

**b. Fixed Assets**

Fixed assets are capitalized at acquisition cost.

**c. Intangible Assets**

Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Their estimated useful lives, estimated residual value and depreciation rates are as follows:

Category of fixed assets	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings & Structures	20 years	10%	4.5%
Universal equipments (General Plant & Machinery)	10 years	10%	9%
Specific Equipments	10 years	10%	9%
Transportation equipments	5 years	10%	18%
Others	5 years	10%	18%

The rates applied are more than the rates prescribed in Schedule XIV to Companies Act, for the respective categories of assets.

**d. Inventories**

Long term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary nature.

**f. Inventories**

Inventories are stated at the lower cost or net realizable value.

Raw Materials – Weighted Average cost

Work in Progress & Finished Goods – Weighted Average cost of material and Proportionate Overhead cost

Low valued consumables – Full Amount Amortization method

**g. Foreign Currency Transactions**

The accounts are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed and Current Assets & Current Liabilities are translated at the rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant difference is accounted as translation reserve in the Balance Sheet.

**h. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such asset, till such time as the asset is ready for its intended use or sale. A qualifying asset is as asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the year in which they are incurred.

**i. Provisions And Contingent Liabilities and Contingent Assets**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event,
- a probable outflow of resources is expected to settle the obligation, and
- the amount of the obligation can be reliably estimated.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- a present obligation when no reliable estimate is possible; and
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognized, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**SCHEDULE - 2****NOTES ON ACCOUNTS**

- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is not applicable to this company as it is registered outside India and its operations are outside India.
- Auditor's remuneration and fees is as follows:

(Amount in Rupees)

Particulars	2010	2009
Auditor's fees	<b>68,131</b>	71,747

- Borrowing costs capitalized during the year Rs. NIL (*Previous year - 7,492,211/-*)
- The Company operates in a single business segment of production and sales of rubber machinery.

GEOGRAPHICAL SEGMENT	DOMESTIC (Rs.)	OVERSEAS (Rs.)	TOTAL (Rs.)
External Revenue	<b>557,792,575</b> (441,894,903)	<b>144,449,492</b> (72,284,220)	<b>702,242,067</b> (514,179,123)
Carrying amount of Segment Assets (net)	<b>686,930,849</b> (695,248,769)	- (21,901,948)	<b>686,930,849</b> (717,150,717)

(Figures in brackets are for previous year)

- Contingent liabilities as at the balance sheet date Rs. NIL.
- Related Parties and Related Party Transactions / Balances are given below:

Sl No	Names of parties	Nature of relationship	Nature of Transaction	Amount (Rs.)	Due from (Rs.)	Due to (Rs.)
1.	Qingdao Larsen & Toubro Trading Co. Ltd.	Subsidiary company	Sales	- (-)	-	<b>3,696,583</b> (10,078,662)
			Purchases	- (4,707,867)		
2.	Larsen & Toubro Limited	Ultimate Holding Company	Sales	<b>15,754,215</b> (72,284,220)	- (21,901,948)	<b>5,477,892</b> (-)

(Figures in brackets are for previous year)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

7. Details of Sales, raw material &amp; components consumed inventories and purchases-

Particulars	Units	2010		2009	
		Qty.	Rs. Lakhs.	Qty.	Rs. Lakhs.
<b>Sales</b>					
Class of goods					
Rubber Machinery	Nos.	138	6,875.01	123	5046.89
Spares / Components			147.41		94.90
<b>Raw materials &amp; Components Consumed</b>					
Casting			460.26		351.15
Steel	Kg.	3,907,122	1,446.54	1,725,685	714.00
Standard Component			2,988.47		2,552.78
Others			213.02		279.44
<b>Inventories</b>					
Finished Goods	Nos.	10	281.46	3	21.52
<b>Capacities and production</b>					
Installed Capacity	Nos.	200		200	
Actual Production	Nos.	145		109	

8. Figures of the previous period has been regrouped or reclassified wherever necessary.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(Registration No.003792S)

For and on behalf of the Board

**V. R. LALITHA**  
Partner  
Membership No. 18284

**S. VENKATARAMAN**  
Director

**S. RAGHAVAN**  
Director

Place : Chennai  
Date : May 9, 2011

Place : Chennai  
Date : May 9, 2011

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 9. Balance Sheet abstract and Company's general business profile

#### I. Registration Details

Registration No.	<input type="text" value="000081"/>	State Code	<input type="text" value="N A"/>
Balance Sheet Date	<input type="text" value="31122010"/>		
	Date                      Month                      Year		

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

<b>Sources of Fund</b>	Total Liabilities	<input type="text" value="686931"/>	Total Assets	<input type="text" value="686931"/>
	Paid-up Capital	<input type="text" value="268386"/>	Reserves & Surplus	<input type="text" value="67517"/>
	Secured Loans	<input type="text" value="351028"/>	Unsecured Loans	<input type="text" value="NIL"/>
	Deferred Tax Liability	<input type="text" value="NIL"/>		
<b>Application of Funds</b>	Net Fixed Assets	<input type="text" value="543544"/>	Investments	<input type="text" value="5405"/>
	Net Current Assets	<input type="text" value="137982"/>	Deferred tax	<input type="text" value="NIL"/>
	Accumulated Losses	<input type="text" value="NIL"/>		

#### IV. Performance of Company (Amount in Rs. Thousands)

	Turnover (including other income)	<input type="text" value="702543"/>	Total Expenditure	<input type="text" value="696455"/>
+ -	Profit / Loss Before Tax	<input type="text" value="6088"/>	Profit / Loss After Tax	<input type="text" value="5255"/>
+ -				

#### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.	<input type="text" value="35491400"/>
(ITC Code)	
Product Descriptions	<input type="text" value="MACHINERY AND PARTS TRADING"/>

For and on behalf of the Board

Place : Chennai  
Date : May 9, 2011

**S. VENKATARAMAN**  
Director

**S. RAGHAVAN**  
Director

## ***DIRECTORS' REPORT***

The Directors have pleasure in presenting their Annual Report and Balance Sheet for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

Sales and other income during the year ended December 31, 2010 was Rs. 93.03 lakhs (RMB 1,365,503) and the profit was Rs. 11.38 lakhs (RMB 167,091) as against Rs. 337.36 lakhs (RMB 4,702,097) of sales and other income and the profit of Rs. 2.00 lakhs (RMB 27,829) for the previous financial year.

### **CAPITAL EXPENDITURE**

As at December 31, 2010, the Gross Fixed Assets stood at Rs. 1.03 lakhs (RMB 14,893) and the Net Fixed Assets at Rs. 0.49 lakhs (RMB 7,097).

### **AUDITORS REPORT**

The Auditors report to the Shareholders does not contain any qualifications.

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

### **DISCLOSURE OF PARTICULARS**

As per the Company, the Company being registered outside India, there are no particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the Directors made judgements 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 December 31, 2010 and the profit of the Company for the year ended on that date;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

*Place: Chennai*  
*Date: May 11, 2011*

**J. P. NAYAK**  
Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF QINGDAO LARSEN & TOUBRO TRADING COMPANY LIMITED**

The financial statements of Qingdao Larsen & Toubro Trading Company Limited for the year ended December 31, 2010, being a company registered in Qingdao Province, People's Republic of China are audited by Shandong Rudder Certified Public Accountants Co. Ltd, and we have been furnished with their audit report dated March 10, 2011, on which we have placed reliance for the purpose of giving our opinion. The operations and the accounts of the Company are for the period of January 1, 2010 to December 31, 2010.

We are presented with the Accounts in Indian Rupees prepared by the management on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Qingdao Larsen & Toubro Trading Company Limited as at December 31, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report as under:

1. As required by the Companies (Auditor's Report) order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section(3C) of Section 211 of the Companies Act 1956.
  - e. As regards reporting on the disqualification of Directors u/s 274 (1) (g) of the Indian Companies Act, 1956, since the Company is registered in Qingdao Province, People's Republic of China, no reporting is required to be made under the said Section.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2010
    - (ii) in the case of Profit and Loss account, of the profit for year ended December 31, 2010; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
*(ICAI Registration No. 003792S)*  
*By the hand of*

**V. R. LALITHA**  
*Partner*  
*Membership No. 18284*

*Place : Chennai*  
*Date : May 12, 2011*



## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any of its fixed assets so as to affect its going concern status.
- (ii) (a) As explained to us, inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) The Company is in the process of setting up an internal audit system.
- (ix) The Company being registered in People's Republic of China has no Statutory liabilities in India and accordingly reporting for Paragraphs 4(ix)(a) and (b) is not required.
- (x) Since the Company is registered for a period of less than five years, reporting on accumulated losses does not arise. However, the Company has not incurred cash loss during the year as well as the previous year.
- (xi) According to the information and explanations given to us, the Company has neither borrowed from a bank or from a financial institution nor has issued any debentures.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of special statute applicable to chit fund / nidhi / mutual benefit fund / society 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 provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions
- (xvi) The Company has not availed any term loans during the year and hence reporting on the purpose for which they were raised does not arise.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds have been raised on short term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses 4(iii), (v), (vi), (viii) and (xviii) of the Companies (Auditors Report) Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)  
By the hand of

**V. R. LALITHA**  
Partner  
Membership No. 18284

Place : Chennai  
Date : May 12, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	<u>Schedules</u>	<u>As at 31.12.2010 Rupees</u>	<u>As at 31.12.2009 Rupees</u>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	5,405,100	5,405,100
Reserves & Surplus		907,857	34,986
Translation Reserve		1,388,136	1,344,738
<b>TOTAL</b>		<u>7,701,093</u>	<u>6,784,824</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	B	102,912	102,444
Less: Depreciation		53,871	35,185
Net Block		49,041	67,259
Add: Capital Work in progress		-	-
		<u>49,041</u>	<u>67,259</u>
<b>Current Assets, Loans and advances</b>			
Inventories	C	-	3,192,895
Sundry Debtors		14,317,335	30,252,051
Cash and bank balances		4,478,469	1,788,656
Loans & advances		-	-
		<u>18,795,804</u>	<u>35,233,602</u>
<b>Less: Current Liabilities and provisions</b>			
Current Liabilities	D	11,143,752	28,516,037
<b>Net Current Assets</b>		<u>7,652,052</u>	<u>6,717,565</u>
<b>Profit and Loss Account</b>		-	-
<b>TOTAL</b>		<u>7,701,093</u>	<u>6,784,824</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON ACCOUNTS</b>	2		

The schedules referred to above and the notes attached form an integral part of the Balance Sheet.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

**V. R. LALITHA**  
Partner  
Membership No. 18284

Place : Chennai  
Date : May 12, 2011

For and on behalf of the Board

**J. P. NAYAK**  
Director

Place : Mumbai  
Date : May 11, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	<u>For the year ended 31.12.2010</u>	<u>For the year ended 31.12.2009</u>
<b>INCOME</b>			
Sales		9,255,138	33,708,646
Interest income		48,143	27,487
		<u>9,303,281</u>	<u>33,736,133</u>
<b>EXPENDITURE</b>			
Manufacturing, construction and operating expenses	E	7,232,712	33,354,473
Sales and administration expenses	F	913,900	162,762
Depreciation and obsolescence		18,266	19,235
		<u>8,164,878</u>	<u>33,536,470</u>
<b>Profit before taxes</b>		<b>1,138,403</b>	199,663
Provision for taxes			
Current Taxes		265,532	-
<b>Profit after taxes</b>		<b>872,871</b>	199,663
<b>Add: Balance brought forward from previous Year</b>		<b>34,986</b>	(164,677)
<b>Balance carried to Balance Sheet</b>		<b>907,857</b>	34,986
<b>Earnings per share</b>		-	-
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES ON ACCOUNTS</b>	2		

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The schedules referred to above and the notes attached form an integral part of the Profit & Loss Account.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICA Registration No. 003792S)

For and on behalf of the Board

**V. R. LALITHA**  
Partner  
Membership No. 18284

**J. P. NAYAK**  
Director

Place : Chennai  
Date : May 12, 2011

Place : Mumbai  
Date : May 11, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>Net Profit/(Loss) Before Tax &amp; Extra Ordinary Items</b>	<b>872,871</b>	<b>199,663</b>
<b>Adjustment for</b>		
Depreciation	18,266	19,235
Exchange difference on Translation	43,350	(400,889)
Interest paid / (Received)	(48,143)	(27,487)
<b>Operating Profit before working Capital changes</b>	<b>886,344</b>	<b>(209,478)</b>
<b>Adjustment for</b>		
(Increase) / Decrease in trade and other receivables	15,934,716	11,450,112
(Increase) / Decrease in Inventories	3,192,895	(1,709,685)
(Increase) / Decrease in Loans & Advances	-	3,964,976
Increase / (Decrease) in Trade Payables	(17,372,285)	(21,149,148)
<b>Cash Generated from operations</b>	<b>2,641,670</b>	<b>(7,653,223)</b>
<b>Direct Taxes paid (Net of refund)</b>	<b>-</b>	<b>-</b>
<b>Net Cash from operating activities (A)</b>	<b>2,641,670</b>	<b>(7,653,223)</b>
Cash Flow from investing activities		
Purchase of Fixed Assets	-	-
Sale of Fixed Assets	-	-
<b>Net Cash Flow from investing activities (B)</b>	<b>-</b>	<b>-</b>
Issue of Equity shares	-	-
Interest (paid)/Received	48,143	27,487
<b>Net cash from financing activities (C)</b>	<b>48,143</b>	<b>27,487</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>2,689,813</b>	<b>(7,625,736)</b>
<b>Cash and cash equivalents as at the beginning</b>	<b>1,788,656</b>	<b>9,414,392</b>
<b>Cash and cash equivalents as at the end</b>	<b>4,478,469</b>	<b>1,788,656</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash and Bank balances.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 003792S)

For and on behalf of the Board

**V. R. LALITHA**  
Partner  
Membership No. 18284

**J. P. NAYAK**  
Director

Place : Chennai  
Date : May 12, 2011

Place : Mumbai  
Date : May 11, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	<u>As at 31.12.2010</u>	<u>As at 31.12.2009</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
RMB 1,000,000	5,405,100	5,405,100
<b>Issued, Subscribed and Paid-up</b>	5,405,100	5,405,100
(100% of Share Capital held by Larsen & Toubro (Qingdao) Rubber Machinery Co. Ltd.)		
<b>TOTAL</b>	<u>5,405,100</u>	<u>5,405,100</u>

**SCHEDULE - B****FIXED ASSETS**

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 01.01.10	Additions	Translation Reserve	As at 31.12.10	As at 01.01.10	For the period	Translation Reserve	As at 31.12.10	As at 31.12.10	As at 31.12.09	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>Tangible Assets</b>											
Computers	102,444	-	468	102,912	35,185	18,266	420	53,871	49,041	67,259	
<b>TOTAL</b>	<b>102,444</b>	<b>-</b>	<b>468</b>	<b>102,912</b>	<b>35,185</b>	<b>18,266</b>	<b>420</b>	<b>53,871</b>	<b>49,041</b>		
<i>Previous Year</i>	<i>108,614</i>	<i>-</i>	<i>(6,170)</i>	<i>102,444</i>	<i>17,754</i>	<i>19,235</i>	<i>(1,804)</i>	<i>35,185</i>		<i>67,259</i>	

	<u>As at 31.12.2010</u>	<u>As at 31.12.2009</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - C</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets</b>		
Stock-in-trade at lower of cost or net realisable value		
Packing Materials	-	-
Finished Goods	-	3,192,895
	-	3,192,895
Sundry debtors, Unsecured, considered good		
Outstanding for more than six months	6,378,900	-
Other debts	-	-
Considered good	7,938,435	30,252,051
	14,317,335	30,252,051
Cash and Bank balances		
Cash	39,136	88,244
Balances with non-scheduled banks		
Bank of China in Current Account	4,439,333	1,700,412
	4,478,469	1,788,656
<b>Loans and Advances, Unsecured, considered good</b>		
Advances recoverable in cash or in kind	-	-
<b>TOTAL</b>	<u>18,795,804</u>	<u>35,233,602</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	<b>As at 31.12.2010</b>	<b>As at 31.12.2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - D</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Due to Micro, Small and Medium Enterprises	-	-
Due to Others	<b>11,143,752</b>	<b>28,516,037</b>
<b>TOTAL</b>	<b>11,143,752</b>	<b>28,516,037</b>

	<b>2010</b>		<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - E</b>			
<b>MANUFACTURING, CONSTRUCTION &amp; OPERATING EXPENSES</b>			
Opening stock	<b>3,192,895</b>		<b>1,483,209</b>
Add: Purchases	<b>3,928,855</b>		<b>33,750,254</b>
Less: Closing stock	-		<b>3,192,895</b>
Consumption		<b>7,121,750</b>	<b>32,040,568</b>
Taxes and associate charges		<b>110,962</b>	<b>1,313,905</b>
<b>TOTAL</b>		<b>7,232,712</b>	<b>33,354,473</b>

<b>SCHEDULE - F</b>			
<b>SALES &amp; ADMINISTRATION EXPENSES</b>			
Postage expense		<b>436</b>	<b>3,121</b>
Travelling expenses		-	<b>682</b>
Bank charges		<b>18,065</b>	<b>12,913</b>
Packing & freight		<b>676,614</b>	<b>45,759</b>
Clearance expenses		<b>94,172</b>	<b>41,111</b>
Miscellaneous expenses		<b>124,613</b>	<b>59,176</b>
<b>TOTAL</b>		<b>913,900</b>	<b>162,762</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - 1****SIGNIFICANT ACCOUNTING POLICIES****a) Basis of preparation**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by Central Government. However, certain escalation and other claims, which are not ascertainable or acknowledged by customers, are not taken into account.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

**b) Fixed Assets**

Fixed assets are capitalized at acquisition cost.

**c) Depreciation**

Depreciation of fixed assets is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Their estimated useful lives, estimated residual value and depreciation rates are as follows:

Category of Fixed Assets	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings & Structures	20 years	10%	4.5%
Universal equipments (General Plant & Machinery)	10 years	10%	9%
Specific equipments	10 years	10%	9%
Transportation equipments	5 years	10%	18%
Others	5 years	10%	18%

The rates applied are more than the rates prescribed in Schedule XIV to Companies Act, for the respective categories of assets.

**d) Inventories**

Inventories are stated at the lower of cost or net realizable value.

Low valued consumables – Full amount Amortization method

Goods in stock – Specific identification Method

**e) Foreign Currency Transactions**

The accounts are translated in Indian Rupees as follows:

a) Share capital is retained at the initial contribution amount.

b) Fixed and Current assets & Current liabilities are translated at the rates prevailing on the date of Balance Sheet.

c) Revenue transactions are translated at the average rates.

d) The resultant difference is accounted as Translation Reserve in the Balance Sheet.

**SCHEDULE - 2****NOTES ON ACCOUNTS**

- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is not applicable to this Company as it is registered outside India and its operations are outside India.
- Auditor's remuneration and fees is as follows:

Particulars	2010 Rupees	2009 Rupees
Auditor's fees	13,626	14,349

- Borrowing costs capitalized during the period is Rs. Nil. (Previous year - Rs. Nil)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

4. The Company operates in a single business segment of Purchase and sales of Machinery and parts thereof

Geographical Segment	Domestic Rupees	Overseas	Total Rupees
External Revenue	9,255,138	-	9,255,138
Carrying amount of Segment Assets (Net)	7,701,093	-	7,701,093

5. Contingent liabilities as at the Balance Sheet date is Rs. Nil.

6. Related Parties and Related Party Transactions / Outstanding are given below.

Sl. no.	Name of parties	Nature of relationship	Nature of Transaction	Amount Rupees	Outstanding Due from related party Rupees	Outstanding Due to related party Rupees
1.	Larsen & Toubro (Qingdao) Rubber Machinery Co. Ltd, Qingdao	Parent Company	Sales	- (4,707,867)	<b>3,696,583</b> (10,078,662)	-
			Purchases	- (-)		
2.	Larsen & Toubro Limited	Ultimate Holding Company	Sales	- (-)	-	-
			Purchases	- (-)		
3.	Larsen & Toubro (Jiangsu) Valves Co. Ltd.	Fellow Subsidiary	Sales	- (-)	-	<b>9,455,628</b> (19,943,796)
			Purchases	<b>410,371</b> (33,147,450)		

(Figures in brackets are for previous year)

7. Previous year figures have been regrouped / reclassified wherever necessary.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 003792S)

For and on behalf of the Board

**V. R. LALITHA**  
 Partner  
 Membership No. 18284

**J. P. NAYAK**  
 Director

Place : Chennai  
 Date : May 12, 2011

Place : Mumbai  
 Date : May 11, 2011



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Balance Sheet Abstract and Company's General Business Profile.

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

#### Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

#### Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)

Total Expenditure

+ - Profit / Loss Before Tax

+ - Profit / Loss After Tax

### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product Descriptions

For and on behalf of the Board

Place : Mumbai  
Date : May 11, 2011

**J. P. NAYAK**  
Director

## ***DIRECTORS' REPORT***

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

<b>Financial Results</b>	<b>Rupees Lakhs</b>	
	<b>2010</b>	<b>2009</b>
Profit before Depreciation and tax	<b>259.73</b>	<i>(295.51)</i>
Profit before Tax	<b>191.42</b>	<i>(391.25)</i>
Taxes	<b>30.17</b>	–
Profit after Tax	<b>161.25</b>	<i>(391.25)</i>

### **APPROPRIATIONS**

Even though The Company making marginal profit for current financial year, but the retain earning carried forward still in negative therefore no amount to be appropriated.

### **DIVIDEND**

The Directors do not recommend any dividend for the year in view of the accumulated losses.

### **CAPITAL EXPENDITURE**

As at December 31, 2010, the gross fixed assets stood at Rs. 3,821.47 Lakhs and net fixed assets at Rs. 1,963.52 Lakhs.

### **AUDITOR'S REPORT**

The auditors' Report to the shareholders does not contain any qualifications.

### **MATERIAL CHANGES**

There have been no material changes between Balance Sheet date and date of Directors' Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010;
- iii. that 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
- iv. that the annual accounts have been prepared on a going concern basis.

### **DIRECTORS**

Mr. S. C. Bhargava, Mr. P. D. Khedekar, Mr. J. J. Shrikhande and Mr. Tan Huk Hen are the Directors of the Company.

### **AUDIT COMMITTEE**

The Company has not been incorporated under the provision of Indian Companies Act, 1956 and hence the requirement of having an Audit Committee is not applicable.

### **AUDITORS**

Messrs. Shanghai JinRui CPAs Co., Ltd, are the Auditors for the Company for the financial year 2010.

### **ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and employees of the Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF TAMCO SHANGHAI SWITCHGEAR CO. LTD.

