

LARSEN & TOUBRO LIMITED
REPORTS AND ACCOUNTS 2013-2014
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DIRECTORS' REPORT

The Directors have pleasure in presenting the Fifth Annual Report and Accounts for the year ended March 31, 2014.

CHANGE IN NAME & OBJECTS

The Shareholders of the Company at their Extra-Ordinary General Meeting held on May 16, 2013 approved change in name of the Company from "L&T Technologies Limited" to "L&T Hydrocarbon Engineering Limited" and change in Objects of the Company in order to appropriately reflect the new business profile. During the year, the Hydrocarbon Business undertaking ("HC Undertaking") of Larsen & Toubro Limited ("L&T") was transferred to the Company with effect from April 1, 2013 ("Appointed Date") pursuant to a Scheme of Arrangement approved by the Honourable Bombay High Court under Sections 391 to 394 of the Companies Act, 1956.

FINANCIAL RESULTS

Summary of Financial Results of the Company is as follows:

Particulars	2013-2014 (₹ Crore)
Turnover (gross)	8,737.03
Profit before Depreciation, Interest, Taxes & Amortisation	305.84
Less: Depreciation & Amortisation	100.05
Profit before Interest & Taxes	205.79
Less: Interest	41.96
Profit before Tax	163.83
Less: Tax	58.10
Profit after Tax	105.73

The financial results of the Company for the year include the results of HC undertaking from April 1, 2013 & hence are not comparable with those of previous year.

YEAR IN RETROSPECT

The gross sales for the financial year under review were ₹ 8,737.03 crore. The Profit before tax was ₹ 163.83 crore and the Profit after tax was ₹ 105.73 crore for the financial year under review. The profitability of the Company was adversely affected by cost over-runs in certain tightly bid international projects. Most of these projects were first of its kind with respect to size & scale, technical complexity, customer expectations and situated in remote geographic locations.

SCHEME OF ARRANGEMENT

The Board of Directors of the Company at its Meeting held on May 22, 2013 approved a Scheme of Arrangement ("the Scheme") between L&T and the Company and their respective Shareholders and Creditors.

As per the Scheme, the HC undertaking of L&T along with related assets, liabilities, specific identified reserves, employees, and other items specifically listed in the Scheme were vested and transferred to the Company on a going concern basis with effect from April 1, 2013 ("Appointed Date").

The aforementioned Scheme was sanctioned by the Honourable Bombay High Court vide its order dated December 20, 2013 and it came into effect on January 16, 2014 ("Effective Date").

The Scheme will enable the Company to achieve the following objectives:

1. Attracting and retaining domain intense talent.
2. Focused leadership & Management attention
3. Developing and strengthening competencies already built in the HC Undertaking
4. Creating a niche in the Hydrocarbon sector towards building a strong brand image.
5. Capitalizing on the global growth opportunities in Hydrocarbon sector.
6. Providing greater levels of empowerment to enhance competitiveness, increase accountability and strengthen performance culture.
7. Facilitating benchmarking with established global peers in the Hydrocarbon sector, thereby bringing in improved efficiency in its operations, enhanced competitiveness & accountability and strengthen performance culture.
8. Enhancing Shareholder Value.

DIVIDEND

The Directors recommend payment of dividend of ₹ 0.1452 per preference share of ₹ 10/- each being pro-rata dividend at coupon rate of 10% p.a. from date of allotment of shares till end of financial year. The Directors do not recommend any dividend on equity shares for the financial year 2013-14.

L&T HYDROCARBON ENGINEERING LIMITED
(formerly L&T Technologies Limited)

CAPITAL & FINANCE

During the year under review, the Company allotted 100 Crore Equity Shares of ₹ 10 each and 50 Crore 10% Non-Convertible Redeemable Preference Shares of ₹ 10 each to Larsen & Toubro Limited, the holding company.

The Company has also raised ₹ 260 Crores from the holding company as long term Inter Corporate Deposit and ₹ 339.70 Crores as short term Inter Corporate Deposit.

CAPITAL EXPENDITURE

As at March 31, 2014, the gross fixed and intangible assets, stood at ₹ 1,371.78 crore and the net fixed and intangible assets, at ₹ 944.71 crore. Capital expenditure during the year amounted to ₹ 248.06 crore in addition to acquisition of Net Fixed Assets of ₹ 923.38 crore as part of the Scheme.

DEPOSITS

The Company has not accepted any deposits from public during the financial year ended March 31, 2014.

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 provided in Annexure 'A' forming part of this Report.

PARTICULARS OF EMPLOYEES

List of employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is provided in Annexure 'B' forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii. the Directors had selected such accounting policies and applied them consistently, 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 end of the financial year and profits 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 annual accounts on a going concern basis; and
- v. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS

At present, the Board comprises of Mr. K. Venkataramanan, Mr. R. Shankar Raman, Mr. N. Hariharan, Mr. U. Dasgupta, Mr. K. Ravindranath, Mr. Vikram Singh Mehta, Dr. Ashok Kumar Balyan and Mr. Sarthak Behuria.

Mr. K. Venkataramanan was designated as Managing Director with effect from February 6, 2014.

Mr. U. Dasgupta, Mr. K. Ravindranath, Mr. Vikram Singh Mehta, Dr. Ashok Kumar Balyan and Mr. Sarthak Behuria were appointed as Additional Directors with effect from February 6, 2014 and they hold office upto the date of the ensuing Annual General Meeting. Resolutions proposing their appointment will be placed before the shareholders for their approval.

Mr. U. Dasgupta & Mr. K. Ravindranath were designated as Whole Time Directors with effect from February 6, 2014.

Mr. K. Venkataramanan retires by rotation and being eligible, offers himself for re-appointment.

The proposal for re-appointment of Mr. K. Venkataramanan will be placed before the shareholders for their approval at the ensuing Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee was formed during the year. It is comprised of three Non-Executive Directors. The present members of the Audit Committee are:

1. Mr. R. Shankar Raman
2. Dr. Ashok Kumar Balyan
3. Mr. Vikram Singh Mehta

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee was formed during the year. It is comprised of two Non-Executive Directors and the Managing Director. The present members of the Nomination & Remuneration Committee are:

1. Mr. K. Venkataramanan
2. Mr. R. Shankar Raman
3. Mr. Sarthak Behuria

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.

Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141(3)(g) of the Companies Act,2013.

COST AUDITORS

Pursuant to the Cost Audit Order dated January 24, 2012 issued by the Ministry of Corporate Affairs (MCA), the Board of Directors had appointed M/s. R. Nanabhoy & Co., Cost Accountants, as Cost Auditors for audit of cost accounting records of "Machinery and Mechanical appliances" under MCA Cost Audit Order No. 52/56/CAB-2010 dated November 6, 2012, for the Financial Year ended March 31, 2014.

The Report of the Cost Auditors for the Financial Year ended March 31, 2014 is under finalization and will be filed with the MCA within the prescribed period.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank the employees of the Company, Customers, Vendors and business associates, management of the Holding Company, Central and State Government authorities, Regulatory authorities, and all the various stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board

K. VENKATARAMANAN
Managing Director

Place : Mumbai

Date : April 29, 2014

ANNEXURE 'A' TO 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. Improving Energy Effectiveness/Efficiency of Equipment and Systems

- Installation of 2 X