The financial statements of Tamco Shanghai Switchgear Co. Ltd. for the year ended December 31, 2010, being a Company registered in People Republic of China, are audited by Shanghai Jinrun Certified Public Accountants Co. Ltd., and we have been furnished with their audit report dated January 12, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Tamco Shanghai Switchgear Co. Ltd. as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in People Republic of China, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule M and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has physically verified fixed assets and no material discrepancies were noticed on such verification.  
(c) The Company has not disposed of any substantial part of its fixed assets.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.  
(b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the People Republic of China.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5 The Company is incorporated in the People Republic of China and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 The Company does not have an adequate internal audit system commensurate with its size and nature of its business.
- 8 Cost records are not required to be maintained under Section 209(1)(d) of the Companies Act, 1956 by the Company as it is incorporated in the People Republic of China.
- 9 The Company being registered in the People Republic of China, has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company's accumulated losses is more than fifty percent of its net worth as at the end of the financial year and the Company has not incurred cash losses during current financial year.
- 11 According to the information and explanations given by management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not obtained any term loans during the year.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	269,722,052		269,722,052	
Reserves and surplus	B	470,719,421		468,676,952	
			740,441,473		738,399,004
<b>Loan Funds</b>					
Secured loans	C		-		94,668,521
<b>TOTAL</b>			<b>740,441,473</b>		<b>833,067,525</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
<b>Tangible assets</b>					
Gross block	D (i)	301,496,322		300,089,258	
Less: Depreciation and impairment		179,223,346		173,148,078	
Net block			122,272,976		126,941,180
<b>Intangible assets</b>					
Gross block	D (ii)	80,651,232		80,284,747	
Less : Amortisation and impairment		6,572,597		4,907,051	
Net block			74,078,635		75,377,696
<b>Current assets, loans and advances</b>					
Inventories	E	20,765,922		75,488,615	
Sundry debtors		233,566,777		549,907,876	
Cash and bank balances		39,279,551		68,357,082	
Loans and advances		14,554,025		86,667,534	
		308,166,275		780,421,107	
<b>Less : Current liabilities and provisions</b>					
Liabilities	F	89,214,961		490,935,928	
		89,214,961		490,935,928	
<b>Net current assets</b>			<b>218,951,314</b>		<b>289,485,179</b>
<b>Profit and Loss Account</b>			<b>325,138,548</b>		<b>341,263,470</b>
<b>TOTAL</b>			<b>740,441,473</b>		<b>833,067,525</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>CONTINGENT LIABILITIES</b>					
<b>M</b>					

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010 Rupees	Rupees	2009 Rupees	Rupees
<b>INCOME</b>					
Sales & service (net)	G	270,893,157		843,724,323	
Other income	H	14,863,943		–	
			285,757,100		843,724,323
<b>EXPENDITURE</b>					
Manufacturing, construction and operating expenses	I	174,709,578		698,083,886	
Staff expenses	J	44,471,688		66,085,716	
Sales, administration and other expenses	K	38,740,466		103,954,964	
Interest expenses and brokerage	L	1,862,302		5,551,100	
Depreciation and obsolescence of tangible assets		5,210,695		7,467,644	
Amortisation and impairment of intangible assets		1,620,077		1,706,067	
			266,614,806		882,849,377
<b>Profit before tax before</b>			19,142,294		(39,125,054)
Provision for current taxes			3,017,372		–
<b>Profit after tax</b>			16,124,922		(39,125,054)
Add : Brought forward from previous year			(341,263,470)		(302,138,416)
<b>Balance carried to Balance Sheet</b>			(325,138,548)		(341,263,470)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	M				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash flow from operating activities:</b>		
<b>Profit after tax (excluding minority interest and extraordinary item)</b>	<b>19,142,294</b>	<b>(39,125,054)</b>
<b>Adjustments for :</b>		
Foreign currency translation reserve	2,042,469	(24,556,104)
Depreciation (including obsolescence), amortisation and impairment	6,830,771	9,173,711
Unrealised foreign exchange difference	164,843	321,442
Interest income	(707,743)	-
Interest expense	1,862,302	5,551,100
Provision for current taxes	(3,017,372)	-
<b>Operating profit before working capital changes</b>	<b>26,317,565</b>	<b>(48,634,906)</b>
<b>Adjustments for :</b>		
(Increase) / decrease in trade and other receivables	388,454,608	(92,738,619)
(Increase) / decrease in inventories	54,722,693	110,143,886
Increase / (decrease) in trade payables and customer advances	(401,885,811)	74,297,336
<b>Cash generated from operations</b>	<b>67,609,056</b>	<b>43,067,697</b>
<b>Net cash (used in) / from operating activities</b>	<b>67,609,056</b>	<b>43,067,697</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(37,211)	(1,041,201)
Sale of fixed assets	-	-
Interest received	707,743	-
Fluctuation on account of Exchange Difference	(826,296)	12,270,120
Cash & cash equivalents discharged pursuant to disposal of a subsidiary		
<b>Cash (used in) / from investing activities (before extraordinary items)</b>	<b>(155,763)</b>	<b>11,228,919</b>
Extraordinary items	-	-
<b>Net cash (used in) / from investing activities (after extraordinary items)</b>	<b>(155,763)</b>	<b>11,228,919</b>
<b>C. Cash flow from financing activities:</b>		
Repayment of bank borrowings	(94,668,521)	(1,352,628)
Fluctuation due to exchange difference	-	(5,781,482)
Interest paid	(1,862,302)	(5,551,100)
<b>Net cash (used in) / from financing activities</b>	<b>(96,530,823)</b>	<b>(12,685,210)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>(29,077,530)</b>	<b>41,611,406</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>68,357,082</b>	<b>26,745,675</b>
<b>Cash and cash equivalents at end of the period</b>	<b>39,279,551</b>	<b>68,357,082</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS)3 : "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Cash and Cash equivalents represent cash and bank balances.
- Previous years figures have been regrouped & reclassified wherever applicable.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
Equity Share Capital of USD 6,000,000	269,722,052	269,722,052
<b>Issued</b>		
Subscribed Equity Share Capital of USD 6,000,000	269,722,052	269,722,052
<b>Subscribed and paid up</b>		
Subscribed Equity Share Capital of USD 6,000,000 (All shares are held by Larsen & Toubro International FZE, the holding Company)	269,722,052	269,722,052
<b>TOTAL</b>	<u><u>269,722,052</u></u>	<u><u>269,722,052</u></u>

<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital reserve</b>		
Foreign currency translation reserve	360,949,110	360,949,110
As per last Balance Sheet	107,727,842	132,283,946
Addition / (deduction) during the year	<u>2,042,469</u>	<u>(24,556,104)</u>
	<u>109,770,311</u>	<u>107,727,842</u>
<b>TOTAL</b>	<u><u>470,719,421</u></u>	<u><u>468,676,952</u></u>

<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Loans from banks		
Other loans	-	94,668,521
<b>TOTAL</b>	<u>-</u>	<u>94,668,521</u>

**SCHEDULE - D (i)****FIXED ASSETS**

TANGIBLE ASSETS	COST / VALUATION					DEPRECIATION					IMPAIRMENT	BOOK VALUE	
	As at 01.01.2010	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2010	Up to 01.01.2010	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>OWNED ASSETS</b>													
Buildings	96,798,607	441,868	-	-	97,240,475	4,603,469	45,584	1,725,756	-	6,374,809	-	90,865,666	92,195,138
Office Equipment	2,654,986	12,119	-	-	2,667,105	2,395,486	11,794	60,324	-	2,467,604	-	199,501	259,500
Plant and machinery	168,499,032	769,168	-	-	169,268,200	142,684,117	673,653	1,567,889	-	144,925,659	-	24,342,541	25,814,915
Furniture and fixtures	7,950,766	36,294	-	-	7,987,060	5,383,456	27,798	226,413	-	5,637,667	-	2,349,393	2,567,310
Vehicles	11,407,939	52,075	-	-	11,460,014	9,115,275	49,199	533,575	-	9,698,049	-	1,761,965	2,292,664
Computers	12,777,928	58,329	37,211	-	12,873,468	8,966,275	56,546	1,096,737	-	10,119,558	-	2,753,910	3,811,653
<b>Owned assets</b>	<b>300,089,258</b>	<b>1,369,853</b>	<b>37,211</b>	<b>-</b>	<b>301,496,322</b>	<b>173,148,078</b>	<b>864,573</b>	<b>5,210,695</b>	<b>-</b>	<b>179,223,346</b>	<b>-</b>	<b>122,272,976</b>	<b>126,941,180</b>
Previous year	317,053,878	(18,005,821)	1,041,201	-	300,089,258	175,982,767	(10,302,335)	7,467,644	-	173,148,076	-	122,272,976	126,941,182
Add: Capital work-in-progress												-	-
												<b>122,272,976</b>	<b>126,941,182</b>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - D (ii)****FIXED ASSETS**

INTANGIBLE ASSETS	COST / VALUATION					AMORTISATION					BOOK VALUE	
	As at 01.01.2010	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2010	Up to 01.01.2010	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land - leasehold	80,284,747	366,485	-	-	80,651,232	4,907,051	45,469	1,620,077	-	6,572,597	74,078,635	75,377,696
<b>TOTAL</b>	80,284,747	366,485	-	-	80,651,232	4,907,051	45,469	1,620,077	-	6,572,597	74,078,635	75,377,696
<i>Previous year</i>	85,118,732	(4,833,985)	-	-	80,284,747	3,468,336	(267,352)	1,706,067	-	4,907,051	-	75,377,696

	<b>As at 31.12.2010</b>	<b>As at 31.12.2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>SCHEDULE - E</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current assets</b>		
Raw materials	13,913,023	45,034,422
Finished goods	-	7,945,057
	<u>13,913,023</u>	<u>52,979,479</u>
Work-in-progress:		
Manufacturing work-in-progress at cost or net realisable value whichever is lower	6,852,898	22,509,136
Total work-in-progress	<u>6,852,898</u>	<u>22,509,136</u>
		20,765,922
Sundry debtors		
Unsecured		
Debts outstanding for more than 6 months		
Considered good	177,513,559	48,100,486
Considered doubtful	17,312,433	31,526,300
	<u>194,825,992</u>	<u>79,626,786</u>
Other debts		
Considered good	56,053,218	501,807,390
	<u>250,879,210</u>	<u>581,434,176</u>
Less : Provision for doubtful debts	<u>17,312,433</u>	<u>31,526,300</u>
		549,907,876
Cash and bank balances		625,396,491
Cash on hand	211,843	152,687
Balances with non-scheduled banks	39,067,708	68,204,395
		<u>39,279,551</u>
		68,357,082
<b>Loans and advances</b>		
Unsecured		
Considered good		
Advances recoverable in cash or in kind	14,554,025	86,667,534
<b>TOTAL</b>	<u><u>308,166,275</u></u>	<u><u>780,421,107</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to : Associate Company	(4,422,326)		34,449,376	
Others	93,078,045		448,570,902	
		88,655,719		483,020,278
Advances from customers		559,241		7,915,650
<b>TOTAL</b>		<b>89,214,961</b>		<b>490,935,928</b>
	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>SALES &amp; SERVICE</b>				
Manufacturing activity-Gross sales Others		270,893,157		843,420,381
Income from financing activity		-		303,942
<b>TOTAL</b>		<b>270,893,157</b>		<b>843,724,323</b>
<b>SCHEDULE - H</b>				
<b>OTHER INCOME</b>				
Interest income				
Interest received on inter-corporate deposits from associate companies, customers and others		707,743		-
Provision no longer required written back		14,156,200		-
<b>TOTAL</b>		<b>14,863,943</b>		<b>-</b>
<b>SCHEDULE - I</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Materials consumed:				
Opening Stock Raw Materials and components	45,034,422		140,018,962	
Purchase Raw Materials	101,984,955		518,892,828	
Closing Stock Raw materials and components	(13,913,023)		(45,034,422)	
	133,106,353		613,877,368	
Less: Scrap sales	1,155,172		2,862,055	
		134,261,526		611,015,313
Write off of stores spares and tools		-		-
(Increase) / decrease in manufacturing stocks:				
Closing stock				
Finished goods	-		7,945,057	
Work-in-progress	(6,852,898)		22,509,136	
	(6,852,898)		30,454,193	
Less : Opening stock:				
Finished goods	7,945,057		26,505,717	
Work-in-progress	22,509,136		19,107,823	
	30,454,193		45,613,540	
		37,307,091		15,159,347

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009
	Rupees	Rupees	Rupees
Stores, spares and tools		-	65,314,126
Power and fuel		2,641,705	2,927,532
Repairs to plant and machinery		499,256	702,038
General repairs and maintenance		-	556,930
<b>TOTAL</b>		<b>174,709,578</b>	<b>695,675,286</b>

**SCHEDULE - J****STAFF EXPENSES**

Salaries, wages and bonus		35,331,117	54,571,688
Contribution to and provision for Provident fund and pension fund		4,556,557	5,511,015
Welfare and other expenses		4,584,014	6,003,013
<b>TOTAL</b>		<b>44,471,688</b>	<b>66,085,716</b>

**SCHEDULE - K****SALES, ADMINISTRATION AND OTHER EXPENSES**

Packing and forwarding		1,317,221	8,672,040
Professional fees		652,768	1,127,197
Insurance		1,115,029	2,318,040
Rent		748,656	1,370,893
Rates and taxes		2,924,081	4,248,159
Travelling and conveyance		8,102,972	12,005,970
Telephone, postage and telegrams		1,261,647	1,798,147
Advertising and publicity		844,584	1,938,441
Stationery and printing		252,847	641,254
Commission:			
Distributors and agents	(2,066,960)		31,107,925
Employees and others	1,757,796		10,507,661
		(309,164)	41,615,586
Bank charges		828,165	3,905,502
General repairs and maintenance		331,743	128,822
Miscellaneous expenses		6,513,718	14,777,193
Bad debts and advances written off	14,156,200		-
Less: Provision for doubtful debts and advances written back	-		-
		14,156,200	-
Provision for doubtful debts		-	11,816,320
<b>TOTAL</b>		<b>38,740,466</b>	<b>106,363,564</b>

**SCHEDULE - L****INTEREST EXPENSES AND BROKERAGE**

Interest paid on Term Loans from Banks		1,862,302	5,551,100
<b>TOTAL</b>		<b>1,862,302</b>	<b>5,551,100</b>

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - M**

#### **LEGAL STATUS**

Tamco Shanghai Switchgear Co., Ltd, (hereinafter referred to as "the Company") is a Foreign Owned Enterprise. Tamco Corporate Holdings Berhad established it on 3rd October 1995.

In April 2008, Larsen & Toubro International FZE acquired the 100% equity interest in the Company from Tamco Corporate Holdings Berhad.

**Operating periods:** 50 years

**Business scope:** Engaged in manufacturing and sales of electrical switchgears of all kinds (no more than 220 kilovolt), start-up machine, transformer and other related machines.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF ACCOUNTING**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) followed in India are in accordance with the mandatory accounting standards referred to in sub Section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.

##### **2. REVENUE RECOGNITION**

Revenue is recognized as follows:

(a) Sales of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(b) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of actual service provided as a proportion of the total services to be provided.

##### **3. FIXED ASSETS & DEPRECIATION**

Fixed assets purchased or constructed by the Company are stated at fair value, based on historical cost, less accumulated depreciation.

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation. Assets acquired on hire purchase basis are stated at their cash values. Depreciation is calculated using the straight line method.

Leased assets

(i) Lease transactions entered into prior to April 1, 2001:

Assets given on lease are depreciated over the primary period of the lease. Accordingly, while the statutory depreciation on such assets is provided on straight line method as per Schedule XIV to the Companies Act, 1956, the difference is adjusted through lease equalization and lease adjustment account.

(ii) Lease transactions entered into on or after April 1, 2001:

Assets acquired under finance leases are depreciated on a straight line method over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated at the rates prescribed under Schedule XIV to the Companies Act, 1956 or at the higher rates adopted by the Company for similar assets.

##### **4. INVENTORIES**

Inventories are stated at the lower of cost of net realizable value. Cost is determined using the historical cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The finished-goods were valued at individual cost. Low-valued consumables are written off in full when issued for use.

##### **5. FOREIGN CURRENCY TRANSACTIONS**

Reporting currency used by the Company is Renminbi. The financial statements are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Current Assets and Current Liabilities are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****NOTES ON ACCOUNTS**

1. Contingent Liability as on December 31, 2010 is Rs. Nil. (Previous year Rs. Nil).

2. Related party disclosures:

**A. Related parties where control exists:**

	<b>Relationship</b>
Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

**B. Transactions with related parties during the year:**

Tamco Switchgear (Malaysia) Sdn. Bhd	Fellow Subsidiary Company
--------------------------------------	---------------------------

**C. Disclosure of Transactions with Related Parties**

Related party	Nature of relationship	Amount in INR	Nature of Transaction	Amount Outstanding
Tamco Switchgear (Malaysia)	Fellow Subsidiary Company	376,199	Purchases	398,360
Tamco Switchgear (Malaysia)	Fellow Subsidiary Company	6,103,813	Sales	4,023,966

3. Balances with non-scheduled banks

**a. Current Accounts**

Name of the Bank	As at 31.12.2010 (Rs.)	Maximum outstanding at any time during the period (Rs.)
Shanghai Pudong Development Bank – CNY Account	32,288,354	96,232,302
Shanghai Pudong Development Bank – USD Account	2,201,661	2,201,694
Bank of China – CNY Account	4,527,594	85,573,391
Malayan Banking Shanghai Branch – CNY Account	50,029	55,551

4. The Company has foreign currency liability amounting to Rs. 6,624,024 that have not been hedged by a derivative instrument or otherwise.

5. Borrowing cost capitalized during the period is Nil.

6. There are no transactions with micro small and medium enterprises during the year.

7. Auditor's remuneration charged to the accounts amounting to Rs. 408,785 during the year under heading audit fees.

8. Details of sales, raw material & components consumed, inventories and purchases –

Sales –

Class of Goods	Unit	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
MV-40.5kv	Panels	36	39,225,634	59	88,906,198
MV-12kv	Panels	179	115,639,498	477	268,390,790
LV	Panels	1215	65,710,559	1,207	447,595,486
Others	Lot		50,317,466		38,527,907
<b>TOTAL</b>			<b>270,893,157</b>		<b>843,420,381</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Raw material &amp; component consumed –

Class of Goods	Unit	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
40.5kv VCB	unit	10	3,317,231	53	23,762,385
12kv VCB	unit	169	9,047,329	89	17,009,016
Copper	Lot		6,694,949		68,423,611
Aluminium, Steel and other metals			6,749,523		68,150,892
Electrical components, wire and Accessories	Lot		94,835,228		334,721,380
Vacuum Interrupter	Unit	417	5,195,446	837	13,370,378
Mechanical parts and etc.	Lot		7,266,647		88,439,706
<b>TOTAL</b>			<b>133,106,353</b>		<b>613,877,368</b>

Inventories –

Class of Goods	Unit	As at 31.12.2010		As at 31.12.2009	
		Quantity	Value	Quantity	Value
Switchgear Products			20,765,922		75,488,615

## 9. Capacities and Production –

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
MV-40.5kv			230	36
MV-12kv			860	179
LV			300	1215

10. The Company is considered as a non integral operation of Larsen & Toubro Limited (the ultimate holding Company). In accordance with Accounting Standard - 11 (revised 2003) the exchange differences on translation are accounted in Foreign Currency Translation Reserve in the Reserves & Surplus.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 11. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital (incl. Share Appl. Money) Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets and Net Intangible Assets Investments Net Current Assets Miscellaneous Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) Total Expenditure (incl. Prior year Adj.) Profit / Loss Before Tax Profit / Loss After Tax Earning per share in Rs. (Basic) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) Product Description 

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820Place : Mumbai  
Date : May 9, 2011**S. C. BHARGAVA**  
DirectorPlace : Mumbai  
Date : May 9, 2011**P. D. KHEDEKAR**  
Director

## **DIRECTORS' REPORT**

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

	<b>2010 Rs. lakhs</b>	<i>2009 Rs. lakhs</i>
Total Income	-	-
Operating Profit / (loss)	<b>(65.12)</b>	<i>(13.56)</i>
Add: Interest income	<b>4.30</b>	<i>4.17</i>
Less: Interest Paid	<b>0.34</b>	<i>2.69</i>
<b>Profit / (loss) before Tax</b>	<b>(69.08)</b>	<i>(12.08)</i>
Less: Income tax expense	<b>1.94</b>	<i>0</i>
<b>Net Profit / (loss) after Tax</b>	<b>(71.02)</b>	<i>(12.08)</i>
Add: Balance brought forward from previous year	<b>48.93</b>	<i>61.01</i>
Balance available for disposal which Directors appropriate as follows:	<b>(22.09)</b>	<i>48.93</i>
Dividend	-	-
<b>Balance to be carried forward</b>	<b>(22.09)</b>	<i>48.93</i>

### **YEAR IN RETROSPECT**

The principal activities of the Company consist of engineering and construction. The Company is inactive during the financial year.

### **DIVIDEND**

The Directors do not recommend payment of any dividend.

### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

### **CAPITAL EXPENDITURE**

As at December 31, 2010, the gross Fixed Assets stood at RM 0.393 mi of which assets amounting to RM 485 were added during the year.

### **AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualification. The Notes to the Accounts referred to in the Auditors' Report are self-explanatory.

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements misleading.

### **DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not relevant. Hence the same has not been furnished.

### **PARTICULARS OF EMPLOYEES**

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **SUBSIDIARY COMPANIES**

The Company has no subsidiary companies.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010 and of the profit/loss of the Company for the year ended on that date;



- iii. that 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;
- iv. that the annual accounts have been prepared on a going concern basis.

**AUDITORS**

The auditors, M/s ERNST & YOUNG, Chartered Accountants, have indicated their willingness to continue in office.

For and on behalf of the Board

*Place : Mumbai*  
*Date : May 18, 2011*

**S. C. BHARGAVA**  
*Director*

**P. D. KHEDEKAR**  
*Director*

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO (EAST ASIA) SDN. BHD.

The financial statements of Larsen & Toubro (East Asia) Sdn. Bhd. for the year ended December 31, 2010, being a private limited Company registered in the State of Malaysia, are audited by M/s ERNST & YOUNG and we have been furnished with their audit report dated April 29, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro (East Asia) Sdn. Bhd. (formerly L&T-ECC Construction (M) Sdn. Bhd.) as at December 31, 2010 and the annexed Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the State of Malaysia, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule L and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 18, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	<u>Schedules</u>	<u>As at 31.12.2010</u>		<u>As at 31.12.2009</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	8,558,020		8,558,020	
Reserves & Surplus	B	943,653		7,157,063	
			9,501,673		
<b>Secured Loans</b>	C		1,104,523		1,229,550
<b>TOTAL</b>			<b>10,606,196</b>		<b>16,944,633</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross Block	D	5,687,074		5,324,488	
Less: Depreciation		4,762,352		3,921,529	
Net Block			924,722		1,402,959
<b>Current Assets, Loans and Advances</b>					
Inventories	E	-		633,416	
Sundry Debtors		179,637		186,740	
Cash and Bank balances		13,027,621		42,989,225	
Loans and Advances		12,508,395		1,884,614	
		25,715,652		45,693,995	
<b>Less: Current Liabilities</b>	F	15,924,186		30,152,321	
Provisions		109,993			
		16,034,179		30,152,321	
<b>Net Current Assets</b>			9,681,474		15,541,674
<b>TOTAL</b>			<b>10,606,196</b>		<b>16,944,633</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	L				

The schedules referred to above and the notes attached form an integral part of financial statements.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedules	2010 Rupees	Rupees	2009 Rupees	Rupees
<b>INCOME</b>					
Other Operational income	G(i)	6,951,966		48,222,485	
Other income	G(ii)	430,233		417,279	
			7,382,199		48,639,764
<b>EXPENDITURE</b>					
Construction and operating expenses	H	-		22,512,225	
Staff expenses	I	2,927,924		13,414,340	
Sales, administration and other expenses	J	10,762,675		12,740,887	
Interest and brokerage	K	33,737		291,802	
Depreciation		566,127		888,854	
			14,290,463		49,848,108
<b>Profit before tax</b>			(6,908,264)		(1,208,343)
Provision for current taxes			193,590		-
<b>Profit after tax</b>			(7,101,854)		(1,208,343)
Add : Brought forward from previous year			4,892,644		6,100,987
<b>Balance carried to Balance Sheet</b>			(2,209,210)		4,892,644
<b>Earnings per equity share - Basic</b> (750,000 Equity shares of RM 1 each)			(9.47)		(1.61)
Earnings per equity share - Diluted			(9.47)		(1.61)
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	L				

The schedules referred to above and the notes attached form an integral part of financial statements.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai  
Date : May 18, 2011

Place : Mumbai  
Date : May 18, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
<b>Net profit / Loss before tax</b>	<b>(6,908,264)</b>	<b>(1,208,342)</b>
<b>Adjustments for:</b>		
Depreciation	566,127	888,854
Interest Paid	33,737	291,802
Interest Received	430,233	(417,280)
Increase / (Decrease) in translation gain (Profit) / Loss on sale of Fxed Assets	888,445	(632,912)
	-	(806,525)
<b>Operating profit before working capital changes</b>	<b>(4,989,722)</b>	<b>(1,884,403)</b>
(Increase) / Decrease in Other receivables	<b>(10,616,677)</b>	158,962,771
(Increase) / Decrease in Inventories	<b>633,416</b>	102,787,217
Increase / (Decrease) in Trade payables	<b>(14,118,141)</b>	(249,897,295)
<b>Cash (used in) / generated from operations</b>	<b>(29,091,124)</b>	9,968,290
Direct Taxes Paid	<b>(193,590)</b>	(699,079)
<b>Net Cash (used in) / generated from operations</b>	<b>(29,284,714)</b>	9,269,211
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	<b>(7,031)</b>	(1,627,253)
Sale of Fixed assets	-	1,925,607
Difference in opening balance of Fixed Assets / cummlative depreciation due to exchange fluctuation	<b>(80,862)</b>	57,481
Interest received	<b>(430,233)</b>	417,279
<b>Net Cash (used in) / from investing activities</b>	<b>(518,126)</b>	773,114
<b>C. Cash Flow from Financing activities</b>		
Interest paid	<b>(33,737)</b>	(291,802)
Increase / (decrease) in Unsecured Loan	<b>(125,027)</b>	(1,042,922)
<b>Net Cash (Used in) / from Financing Activities</b>	<b>(158,764)</b>	(1,334,724)
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(29,961,604)</b>	8,707,601
Cash and cash equivalents at beginning of the year	<b>42,989,225</b>	40,880,703
Less : Bank Overdraft at the Beginning of the Year	-	6,599,078
<b>Cash and Cash Equivalents at close of the year</b>	<b>13,027,621</b>	42,989,225

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai  
Date : May 18, 2011Place : Mumbai  
Date : May 18, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
	<u>                    </u>	<u>                    </u>
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
750,000 Equity shares of RM 1 each	8,558,020	8,558,020
<b>Issued, subscribed and paid up</b>		
750,000 Equity shares of RM 1 each	8,558,020	8,558,020
<b>TOTAL</b>	<u>8,558,020</u>	<u>8,558,020</u>

Note: 30% of the above equity shares are held by Larsen & Toubro International FZE-Sharjah, UAE and the balance 70% by Non residents

**SCHEDULE B**  
**RESERVES & SURPLUS**

<b>Foreign currency translation reserve</b>		
As per last Balance Sheet	2,264,419	2,897,331
Addition/(deduction) during the year	888,444	(632,912)
	<u>3,152,863</u>	<u>2,264,419</u>
<b>Retained earnings</b>		
As per last Balance Sheet	4,892,644	6,100,987
Add : Profit and Loss Account	(7,101,854)	(1,208,343)
	<u>(2,209,210)</u>	<u>4,892,644</u>
<b>TOTAL</b>	<u>943,653</u>	<u>7,157,063</u>

**SCHEDULE C**  
**SECURED LOANS**

<b>Hire Purchase</b>		
Due within a year	207,141	194,174
Due beyond 1 year	897,382	1,035,376
<b>TOTAL</b>	<u>1,104,523</u>	<u>1,229,550</u>

**SCHEDULE D**  
**FIXED ASSETS**

FIXED ASSETS	COST / VALUATION					DEPRECIATION					BOOK VALUE		
	As at 01.01 2010	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2010	Upto 01.01 2010	Exchange difference included in the translation reserve	For the Year	Deductions	Upto 31.12.2010	As at 31.12.2010	As at 31.12.2009	As at 31.12.2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Office Equipments	3,790,889	253,145	7,031	-	4,051,065	3,603,230	234,450	176,111	-	4,013,791	37,274	187,659	288,698
Vehicles	1,473,803	98,416			1,572,219	276,339	27,163	384,345	-	687,847	884,372	1,197,464	1,530,047
Furnitures & Fixtures	59,796	3,993	-	-	63,789	41,960	13,084	5,670	-	60,714	3,075	17,836	22,378
<b>Total</b>	<b>5,324,488</b>	<b>355,554</b>	<b>7,031</b>	<b>-</b>	<b>5,687,074</b>	<b>3,921,529</b>	<b>274,696</b>	<b>566,127</b>	<b>-</b>	<b>4,762,352</b>	<b>924,721</b>	<b>1,402,959</b>	<b>1,841,123</b>
<i>Previous Year</i>	<i>8,833,350</i>	<i>325,540</i>	<i>1,627,253</i>	<i>-</i>	<i>10,135,063</i>	<i>4,486,117</i>	<i>950,401</i>	<i>1,555,709</i>	<i>-</i>	<i>6,992,227</i>	<i>3,142,836</i>		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories				
Stock at site		-		633,416
Sundry Debtors-Unsecured				
Other debts:				
Considered good		179,638	186,740	
				186,740
Cash and bank balances				
Balances with non-scheduled banks		13,027,621		42,989,225
Loans and Advances				
Unsecured - Considered good:				
Advances recoverable in cash or in kind	2,224,868		631,667	
Due from ultimate holding Company	9,386,419		1,252,947	
Due from fellow subsidiaries	897,107			
		<u>12,508,395</u>		1,884,614
<b>TOTAL</b>		<u><u>25,715,653</u></u>		<u><u>45,693,995</u></u>
<b>SCHEDULE F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities				
Sundry Creditors	15,069,703		25,006,663	
Due to Ultimate Holding Company	854,483		5,145,658	
		<u>15,924,186</u>		30,152,321
Provision for Taxation (Net of Payments)		109,993		-
<b>TOTAL</b>		<u><u>16,034,179</u></u>		<u><u>30,152,321</u></u>
	2010		2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE G (I)</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Miscellaneous Income		6,208,906		22,863,059
Scrap Sales		743,060		24,552,902
Profit on Sale of Fixed Assets (Net)		-		806,525
<b>TOTAL</b>		<u><u>6,951,966</u></u>		<u><u>48,222,485</u></u>
<b>SCHEDULE G (II)</b>				
<b>OTHER INCOME</b>				
Interest received		430,233		417,279
<b>TOTAL</b>		<u><u>430,233</u></u>		<u><u>417,279</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE H</b>				
<b>CONSTRUCTION AND OPERATING EXPENSES</b>				
Construction Materials	-		12,222,743	
Less: Scrap sales	-		-	
				12,222,743
Stores, spares and tools		-		28,381
Power and fuel		-		3,239,245
Royalty & Technical know-how fees		-		654,750
Hire Charges - Plant & Machinery and others		-		2,914,215
Insurance		-		403,559
Travelling & Conveyance				3,049,332
<b>TOTAL</b>		-		<b>22,512,225</b>
<b>SCHEDULE I</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		2,046,505		12,111,332
Contribution to Provident & Pension Fund		117,180		421,373
Superannuation / Employee pension schemes		-		48,743
Welfare and other expenses		764,239		832,892
<b>TOTAL</b>		<b>2,927,924</b>		<b>13,414,340</b>
<b>SCHEDULE J</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Rent		1,803,228		3,392,068
Packing and forwarding		-		486,551
Professional Fees		1,032,070		259,343
Rates & Taxes		-		391,220
Repairs to Buildings		-		32,314
Telephone, postage and telegrams		562,952		744,768
Stationery and printing		54,578		404,754
Insurance		57,457		71,786
Bank charges		54,507		4,290,453
General repairs and maintenance		6,706,634		458,503
Miscellaneous expenses		193,945		2,044,120
Directors Fees		170,116		165,007
Travelling & Conveyance		127,188		-
<b>TOTAL</b>		<b>10,762,675</b>		<b>12,740,887</b>
<b>SCHEDULE K</b>				
<b>INTEREST &amp; BROKERAGE</b>				
On bank Hire purchase		-		101,739
Interest Others		33,737		190,063
<b>TOTAL</b>		<b>33,737</b>		<b>291,802</b>



## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE L**

#### **1) LEGAL STATUS**

The Company is a private limited liability Company, incorporated and domiciled in Malaysia. The investing Company is Larsen & Toubro International FZE, a Company incorporated in the United Arab Emirates which holds 30% of the issued and paid-up capital of the Company. The principal activities of the Company consist of engineering and construction. The Company is inactive during the financial year.

#### **2) SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Basis of Accounting**

The accounts have been prepared using historical cost convention and accrual basis and in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

##### **b. Revenue Recognition**

Contract revenue comprising the total value of construction work performed during the year is recognized on percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing the contracts to completion.

##### **c. Retirement / Termination Benefits**

Wages, salaries, bonuses and social security contributions are recognized as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognized when the absences occur. As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Such contributions are recognized as an expense in the income statement as incurred.

##### **d. Fixed Assets**

Fixed assets are stated at cost less depreciation.

##### **e. Hire purchase**

The cost of assets acquired under hire purchase is capitalized and depreciated over their respective estimated useful lives. The related financing charges are charged to the income statement over the lease term.

##### **f. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1. Office Equipment	50%
2. Motor Vehicles	25%
3. Furniture, Fixtures & Air conditioners	25%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories.

##### **g. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- the provision for impairment loss, if any, required or
- the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

##### **h. Inventories**

Inventories are stated at the lower of cost and net realizable value after making due allowance for obsolete and slow moving items.

Cost is determined principally on the first-in first-out basic and represents the landed cost of goods purchased. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Stores, spares and consumables	Weighted average cost
Construction Materials	Weighted Average Cost

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****i. Translation of financial statements in foreign currency to Indian Rupees**

Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.

The resultant difference is accounted as translation reserve in the Balance Sheet.

**j. Foreign currency transactions**

The functional currency of the Company is Malaysian Ringgit.

Transactions in foreign currencies are converted into Malaysian Ringgit at exchange rates prevailing at the transaction dates or, where settlement has not been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses arising from conversion of foreign currency amounts are dealt with through the income statement.

**3) NOTES ON ACCOUNTS****a. Related Party Transactions****i) List of related parties who exercise control:**

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

**ii) Names of related parties with whom transactions were carried out during the year and description of relationship:**

Larsen & Toubro Limited	Ultimate Holding Company
En. Syed Mohsen B. Abdul Rahman Alhabshi	Director
L&T InfoTech Limited	Fellow Subsidiary
L&T Integrated Engineering Services	Fellow Subsidiary
L&T-Sargent & Lundy Limited	Fellow Subsidiary
Tamco Switchgear (M) Sdn.Bhd.	Fellow Subsidiary

**iii) Disclosure of major transactions with related parties**

Related Party	Nature of relationship	Nature of transaction	2010 Rupees	2009 Rupees
En. Syed Mohsen B. Abdul Rahman Alhabshi	Director	Consultancy Fees	170,114	165,007
Larsen & Toubro Limited	Ultimate Holding Company	Expenses	9,386,419	4,954,854
Larsen & Toubro Limited	Ultimate Holding Company	Expenses	(854,483)	(631,667)
Larsen & Toubro Infotech Limited	Fellow Subsidiary	Expenses	64,711	190,804
L&T Intergrated Engineering Services	Fellow Subsidiary	Expenses	1,883	
L&T-Sargent & Lundy Limited	Fellow Subsidiary	Expenses	73,444	
Tamco Switchgear (M) Sdn.Bhd.	Fellow Subsidiary	Expenses	757,070	

**iv) Amount due to / due from related parties**

Amount in Rupees

Related Party	Nature of relationship	(Due to) / Due from Related Party	
		2010 Rupees	2009 Rupees
Larsen & Toubro Limited	Ultimate Holding Company	9,386,419	4,954,854
Larsen & Toubro Limited	Ultimate Holding Company	(854,483)	(631,667)
Larsen & Toubro Infotech Limited	Fellow Subsidiary	64,711	190,804
L&T Integrated Engineering Services	Fellow Subsidiary	1,883	
L&T-Sargent & Lundy Limited	Fellow Subsidiary	73,444	
Tamco Switchgear (M) Sdn.Bhd.	Fellow Subsidiary	757,070	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## c. Balances with non-scheduled banks

Bank	As at		Maximum amount outstanding at any time during the year	
	31.12.2010 Rupees	31.12.2009 Rupees	2010 Rupees	2009 Rupees
CIMB Bank (formerly Bumiputra Commerce Bank)	–	69,223	–	53,888,667
Alliance Bank Malaysia Berhad	–	3,533	–	4,077
Standard Chartered Bank – fixed deposit	11,616,960	34,159,483	36,585,952	36,859,726
Standard Chartered Bank	1,410,661	8,756,986	16,483,877	89,531,860
<b>TOTAL</b>	<b>13,027,621</b>	<b>42,989,225</b>		

## d. Taxation

The tax expense in the income statement comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the Balance Sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is virtually certain that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, in which case the deferred tax is also charged or credited directly in equity.

The unrelieved tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company. Deferred tax assets have not been recognized in respect of these items as it is not probable that future taxable profits will be available against which the Company can utilize these benefits.

Deferred taxation assets relate to the following temporary differences:

Particulars	Amount (Rs.)
Unutilized tax losses	39,109,456
Deferred taxation assets	–

Deferred Tax Assets are not recognized as there is no virtual certainty that sufficient future income will be available against which such deferred tax asset can be realized.

## e. Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Malaysian Ringgit.

## f. Borrowing cost capitalized during the year Rs. Nil

## g. There are no transactions with micro and small enterprises as defined in the Micro, Small &amp; Medium Enterprises Development Act, 2006, during the year.

## h. The Company is engaged only in the business of construction related activity and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segment Reporting. Further the entire operation of the Company is in Malaysia only and hence no secondary segment reporting has been made.

## i. Hire purchase Installments:

The installments as at December 31, 2010 in respect of assets acquired under Hire purchase are as follows:

Minimum Lease Payments	2010 Rupees	2009 Rupees
i. Payable not later than 1 year	207,140	194,174
ii. Payable later than 1 year	897,381	1,035,376
Total minimum lease payments	1,104,521	1,229,550

## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- j. Auditor's remuneration and expenses charged to the accounts:

	<b>2010</b>	2009
Audit Fees	<b>141,762</b>	68,753

- k. Estimated amount of contracts remaining to be executed on capital account is nil.
- l. The Company is engaged into construction services and accordingly information required under paragraph 4 (c) of Part II of the Schedule VI of the Companies Act 1956 has not been furnished.
- m. Contingent Liabilities  
There are no obligations, past or present, which have arisen from past events which have not been provided for in the books as at the Balance Sheet date.
- n. Previous year's figures have been reclassified wherever necessary to confirm with the presentation adopted in the current year.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

o. Balance Sheet Abstract and Company's General Business Profile.

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets and net Intangible Assets Investments Net Current Assets Deferred Tax Miscellaneous Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Basic Earnings Per Share in Rs. Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. 

(ITC Code)

Product Description 

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820Place : Mumbai  
Date : May 18, 2011**S. C. BHARGAVA**

Director

Place : Mumbai  
Date : May 18, 2011**P. D. KHEDEKAR**

Director

## ***DIRECTORS' REPORT***

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

<b>PARTICULARS</b>	<b>31.12.2010</b>	<i>31.12.2009</i>
	<b>Rs. Cr.</b>	<i>Rs. Cr.</i>
Total Income / (Loss)	<b>532.99</b>	<i>591.42</i>
Profit before tax	<b>81.61</b>	<i>101.27</i>
Taxes	<b>(10.23)</b>	<i>(25.33)</i>
Profit after tax	<b>71.37</b>	<i>75.94</i>

### **DIVIDEND**

The Directors recommend a payment of dividend of RM 0.13 per equity share of RM 1.00 each. (10% of paid up equity share capital)

### **CAPITAL EXPENDITURE**

As at December 31, 2010 the gross fixed assets stood at Rs.129.99 Cr and the net assets at Rs. 63.36 Cr .

### **AUDITOR'S REPORT**

The Auditor's Report to the shareholders does not contain any qualifications.

### **MATERIAL CHANGES**

There have been no material changes between Balance Sheet date and the date of Directors' Report.

### **SUBSIDIARY COMPANIES**

The Company has no Subsidiaries.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i. That in preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure.
- ii. That the selected accounting policies were applied consistently and the directors 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 December 31, 2010.
- iii. That 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
- iv. That the annual accounts have been prepared on a going concern basis.

### **DIRECTORS**

During the financial year, the Directors of the Company are:

Mr. S. C. Bhargava (Appointed on April 23, 2008)

Mr. A. K. Mondal (Resigned on February 18, 2010)

Mr. P. D. Khedekar (Appointed on April 23, 2008)

Mr. Chittur Ramakrishnan Lakshman (Appointed on February 18, 2010)

Mr. Razali Budin

Mr. Yap Ket Loong

### **AUDIT COMMITTEE**

The Company has not been incorporated under the provision of Indian Companies Act 1956 and hence the requirement of having an Audit Committee is not applicable.

### **AUDITORS**

Messrs. Ernst & Young was the auditors for the financial year 2010.

### **ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the Company by the Bankers, employees of the Company and staff of the ultimate holding Company.

For and on behalf of the Board

Place : Mumbai

Date : May 9, 2011

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

**AUDITORS' REPORT****TO THE MEMBERS OF TAMCO SWITCHGEAR (MALAYSIA) SDN BHD**

The financial statements of Tamco Switchgear (Malaysia) SDN BHD for the year ended December 31, 2010, being a Company registered in Malaysia, are audited by Ernst & Young, and we have been furnished with their audit report dated April 29, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Tamco Switchgear (Malaysia) SDN BHD as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Malaysia, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule O and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has physically verified fixed assets and no material discrepancies were noticed on such verification.  
(c) The Company has not disposed of any substantial part of its fixed assets.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.  
(b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Malaysia.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5 The Company is incorporated in the Malaysia and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 The Company does not have an adequate internal audit system commensurate with its size and nature of its business.
- 8 Cost records are not required to be maintained under Section 209(1)(d) of the Companies Act, 1956 by the Company as it is incorporated in the Malaysia.
- 9 The Company being registered in the Malaysia, has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company does not have any accumulated losses. Hence reporting under this clause is not required.
- 11 According to the information and explanations given by management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has given guarantees to licensed banks worth Rs. 3,886 lacs for credit facilities granted to related Companies which in our opinion, is not prejudicial to the interest of the Company.
- 16 According to the information and explanations given to us the Company has applied all the term loans for the purpose for which they were obtained.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	1,191,750,000		1,191,750,000	
Reserves and surplus	B	1,632,481,315		945,069,835	
			2,824,231,315		2,136,819,835
<b>Loan Funds</b>					
Secured loans	C	10,532,173		5,834,309	
Unsecured loans	D	157,943,028		67,086,505	
			168,475,201		72,920,814
<b>Deferred tax liabilities</b>			-		22,015,800
<b>TOTAL</b>			<b>2,992,706,516</b>		<b>2,231,756,449</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Tangible assets	E (i)				
Gross block		1,297,791,495		1,144,507,331	
Less: Depreciation and impairment		664,164,456		571,739,182	
Net block			633,627,039		572,768,149
Intangible assets	E (ii)				
Gross block		2,076,102		2,076,102	
Less: Amortisation and impairment		2,076,102		2,076,102	
Net block			-		-
<b>Investments</b>			124,432		116,636
<b>Current assets, loans and advances</b>	F				
Inventories		1,122,595,051		1,091,750,272	
Sundry debtors		1,279,366,407		1,465,757,226	
Cash and bank balances		869,624,477		634,689,408	
Loans and advances		950,944,797		271,286,225	
		4,222,530,732		3,463,483,131	
<b>Less: Current liabilities and provisions:</b>	G				
Liabilities		1,701,506,204		1,282,719,044	
Provisions		180,916,233		521,892,424	
		1,882,422,437		1,804,611,468	
<b>Net current assets</b>			2,340,108,295		1,658,871,664
<b>Deferred Tax Asset</b>			18,846,750		-
<b>TOTAL</b>			<b>2,992,706,516</b>		<b>2,231,756,449</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	O				
<b>CONTINGENT LIABILITIES</b>					
See Schedule O Note No. 1					

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	2010 Rupees	Rupees	2009 Rupees	Rupees
<b>INCOME</b>					
Sales & service (net)	H	5,283,733,864		5,822,482,232	
Other operational income	I	24,355,922		14,041,017	
Other income	J	21,781,764		77,634,396	
			5,329,871,550		5,914,157,645
<b>EXPENDITURE</b>					
Manufacturing, construction and operating expenses	K	3,647,489,026		3,822,758,725	
Staff expenses	L	410,222,018		482,318,536	
Sales, administration and other expenses	M	392,883,561		495,790,127	
Interest expenses and brokerage	N	4,816,774		13,441,794	
Depreciation and obsolescence of tangible assets		58,408,702		85,096,174	
Amortisation and impairment of intangible assets		-		2,076,102	
			4,513,820,081		4,901,481,458
<b>Profit before tax</b>			816,051,469		1,012,676,187
Provision for current taxes		60,908,215		276,139,086	
Provision for deferred tax		41,394,369		(22,825,958)	
			102,302,584		253,313,128
<b>Profit after tax</b>			713,748,885		759,363,059
Balance brought forward from previous year			783,469,951		160,006,892
<b>Profit available for appropriation</b>			1,497,218,836		919,369,951
Proposed final dividend			184,290,002		135,900,000
<b>Balance carried to Balance Sheet</b>			1,312,928,834		783,469,951
Basic earning per equity share (Basic & Diluted) (See Schedule O Note No. 8)			7.14		7.59
Face value per equity share			MYR 1.00		MYR 1.00
<b>Significant Accounting Policies</b>	O				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Profit before tax (excluding minority interest and extraordinary item)</b>	<b>816,051,469</b>	<b>1,012,676,187</b>
<b>Adjustments for :</b>		
Depreciation (including obsolescence), amortisation and impairment	58,408,702	87,172,276
Foreign currency translation reserve	157,952,597	(66,833,427)
Unrealised foreign exchange loss / (gain) (net)	25,426,730	24,192,641
Provision for doubtful debts	21,475,711	16,308,000
Interest expenses	4,816,774	13,441,794
Interest received	(16,540,963)	(2,871,203)
(Profit) / loss on sale of fixed assets (net)	1,279,299	(2,212,289)
<b>Operating profit before working capital changes</b>	<b>1,068,870,320</b>	<b>1,081,873,979</b>
<b>Adjustments for :</b>		
(Increase) / decrease in trade and other receivables	(559,016,943)	659,968,334
(Increase) / decrease in inventories	(30,844,779)	522,519,419
Increase / (decrease) in trade payables and customer advances	55,795,169	(648,687,217)
<b>Cash generated from operations</b>	<b>534,803,766</b>	<b>1,615,674,515</b>
Income taxes paid	(102,302,584)	(136,957,737)
<b>Net cash (used in) / from operating activities</b>	<b>432,501,182</b>	<b>1,478,716,778</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(86,851,332)	(77,659,090)
Sale of fixed assets	3,228,192	3,421,826
Interest received	16,540,963	2,871,203
Exchange difference in opening balance of investment	(7,796)	-
Exchange difference in opening balance of fixed assets	(36,923,751)	21,108,387
<b>Cash (used in) / from investing activities</b>	<b>(104,013,724)</b>	<b>(50,257,674)</b>
<b>C. Cash flow from financing activities</b>		
Repayment of borrowings	95,554,387	(781,453,920)
Dividend paid	(184,290,002)	-
Interest paid	(4,816,774)	(13,441,794)
<b>Net cash (used in) / from financing activities</b>	<b>(93,552,389)</b>	<b>(794,895,714)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>234,935,069</b>	<b>633,563,390</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>634,689,408</b>	<b>1,126,018</b>
<b>Cash and cash equivalents at end of the period</b>	<b>869,624,477</b>	<b>634,689,408</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Purchase of fixed assets includes movement of capital work-in-progress during the period.
- Previous period's figures have been regrouped / reclassified wherever applicable.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
100,000,000 equity shares of MYR 1.00 each		<u>1,191,750,000</u>		<u>1,191,750,000</u>
<b>Issued</b>				
100,000,000 equity shares of MYR 1.00 each		<u>1,191,750,000</u>		<u>1,191,750,000</u>
<b>Subscribed and paid up</b>				
100,000,000 equity shares of MYR 1.00 each		<u>1,191,750,000</u>		<u>1,191,750,000</u>
(All shares are held by Larsen & Toubro International FZE, the holding Company)				
<b>TOTAL</b>		<u><u>1,191,750,000</u></u>		<u><u>1,191,750,000</u></u>
<b>SCHEDULE - B</b>				
<b>RESERVES &amp; SURPLUS</b>				
<b>Foreign currency translation reserve</b>				
As per last Balance Sheet	<u>161,599,884</u>		<u>228,433,311</u>	
Addition / (deduction) during the year	<u>(157,952,597)</u>		<u>(66,833,427)</u>	
		<u>319,552,481</u>		<u>161,599,884</u>
<b>Retained earnings</b>				
As per last Balance Sheet	<u>783,469,951</u>		<u>160,006,892</u>	
Add: Transferred from:				
Profit and Loss Account	<u>529,458,883</u>		<u>623,463,059</u>	
		<u>1,312,928,834</u>		<u>783,469,951</u>
<b>TOTAL</b>		<u><u>1,632,481,315</u></u>		<u><u>945,069,835</u></u>
<b>SCHEDULE - C</b>				
<b>SECURED LOANS</b>				
Short term loans and advances:				
Lease finance-due within 1 year		<u>2,797,612</u>		<u>1,561,980</u>
Other loans and advances:				
Lease finance-due beyond 1 year		<u>7,734,561</u>		<u>4,272,329</u>
<b>TOTAL</b>		<u><u>10,532,173</u></u>		<u><u>5,834,309</u></u>
<b>SCHEDULE - D</b>				
<b>UNSECURED LOANS</b>				
Short term loans and advances:				
From banks		<u>157,943,028</u>		<u>67,086,505</u>
<b>TOTAL</b>		<u><u>157,943,028</u></u>		<u><u>67,086,505</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - E (i)****FIXED ASSETS**

TANGIBLE ASSETS	COST / VALUATION						DEPRECIATION						BOOK VALUE	
	As at 01.01.2010	Foreign Currency Fluctuation	Transfer in	Additions	Deductions	As at 31.12.2010	Up to 01.01.2010	Transfer in	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>OWNED ASSETS:</b>														
Land - freehold	62,562,652	4,177,749	-	-	-	<b>66,740,401</b>	-	-	-	-	-	-	<b>66,740,401</b>	62,562,652
Buildings	389,862,390	(4,993,778)	-	-	(3,014,451)	<b>381,854,161</b>	63,367,208	-	2,783,282	10,011,880	(217,057)	<b>75,945,313</b>	<b>305,908,848</b>	326,495,182
Plant and machinery	459,142,621	30,660,186	-	40,954,437	(188,468)	<b>530,568,776</b>	325,802,243	-	22,391,258	28,019,508	(186,568)	<b>376,026,441</b>	<b>154,542,335</b>	133,340,378
Furniture and fixtures	36,717,123	13,197,262	-	4,360,225	-	<b>54,274,610</b>	18,030,736	-	1,908,068	4,912,477	-	<b>24,851,281</b>	<b>29,423,329</b>	18,686,387
Computers	144,842,478	9,672,153	-	31,207,840	(3,938,855)	<b>181,783,616</b>	138,216,252	-	9,350,633	5,336,131	(3,608,747)	<b>149,294,269</b>	<b>32,489,347</b>	6,626,226
Office Equipment	33,662,403	22,530,110	-	2,006,729	-	<b>58,199,242</b>	17,080,211	-	2,372,103	6,576,077	-	<b>26,028,391</b>	<b>32,170,851</b>	16,582,192
Vehicles	17,717,664	1,183,133	-	8,322,101	(2,852,209)	<b>24,370,689</b>	9,242,532	-	697,720	3,552,629	(1,474,120)	<b>12,018,761</b>	<b>12,351,928</b>	8,475,132
<b>TOTAL</b>	<b>1,144,507,331</b>	<b>76,426,815</b>	-	<b>86,851,332</b>	<b>(9,993,983)</b>	<b>1,297,791,495</b>	<b>571,739,182</b>	-	<b>39,503,064</b>	<b>58,408,702</b>	<b>(5,486,492)</b>	<b>664,164,456</b>	<b>633,627,039</b>	<b>572,768,149</b>
Previous year	1,132,742,513	(52,689,507)	-	77,659,090	(13,204,765)	1,144,507,331	530,219,356	-	(31,581,120)	85,096,174	(11,995,228)	571,739,182		
Add: Capital work-in-progress													-	-
													<b>633,627,039</b>	<b>572,768,149</b>

**SCHEDULE - E (ii)****FIXED ASSETS**

INTANGIBLE ASSETS	COST / VALUATION				DEPRECIATION				BOOK VALUE	
	As at 01.01.2010	Additions	Deductions	As at 31.12.2010	Up to 01.01.2010	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Development Expenditure incurred	2,076,102	-	-	<b>2,076,102</b>	2,076,102	-	-	<b>2,076,102</b>	-	-
<b>TOTAL</b>	<b>2,076,102</b>	-	-	<b>2,076,102</b>	<b>2,076,102</b>	-	-	<b>2,076,102</b>	-	-
Previous year	-	2,076,102	-	2,076,102	-	2,076,102	-	2,076,102	-	-

**As at 31.12.2010****Rupees****Rupees****As at 31.12.2009****Rupees****Rupees****SCHEDULE - F****CURRENT ASSETS, LOANS AND ADVANCES****Current assets**

Raw materials

**593,670,726**

469,926,123

Finished goods

**430,997,366**

325,098,920

**1,024,668,092****795,025,043**

Work-in-progress:

Manufacturing work-in-progress at cost or net realisable value whichever is lower

**97,926,959**

296,725,229

Total work-in-progress

**97,926,959**

296,725,229

**1,122,595,051****1,091,750,272**

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Sundry debtors				
Unsecured				
Debts outstanding for more than 6 months				
Considered good	447,950,975		617,347,388	
Considered doubtful	39,359,524		16,308,000	
	<u>487,310,499</u>		<u>633,655,388</u>	
Other debts				
Considered good	831,415,432		848,409,838	
	<u>1,318,725,931</u>		<u>1,482,065,226</u>	
Less : Provision for doubtful debts	<u>(39,359,524)</u>		<u>16,308,000</u>	
		<b>1,279,366,407</b>		<b>1,465,757,226</b>
Cash and bank balances:				
Cash on hand	778,878		791,237	
Balances with non-scheduled banks				
on current accounts	71,483,099		158,248,171	
on deposit	797,362,500		475,650,000	
		<b>869,624,477</b>		<b>634,689,408</b>
<b>Loans and advances</b>				
Unsecured				
Considered good				
Fellow Subsidiary Companies:				
Advances recoverable	429,823,504		132,966,768	
Inter-Corporate deposits:				
Others	271,514,631		-	
Advances recoverable in cash or in kind	187,258,786		25,465,023	
	<u>888,596,921</u>		<u>158,431,791</u>	
Advance Tax	62,347,876		112,854,434	
		<b>950,944,797</b>		<b>271,286,225</b>
<b>TOTAL</b>		<b><u>4,222,530,732</u></b>		<b><u>3,463,483,132</u></b>
<b>SCHEDULE - G</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to : Subsidiaries	104,050,283		-	
Others	1,392,230,819		1,122,920,540	
		<b>1,496,281,102</b>		<b>1,122,920,540</b>
Advances from customers		<b>205,225,102</b>		<b>159,798,504</b>
		<b>1,701,506,204</b>		<b>1,282,719,044</b>
<b>Provisions for</b>				
Current taxes	104,621,586		276,139,086	
Leave encashment	35,285,190		39,449,609	
Employee pension schemes	6,995,712		2,857,936	
Proposed equity dividend	-		135,900,000	
Other provisions	34,013,745		67,545,793	
		<b>180,916,233</b>		<b>521,892,424</b>
<b>TOTAL</b>		<b><u>1,882,422,437</u></b>		<b><u>1,804,611,468</u></b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009
	Rupees	Rupees	Rupees
<b>SCHEDULE - H</b>			
<b>SALES &amp; SERVICE</b>			
Manufacturing activity- Gross sales		5,283,733,864	5,822,482,232
<b>TOTAL</b>		<u>5,283,733,864</u>	<u>5,822,482,232</u>
<b>SCHEDULE - I</b>			
<b>OTHER OPERATIONAL INCOME</b>			
Profit on sale of fixed assets (net)		-	2,212,289
Miscellaneous income		24,355,922	11,828,728
<b>TOTAL</b>		<u>24,355,922</u>	<u>14,041,017</u>
<b>SCHEDULE - J</b>			
<b>OTHER INCOME</b>			
Interest income			
Interest received on inter-corporate deposits from associate companies, customers and others		16,540,963	2,871,203
Exchange Gain Loss-Others		5,240,801	74,763,193
<b>TOTAL</b>		<u>21,781,764</u>	<u>77,634,396</u>
<b>SCHEDULE - K</b>			
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>			
Materials consumed			
Opening Stock Raw Materials and components	469,926,123		604,004,529
Purchase Raw Materials	3,335,816,975		2,730,094,092
Freight Inwards	18,234,305		2,961,173
Closing Stock Raw materials and components	593,670,726		469,926,123
	<u>3,230,306,677</u>		<u>2,867,133,671</u>
Less : Scrap sales	24,606,600		33,315,283
		<u>3,205,700,077</u>	<u>2,833,818,388</u>
(Increase) / decrease in manufacturing and trading stocks:			
Closing stock:			
Finished goods	430,997,366		325,098,920
Work-in-progress	97,926,959		296,725,229
	<u>528,924,325</u>		<u>621,824,149</u>
Less : Opening stock:			
Finished goods	325,098,920		503,934,558
Work-in-progress	296,725,229		506,330,604
	<u>621,824,149</u>		<u>1,010,265,162</u>
		<u>92,899,824</u>	<u>388,441,013</u>
Sub-contracting charges		70,244,402	197,372,082
Stores, spares and tools		104,423,989	27,993,342
Power and fuel		24,190,756	23,018,906
Packing and forwarding		50,674,448	138,792,262
Insurance		9,937,583	(1,777,482)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
Rent		20,085,640		17,315,125
Travelling and conveyance		10,966,318		4,176,875
Repairs to plant and machinery		14,457,862		26,787,471
General repairs and maintenance		21,444,834		21,342,174
Testing fees		21,094,641		144,470,968
Other expenses		1,368,652		1,007,601
<b>TOTAL</b>		<b>3,647,489,026</b>		<b>3,822,758,725</b>
<b>SCHEDULE - L</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		347,832,537		381,932,960
Contribution to and provision for:				
Provident fund and pension fund	42,933,745		41,553,611	
Social security employer contribution	3,205,654		3,179,807	
		46,139,399		44,733,418
Leave encashment		5,495,400		39,915,805
Welfare and other expenses		10,754,682		15,736,353
<b>TOTAL</b>		<b>410,222,018</b>		<b>482,318,536</b>
<b>SCHEDULE - M</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Packing and forwarding		168,187,040		184,404,764
Professional fees		25,043,891		635,809
Rates and taxes		1,790,023		2,144,980
Travelling and conveyance		50,226,525		39,009,465
General repairs and maintenance		237,125		3,146,531
Telephone, postage and telegrams		16,284,389		13,792,736
Advertising and publicity		2,197,077		2,486,352
Stationery and printing		6,863,513		6,224,941
Commission:				
Distributors and agents		39,585,634		92,783,310
Bank charges		18,752,684		19,718,891
Miscellaneous expenses		35,961,288		46,597,640
Provision for doubtful debts & advances		21,475,711		16,500,692
Loss on sale of Fixed Assets (net)		1,279,299		-
Other Provisions		4,999,362		68,344,016
<b>TOTAL</b>		<b>392,883,561</b>		<b>495,790,127</b>
<b>SCHEDULE - N</b>				
<b>INTEREST EXPENSES AND BROKERAGE</b>				
On fixed loans		-		4,958,362
Others		4,816,774		8,483,432
<b>TOTAL</b>		<b>4,816,774</b>		<b>13,441,794</b>



## **SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

### **SCHEDULE - O**

#### **LEGAL STATUS**

Tamco Switchgear (Malaysia) Sdn. Bhd. is a private limited Company registered under the Malaysian Companies Act, 1965. In April 2008, Larsen & Toubro International FZE acquired the 100% equity interest in the Company from Tamco Corporate Holdings Berhad.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub Section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumption that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.

##### **2. REVENUE RECOGNITION**

###### **Sales of Goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably. Sales includes adjustments towards liquidated damages and price variation wherever applicable.

###### **Sales of Services**

Revenue from services will be recognised upon services rendered.

##### **3. RESEARCH AND DEVELOPMENT**

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each Balance Sheet date.

##### **4. FIXED ASSETS & DEPRECIATION**

Fixed Assets are depreciated on a straight-line basis over the assets' useful lives. These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

##### **5. INVENTORIES**

Raw materials and consumable stores, work-in-progress, finished products and inventory-in transit are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials determined using weighted average cost and an applicable portion of labour and manufacturing overheads for finished goods. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

##### **6. FOREIGN CURRENCY TRANSACTIONS**

Reporting currency used by the Company is Malaysian Ringgits. The financial statements are translated in Indian Rupees as follows:

- Share capital is retained as the initial contribution amount.
- Fixed Assets, Current Assets and Current Liabilities are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

##### **7. TAXATION**

Taxes on income for the current period is determined on the basis of taxable income and tax credit in accordance to provisions of taxation law and based on the expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year, using the tax rates and laws enacted or subsequently enacted as on Balance Sheet date.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Deferred tax assets are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

**NOTES ON ACCOUNTS**

- Contingent Liability with respect to guarantees given to licensed banks as at December 31, 2010 is Rs. 388,619,985 (*Previous year Rs. 487,296,630*)
- Related party disclosures

**A. Related parties where control exists:**

	<b>Relationship</b>
Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

**B. Transaction with related parties during the year.**

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
Tamco Shanghai Switchgear Co. Ltd.	Fellow Subsidiary Company
Tamco Electrical Industries Australia Pte Ltd.	Fellow Subsidiary Company
PT Tamco Indonesia	Fellow Subsidiary Company
L&T Electrical & Automation FZE	Fellow Subsidiary Company
Larsen & Toubro Infotech Limited	Fellow Subsidiary Company

**C. Disclosure of Transactions with Related Parties**

Related party	Nature of relationship	Amount in INR	Nature of Transaction	Amount Outstanding
Larsen & Toubro Limited	Ultimate Holding Company	260,821,923	Sales	77,985,258
Tamco Shanghai Switchgear Co. Ltd.	Fellow Subsidiary	1,861,698	Sales	(3,983,413)
Tamco Shanghai Switchgear Co Ltd	Fellow Subsidiary	5,431,069	Purchase	
Tamco Electrical Industries Australia Pte Ltd.	Fellow Subsidiary	279,231,218	Sales	90,133,929
		292,426	Purchases	
PT Tamco Indonesia	Fellow Subsidiary	26,979,446	Sales	173,498,367
		Nil	Investment	124,432
L&T Electrical & Automation FZE	Fellow Subsidiary	1,771,183	Sales	125,189
Larsen & Toubro International FZE	Holding Company	6,065,976	Interest	271,514,631
Larsen & Toubro Infotech Limited	Fellow Subsidiary	14,399,619	SAP software	(11,229,043)
Larsen & Toubro East Asia Sdn Bhd	Fellow Subsidiary	Nil	Nil	(757,071)

- Balance with non-schedule banks

## Current Accounts

Name of the Bank	As at 31.12.2010	Maximum outstanding at any time during the period (Rs.)
OCBC Bank	25,005,607	26,670,964
Standard Chartered Bank	43,606,523	419,261,220
Deutsche Bank	1,293,773	43,814,823
Eon Bank	663,097	3,308,243
Maybank	914,099	768,420,128

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## Deposit Account

Name of the Bank	As at 31.12.2010	Maximum outstanding at any time during the period (Rs.)
Maybank - FD	797,362,500	797,362,500

- The Company has foreign currency liability amounting to Rs. 59,158,759 which have not been hedged by a derivative instrument or otherwise.
- Borrowing cost capitalized during the period is Nil.
- There are no transactions with micro small and medium enterprises during the year.
- Auditor's remuneration charged to the accounts are :

Particulars	Rs.
For Statutory Audit	6,37,929
For Other Matters	2,12,643
Total	8,50,572

- Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets".

Particulars	Class of Provisions- Product Warranties
Balance as at 01-01-2010	67,545,793
Provision during the year	9,623,203
Balance as at 31-12-2010	77,168,996

- Earnings Per Share (Basic & Diluted)

Particulars	For the year	
	2010	2009
Profit / (Loss) After Tax	713,748,885	759,363,059
No. of Shares	100,000,000	100,000,000
Earnings per share	7.14	7.59

- Details of sales, raw materials consumed and inventories purchased:-

**SALES**

Class of Goods	2010		2009	
	Qty	Rs.	Qty	Rs.
Vacuum Circuit Breaker	23,943	4,922,168,934	19,350	4,091,455,179
Ring Main unit	481	70,444,257	3901	587,589,155
Gas Insulated Switchgear	28	87,663,478	166	527,225,584
Others	-	203,457,209	-	616,212,314
		5,283,733,864		5,822,482,232

**RAW MATERIALS & COMPONENTS CONSUMED**

Class of Goods	2010		2009	
	Qty	Rs.	Qty	Rs.
Copper (mt)	-	109,185,531	-	187,210,000
Mild Steel mt)	-	4,886,761	-	59,296,000
Stainless Steel (mt)	-	192,851,518	-	124,934,000
Electrical Parts	-	1,570,302,941	-	1,304,180,000
Mechanical Parts	-	877,590,683	-	792,953,000
Others	-	450,882,643	-	365,245,388
		3,205,700,077		2,833,818,388

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****INVENTORIES**

Class of Goods	2010		2009	
	Qty	Rs.	Qty	Rs.
MV switchgears	-	430,997,366	-	325,098,920
		430,997,366		325,098,920

## 11. Capacities and Production:-

Class of Goods (Units)	2010		2009	
	Capacity	Production	Capacity	Production
Breaker	9,550	5,935	7,200	5,451
VCB panel	9,550	4,566	7,000	5,075
RMU Components	6,000	3,509	6,000	1,883
GIS	720	419	720	285

## 12. Segmental Reporting

The Company operates wholly in Malaysia and its activities are the design, manufacture, supply, installation, commissioning and maintenance of equipment and systems for power distribution and motor control during the current year.

The Company operates predominantly in one industry – power distribution and motor control. Hence, no segment reporting is required.

## 13. Previous year's figures are regrouped / reclassified where ever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 14. Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets and Net Intangible Assets Investments Net Current Assets Miscellaneous Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover (Including other income) Total Expenditure (incl. Prior year Adj.) Profit / (Loss) Before Tax Profit / (Loss) After Tax Earning per share in Rs. (Basic) Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. 

(ITC Code)

Product Description 

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of**R. D. KARE**Partner  
Membership No. 08820Place : Mumbai  
Date : May 9, 2011**S. C. BHARGAVA**  
DirectorPlace : Mumbai  
Date : May 9, 2011**P. D. KHEDEKAR**  
Director

## ***DIRECTORS' REPORT***

The Directors present the Annual Report and the audited accounts of the company for the year ended December 31, 2010.

### **FINANCIAL RESULTS**

<b>Financial Results</b>	<b>12 months Ending 31.12.2010 Rs. Lakhs</b>	<i>12 Months Ending 31.12.2009 Rs. Lakhs</i>
Profit / (Loss) before Depreciation and Tax	<b>978</b>	742
Profit / (Loss) before tax	<b>940</b>	701
Taxes	-	-
Profit / (Loss) after tax	<b>940</b>	701

### **DIVIDEND**

The Directors do not recommend any dividend for the financial period in view of the accumulated losses.

### **CAPITAL EXPENDITURE**

As at December 31, 2010, the gross fixed assets stood at Rs. 1,097 Lakhs and the net assets at Rs. 98 Lakhs.

### **AUDITOR'S REPORT**

The Auditor's Report to the shareholders does not contain any qualifications.

### **MATERIAL CHANGES**

There have been no material changes between Balance Sheet date and the date of Directors' Report.

### **SUBSIDIARY COMPANIES**

The Company has no Subsidiaries.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors have determined that the entity is a reporting entity and that the general purpose financial reports are prepared in accordance with the requirements of the Australia's Corporation Act, 2001, applicable Australia Accounting Standards and Urgent Issues Group Interpretations.

In the opinion of the Directors:

- i. In preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure.
- ii. That the selected accounting policies were applied consistently and the Directors made judgment 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 December 31, 2010.
- iii. That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- iv. That the annual accounts have been prepared on a going concern basis.
- v. That the Company is financially dependent on Larsen & Toubro International FZE, to meet all debts and liabilities as and when they fall due.

### **DIRECTORS**

Mr. Claude Corso, Mr. S. C. Bhargava and Mr. P. D. Khedekar are the Directors of the company.

### **AUDIT COMMITTEE**

The company has not been incorporated under the provision of Indian Companies Act, 1956 and hence the requirement of having an Audit Committee is not applicable.

### **AUDITORS**

Messrs. KST Partners was the auditors for financial year 2010.

### **ACKNOWLEDGEMENT**

The Directors acknowledge the invaluable support extended to the company by the bankers, employees of the company and staff of the ultimate holding company.

For and on behalf of the Board

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF TAMCO ELECTRICAL INDUSTRIES AUSTRALIA PTY LTD**

The financial statements of Tamco Electrical Industries Australia Pty Ltd for the period ended December 31, 2010, being a company registered in Australia, are audited by KST Partners, and we have been furnished with their audit report dated April 8, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Tamco Electrical Industries Australia Pty Ltd as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Australia, no reporting is required to be made under the said section.

Without qualifying our opinion, we draw attention to note 2 in Schedule M, which raise substantial doubt that the Company will be able to continue as a going concern without continued support of its parent Company.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in schedule M and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2009;
- 2 in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.  
(b) We are informed that the Company has physically verified fixed assets and no material discrepancies were noticed on such verification.  
(c) The Company has not disposed of any substantial part of its fixed assets.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.  
(b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Australia.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5 The Company is incorporated in the Australia and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 The Company does not have an adequate internal audit system commensurate with its size and nature of its business.
- 8 Cost records are not required to be maintained under Section 209(1)(d) of the Companies Act, 1956 by the Company as it is incorporated in the Australia.
- 9 The Company being registered in the Australia, has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at the end of the financial year and the Company has not incurred cash losses during current financial year.
- 11 According to the information and explanations given by management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 According to the information and explanations given to us the Company has applied all the term loans for the purpose for which they were obtained.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	<u>Schedules</u>	<u>As at 31.12.2010</u>		<u>As at 31.12.2009</u>	
		<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	451,980,000		451,980,000	
Reserves and surplus	B	110,834,758		104,645,987	
			562,814,758		556,625,987
<b>Loan Funds</b>					
Secured loans	C	63,728,000		66,964,000	
			63,728,000		66,964,000
<b>TOTAL</b>			<b>626,542,758</b>		<b>623,589,987</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Tangible assets	D				
Gross block		109,657,452		100,282,608	
Less: Depreciation and impairment		99,852,536		89,187,468	
Net block			9,804,916		11,095,140
<b>Current assets, loans and advances</b>					
Inventories	E	93,770,062		128,264,645	
Sundry debtors		169,538,602		204,890,337	
Cash and bank balances		42,051,331		36,849,703	
Loans and advances		59,542,345		64,486,667	
		364,902,340		434,491,352	
<b>Less: Current liabilities and provisions</b>					
Liabilities	F	208,382,685		382,489,999	
Provisions		22,552,838		16,318,918	
		230,935,523		398,808,917	
<b>Net current assets</b>			<b>133,966,817</b>		<b>35,682,435</b>
<b>Profit and Loss Account</b>			<b>482,771,025</b>		<b>576,812,412</b>
<b>TOTAL</b>			<b>626,542,758</b>		<b>623,589,987</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
	M				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Schedules</u>	<u>2010</u> <u>Rupees</u>	<u>Rupees</u>	<u>2009</u> <u>Rupees</u>	<u>Rupees</u>
<b>INCOME</b>					
Sales & service (Net)	<b>G</b>		<b>801,834,340</b>		599,328,794
Other income	<b>H</b>		<b>4,645,888</b>		33,554,880
			<b>806,480,228</b>		632,883,674
<b>EXPENDITURE</b>					
Manufacturing, construction and operating expenses	<b>I</b>	<b>565,697,919</b>		455,353,317	
Staff expenses	<b>J</b>	<b>110,595,125</b>		83,543,473	
Sales, administration and other expenses	<b>K</b>	<b>29,062,369</b>		17,432,439	
Interest expenses and brokerage	<b>L</b>	<b>3,320,434</b>		2,436,418	
Depreciation and obsolescence of tangible assets		<b>3,762,993</b>		4,064,429	
			<b>712,438,841</b>		562,830,076
<b>Profit before tax</b>			<b>94,041,387</b>		70,053,598
Provision for current taxes			-		-
<b>Profit after tax</b>			<b>94,041,387</b>		70,053,598
Add: Brought forward from previous year			<b>(576,812,412)</b>		(646,866,010)
<b>Balance carried to Balance Sheet</b>			<b>(482,771,025)</b>		(576,812,412)
Basic earning per equity share (Rupees)			<b>6.97</b>		5.19
Face value per equity share			<b>AUD 1.00</b>		AUD 1.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>M</b>				

The schedules referred to above and the notes attached form an integral part of financial statements.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

(ICAI Registration No. 109982W)

By the hand of

**R. D. KARE**

Partner

Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit / (Loss) Before Tax</b>	<b>94,041,387</b>	<b>70,053,598</b>
<b>Adjustments for:</b>		
Foreign currency translation reserve	6,188,771	(11,955,664)
Depreciation (including obsolescence) and amortisation	3,762,993	4,064,429
Interest Paid	3,320,434	2,436,418
Unrealised foreign exchange (gain) / loss	(1,796,351)	(33,041,961)
Profit on sale of Fixed Assets	(314,765)	(600,866)
Provision for Leave encashment and other benefits	4,462,317	4,063,212
<b>Operating Profit before Working Capital Changes</b>	<b>109,664,787</b>	<b>35,019,167</b>
(Increase) / Decrease in Inventories	34,494,583	(61,524,151)
(Increase) / Decrease in Receivables and loans	37,209,182	(95,786,554)
Increase / (Decrease) in Current liabilities	(167,452,484)	159,545,137
<b>Cash generated from Operating Activities</b>	<b>13,916,068</b>	<b>37,253,599</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets (Tangible & Intangible)	(1,819,007)	(1,057,655)
Fluctuation on account of Exchange Difference	(653,762)	(2,415,460)
Sales of Fixed Assets	314,765	600,866
<b>Net Cash (used in) / from Investing Activities</b>	<b>(2,158,004)</b>	<b>(2,872,249)</b>
<b>C. Cash Flow from Financing Activities</b>		
Fluctuation on account of Exchange Difference	5,868,000	1,562,861
Repayment of Bank Borrowings	(9,104,002)	-
Interest Paid	(3,320,434)	(2,436,418)
<b>Net Cash Used in / From Financing Activities</b>	<b>(6,556,436)</b>	<b>(873,557)</b>
<b>Net Decrease / Increase in cash and Cash Equivalents (A+B+C)</b>	<b>5,201,628</b>	<b>33,507,793</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>36,849,703</b>	<b>3,341,910</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>42,051,331</b>	<b>36,849,703</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS)3: "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Cash and Cash equivalents represent cash and bank balances.
- Previous years figures have been regrouped & reclassified wherever applicable.

As per our attached report

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI Registration No. 109982W)  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai  
Date : May 9, 2011

Place : Mumbai  
Date : May 9, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
15,000,000 equity shares of AUD 1.00 each	<u>502,200,000</u>	<u>502,200,000</u>
<b>Issued</b>		
13,500,000 equity shares of AUD 1.00 each	<u>451,980,000</u>	<u>451,980,000</u>
<b>Subscribed and paid up</b>		
13,500,000 equity shares of AUD 1.00 each (All shares are held by Larsen & Toubro Internatinal FZE, the holding company)	<u>451,980,000</u>	<u>451,980,000</u>
<b>TOTAL</b>	<u><u>451,980,000</u></u>	<u><u>451,980,000</u></u>

<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
Securities premium account	99,533,696	99,533,696
Foreign currency translation reserve		
As per last Balance Sheet	5,112,291	17,067,955
Addition / (deduction) during the year	<u>6,188,771</u>	<u>(11,955,664)</u>
	<u>11,301,062</u>	<u>5,112,291</u>
<b>TOTAL</b>	<u><u>110,834,758</u></u>	<u><u>104,645,987</u></u>

<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
Loans from banks	-	-
Other loans	<u>63,728,000</u>	<u>66,964,000</u>
<b>TOTAL</b>	<u><u>63,728,000</u></u>	<u><u>66,964,000</u></u>

**SCHEDULE - D**  
**FIXED ASSETS**

FIXED ASSETS - TANGIBLE	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01 2010	Exchange difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	Upto 01.01 2010	Exchange difference included in Translation Reserve	Additions	Deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>OWNED ASSETS</b>												
Plant and machinery	49,966,151	4,378,502	623,569		54,968,222	41,896,655	3,879,127	2,454,980		48,230,762	6,737,460	8,069,496
Office Equipments	31,960,578	2,800,701	975,244		35,736,523	30,256,093	2,712,093	718,162		33,686,348	2,050,175	1,704,485
Furniture and fixtures	13,527,523	1,185,393	220,193		14,933,109	13,453,318	1,182,552	42,646		14,678,516	254,593	74,205
Vehicles	4,828,356	423,104		(1,231,862)	4,019,598	3,581,402	360,164	547,206	(1,231,862)	3,256,910	762,688	1,246,954
<b>Total</b>	100,282,608	8,787,699	1,819,007	(1,231,862)	109,657,452	89,187,468	8,133,937	3,762,993	(1,231,862)	99,852,536	9,804,916	11,095,140
Previous year	81,812,027	19,716,152	1,057,655	2,303,226	100,282,608	70,125,573	17,300,693	4,064,429	2,303,227	89,187,468		
Add: Capital work-in-progress											-	-
											9,804,916	11,095,140

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current assets</b>				
Inventories				
Raw materials	48,338,644		42,969,878	
Work-in-progress:				
Manufacturing work-in-progress at cost or net realisable value, whichever is lower	45,431,418		85,294,767	
		<u>93,770,062</u>		128,264,645
Sundry debtors				
Unsecured				
Debts outstanding for more than 6 months				
Considered good	-		-	
Considered doubtful	265,291		-	
	<u>265,291</u>		-	
Other debts:				
Considered good	169,538,602		204,890,337	
	<u>169,803,893</u>		<u>204,890,337</u>	
Less : Provision for doubtful debts	<u>265,291</u>		-	
		<u>169,538,602</u>		204,890,337
Cash and bank balances				
Cash on hand	32,046		29,464	
Balances with scheduled banks on current accounts	<u>42,019,284</u>		<u>36,820,239</u>	
		<u>42,051,331</u>		36,849,703
<b>Loans and advances</b>				
Unsecured				
Advances recoverable in cash or in kind	4,412,163		13,798,267	
Loans to Fellow Subsidiary Companies	<u>55,130,182</u>		<u>50,688,400</u>	
		<u>59,542,345</u>		64,486,667
<b>TOTAL</b>		<u><u>364,902,340</u></u>		<u><u>434,491,352</u></u>
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Liabilities				
Sundry creditors				
Due to : Fellow Subsidiary Companies	84,525,086		147,381,319	
Others	<u>124,352,128</u>		<u>26,501,213</u>	
		<u>208,877,214</u>		173,882,532
Advances from customers		(494,529)		208,607,467
Provisions for				
Compensated absences		<u>22,552,838</u>		<u>16,318,918</u>
<b>TOTAL</b>		<u><u>230,935,524</u></u>		<u><u>398,808,917</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>SALES &amp; SERVICE</b>				
Manufacturing and trading		801,834,340		599,328,794
<b>TOTAL</b>		<b>801,834,340</b>		<b>599,328,794</b>
<b>SCHEDULE - H</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Profit on sale of fixed assets (net)		314,765		600,866
Exchange Gain		4,040,238		32,857,482
Miscellaneous income		290,885		96,532
<b>TOTAL</b>		<b>4,645,888</b>		<b>33,554,880</b>
<b>SCHEDULE - I</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
Materials consumed:				
Opening Stock of Raw Materials and Components	42,969,878		50,271,294	
Raw materials and components	528,339,563		507,170,659	
Freight Inwards	149,450		1,303,711	
Closing Stock of Raw Materials and Components	(48,338,644)		(42,969,878)	
	523,120,248		515,775,786	
Less: Scrap sales	41,969		258,320	
		523,078,279		515,517,466
(Increase) / decrease in manufacturing and trading stocks:				
Closing stock:				
Work-in-progress	(45,431,418)		85,294,767	
Less : Opening stock:				
Less : Work-in-progress	85,294,767		16,469,199	
		39,863,349		(68,825,568)
Demo Stock		754,638		684,979
Power and fuel		1,209,327		1,126,343
Packing and forwarding		87,673		133,941
Hire charges - plant and machinery and others		656,516		121,369
Other expenses		48,138		23,923
<b>TOTAL</b>		<b>565,697,919</b>		<b>448,782,453</b>
<b>SCHEDULE - J</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		94,833,629		70,258,128
Contribution to and provision for:				
Superannuation / employee pension schemes	10,019,596		7,835,567	
Compensated absences / leave encashment	4,462,317		4,063,210	
		14,481,914		11,898,777
Welfare and other expenses		1,279,582		1,386,568
<b>TOTAL</b>		<b>110,595,125</b>		<b>83,543,473</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010 Rupees	2009 Rupees
<b>SCHEDULE - K</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Rent	6,770,299	6,058,682
Rates and taxes	611,064	458,659
Travelling and conveyance	5,147,497	3,513,810
Telephone, postage and telegrams	1,702,626	1,645,002
Advertising and publicity	34,708	2,822,811
Stationery and printing	730,548	708,255
Insurance	1,575,713	1,234,227
Bank charges	2,243,518	1,705,763
General repairs and maintenance	2,736,482	2,066,556
Professional fees	4,479,692	2,108,156
Provision for doubtful debts (net)	244,593	-
Others	2,785,627	1,681,382
<b>TOTAL</b>	<b>29,062,369</b>	<b>24,003,303</b>
<b>SCHEDULE - L</b>		
<b>INTEREST EXPENSES AND BROKERAGE</b>		
Debentures and fixed loans		
Others	3,320,434	2,436,418
<b>TOTAL</b>	<b>3,320,434</b>	<b>2,436,418</b>
<b>SCHEDULE - M</b>		
<b>LEGAL STATUS</b>		
<p>Tamco Electrical Industries Australia Pty Limited is a proprietary company, limited by shares and registered under the Australia Corporations Act, 2001 in Victoria, Australia. In April 2008, Larsen &amp; Toubro International FZE acquired the 100% equity interest in the Company from Tamco Corporate Holdings Berhad.</p>		
<b>SIGNIFICANT ACCOUNTING POLICIES</b>		
1. Basis of Accounting		
<p>The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub section 3C of Section 211 and the other provisions of the Companies Act, 1956.</p> <p>The preparation of accounts under GAAP requires management to make estimates and assumption that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.</p>		
2. Revenue Recognition		
<p>Revenue is recognized to the extent that is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must be met before revenue is recognized:</p>		
<b>Sales of goods</b>		
<p>Revenue from sale of goods is recognized when the substantial risk and reward of ownership are transferred to the buyer under the terms of the contract.</p>		
<b>Rendering of Services</b>		
<p>Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the costs incurred to date as a percentage to total estimated cost for each contract.</p>		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3. Research and Development

Research and development costs are expenses as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development cost are deferred, such costs are amortised over five years in accordance with the expected future benefits. Unamortised costs are reviewed at each Balance Sheet date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

## 4. Fixed Assets &amp; Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment over its expected useful life.

## 5. Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost incurred in bringing each product to its present location and condition is accounted as follows:

- Raw materials – purchase cost on average basis; and
- Finished goods and work-in-progress, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

## 6. Foreign Currency Transactions

Reporting currency used by the Company is Australian Dollars. The financial statements are translated in Indian Rupees as follows:

- Share capital, Share Premium are retained as the initial contribution amount.
- Current Assets and Current Liabilities are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

## 7. Previous year figures are regrouped where ever necessary.

**NOTES ON ACCOUNTS**

## 1. Contingent Liability as at December 31, 2010 is Rs. Nil. (Previous year Rs. Nil)

2. This financial report has been prepared on a going concern basis based on the undertaking given by Larsen & Toubro International FZE for arranging adequate funds to the Company to enable them to continue operations if they cannot meet all their obligations as and when they become due and payable themselves. Though the networth is positive, given the tight financial situation in the banking sector in Australia, and aggravated by the recent global financial crisis, the undertaking from the parent entity will support the Company to procure adequate facilities to support its funding requirements, if need be, to meet the demand of the business operations as it has just emerged into positive networth position in the current year.

## 3. Related party disclosures

**A. Related parties where control exists:**

	Relationship
Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

**B. Transaction with related parties during the year.**

With Tamco Switchgear Malaysia Sdn Bhd	Fellow Subsidiary Company
With PT Tamco Indonesia	Fellow Subsidiary Company

**C. Disclosure of Transactions with Related Parties**

Related party	Nature of relationship	Amount (Rs.)	Nature of Transaction	Amount Outstanding (Rs.)
Tamco Switchgear Malaysia Sdn Bhd	Fellow Subsidiary Company	277,751,195	Purchase Goods	84,525,086 Cr
PT Tamco Indonesia	Fellow Subsidiary Company	2,551,694	Purchases	55,130,182 Dr.

## 4. Balance with non-schedule banks

## a. Current Accounts

Name of the Bank	As at 31.12.2010 (Rs.)	Maximum Outstanding Balance
ANZ Bank	506,547	506,543
OCBC Bank	39,236,738	46,377,961



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## b. Term Deposit

Name of the Bank	As at 31.12.2010 (Rs.)	Maximum Outstanding Balance
OCBC (AUD)Bank	2,276,000	2,276,000

5. The Company has the foreign currency liability amounting to Rs. 161,119,736 that has not been hedged by a derivative instrument or otherwise. These amounts are owing to Tamco Switchgear Sdn Bhd, a related company.
6. Borrowing cost capitalized during the period is Nil.
7. Auditor's remuneration charged to the accounts amounting to Rs. 10,07,248 during the year.
8. Earnings Per Share

Particulars	For the year	
	2010	2009
Profit / (Loss) After Tax (Rs.)	94,041,387	70,053,598
No. of Shares	13,500,000	13,500,000
Earnings per share (Rs.)	6.97	5.19

9. Details of sales, raw materials consumed and inventories

**SALES**

Class of Goods	2010		2009	
	Qty	Rs.	Qty	Rs.
Low Voltage	-	155,615,614		82,901,202
Medium Voltage	-	551,113,603	-	473,897,090
Miscellaneous	-	13,811,716	-	6,019,861
Trade Items	-	36,839,329	-	1,962,329
Installation	-	413,434	-	-
Switchroom	-	44,040,644	-	-
Others	-	-	-	34,548,032
	-	801,834,340	-	599,328,794

**RAW MATERIALS & COMPONENTS CONSUMED**

Class of Goods	2010		2009	
	Qty	Rs.	Qty	Rs.
Electrical components and mechanical parts	-	523,120,248	-	515,775,786

10. The Company operates wholly in one geographical location i.e. Australia and manufactures electrical products. Hence segment reporting is not applicable.



## DIRECTORS' REPORT

The Directors present the Annual Report and the audited accounts of the company for the year ended December 31, 2010.

### FINANCIAL RESULTS

Financial Results	2010 Rs. Lakhs	2009 Rs. Lakhs
Profit / (Loss) before Depreciation and tax	(129.19)	101.41
Profit / (Loss) before Tax	(138.39)	39.90
Taxes	-	-
Profit / (Loss) after Tax	(138.39)	39.90

### APPROPRIATIONS

In view past accumulated losses, there is no amount that can be appropriated.

### DIVIDEND

The Directors do not recommend any dividend for the year in view of the accumulated losses.

### CAPITAL EXPENDITURE

As at December 31, 2010 the gross fixed assets stood at Rs. 455.31 Lakhs and net fixed assets at Rs. 17.88 Lakhs.

### AUDITOR'S REPORT

The Auditors' Report to the shareholders does not contain any qualifications.

### MATERIAL CHANGES

There have been no material changes between Balance Sheet date and date of Directors' Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors 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 December 31, 2010;
- that 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
- that the annual accounts have been prepared on a going concern basis.

### COMMISSIONER AND DIRECTORS

As on December 31, 2010, Mr Peter Goh was the President Director. Mr. Pradeep Dattaram Khedekar and Mr. Rajendra Kumar Malhotra were the Directors.

Mr. Tinjani Rupinder Kumar was appointed President Director in place of Mr. Peter Goh through the Company's Stockholder resolution on January 8, 2009 which was notarized with notarial deed No. 4 of Rina Utami Djauhari, SH dated January 9, 2009.

### AUDIT COMMITTEE

The Company has not been incorporated under the provision of Indian Companies Act, 1956 and hence the requirement of having an Audit Committee is not applicable.

### AUDITORS

Messrs. Arysad & Rekan, the Auditor of the Company.

### ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and employees of the Company.

For and on behalf of the Board

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Commissioner

**P. D. KHEDEKAR**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF PT TAMCO INDONESIA

The financial statements of PT Tamco Indonesia for the year ended December 31, 2010, being a company registered in Indonesia, are audited by Eddy Siddhartha & Rekan, Registered public Accountants and we have been furnished with their audit report dated February 7, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of PT Tamco Indonesia as at December 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the central government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Indonesia, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule M and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- 2 in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
*Partner*  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to paragraph (1) of our report of even date)

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has physically verified fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets.
- 2 (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3 There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the Indonesia.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5 The Company is incorporated in the Indonesia and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required.
- 6 The Company has not accepted deposits from the public.
- 7 The Company does not have an adequate internal audit system commensurate with its size and nature of its business.
- 8 Cost records are not required to be maintained under Section 209(1)(d) of the Companies Act, 1956 by the Company as it is incorporated in the Indonesia.
- 9 The Company being registered in the Indonesia has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at the end of the financial year and the Company has not incurred cash losses during current financial year.
- 11 According to the information and explanations given by management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 According to the information and explanations given to us the Company has applied all the term loans for the purpose for which they were obtained.
- 17 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- 18 The Company has not made any preferential allotment of shares to any party during the year.
- 19 The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- 20 The Company has not raised any money by public issues during the year.
- 21 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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

Place : Mumbai  
Date : May 9, 2011

**R. D. KARE**  
Partner  
Membership No. 08820

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	2,211,000		2,211,000	
Advance towards Equity Commitment		127,132,500		125,225,513	
Reserves and surplus	B	(22,546,769)		(16,878,017)	
			106,796,731		110,558,496
<b>Loan Funds</b>					
Secured loans	C		96,283,629		102,627,389
<b>TOTAL</b>			<b>203,080,360</b>		<b>213,185,885</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
<b>Tangible assets</b>					
Gross block	D (i)	23,750,283		24,003,604	
Less : Depreciation and impairment		21,962,213		21,629,336	
Net block		1,788,070		2,374,268	
Less : Lease adjustment		-		-	
			1,788,070		2,374,268
<b>Intangible assets</b>					
Gross block	D (ii)	21,780,355		21,453,650	
Less : Amortisation and impairment		21,780,355		21,453,650	
Net block			-		-
<b>Current assets, loans and advances</b>					
Inventories	E	59,789,751		47,970,716	
Sundry debtors		45,676,576		37,293,263	
Cash and bank balances		2,766,678		3,202,205	
Loans and advances		9,763,900		4,492,700	
		117,996,905		92,958,884	
<b>Less : Current liabilities and provisions</b>					
Liabilities	F	283,475,373		236,637,885	
Provisions		9,735,752		8,146,715	
		293,211,125		244,784,600	
<b>Net current assets</b>			(175,214,220)		(151,825,716)
<b>Deferred Tax Asset</b>			1,950,495		1,921,238
<b>Profit &amp; Loss Account</b>			374,556,015		360,716,095
<b>TOTAL</b>			<b>203,080,360</b>		<b>213,185,885</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
	M				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Schedules</b>	<b>2010</b> <b>Rupees</b>	<b>Rupees</b>	<b>2009</b> <b>Rupees</b>	<b>Rupees</b>
<b>INCOME</b>					
Sales & service (net)	<b>F</b>	<b>232,735,412</b>		161,820,542	
Other operational income	<b>H (i)</b>	<b>2,035,527</b>		146,913	
Other income	<b>H (ii)</b>	<b>-</b>		19,208,067	
			<b>234,770,939</b>		<b>181,175,522</b>
<b>EXPENDITURE</b>					
Manufacturing, construction and operating expenses	<b>I</b>	<b>180,723,914</b>		117,443,197	
Staff expenses	<b>J</b>	<b>34,971,598</b>		31,373,327	
Sales, administration and other expenses	<b>K</b>	<b>26,345,575</b>		15,813,575	
Interest expenses and brokerage	<b>L</b>	<b>5,648,974</b>		6,403,707	
Depreciation and obsolescence of tangible assets		<b>920,798</b>		1,027,199	
Amortisation and impairment of intangible assets		<b>-</b>		5,124,448	
			<b>248,610,859</b>		<b>177,185,453</b>
<b>Profit before tax</b>			<b>(13,839,920)</b>		<b>3,990,069</b>
Provision for current taxes			<b>-</b>		<b>-</b>
<b>Profit after tax</b>			<b>(13,839,920)</b>		<b>3,990,069</b>
Add: Brought forward from previous year			<b>(360,716,095)</b>		<b>(364,706,164)</b>
<b>Balance carried to Balance Sheet</b>			<b>(374,556,015)</b>		<b>(360,716,095)</b>
Basic earning per equity share (Rupees)			<b>(55.36)</b>		<b>15.96</b>
Face value per equity share			<b>IDR 2,010</b>		<b>IDR 2,010</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>M</b>				

The schedules referred to above and the notes attached form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**

Partner  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 9, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash flow from operating activities</b>		
<b>Profit before tax (excluding minority interest and extraordinary item)</b>	<b>(13,839,920)</b>	3,990,069
Adjustments for :		
Depreciation (including obsolescence), amortisation and impairment	920,798	6,151,647
Unrealised foreign exchange loss / (gain) (net)	4,709,849	(1,965,059)
Foreign currency translation reserve	(5,668,752)	(34,410,079)
Provision for employee benefits	1,469,040	1,328,941
(Profit) / loss on sale of fixed assets (net)	(311,073)	(146,914)
<b>Operating profit before working capital changes</b>	<b>(12,720,058)</b>	(25,051,394)
Adjustments for :		
(Increase) / decrease in trade and other receivables	(13,654,513)	18,027,802
(Increase) / decrease in inventories	(11,819,035)	1,902,685
Increase / (decrease) in trade payables and customer advances	42,218,380	15,777,125
<b>Cash generated from operations</b>	<b>4,024,774</b>	10,656,218
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(295,268)	(341,469)
Sale of fixed assets	311,073	378,824
Exchange difference in opening balance	(39,333)	(378,991)
<b>Cash (used in) / from investing activities</b>	<b>(23,528)</b>	(341,636)
<b>C. Cash flow from financing activities</b>		
Repayment of bank borrowings	(7,906,624)	(31,106,427)
Exchange difference due to translation	3,469,851	23,660,769
<b>Net cash (used in) / from financing activities</b>	<b>(4,436,773)</b>	(7,445,658)
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(435,527)</b>	2,868,924
<b>Cash and cash equivalents at beginning of the period</b>	<b>3,202,205</b>	333,281
<b>Cash and cash equivalents at end of the period</b>	<b>2,766,678</b>	3,202,205

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous period's figures have been regrouped / reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

**R. D. KARE**

Partner

Membership No. 08820

**S. C. BHARGAVA**

Director

**P. D. KHEDEKAR**

Director

Place : Mumbai

Date : May 9, 2011

Place : Mumbai

Date : May 9, 2011



**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
250,000 equity shares of IDR 2,010 each		<u>2,211,000</u>		<u>2,211,000</u>
<b>Issued</b>				
250,000 equity shares of IDR 2,010 each		<u>2,211,000</u>		<u>2,211,000</u>
<b>Subscribed and paid up</b>				
250,000 equity shares of IDR 2,010 each (2,47,500 shares are held by Larsen & Toubro International FZE)		<u>2,211,000</u>		<u>2,211,000</u>
<b>TOTAL</b>		<u><u>2,211,000</u></u>		<u><u>2,211,000</u></u>

<b>SCHEDULE - B</b>				
<b>RESERVES AND SURPLUS</b>				
Foreign Currency Translation Reserve				
As per last Balance Sheet		(16,878,017)		17,532,062
Addition / (deduction) during the year		<u>(5,668,752)</u>		<u>(34,410,079)</u>
			<u>(22,546,769)</u>	<u>(16,878,017)</u>
<b>TOTAL</b>			<u><u>(22,546,769)</u></u>	<u><u>(16,878,017)</u></u>

<b>SCHEDULE - C</b>				
<b>SECURED LOANS</b>				
Loans from banks				
Cash credits / working capital demand loans		<u>96,283,629</u>		<u>102,627,389</u>
<b>TOTAL</b>		<u><u>96,283,629</u></u>		<u><u>102,627,389</u></u>

**SCHEDULE - D (i)****FIXED ASSETS**

TANGIBLE ASSETS	COST / VALUATION					DEPRECIATION					BOOK VALUE		
	As at 01.01.2010	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2010	Upto 01.01.2010	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>OWNED ASSETS</b>													
Plant and machinery	15,106,168	230,043	60,750	(138,625)	15,258,336	14,347,321	217,781	204,461	(138,625)	<b>14,630,939</b>	<b>627,397</b>	758,847	
Office Equipment	4,701,490	71,596	234,518	(280,500)	4,727,104	4,064,123	61,376	148,879	(280,500)	<b>3,993,879</b>	<b>733,225</b>	637,367	
Vehicles	4,195,945	63,898		(495,000)	3,764,843	3,217,891	47,046	567,458	(495,000)	<b>3,337,395</b>	<b>427,448</b>	978,054	
<b>Total</b>	<b>24,003,603</b>	<b>365,537</b>	<b>295,268</b>	<b>(914,125)</b>	<b>23,750,283</b>	<b>21,629,336</b>	<b>326,204</b>	<b>920,798</b>	<b>(914,125)</b>	<b>21,962,213</b>	<b>1,788,070</b>	2,374,268	
Previous year	26,896,600	2,704,685	341,469	(5,939,151)	24,003,603	23,840,350	2,469,027	1,027,199	(5,707,240)	21,629,336			
Add: Capital work-in-progress													
											<b>1,788,070</b>	2,374,268	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE - D (ii)****FIXED ASSETS**

INTANGIBLE ASSETS	COST / VALUATION					AMORTISATION				BOOK VALUE		
	As at 01.01.2010	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2010	Upto 01.01.2010	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Lumpsum fee for technical knowhow	21,453,650	326,705			21,780,355	21,453,650	326,705			21,780,355	-	-
<b>TOTAL</b>	<b>21,453,650</b>	<b>326,705</b>	-	-	<b>21,780,355</b>	<b>21,453,650</b>	<b>326,705</b>	-	-	<b>21,780,355</b>	-	-
<i>Previous year</i>	<i>19,493,418</i>	<i>1,960,232</i>	-	-	<i>21,453,650</i>	<i>14,512,303</i>	<i>1,816,899</i>	<i>5,124,448</i>	-	<i>21,453,650</i>		

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current assets</b>				
Raw materials	14,266,802		7,982,380	
Finished goods	-		3,839,720	
	<u>14,266,802</u>		<u>11,822,100</u>	
Work-in-progress				
Manufacturing work-in-progress at cost or net realisable value whichever is lower	45,522,949		36,148,616	
Total work-in-progress	<u>45,522,949</u>		<u>36,148,616</u>	
		59,789,751		47,970,716
Sundry debtors				
Unsecured				
Debts outstanding for more than 6 months				
Considered good	13,390,871		5,593,619	
Considered doubtful	122,339,370		120,504,279	
	<u>135,730,241</u>		<u>126,097,898</u>	
Other debts				
Considered good	32,285,706		31,699,644	
	<u>168,015,946</u>		<u>157,797,542</u>	
Less : Provision for doubtful debts	<u>122,339,370</u>		<u>120,504,279</u>	
		45,676,576		37,293,263
Cash and bank balances				
Cash on hand	70,862		59,601	
Balances with scheduled banks on current accounts	-			
Balances with non-scheduled banks	<u>2,695,816</u>		<u>3,142,604</u>	
		2,766,678		3,202,205
<b>Loans and advances</b>				
Unsecured, Considered good				
Advances recoverable in cash or in kind		9,763,900		4,492,700
<b>TOTAL</b>		<u>117,996,905</u>		<u>92,958,884</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - F</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Liabilities</b>				
Sundry creditors				
Due to : Associate Company	208,303,221		167,168,690	
Others	62,595,630		65,031,253	
		270,898,851		232,199,943
Advances from customers		12,576,522		4,437,942
<b>Provisions for</b>				
Employee pension schemes		9,735,752		8,146,715
<b>TOTAL</b>		<b>293,211,125</b>		<b>244,784,600</b>
	2010		2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - G</b>				
<b>SALES &amp; SERVICE</b>				
Manufacturing, trading and property development activity		232,519,158		161,818,792
Income from financing activity / annuity based projects		216,254		1,750
<b>TOTAL</b>		<b>232,735,412</b>		<b>161,820,542</b>
<b>SCHEDULE - H (i)</b>				
<b>OTHER OPERATIONAL INCOME</b>				
Profit on sale of fixed assets (net)		311,073		146,913
Miscellaneous income Other Receipts		1,724,454		-
<b>TOTAL</b>		<b>2,035,527</b>		<b>146,913</b>
<b>SCHEDULE - H (ii)</b>				
<b>OTHER INCOME</b>				
Interest income				
Exchange Gain Loss-Others		-		19,208,067
<b>TOTAL</b>		<b>-</b>		<b>19,208,067</b>
<b>SCHEDULE - I</b>				
<b>MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES</b>				
<b>Materials consumed</b>				
Opening Stock Raw Materials and components	7,982,380		7,563,027	
Purchase Raw Materials	182,964,333		97,265,309	
Freight inwards	6,107,943		3,631,525	
Closing Stock Raw materials and components	(14,266,802)		(7,982,380)	
	182,787,854		100,477,481	
Less : Scrap sales	1,130,729		1,360,036	
		181,657,125		99,117,445

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010	2009
	Rupees	Rupees
(Increase) / decrease in manufacturing and trading stocks		
Closing stock		
Finished goods	-	(3,839,720)
Work-in-progress	<u>(45,522,949)</u>	<u>(36,148,616)</u>
	<u>(45,522,949)</u>	<u>(39,988,336)</u>
Less : Opening stock		
Finished goods	3,839,720	7,348,376
Work-in-progress	<u>36,148,616</u>	<u>34,961,998</u>
	<u>39,988,336</u>	<u>42,310,374</u>
	<b>(5,534,613)</b>	<b>2,322,038</b>
Sub-contracting charges	-	1,387
Stores, spares and tools	7,322	18,946
Power and fuel	2,003,861	1,455,401
Packing and forwarding	455,968	282,877
Hire charges - plant and machinery and others	1,013,512	639,269
Repairs to plant and machinery	1,120,739	2,123,423
General repairs and maintenance	-	77,067
Other expenses	-	9,208
<b>TOTAL</b>	<b><u>180,723,914</u></b>	<b><u>106,047,061</u></b>
<b>SCHEDULE - J</b>		
<b>STAFF EXPENSES</b>		
Salaries, wages and bonus	32,109,709	28,202,005
Contribution to and provision for Superannuation / employee pension schemes	1,128,203	2,468,657
Welfare and other expenses	<u>1,733,686</u>	<u>702,665</u>
<b>TOTAL</b>	<b><u>34,971,598</u></b>	<b><u>31,373,327</u></b>
<b>SCHEDULE - K</b>		
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>		
Professional fees	323,124	511,110
Insurance	2,856,930	1,356,745
Rent	4,223,656	8,125,270
Rates and taxes	462,148	482,911
Travelling and conveyance	5,620,188	4,781,272
General repairs and maintenance	94,589	15,828
Directors' fees	141,648	-
Telephone, postage and telegrams	1,090,763	1,756,856
Advertising and publicity	2,198,784	1,733,943
Stationery and printing	1,252,282	749,088
Commission		
Distributors and agents	305,256	-
Employees and others	<u>283,165</u>	<u>628,255</u>
	<b>588,421</b>	<b>628,255</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010	2009
	Rupees	Rupees
Bank charges	2,521,846	1,712,049
Miscellaneous expenses	2,167,467	3,586,177
Entertainment Others	61,511	829,055
Security charges	13,646	941,152
Exchange loss	2,725,200	-
<b>TOTAL</b>	<b>26,342,203</b>	<b>27,209,711</b>

**SCHEDULE - L****INTEREST EXPENSES AND BROKERAGE**

Debentures and fixed loans	5,648,974	6,403,707
<b>TOTAL</b>	<b>5,648,974</b>	<b>6,403,707</b>

**SCHEDULE - M****LEGAL STATUS**

PT Tamco Indonesia (hereinafter referred to as "the Company") is a Foreign Owned Enterprise. PT Tamco Indonesia was established on March 27, 1992.

In April 2008, Larsen & Toubro International FZE acquired the equity interest in the Company from Tamco Corporate Holdings Berhad.

Business scope: Engaged in manufacturing and sales of electrical switchgears of all kinds (no more than 220 kilovolt), start-up machine, transformer and other related machines.

**SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) followed in India under historical cost convention, on accrual basis and are in accordance with the mandatory accounting standards referred to in sub Section 3C of Section 211 and the other provisions of the Companies Act, 1956.

The preparation of accounts under GAAP requires management to make estimates and assumption that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of expenses during the period. Actual reports could differ from those estimated.

**2. REVENUE RECOGNITION**

Revenue from sales is recognized upon delivery of goods to the customer whereby the significant risk and rewards of ownership of the goods have been transferred to the customer.

**3. FIXED ASSETS & DEPRECIATION**

Fixed assets purchased or constructed by the Company are stated at fair value, based on historical cost, less accumulated depreciation.

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation. Assets acquired on hire purchase basis are stated at their cash values. Depreciation is computed using the straight-line method over the estimated useful lives as the assets as follows:

	Years
Plant and machinery	10
Office equipment	5
Motor vehicles	5

When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are removed from the accounts and any resulting gains or losses is credited or charged to current operations.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively if appropriate, at each financial year end.

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 4. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost is determined by "the moving average method" and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated cost necessary to make the sale.

Provision for slow-moving inventories is determined on the basis of the evaluation of the condition of individual inventory items at the end of the year.

### 5. INTANGIBLE ASSETS

In accordance with the terms of the sale technology agreements, the Company pays certain amount to Universal Motor Kontrol Pty., Ltd. ("UMK"), for technology information relating to know-how in the production of the product bearing the trade name of UMK. The technology fees paid are deferred and are being amortized over the term of expected of benefits which is 5 years.

### 6. EMPLOYEE SOCIAL SECURITY BENEFITS

The Company recognize defined benefit obligation for settlement of labor dismissal and the stipulation of severance pay, gratuity and compensation in companies in accordance with the Indonesian Labor Law No. 13 dated March 25, 2003.

### 7. FOREIGN CURRENCY TRANSACTIONS

Reporting currency used by the Company is Indonesian Rupiah. The financial statements are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed Assets, Current Assets and Current Liabilities are translated at rates prevailing on the date of Balance Sheet.
- Revenue transactions are translated at the average rates.
- The resultant differences are accounted as translation reserve in the Balance Sheet.

### 8. TAXATION

Taxes on income for the current period is determined on the basis of taxable income and tax credit in according to provisions of taxation law and based on the expected outcome of assessments / appeals.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year, using the tax rates and laws enacted or subsequently enacted as on Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

## SCHEDULES FORMING PART OF ACCOUNTS

### NOTES ON ACCOUNTS

1. Contingent Liability as on December 31, 2010 is Rs. Nil. (Previous year Rs. Nil).
2. Related party disclosures:

#### A. Related parties where control exists:

Larsen & Toubro Limited

Larsen & Toubro International FZE

#### Relationship

Ultimate Holding Company

Holding Company

#### B. Transactions with related parties during the year:

Tamco Switchgear (Malaysia) Sdn Bhd

Fellow Subsidiary Company

#### C. Disclosure of Transactions with Related Parties

Related party	Nature of relationship	Amount in INR	Nature of Transaction	Amount Outstanding
Tamco Electrical Industries Australia Pte Ltd.	Fellow Subsidiary Company	–	–	57,904,280 Cr.
Tamco Switchgear Malaysia Sdn Bhd	Fellow Subsidiary Company	26,979,401	Purchases	150,398,942 Cr.
Larsen & Toubro International FZE	Immediate Holding Company	–		127,132,500 Cr.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 3. Balances with non-scheduled banks

## a. Current Accounts

Name of the Bank	As at 31.12.2010 Rs.	Maximum outstanding at any time during the period (Rs.)
PT Bank CIMB Niaga Tbk (Formerly known as PT Bank Lippo Tbk)	Rs. 601,919	Rs. 6,135,756
PT Hong Kong and Shanghai Banking Corp. Ltd, Pte	Rs. 235,941	Rs. 235,941
PT Bank Maybank Indocorp	Rs. 642,413	Rs. 5,428,621

## b. Deposit Account

Name of the Bank	As at 31.12.2010 Rs.	Maximum outstanding at any time during the period (Rs.)
PT Bank CIMB Niaga Tbk (Formerly known as PT Bank Lippo Tbk)	Rs. 1,215,544	Rs. 1,215,544

4. The Company has foreign currency liability amounting to Rs. 214,528,096 that have not been hedged by a derivative instrument or otherwise.

5. Borrowing cost capitalized during the period is Nil.

6. There are no transactions with micro small and medium enterprises during the year.

7. Auditors' remuneration charged to the accounts amounting to Rs. 283,377 during the year under heading audit fees.

## 8. Earnings Per Share

Particulars	For the year	
	2010	2009
Profit / (Loss) After Tax (Rs.)	(13,839,920)	3,990,069
No. of Shares	250,000	250,000
Earnings per share (Rs.)	(55.36)	15.96

## 9. Details of sales, raw material &amp; components consumed, inventories and purchases

**Sales**

Class of Goods	Unit	2010		2009	
		Quantity	Value Rs.	Quantity	Value Rs.
Low Voltage Switchgears	Panels	-	232,519,158	-	161,818,792

**Raw materials and components consumed**

Class of Goods	Unit	2010		2009	
		Quantity	Value Rs.	Quantity	Value Rs.
Electrical components and mechanical parts	Lot	-	182,787,854	-	100,477,481

**Inventories -**

Class of Goods	Unit	As at 31.12.2010		As at 31.12.2009	
		Quantity	Value Rs.	Quantity	Value Rs.
Finished switchgear products		-	-	-	3,839,720

## 10. Capacities and Production

Class of Goods	Unit	Licensed Capacity	Installed Capacity	Actual Production
Low Voltage Switchgears		N/A	1,166	-

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

### 11. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.

State Code

Balance Sheet Date

#### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

##### Sources of Fund

Paid-Up Capital (incl. Advance Toward's Equity Commitment)

+ -

Reserves & Surplus

Secured Loans

##### Application of Funds

Net Fixed Assets and Net Intangible Assets

Investments

+ -

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

Deferred Tax Assets

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other income)

Total Expenditure (incl. Prior year Adj.)

+ -

Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ -

Earning per Share in Rs. (Basic)

Dividend Rate %

#### V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)

Product Description

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
ICAI Registration No. 109982W  
By the hand of

**R. D. KARE**  
Partner  
Membership No. 08820

Place : Mumbai  
Date : May 9, 2011

**S. C. BHARGAVA**  
Director

**P. D. KHEDEKAR**  
Director

Place : Mumbai  
Date : May 9, 2011



## **DIRECTOR'S REPORT - 2010**

On behalf of the Board of Directors, it gives me pleasure in presenting the Seventh Annual Report and Audited Accounts of Larsen & Toubro Qatar LLC for the period ending December 31, 2010.

### **MAJOR ACTIVITIES**

During the year 2010, there is no major activity in your Company. The Company continued its operation without any new project being quoted.

During the year, lot of efforts had been put in by the project management team of L&T Qatar LLC & HBK Contracting WLL JV (50:50) on Doha 2006 Asian Games village / Hamad Medical City project and ensured Final Bill Certification, Maintenance Certificate and secured collection of balance retention along-with some variation orders to the tune of Rs. 108.08 Mn. There is an improvement in the financial performance of the project due to reversal of provided liabilities by closing the contractors account through tight negotiation.

Claim consultant had been appointed to review, improvise and pursue our extra claim with the client.

### **FINANCIAL RESULTS**

We have reported a turnover of Rs. Nil and Profit of Rs. 7.63 Mn for the year 2010 and the accumulated loss is Rs. 293.28 Mn as at December 31, 2010. Profit during the current year is towards share of profit declared out of LTQ-HBK JV (Rs. 4.30 Mn), Profit on sale of assets (Rs. 1.66 Mn) and net earnings out of facilities charges to group companies.

### **CAPITAL EXPENDITURE**

The Net Fixed Assets as at December 31, 2010 stood at Rs. 2,615,782 /- and the same shall be sold off during the year.

### **PERSONNEL**

We continue to keep just 2 staff in the roll as authorised signatories in the Company to ensure compliance.

### **AUDITORS REPORT**

The Auditor's Report to the shareholders does not contain any qualifications. The notes to the accounts referred to in the Auditors Report are self explanatory and therefore do not call for any further comments of Directors.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010.
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the commercial law for safeguarding the assets of the Company and proper internal control system has been established for preventing and detecting fraud and other irregularities.
- iv. that the annual accounts have been prepared on a going concern basis.

### **PROSPECTS FOR THE COMPANY**

The country Qatar, the highest per-capita income country in the world, in which your Company is registered and operating has adopted sound and balanced economic policy aiming at achievement of sustainable economic development by increasing private sector contribution in economic development and encouraging inflows of direct foreign investment.

Despite the global financial crisis, Qatar has maintained its economic growth of the last several years. Qatar's GDP of \$ 122.2 Billion has expanded by 19.4% on real terms during the year 2010-11.

Qatar has won the rights to host the 2022 world cup football and expected to spend around \$ 150 Bn for the same on construction of various infra-structures such stadiums, railways, hotels, roads, bridges, etc.

The Government has also announced that Qatar is aiming to have business rules comparable to international norms wherein there will be no need for sponsors, in selected sectors, for international companies to operate in the country.

For and on behalf of the Board

Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director

**B. RAMAKRISHNAN**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF LARSEN & TOUBRO QATAR LLC

The financial statements of Larsen & Toubro (Qatar) LLC, Qatar, for the year ended December 31, 2010, being a Company registered in Qatar, are audited by Dawoud & Co., Chartered Accountants, Doha, Qatar and we have been furnished with their audit report dated January 25, 2011 on which we have placed reliance for the purpose of giving our opinion.

We are presented with the financial statements in Indian Rupees prepared on the basis of aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the attached Balance Sheet of Larsen & Toubro (Qatar) LLC, Qatar as at December 31, 2010, and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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, to the extent applicable to this Company.
2. Further to our comments in the Annexure referred to in Paragraph (1) above, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the said Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. as regards reporting on the disqualification of Directors u/s 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Qatar, no reporting is required to be made under the said section.
  - f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies in Schedule '1' and "Note 12" on Going Concern Assumption and other Notes on Accounts in Schedule '2' and elsewhere in the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - (ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 003792S)

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 of our Report of even date)

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The management has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) As explained to us, inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedure of physical verification (indirect method in respect of construction work in progress) of inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification between the physical stocks (indirect method in respect of construction work in progress) and book records were not material.
- (iv) (a) In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory, fixed assets and for sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in aforesaid internal control system.
- (vii) The Company has not furnished an internal audit report for the year and hence we could not report whether the internal audit system is commensurate with its size and nature of its business.
- (ix) The Company being registered in Qatar, has no statutory liabilities in India and accordingly reporting for clauses 4 (ix)(a) and (b) of the Companies (Auditors' Report) Order, 2003 is not required.
- (x) The accumulated losses of the Company are more than fifty percent of its net worth at the end of the financial year. The Company has not incurred cash losses in the financial year covered by our audit. However, the Company has incurred cash losses 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 financial institution, bank or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not required.
- (xv) The Company has not given any guarantee for loans taken by others from banks or Financial Institutions.
- (xvi) The Company has not availed any term loans during the year covered by our audit and hence reporting on the application of the term loans for the purpose for which they were availed does not arise.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds have been raised on short term basis. Hence reporting on the usage of the same does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly, no security or charge need to be created.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted audited practices in India and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

The clauses (iii), (v), (vi), (viii), (xiii) and (xviii) of the Companies (Auditors' Report) Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 003792S)

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	<u>2,388,000</u>		<u>2,388,000</u>	
Legal reserve (Refer Note 4 of Schedule 2)			<u>2,388,000</u>		<u>2,388,000</u>
Translation Reserve			<u>1,696,671</u>		<u>-</u>
<b>TOTAL</b>			<u><b>4,845,322</b></u>		<u><b>2,388,000</b></u>
<b>APPLICATION OF FUNDS</b>					
Fixed assets	B				
Gross block		<u>12,548,759</u>		<u>25,415,547</u>	
Less: Depreciation		<u>9,932,977</u>		<u>19,130,469</u>	
Net block			<u>2,615,782</u>		<u>6,285,078</u>
Investments	C		<u>1,278,250</u>		<u>1,278,250</u>
Current assets, loans and advances	D				
Sundry debtors		<u>148,155</u>		<u>1,169,228</u>	
Cash and bank balances		<u>8,452,959</u>		<u>20,153,760</u>	
Loans and advances		<u>31,653,613</u>		<u>48,381,627</u>	
		<u>40,254,727</u>		<u>69,704,615</u>	
Less: Current liabilities	E	<u>332,586,918</u>		<u>384,947,760</u>	
Net current assets			<u>(292,332,191)</u>		<u>(315,243,145)</u>
Profit & Loss Account			<u>293,283,481</u>		<u>300,129,320</u>
Translation Difference			<u>-</u>		<u>9,938,497</u>
<b>TOTAL</b>			<u><b>4,845,322</b></u>		<u><b>2,388,000</b></u>
			<u>-</u>		<u>-</u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES ON ACCOUNTS</b>	2				

The schedules referred to above form an interegral part of the Balance Sheet

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants  
(Registration No: 003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**

Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**

Director

Place : Chennai  
Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedules	2010		2009	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Other Income	F		10,591,332		3,647,038
			10,591,332		3,647,038
<b>EXPENDITURE</b>					
Staff expenses	G	276		96,825	
Sales, administration and other expenses	H	420,186		78,486,996	
Interest and brokerage	I	-		162,623	
Depreciation		2,564,380		4,371,413	
			2,984,842		83,117,857
<b>Profit before and after tax</b>			7,606,490		(79,470,819)
Add: Balance brought forward from previous year			(300,129,320)		(220,658,501)
Less: Transfer to legal reserve			760,651		-
<b>Balance carried to Balance Sheet</b>			(293,283,481)		(300,129,320)
Earnings per equity share - Basic /Diluted			38,032.45		(397,354.10)
Face Value per Equity Share (in Qatari Riyal)			1.00		1.00
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1				
<b>NOTES FORMING PARTS OF ACCOUNTS</b>	2				

The schedules referred to above form an integral part of the Profit and Loss Account

As per our attached report of even date

**SHARP & TANNAN**

Chartered Accountants  
(Registration No. 003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**

Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**

Director

Place : Chennai  
Date : March 21, 2011

**B. RAMAKRISHNAN**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net profit before tax	7,606,490	(79,470,819)
Adjustments for		
Depreciation	2,564,380	4,371,413
Interest (net)	-	162,623
(Profit) / Loss on sale of fixed assets	(1,662,789)	-
Translation Reserve	11,635,169	(64,067,488)
<b>Operating profit before working capital changes</b>	<b>20,143,250</b>	<b>(139,004,271)</b>
(Increase) / decrease in trade and other receivables	17,749,087	164,097,650
(Increase) / decrease in inventories	-	74,628,199
Increase / (decrease) in trade and other payables	(52,360,842)	(52,202,834)
<b>Cash (used in) / generated from operating activities</b>	<b>(14,468,505)</b>	<b>47,518,744</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	-	-
Increase in the opening value of fixed assets due to exchange difference	733,453	(57,755,678)
Increase in the opening value of depreciation due to exchange difference	(561,696)	19,443,942
Sale of fixed assets	2,595,947	38,641,441
<b>Net Cash (used in) / from investing activities</b>	<b>2,767,704</b>	<b>329,705</b>
<b>C. Cash Flow from Financing activities</b>		
Interest paid	-	(162,623)
Unsecured Loan	-	(1,052,983)
<b>Net cash (used in) / from financing activities</b>	<b>-</b>	<b>(1,215,606)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(11,700,801)</b>	<b>46,632,843</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>20,153,760</b>	<b>(26,479,083)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>8,452,959</b>	<b>20,153,760</b>

**Notes:**

- Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 specified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent Cash & Bank balances.
- Previous year's figures have been regrouped / reclassified wherever applicable.

As per our attached report of even date

**SHARP & TANNAN**Chartered Accountants  
(Registration No. 003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**Partner  
Membership No. 16368Place : Chennai  
Date : March 21, 2011**S. N. SUBRAHMANYAN**

Director

Place : Chennai  
Date : March 21, 2011**B. RAMAKRISHNAN**

Director

**SCHEDULES FORMING PART OF BALANCE SHEET**

	<u>As at 31.12.2010</u>	<u>As at 31.12.2009</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
200 Shares of Qatari Riyal 1,000 each	<b>2,388,000</b>	2,388,000
<b>Issued, Subscribed &amp; Paid up</b>	<b>2,388,000</b>	2,388,000
200 shares of Qatari Riyal 1,000 each fully paid up		
<b>TOTAL</b>	<b>2,388,000</b>	2,388,000

51% of the above equity held by Al- Jazeera International Trading Co. LLC and the balance 49% held by Larsen & Toubro International FZE, Sharjah, UAE, a wholly owned subsidiary of Larsen & Toubro Limited.

**SCHEDULE - B****FIXED ASSETS**

Description	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2010	Exchange difference transferred to translation reserve	Additions during the year	Deductions	As at 31.12.2010	As at 01.01.2010	Exchange difference transferred to translation reserve	For the Year	On deductions	As at 31.12.2010	As at 31.12.2010	As at 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Motor Vehicles	10,288,890	(265,027)	-	6,552,500	3,471,363	8,925,994	(233,363)	659,561	6,165,028	3,187,164	284,199	1,362,896
Plant & Machinery	5,987,323	(170,236)	-	2,989,238	2,827,849	4,138,974	(125,131)	777,900	2,461,871	2,329,872	497,977	1,848,349
Furnitures & Fixtures	9,139,334	(298,190)	-	2,591,597	6,249,547	6,065,501	(203,202)	1,126,919	2,573,278	4,415,941	1,833,606	3,073,833
<b>TOTAL</b>	<b>25,415,547</b>	<b>(733,453)</b>	<b>-</b>	<b>12,133,335</b>	<b>12,548,759</b>	<b>19,130,469</b>	<b>(561,696)</b>	<b>2,564,380</b>	<b>11,200,177</b>	<b>9,932,977</b>	<b>2,615,782</b>	
<i>Previous Year</i>	<i>26,409,701</i>	<i>57,755,678</i>	<i>-</i>	<i>58,749,832</i>	<i>25,415,547</i>	<i>15,423,505</i>	<i>19,443,942</i>	<i>4,371,413</i>	<i>20,108,392</i>	<i>19,130,469</i>		<i>6,285,078</i>

	<u>As at 31.12.2010</u>	<u>As at 31.12.2009</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE - C</b>		
<b>INVESTMENTS</b>		
Investment in Integrated Joint Venture	<b>1,278,250</b>	1,278,250
<b>TOTAL</b>	<b>1,278,250</b>	1,278,250

**SCHEDULE - D****CURRENT ASSETS, LOANS AND ADVANCES****Current Assets****Sundry debtors-Unsecured**

Debts outstanding for more than 6 months	-	-
Other debts		
Considered good	<b>148,155</b>	1,169,228
	<b>148,155</b>	1,169,228

**Cash and bank balances**

Cash on hand	<b>35,643</b>	39,472
Balances with non-scheduled banks (Refer Note 3 of Schedule 2)	<b>8,417,316</b>	20,114,288
	<b>8,452,959</b>	20,153,760

**SCHEDULES FORMING PART OF BALANCE SHEET (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>Loans and advances</b>				
Unsecured, considered good				
Advances recoverable in cash or in kind	106,352		33,235	
Due from related party	31,547,261		48,348,392	
		<b>31,653,613</b>		<b>48,381,627</b>
<b>TOTAL</b>		<b>40,254,727</b>		<b>69,704,615</b>

**SCHEDULE - E****CURRENT LIABILITIES****Sundry Creditors**

Due to Holding Company	311,418,014		382,129,267	
Others	21,168,904		2,818,493	
		<b>332,586,918</b>		<b>384,947,760</b>
<b>TOTAL</b>		<b>332,586,918</b>		<b>384,947,760</b>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT****SCHEDULE - F****OTHER INCOME**

Profit on sale of fixed assets	1,662,789		–	
Miscellaneous Income	8,928,543		3,647,038	
<b>TOTAL</b>		<b>10,591,332</b>		<b>3,647,038</b>

**SCHEDULE - G****STAFF EXPENSES**

Salaries, wages and bonus	–		–	
Contribution to and provision for Provident funds and pension fund	–		16,643	
Welfare and other expenses	276		80,182	
<b>TOTAL</b>		<b>276</b>		<b>96,825</b>

**SCHEDULE - H****SALES, ADMINISTRATION AND OTHER EXPENSES**

Rates and taxes	394,594		144,400	
Travelling and conveyance	–		2,463	
Stationery and printing	10,959		–	
Bank charges	7,147		–	
Bad Debts Written off	–		114,418,572	
Provision no longer required	–		(37,161,626)	
Miscellaneous expenses	7,486		1,083,187	
<b>TOTAL</b>		<b>420,186</b>		<b>78,486,996</b>



**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - I</b>				
<b>INTEREST &amp; BROKERAGE</b>				
On banks overdrafts		-		162,623
<b>TOTAL</b>		-		162,623

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****SCHEDULE 1****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The accounts have been prepared using historical cost convention and on the basis of going concern, and is made in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956, with revenues recognised and expenses accounted for on accrual, including for committed obligations.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/advances, etc. Difference, if any, between the actual results and estimates, is recognized in the period in which the results are known.

**2. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

**3. Impairment of Assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- a) The provision for impairment loss, if any, required or
- b) The reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

**4. Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- 1) Machinery and other equipment at 15%
- 2) Vehicles and Furniture & Fixtures at 20%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories.

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the assets over its remaining useful life.

**5. Inventories**

Inventories are stated at the lower of cost and net realizable value after making due allowance for obsolete and slow moving items.

Stores, spares and consumables	Weighted average cost
Tools, scaffolding materials, tackles, etc.	Weighted average cost less amortization over estimated useful life.
Construction Materials	Weighted Average Cost
Construction work in progress	At cost till such time the outcome of the job cannot be ascertained reliably and at realizable value thereafter.

## **SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)**

### **6. Retirement / Termination Benefits**

Accruals for employees end of service benefits comprising of leave salary and end of service gratuity for expatriates is in accordance with Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end.

For Qatari nationals, provision for end of service gratuity payable is in accordance with local labour laws.

### **7. Taxation**

Tax on income for the current period is determined on the basis of taxable income and tax credit is computed in accordance with law of income tax of companies in Qatar.

### **8. Revenue Recognition**

Contract revenue comprising the total value of construction work performed during the year is recognized on a percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Provision is made for all losses incurred to the accounting date together recorded on the basis of progress bills prepared by the company and are considered as revenue to the extent that they are probable of being certified and recovered

### **9. Foreign currencies**

Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities other than stock are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.
- d. Closing stock is valued at average rates.
- e. The resultant difference is accounted as translation reserve in the Balance Sheet.

## **SCHEDULE 2**

### **NOTES ON ACCOUNTS**

#### **1) Disclosure pursuant to Accounting Standard (AS) 7 (Revised)**

<b>Particulars</b>	<b>2010 Rupees</b>	<i>2009 Rupees</i>
Contract revenue recognized during the year	<b>Nil</b>	<i>Nil</i>
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) as at the end of the financial year for all contracts in progress as on that date	<b>Nil</b>	<i>Nil</i>
Amount of customer advances outstanding for contracts in progress as at the end of the financial year	<b>Nil</b>	<i>Nil</i>
Retention amounts due from customers for contracts in progress as at the end of the financial year	<b>Nil</b>	<i>Nil</i>

#### **2) Disclosure of Related Party and Transactions with related parties**

- i. List of related parties who exercise control over the Company:

<b>S.No</b>	<b><u>Name of related party</u></b>	<b><u>Relationship</u></b>
1	Larsen & Toubro Limited	Ultimate Holding Company
2	Al Jazeera International Trading Company LLC	Holding Company
3	Larsen & Toubro International FZE	Holding Company

- ii. List of related parties with whom transactions were carried out during the year and description of relationship:

<b>S.No</b>	<b><u>Name of related party</u></b>	<b><u>Relationship</u></b>
1	Larsen & Toubro International FZE	Holding Company
2	Larsen & Toubro Qatar & HBK Contracting Co. W.L.L	Joint Venture

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

### iii. Disclosure of related party transactions

Related Party	Nature of relationship	Amount in Rupees	Nature of transaction	Amount Outstanding in Rupees	
				Due from Related Party	Due to Related Party
Larsen & Toubro Limited	Ultimate holding Company	– (20,822,944)	Service and overhead		– (20,822,944)
Larsen & Toubro International FZE	Holding Company	282,210,570 (325,356,539)	Hire charges of equipment		282,210,570 (325,356,539)
Larsen & Toubro Qatar & HBK Contracting co W.L.L.	Joint Venture	29,207,449 (35,949,784)	Services received		29,207,449 (35,949,784)
		31,547,261 (69,171,336)	Services rendered	31,547,261 (69,171,336)	

(Figures in bracket indicate previous year)

### iv. No amount has been written off or written back during the year.

### 3) Balances with non-scheduled banks

Balances with non-scheduled banks represent the balances with local banks and foreign banks in Qatar.

#### i) Current accounts (Rupees)

S. No.	Bank	As at 31.12.2010	As at 31.12.2009	Maximum amount outstanding at any time during the year	
				2010	2009
1	Arab Bank	8,238,670	12,192,810	14,389,456	15,489,746
2	HSBC Bank, Doha	178,646	7,296,767	950,679	10,990,043
3	Doha Bank	–	624,711	–	3,984,735
	<b>TOTAL</b>	<b>8,417,316</b>	<b>20,114,288</b>		

### 4) Legal reserve

Legal reserve represents amount transferred as per Article 260 of Qatari Companies Law, 2002 and the same is not available for distribution / appropriation.

### 5) Taxation

Provision for tax has been made by adjusting the net profit as per the Company's financial statements, for matters as per the past assessments, and applying the tax rates specified in the Law of Income tax on Companies in Qatar. Additional tax liability that may arise in future on finalization of pending tax assessments for the tax years 2007 to 2010 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the tax assessments are finalized.

### 6) Borrowing Cost capitalised during the year Rs. Nil (previous year Rs. Nil)

### 7) The Company is engaged only in the business of construction related activity and hence no reporting has been made as per the requirements under Accounting Standard 17 on Segment Reporting. Further the entire operation of the company is in Qatar only and hence no secondary segment reporting has been made.

### 8) Basic and diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2010	2009
Profit / (loss) after tax as per accounts (Rupees)	(Rupees)	7,606,490	(79,470,819)
No. of shares outstanding	(Nos.)	200	200
Face value of an equity share	(Qatari Riyal)	1.00	1.00
Earnings per share (basic and diluted)	(Rupees)	38,032.45	(397,354.10)

## **SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)**

9) Auditor's remuneration and expenses charged to the accounts:

<b>Particulars</b>	<b>2010</b>	<i>2009</i>
	<u><b>Rupees</b></u>	<u><i>Rupees</i></u>
Audit fees (paid to overseas auditor only)	<b>250,775</b>	<i>260,650</i>
10) The Company is a service company and accordingly information required under paragraph 4(c) of Part II of the Schedule VI of the Companies Act, 1956 has not been furnished.		
11) The Company has reviewed the future discounted cash flows based on value in use of fixed assets and satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision has been made for impairment in the accounts.		
12) The Company's losses have exceeded the paid-up capital and free reserves as at December 31, 2010. However the financial statements are prepared on a going concern basis and the holding Company, Larsen & Toubro International FZE, UAE, will continue to provide unconditional financial support to the Company, to enable it discharge its obligations as and when they fall due.		
13) Previous year's figures have been reclassified wherever necessary to conform to the presentation adopted in the current year.		

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As per our attached report of even date

**SHARP & TANNAN**  
Chartered Accountants  
(Registration No. 003792S)

For and on behalf of the Board

**L. VAIDYANATHAN**  
Partner  
Membership No. 16368

Place : Chennai  
Date : March 21, 2011

**S. N. SUBRAHMANYAN**  
Director

Place : Chennai  
Date : March 21, 2011

**B. RAMAKRISHNAN**  
Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Part IV of Schedule VI of Companies Act, 1956)

**I. Registration Details**Registration No. 

			2	7	4	5	4
--	--	--	---	---	---	---	---

State Code 

						N	A
--	--	--	--	--	--	---	---

Incorporated in Qatar

Balance Sheet Date 

3	1		1	2		2	0	1	0
Date		Month			Year				

**II. Capital raised during the year** (Amount in Rs. Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

1	0	0	0	0	0	0	0
---	---	---	---	---	---	---	---

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. Thousands)

Total Liabilities

			4	8	4	5
--	--	--	---	---	---	---

Total Assets

			4	8	4	5
--	--	--	---	---	---	---

**Sources of Fund**

Paid-up Capital

			2	3	8	8
--	--	--	---	---	---	---

Secured Loans

					N	I	L
--	--	--	--	--	---	---	---

Translation Gain

			1	6	9	7
--	--	--	---	---	---	---

Unsecured Loans

					N	I	L
--	--	--	--	--	---	---	---

**Application of Funds**

Net Fixed Assets and net Intangible Assets

			2	6	1	6
--	--	--	---	---	---	---

Investments

			1	2	7	8
--	--	--	---	---	---	---

+ -  

	-
--	---

Net Current Assets

	2	9	2	3	3	2
--	---	---	---	---	---	---

Deferred Tax

					N	I	L
--	--	--	--	--	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

Accumulated Losses

	2	9	3	2	8	3
--	---	---	---	---	---	---

**IV. Performance of Company** (Amount in Rs. Thousands)

Turnover (Including other income)

		1	0	5	9	1
--	--	---	---	---	---	---

Total Expenditure

		2	9	8	5
--	--	---	---	---	---

+ -  

+	
---	--

Profit / Loss Before Tax

		7	6	0	6
--	--	---	---	---	---

+ -  

+	
---	--

Profit / Loss After Tax

		7	6	0	6
--	--	---	---	---	---

Basic Earning per Share (in Rs.)

3	8	0	3	2	.	4	5
---	---	---	---	---	---	---	---

Dividend Rate %

					N	I	L
--	--	--	--	--	---	---	---

**V. Generic Names of Three Principal Products / Services of Company** (As per monetary terms)Item Code No.  
(ITC Code)

			N	.	A	.
--	--	--	---	---	---	---

Product Descriptions

CONSTRUCTION AND PROJECT RELATED ACTIVITY
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For and on behalf of the Board

S. N. SUBRAHMANYAN  
DirectorB. RAMAKRISHNAN  
DirectorPlace : Chennai  
Date : March 21, 2011

**DIRECTORS' REPORT**

The Directors have pleasure in presenting the Fourth Annual Report and Accounts for Larsen & Toubro Kuwait Construction General Contracting Company WLL for the year ended December 31, 2010.

**FINANCIAL RESULTS**

Particulars	2010		2009	
	<u>KD Million</u>	<u>INR Lakhs</u>	<u>KD Million</u>	<u>INR Lakhs</u>
Total Income	2.169	3,459.96	3.377	5,709.20
Profit / (Loss) after tax	(0.196)	(312.59)	0.058	98.60

**DIVIDEND**

The Directors do not recommend payment of any dividend.

**PERFORMANCE OF THE COMPANY**

The Company has submitted estimates to various clients, which will get realised during the Financial Year 2011. During the year, the Company has achieved sales of KD 2.073 Million (equivalent INR 3,306.63 Lakhs).

**CAPITAL EXPENDITURE**

As at December 31, 2010 the gross Fixed Assets stood at KD 0.1 Million (INR 159.69 Lakhs). The additions during the year were KD 0.009 Million (equivalent INR 13.72 Lakhs).

**AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualifications.

**DISCLOSURE OF PARTICULARS**

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not relevant and hence have not been furnished.

**PARTICULARS OF EMPLOYEES**

The Company being registered outside India, the disclosures required to be made in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not relevant and hence have not been furnished.

**SUBSIDIARY COMPANIES**

The Company has no subsidiary companies.

**DIRECTORS**

Mr. D. S. Shevde, Mr. Rajesh Srivastava, Mr. K. Ravindranath & Mr. P.S. Kapoor are the Directors of the Company. During the year, Mr. Rajesh Srivastava from M/s. Bader Al Mulla & Brothers Co WLL replaced Mr. Raj K. Shetty.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors have 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 December 31, 2010 and of the loss of the Company for the year ended on that date;
- that 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
- that the annual accounts have been prepared on a going concern basis.

**AUDITORS**

The auditors Albazie & Co., members of M/s RSM International, Chartered Accountants continue to be the auditors of the Company for the financial year 2011.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers and employees of the Company.

For and on behalf of the Board

**D. S. SHEVDE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 13, 2011

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF LARSEN & TOUBRO KUWAIT CONSTRUCTION GENERAL CONTRACTING COMPANY WLL**

The financial statements of Larsen & Toubro Kuwait Construction General Contracting Company WLL for the year ended December 31, 2010, being a Company registered in the State of Kuwait, are audited by Albazie & Co. and we have been furnished with their audit report dated March 18, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet of Larsen & Toubro Kuwait Construction General Contracting Company WLL as at December 31, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year to 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in the State of Kuwait, no reporting is required to be made under the said Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule J and notes appearing 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:

- 1 in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2010;
- 2 in the case of the Profit and Loss Account, of the loss for the year ended on that date;
- 3 in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No.109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332

Place : Mumbai  
Date : May 13, 2011

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- i. (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed asset.  
(b) We are informed that the Company has physically verified the fixed assets during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of such verification is reasonable.  
(c) No fixed assets are disposed of during the year.
- ii. (a) As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.  
(b) As per the information given to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. There are no loans, secured or unsecured, either granted to or taken from companies, firms or other parties. However, no register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in the State of Kuwait. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable.
- 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 for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. The Company is incorporated in the State of Kuwait and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4(v)(a) and (b) of the Order are not applicable.
- vi. The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- vii. The Company has not conducted internal audit during the period.
- viii. The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956 and accordingly paragraph 4(viii) of the Order is not applicable to the Company.
- ix. The Company being registered in the State of Kuwait has no statutory liabilities in India and accordingly reporting under paragraphs 4(ix)(a) and (b) is not required.
- x. The Company is in existence for a period of less than five years; hence reporting under paragraph 4(x) is not applicable.
- xi. According to the information and explanations given by management, the Company has neither borrowed from a bank or financial institution nor has it issued any debentures.
- xii. According to the information and explanations given by management, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has not availed any term loans during the period.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to any party during the period.
- xix. The Company has not issued debentures during the period and accordingly, no security is required to be provided.
- xx. The Company has not raised any money by public issues during the period.
- 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 instances of material fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No.109982W  
by the hand of

Place : Mumbai  
Date : May 13, 2011

**FIRDOSH D. BUCHIA**  
*Partner*  
Membership No. 38332



**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedules	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	A	320,221,984		320,221,984	
Reserves and Surplus		-		-	
Translation Gain / (Loss)		(3,003,215)		2,927,555	
			<b>317,218,769</b>		<b>323,149,539</b>
<b>TOTAL</b>			<b>317,218,769</b>		<b>323,149,539</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross block	B	15,969,686		14,869,719	
Less: Depreciation		9,958,906		6,622,254	
Net block			<b>6,010,780</b>		<b>8,274,465</b>
<b>Current assets, loans and advances</b>					
Inventories	C	3,318,751		5,131,343	
Sundry debtors		117,364,204		59,917,702	
Cash and bank balances		302,935,904		301,027,817	
Other Current Assets		-		50,938,982	
Loans and advances		4,202,743		5,204,403	
		<b>427,821,602</b>		<b>422,220,247</b>	
<b>Less: Current liabilities and provisions</b>					
Current Liabilities	D	162,182,973		118,842,832	
Provisions		7,362,445		10,175,599	
		<b>169,545,418</b>		<b>129,018,431</b>	
<b>Net Current Assets</b>			<b>258,276,184</b>		<b>293,201,816</b>
<b>Profit &amp; Loss Account</b>			<b>52,931,805</b>		<b>21,673,258</b>
<b>TOTAL</b>			<b>317,218,769</b>		<b>323,149,539</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	J				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**D. S. SHEVDE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 13, 2011

Place : Mumbai  
Date : May 13, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedules	2010		2009	
		INR	INR	INR	INR
<b>INCOME</b>					
Sales & Service	E		330,662,788		557,051,398
Other income	F		6,697,099		6,877,837
Interest income			8,635,655		6,990,888
			<u>345,995,542</u>		<u>570,920,123</u>
<b>EXPENDITURE</b>					
Construction and operating expenses	G	225,224,104		377,257,802	
Staff expenses	H	133,633,761		159,637,722	
Sales, administration and other expenses	I	14,911,770		20,533,410	
Depreciation		3,484,454		3,630,885	
			<u>377,254,089</u>		<u>561,059,819</u>
<b>Profit / (Loss) before tax</b>			<b>(31,258,547)</b>		<b>9,860,304</b>
Provision for current year taxes			-		-
<b>Profit / (Loss) after tax</b>			<b>(31,258,547)</b>		<b>9,860,304</b>
Add: Balance brought forward from previous year			<b>(21,673,258)</b>		<b>(31,533,562)</b>
Profit available for appropriation			<b>(52,931,805)</b>		<b>(21,673,258)</b>
<b>Balance carried to Balance Sheet</b>			<b>(52,931,805)</b>		<b>(21,673,258)</b>
Face Value per Equity Share KD 1000/-					
Earnings per equity share - Basic / Diluted			<b>(15,629.27)</b>		<b>4,930.15</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					
<b>AND NOTES ON ACCOUNTS</b>					
	J				

The Schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 13, 2011

**D. S. SHEVDE**

Director

Place : Mumbai  
Date : May 13, 2011

**P. S. KAPOOR**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from operating activities</b>		
Net profit before tax	(31,258,547)	9,860,304
<b>Adjustments for:</b>		
Depreciation	3,484,454	3,630,885
Interest (net)	(8,635,655)	(6,990,888)
Translation Reserve / Gain or Loss	(5,930,770)	(27,074,628)
<b>Operating profit before working capital changes</b>	<b>(42,340,518)</b>	<b>(20,574,327)</b>
<b>(increase) / decrease in trade and other receivables</b>	<b>(5,505,861)</b>	<b>(20,454,006)</b>
<b>(increase) / decrease in inventories</b>	<b>1,812,592</b>	<b>(42,473,171)</b>
increase / (decrease) in trade payables	40,526,987	44,789,704
<b>Cash generated from operations (A)</b>	<b>(5,506,800)</b>	<b>(38,711,800)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	(1,372,515)	(1,446,551)
Difference in opening balance of fixed assets due to exchange fluctuation	299,549	1,228,295
Difference in opening balance of cumulative depreciation due to exchange fluctuation	(147,802)	(436,536)
Interest received	8,635,655	6,990,888
<b>Net Cash (used in) / from investing activities (B)</b>	<b>7,414,887</b>	<b>6,336,096</b>
<b>C. Cash Flow from Financing activities</b>		
Dividends paid	-	-
Interest paid	-	-
<b>Net cash (used in) / from financing activities (C)</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>1,908,087</b>	<b>(32,375,704)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>301,027,817</b>	<b>333,403,521</b>
<b>Cash and cash equivalents at end of the period</b>	<b>302,935,904</b>	<b>301,027,817</b>

**Notes:**

- Cash Flow Statement has been prepared under the Indirect method as set out in the Accounting Standard AS (3) - "Cash Flow Statements" as specified in the Companies (Accounting Standards) Amendment Rules, 2009
- Previous year figures have been regrouped / reclassified wherever applicable.

As per our report attached

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 13, 2011

For and on behalf of the Board

**D. S. SHEVDE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 13, 2011

**SCHEDULES FORMING PART OF ACCOUNTS**

	As at 31.12.2010		As at 31.12.2009	
	INR	INR	INR	INR
<b>SCHEDULE - A</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
2000 Equity shares of KD. 1000 each		<b>320,221,984</b>		<b>320,221,984</b>
<b>Issued, Subscribed and Paid-up</b>				
2000 Equity shares of KD. 1000 each		<b>320,221,984</b>		<b>320,221,984</b>
Note: 51% of equity is held by Bader Al Mulla & Bros. Company WLL 49% of equity is held by Larsen & Toubro International FZE				
<b>TOTAL</b>		<b>320,221,984</b>		<b>320,221,984</b>

**SCHEDULE - B****FIXED ASSETS**

DESCRIPTION	COST				DEPRECIATION			NET BLOCK		
	As at 01-01-2010 Rupees	Exchange Difference Rupees	Additions Rupees	As at 31-12-2010 Rupees	Upto 01-01-2010 Rupees	Exchange Difference Rupees	For the Year Rupees	As at 31-12-2010 Rupees	As at 31-12-2010 Rupees	As at 31-12-2009 Rupees
Office Equipments	3,297,747	(66,312)	44,951	<b>3,276,386</b>	1,354,647	(29,989)	654,406	<b>1,979,064</b>	<b>1,297,322</b>	1,943,100
Furniture	5,206,596	(104,696)	64,806	<b>5,166,706</b>	1,999,438	(43,435)	768,514	<b>2,724,518</b>	<b>2,442,188</b>	3,207,158
Vehicles	6,392,376	(128,540)	1,262,758	<b>7,526,594</b>	3,268,169	(74,379)	2,061,534	<b>5,255,324</b>	<b>2,271,270</b>	3,124,207
<b>TOTAL</b>	<b>14,896,719</b>	<b>(299,548)</b>	<b>1,372,515</b>	<b>15,969,686</b>	<b>6,622,254</b>	<b>(147,803)</b>	<b>3,484,454</b>	<b>9,958,906</b>	<b>6,010,780</b>	
<i>Previous Year</i>	<i>14,678,460</i>	<i>(1,228,295)</i>	<i>1,446,554</i>	<i>14,896,719</i>	<i>3,427,905</i>	<i>(436,536)</i>	<i>3,630,885</i>	<i>6,622,254</i>		<i>8,274,465</i>

	As at 31.12.2010		As at 31.12.2009	
	INR	INR	INR	INR
<b>SCHEDULE - C</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
<b>Inventories:</b>				
Stores, spares and consumables		<b>3,318,751</b>		<b>5,131,343</b>
<b>Sundry Debtors:</b>				
Unsecured:				
Debts outstanding for more than 6 months		-		-
Other Debts:				
Considered good		<b>117,364,204</b>		<b>59,917,702</b>
		<b>117,364,204</b>		<b>59,917,702</b>
<b>Cash and bank balances</b>				
Cash on hand		<b>1,154,194</b>		<b>1,340,838</b>
Balances with non-scheduled banks		-		-
Current Account		<b>28,579,145</b>		<b>21,139,290</b>
Fixed Deposit Account		<b>270,023,750</b>		<b>275,564,900</b>
Interest Accrued		<b>3,178,815</b>		<b>2,982,789</b>
		<b>302,935,904</b>		<b>301,027,817</b>
<b>Other Current Assets</b>				
Due from Customers		-		<b>50,938,982</b>
<b>Loans and advances</b>				
Unsecured				
Considered good				
Advances recoverable in cash or in kind		<b>226,646</b>		-
Prepaid Expenses		<b>182,663</b>		<b>606,243</b>
Due from related party		<b>3,793,434</b>		<b>4,598,160</b>
Due from Holding company		-		-
		<b>4,202,743</b>		<b>5,204,403</b>
<b>TOTAL</b>		<b>427,821,602</b>		<b>422,220,247</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.12.2010		As at 31.12.2009	
	INR	INR	INR	INR
<b>SCHEDULE - D</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Acceptances				
Sundry creditors		-		-
Progress Bills Raised	927,525,669		-	
Less: Construction Work in Progress	(904,515,128)		-	
WIP - Due to Customers		23,010,541		-
Others	71,037,497		80,863,947	
Due to Related Parties	51,359,752		16,117,791	
Outstanding Liabilities	14,649,189		10,225,079	
		137,046,438		107,206,817
Advance from customers		2,125,994		11,636,015
<b>Provisions</b>				
End of Service Benefit	3,174,693		5,100,940	
Leave encashment	4,187,752		5,074,659	
		7,362,445		10,175,599
<b>TOTAL</b>		<b>169,545,418</b>		<b>129,018,431</b>
	2010		2009	
	INR	INR	INR	INR
<b>SCHEDULE - E</b>				
<b>SALES &amp; SERVICE</b>				
Construction, project related activity		330,662,788		557,051,398
<b>TOTAL</b>		<b>330,662,788</b>		<b>557,051,398</b>
<b>SCHEDULE - F</b>				
<b>OTHER INCOME</b>				
Project Management Services		6,626,002		6,877,837
Professional Fees/Service Agency Fees		71,097		-
<b>TOTAL</b>		<b>6,697,099</b>		<b>6,877,837</b>
<b>SCHEDULE - G</b>				
<b>CONSTRUCTION &amp; OPERATING EXPENSES</b>				
Construction materials		13,662,485		80,182,576
Sub contracts		102,597,672		129,656,965
Stores, spares and tools		13,678,637		20,240,114
Direct expenses on jobs		20,718,702		40,418,116
Power & Fuel		2,972,254		4,109,826
Local Conveyance		9,710,805		11,646,468
Food Expenses		219,598		103,267
P & M Hire charges		32,620,741		47,311,322
Repairs & Maintenance Site		2,567,034		7,524,647
Rent		14,591,481		18,494,577
Travel Expenses		3,618,209		3,643,706
Technical Fees		8,266,486		13,926,218
<b>TOTAL</b>		<b>225,224,104</b>		<b>377,257,802</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010		2009	
	INR	INR	INR	INR
<b>SCHEDULE - H</b>				
<b>STAFF EXPENSES</b>				
Salaries, wages and bonus		129,246,858		153,943,012
Welfare and other expenses		4,386,903		5,694,710
<b>TOTAL</b>		<b>133,633,761</b>		<b>159,637,722</b>
<b>SCHEDULE - I</b>				
<b>SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Rent		7,709,007		9,303,926
Professional Fees/Service Agency Fees		-		68,056
Travelling Expenses		628,018		1,189,738
Local Conveyance		1,670,031		2,015,586
Telephone, postage and telegrams		1,128,062		1,479,963
Stationery and printing		216,336		168,943
Insurance		371,116		122,252
Bank charges		12,014		61,481
General repairs and maintenance		761,055		3,449,190
Visa Expenses		723,710		925,764
Miscellaneous expenses		1,414,588		1,405,888
Camp Maintenance		277,833		342,623
<b>TOTAL</b>		<b>14,911,770</b>		<b>20,533,410</b>

**SCHEDULE - J****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****1) LEGAL STATUS**

Larsen & Toubro Kuwait Construction General Contracting W.L.L. is a company incorporated in Kuwait. The main activities of the Company are general contracting.

**2) SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Accounting**

The accounts have been prepared using historical cost convention and on accrual basis and is in accordance with the provisions of Section 211(3C) and the other provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and disclosure relating to contingent liabilities as of the date of the financial statements. Example of such estimates include the useful life of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates.

**b) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the services in the ordinary course of the Company's activities. Revenue is shown net of rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**i) Rendering of services**

Revenue from maintenance contracts is recognized when the service is rendered.

**ii) Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****iii) Construction contracts**

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. The Company consistently considers that the outcome of a construction contract can be estimated reliably with a reasonable certainty only when the contract reaches an advanced completion stage, until which stage, revenue shall be recognized only to the extent of contract costs incurred. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

**c) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**d) Inventories**

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

**e) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

The initial cost of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of fixed assets.

**f) Depreciation**

Depreciation is computed on a straight-line basis over the estimated useful lives of fixed assets as follows:

Furniture and Fixtures	15 %
Office Equipments	25 %
Motor Vehicles	33.33 %

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

**g) Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine

- the provision for impairment loss, if any, required or
- the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

**h) Retirement / Termination benefits**

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

**i) Statutory reserve**

As required by the Commercial Law and the Company's Articles of Association, 10% of annual (net) profit is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Company's Articles of Association. No transfer has been made due to a accumulated net losses incurred by the Company.

**j) Voluntary reserve**

As required by the Company's Articles of Association, 10% of net profit is transferred to the voluntary reserve. The partners may resolve to discontinue such transfer upon recommendation from management. No transfer has been made due to accumulated net losses incurred by the Company.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****k) Translation of financial statements in foreign currency to Indian Rupees**

Accounts are translated in Indian Rupees as follows:

- a. Share capital is retained at the initial contribution amount.
- b. Fixed and Current assets & Current liabilities are translated at year-end rates.
- c. Revenue transactions are translated at the average rates.

The resultant difference is accounted as translation reserve in the Balance Sheet.

**3) NOTES ON ACCOUNTS**

## a. Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

Amount in Rupees

i)	Contract revenue recognized for the period ended December 31, 2010	<b>330,662,788</b>
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses) up to December 31, 2010 for all contracts in progress as at that date	<b>904,515,128</b>
iii)	Amount of customer advances outstanding for contracts as at December 31, 2010	<b>2,125,995</b>
iv)	Retention amounts due from customers for contracts in progress as at December 31, 2010	<b>Nil</b>

## b. (i) List of Companies who exercise control

Larsen & Toubro Limited – Ultimate Holding Company

Larsen & Toubro International FZE- Holding company

## (ii) Disclosure of major transactions with related parties

Amount in Rupees

Related Party	Nature of relationship	Nature of transaction	Year 2010	Year 2009
Larsen & Toubro Limited	Ultimate Holding Company	Income from Project management	<b>6,697,099</b>	6,877,837
Larsen & Toubro Limited	Ultimate Holding Company	Technical charges	<b>8,266,486</b>	13,926,218
	Key Management Personnel	Short Term Benefits	<b>6,773,175</b>	10,279,950
	Key Management Personnel	Termination Benefits	<b>398,610</b>	227,564

## (iii) Amount due to / due from related parties Amount in Rupees

Related Party	Relationship	2010		2009	
		Due		Due	
		To	From	To	From
Larsen & Toubro Limited	Ultimate Holding Company	<b>51,359,752</b>	<b>3,508,939</b>	16,117,791	3,007,371
Larsen & Toubro International FZE	Holding Company				1,580,480
Larsen & Toubro Electromech LLC	Fellow Subsidiary		<b>130,120</b>		10,309
Larsen & Toubro Infotech Limited	Fellow Subsidiary		<b>8,260</b>		
Larsen & Toubro ATCO Saudi LLC	Fellow Subsidiary		<b>146,115</b>		
<b>TOTAL</b>		<b>51,359,752</b>	<b>3,793,434</b>	16,117,791	4,598,160

## (iv) No amount due from Group companies has been written-off as bad debts during the year.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****c. Balances with non-scheduled banks:**

Amount in Rupees

Bank	As at 31.12.2010	Maximum Amount outstanding at any time during the Year	As at 31.12.2009	Maximum Amount outstanding at any time during the Year
Balance in Current Account				
National Bank of Kuwait	<b>28,452,449</b>	<b>50,220,776</b>	20,197,888	24,314,550
Ahli United Bank (Formerly known as Bank of Kuwait & Middle East)	<b>126,696</b>	<b>126,696</b>	941,402	941,402
Balance in Fixed Deposit Account				
National Bank of Kuwait	<b>31,767,500</b>	<b>31,767,500</b>	32,419,400	275,564,900
ICICI Bank	<b>238,256,250</b>	<b>238,256,250</b>	243,145,500	243,145,500

**d. Taxation**

Provision for income tax for the current period has not been made in the financial statements on account of the net tax loss incurred during the period.

**e. Borrowing cost capitalised during the period is Rs. Nil.****f. Auditor's remuneration and expenses charged to the accounts:**

Particulars	2010	2009
Audit Fees	<b>988,948</b>	507,201

**g. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Rs. Nil.****h. Contingent Liabilities**

There are no obligations, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.

**i. Previous year figures have been regrouped / reclassified wherever necessary.**

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

j. Balance Sheet abstract and Company's general business profile

### I. Registration Details

Registration No.	<input type="text" value="117668"/>	State Code	<input type="text" value="N A"/>
Balance Sheet Date	<input type="text" value="3 1 1 2 2 0 1 0"/>		
	Date                      Month                      Year		

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="N I L"/>	Rights Issue	<input type="text" value="N I L"/>
Bonus Issue	<input type="text" value="N I L"/>	Private Placement	<input type="text" value="N I L"/>

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="3 1 7 2 1 9"/>	Total Assets	<input type="text" value="3 1 7 2 1 9"/>
<b>Sources of Fund</b>		Reserves & Surplus	<input type="text" value="- 3 0 0 3"/>
Paid-up Capital	<input type="text" value="3 2 0 2 2 2"/>	Unsecured Loans	<input type="text" value="N I L"/>
Secured Loans	<input type="text" value="N I L"/>	Investments	<input type="text" value="N I L"/>
<b>Application of Funds</b>		Deferred Tax	<input type="text" value="N I L"/>
Net Fixed Assets and net Intangible Assets	<input type="text" value="6 0 1 1"/>	Accumulated Losses	<input type="text" value="5 2 9 3 2"/>
Net Current Assets	<input type="text" value="2 5 8 2 7 6"/>	Total Expenditure	<input type="text" value="3 7 7 2 5 5"/>
Miscellaneous Expenditure	<input type="text" value="N I L"/>	Profit / Loss After Tax	<input type="text" value="3 1 2 5 9"/>

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	<input type="text" value="3 4 5 9 9 6"/>	Total Expenditure	<input type="text" value="3 7 7 2 5 5"/>
Profit / Loss Before Tax	<input type="text" value="3 1 2 5 9"/>	Profit / Loss After Tax	<input type="text" value="3 1 2 5 9"/>
Basic Earnings Per Share in Rs.	<input type="text" value="1 5 6 2 9 . 2 7"/>	Dividend Rate %	<input type="text" value="N I L"/>

+ -      + -      + -

          

Please tick Appropriate box + for Profit, - for Loss

### V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.	<input type="text" value="N . A ."/>
(ITC Code)	
Product Descriptions	<input type="text" value="CONSTRUCTION ACTIVITY IN HYDROCARBON SECTOR"/>

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**  
Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : May 13, 2011

**D. S. SHEVDE**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : May 13, 2011

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and accounts for the year ended December 31, 2010.

### FINANCIAL RESULTS

During the year under review, the Company did not carry on any business activities and accordingly a statement of Income and Expenditure during Pre-Operational period is prepared.

Particulars	2010		2009	
	Naira	Rs. in Lakhs	Naira	Rs. in Lakhs
<b>Loss before tax</b>	<b>(0.86)</b>	<b>(0.27)</b>	<b>(11.48)</b>	<b>(3.68)</b>
Provision for taxes	-	-	-	-
<b>Loss after tax</b>	<b>(0.86)</b>	<b>(0.27)</b>	<b>(11.48)</b>	<b>(3.68)</b>
Preliminary Expenses charged to P&L		-	-	-
Balance brought forward from Previous Year	<b>(62.87)</b>	<b>(21.08)</b>	<b>(51.39)</b>	<b>(17.40)</b>
<b>Balance carried to Balance Sheet</b>	<b>(63.73)</b>	<b>(21.35)</b>	<b>(62.87)</b>	<b>(21.08)</b>

### DIVIDEND

During the period under review, no dividend has been proposed or paid.

### PERFORMANCE OF THE COMPANY

During the period under review, the Company did not carry any operation.

### CAPITAL EXPENDITURE

During the period under review, the Company did not incur any capital expenditure.

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualifications.

### DISCLOSURE OF PARTICULARS

The Company being registered outside India, the disclosures required to be made in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not relevant. Hence the same has not been furnished.

### PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- I. that in the preparation of the annual accounts, the accounting standards have been followed to the extent applicable and there has been no material departure;
- II. that the selected accounting policies were applied consistently and the directors made judgements 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 December 31, 2010;
- III. that 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;
- IV. that the annual accounts have been prepared on a going concern basis

### AUDITORS

M/s. Adedolapo Fayomi & Co., the Auditors of the Company has indicated their willingness and is eligible for re-appointment.

### ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the bankers, staff and management of the parent company.

For and on behalf of the Board

Place : Mumbai  
Date : May 13, 2011

**U. DASGUPTA**  
Director

**D. S. SHEVDE**  
Director

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T OVERSEAS PROJECTS NIGERIA LIMITED

The financial statements of L&T Overseas Projects Nigeria Limited for the year ended December 31, 2010, being a Company registered in Nigeria, are audited by Adedolapo Fayomi & Co. and we have been furnished with their audit report dated March 9, 2011.

We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report as under:

We have audited the attached Balance Sheet, Statement of Income and Expenditure during pre-operational period and Cash Flow Statement of L&T Overseas Projects Nigeria Limited as at December 31, 2010. 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.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Statement of Income and Expenditure during pre-operational period 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 Income and Expenditure during pre-operational period and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - (e) as regards reporting on the disqualification of directors under Section 274(1)(g) of the Indian Companies Act, 1956, since the Company is registered in Nigeria, no reporting is required to be made under the above Section.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies in Schedule 4 and notes in Schedule 5 appearing 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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
- (ii) in the case of the Statement of Income and Expenditure during pre-operational period, of the excess of expenditure over income for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**

*Chartered Accountants  
(ICAI registration No. 109982W)  
By the hand of*

**FIRDOSH D. BUCHIA**

*Partner  
Membership No. 38332*

*Place : Mumbai  
Date : May 13, 2011*

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (1) of our report of even date)

- (i) The Company has no fixed assets and hence reporting under paragraphs 4(i)(a), (b) and (c) is not applicable.
- (ii) The Company has no inventories and hence reporting under paragraphs 4(ii)(a), (b) and (c) is not applicable.
- (iii) No register is required to be maintained under Section 301 of the Companies Act, 1956 since the Company is incorporated and doing business only in Nigeria, hence reporting under paragraph 4(iii)(b) to (f) is not applicable.
- (iv) The Company has not commenced commercial operations and accordingly we are unable to comment on the adequacy of the internal control procedures.
- (v) The Company is incorporated in Nigeria and accordingly, maintenance of records under Section 301 of the Companies Act, 1956 is not required.
- (vi) The Company has not accepted deposits from the public.
- (vii) The Company has not yet commenced commercial operations and accordingly, has no internal audit system at present.
- (viii) Cost records are not required to be maintained under Section 209(1)(d) of the Companies Act, 1956 by the Company as it is incorporated in Nigeria.
- (ix) The Company, being registered in Nigeria, has no statutory liabilities in India and accordingly reporting for paragraphs 4(ix)(a) and (b) is not required.
- (x) The Company is in existence for a period of less than five years, hence reporting under paragraph 4(x) is not applicable.
- (xi) According to the information and explanations given by management, the Company has neither borrowed from a bank nor a financial institution and neither has it issued any debentures.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not availed any term loans during the year.
- (xvii) According to the information and explanations given to us, the Company has not raised any loans during the year.
- (xviii) The Company has not made any preferential allotment of shares to any party during the year.
- (xix) The Company has not issued debentures during the year and accordingly, no security is required to be provided.
- (xx) The Company has not raised any money by public issues during the year.
- (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 instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*  
(ICAI registration No. 109982W)  
*By the hand of*

**FIRDOSH D. BUCHIA**  
*Partner*  
*Membership No. 38332*

*Place : Mumbai*  
*Date : May 13, 2011*

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	As at 31.12.2010		As at 31.12.2009	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share capital	1		3,344,783		3,344,783
<b>Reserve &amp; Surplus</b>					
Translation Reserve			(121,480)		(96,886)
<b>TOTAL</b>			<b>3,223,303</b>		<b>3,247,897</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
			-		-
<b>Investments</b>					
			-		-
<b>Current assets, loans and advances</b>					
	2				
Cash and bank balances		1,272,138		1,481,405	
Advances recoverable in cash or kind		18,446		15,902	
		1,290,584		1,497,307	
<b>Less: Current Liabilities and Provisions</b>	3		202,196		357,702
<b>Net current assets</b>			<b>1,088,388</b>		<b>1,139,605</b>
<b>Profit &amp; Loss account</b>			<b>2,134,915</b>		<b>2,108,292</b>
(Excess of expenditure over income during pre-operational period)					
<b>TOTAL</b>			<b>3,223,303</b>		<b>3,247,897</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	4				
<b>NOTES FORMING PART OF ACCOUNTS</b>	5				

The schedules referred to above and the notes attached form an integral part of the Financial Statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**U. DASGUPTA**  
Director

**D. S. SHEVDE**  
Director

Place : Mumbai  
Date : May 13, 2011

Place : Mumbai  
Date : May 13, 2011

## STATEMENT OF INCOME AND EXPENDITURE DURING PRE-OPERATIONAL PERIOD FOR THE YEAR ENDED DECEMBER 31, 2010

	Schedule	2010 Rupees	2009 Rupees
<b>INCOME</b>			
Interest on Fixed Deposit		29,611	88,241
<b>TOTAL</b>		<b>29,611</b>	<b>88,241</b>
<b>EXPENDITURE</b>			
Professional Fees		39,169	397,095
Administration and Other Expenses		17,065	59,670
<b>TOTAL</b>		<b>56,234</b>	<b>456,765</b>
<b>Profit / (Loss) before taxes</b>		<b>(26,623)</b>	<b>(368,524)</b>
Provision for taxes		-	-
<b>Profit / (Loss) after taxes</b>		<b>(26,623)</b>	<b>(368,524)</b>
Prior Period Expenses -			
Preliminary Expenses Written off		-	-
Balance brought forward from Previous Year		<b>(2,108,292)</b>	<b>(1,739,768)</b>
<b>Balance carried to Balance Sheet</b>		<b>(2,134,915)</b>	<b>(2,108,292)</b>
Earnings per Share			
Basic & Diluted		(0.00)	(0.04)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	4		
<b>NOTES FORMING PART OF ACCOUNTS</b>	5		

The schedules referred to above and the notes attached form an integral part of the Financial Statements.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
(ICAI registration No. 109982W)

**FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai  
Date : May 13, 2011

**U. DASGUPTA**

Director

Place : Mumbai  
Date : May 13, 2011

**D. S. SHEVDE**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Rupees	2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net profit before tax (after extraordinary items)	(26,623)	(368,524)
<b>Adjustment for :</b>		
Interest received	(29,611)	(88,241)
Increase / (Decrease) in translation reserve	(24,595)	(243,725)
<b>Operating profit before working capital changes</b>	<b>(80,829)</b>	<b>(700,490)</b>
Adjustments for		
(Increase) / decrease in trade and other receivables	(2,543)	(7,175)
Increase / (decrease) in trade payables	(155,506)	144,501
<b>Cash generated from operations</b>	<b>(238,878)</b>	<b>(563,164)</b>
Direct taxes refund / (paid) - net	-	-
<b>Net cash (used in) from Operating Activities (A)</b>	<b>(238,878)</b>	<b>(563,164)</b>
<b>B Cash flow from investing activities</b>		
Interest received	29,611	88,241
Direct taxes paid on interest	-	-
<b>Net cash (used in) / from Investing Activities (B)</b>	<b>29,611</b>	<b>88,241</b>
<b>C Cash flow from financing activities</b>		
Repayment of long term borrowings	-	-
Repayment of other borrowings	-	-
Advance towards equity commitment	-	-
<b>Net cash (used in) / from Financing Activities (C)</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(209,267)</b>	<b>(474,923)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,481,405</b>	<b>1,956,328</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,272,138</b>	<b>1,481,405</b>

**Notes:**

- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 - Cash Flow Statement notified under the Companies (Accounting Standard) Amendment Rules, 2009.
- Cash and cash equivalents represents cash and bank balances and include unrealised loss of Rs. Nil on account of translation of foreign currency bank balances.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332**U. DASGUPTA**

Director

**D. S. SHEVDE**

Director

Place : Mumbai

Date : May 13, 2011

Place : Mumbai

Date : May 13, 2011



**SCHEDULES FORMING PART OF ACCOUNTS**

	<b>As at 31.12.2010</b>	<i>As at 31.12.2009</i>
	<b>Rupees</b>	<i>Rupees</i>
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised, issued and paid up</b>		
10,000,000 number of shares of Naira 1/- each (99,99,998 shares are held by Larsen & Toubro International FZE) Sharjah, the holding Company)	<b>3,344,783</b>	<i>3,344,783</i>
	<hr/> <hr/>	<hr/> <hr/>
<b>SCHEDULE 2</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Cash and bank balances</b>		
Bank balance with non-scheduled bank : (Standard Chartered Bank Nigeria Ltd.)		
Current account	<b>171,478</b>	<i>382,390</i>
Fixed deposit account	<b>1,100,660</b>	<i>1,099,015</i>
	<hr/> <b>1,272,138</b>	<hr/> <i>1,481,405</i>
<b>Advances recoverable in cash or kind</b>		
TDS Receivables	<b>18,446</b>	<i>15,902</i>
	<hr/> <b>18,446</b>	<hr/> <i>15,902</i>
<b>TOTAL</b>	<hr/> <b>1,290,584</b> <hr/>	<hr/> <i>1,497,308</i> <hr/>
<b>SCHEDULE 3</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Due to Larsen & Toubro Limited	<b>131,282</b>	<i>130,888</i>
Due to others	<b>19,508</b>	<i>181,083</i>
Provisions	<b>51,406</b>	<i>37,674</i>
Vat Payable	<b>-</b>	<i>8,057</i>
<b>TOTAL</b>	<hr/> <b>202,196</b> <hr/>	<hr/> <i>357,702</i> <hr/>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****SCHEDULE 4****SIGNIFICANT ACCOUNTING POLICIES****1 Basis of Accounting**

The accounts have been prepared using historical cost convention and on going concern basis, in accordance with generally accepted accounting principles in India and in compliance with Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956.

**2 Translation of accounts**

The accounts of the Company are maintained in Nigerian Naira. The accounts are translated in Indian Rupees as follows :-

- a. Share capital is retained at the initial contribution amount
- b. Current assets and Liabilities are translated at year end rates
- c. Revenue transactions are translated at average rates

The resultant difference is accounted as translation reserve in the Balance Sheet

**SCHEDULE 5****NOTES FORMING PART OF ACCOUNTS**

1 During the year under review, the Company did not carry on any business activities and accordingly a Statement of Income and Expenditure during Pre-Operational period is prepared.

2 Additional information required to be disclosed under Part II to Schedule VI of the Companies Act, 1956, is not presently applicable to the Company

**3 Disclosures regarding derivative instruments:**

I Derivatives outstanding as on 31.12.2010 - Nil

II The Company does not have any material foreign currency exposure as at 31.12.2010 that are hedged by a derivative instrument or otherwise.

III Unhedged foreign currency exposure as on 31.12.2010

Currency	Recognised liability (INR)
USD	107,292

4 Disclosure of related party transactions:

Particulars	2010	2009
<b>Accounts payable to related parties</b>		
Due to Larsen & Toubro Limited	<b>131,282</b>	130,888
[Ultimate holding Company]		

5 Balance with non-scheduled banks held in:

Particulars	2010	2009
<b>Current Account</b>		
Standard Chartered Bank Nigeria Ltd.	<b>171,478</b>	382,390
[maximum amount outstanding at any time during the year]	<b>383,367</b>	1,542,076
<b>Fixed deposit account</b>		
Standard Chartered Bank Nigeria Ltd.	<b>1,100,660</b>	1,099,015
[maximum amount outstanding at any time during the year]	<b>1,100,660</b>	1,455,507

6 Basic and Diluted Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars	2010	2009
<b>Basic</b>		
Loss after tax as per Accounts	<b>(26,623)</b>	(368,524)
Number of Shares	<b>10,000,000</b>	10,000,000
<b>Basic EPS (Rs.)</b>	<b>(0.00)</b>	(0.04)

7 There are no obligation, past or present, which have arisen from past events which have not been provided for in the books at the Balance Sheet date.

8 Auditor's remuneration charged to accounts is Rs. 39,170.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

Balance Sheet Abstract and Company's General Business Profile Information as required under Part IV of Schedule VI to the Companies Act, 1956.

**I. Registration Details**Registration No. State Code Balance Sheet Date   
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**Total Liabilities Total Assets **Sources of Fund**Paid-Up Capital Reserves & Surplus Secured Loans Unsecured Loans **Application of Funds**Net Fixed Assets Investments Net Current Assets Misc. Expenditure Accumulated Losses **IV. Performance of Company (Amount in Rs. Thousands)**Turnover Total Expenditure + - Profit / Loss Before Tax + - Profit / Loss After Tax + - Earning per Share in Rs. (Basic) + - Dividend Rate % **V. Generic Names of Three Principal Products / Services of Company (As per monetary terms)**Item Code No. (ITC Code) Product Descriptions 

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
(ICAI registration No. 109982W)**FIRDOSH D. BUCHIA**Partner  
Membership No. 38332Place : Mumbai  
Date : May 13, 2011**U. DASGUPTA**

Director

Place : Mumbai  
Date : May 13, 2011**D. S. SHEVDE**

Director

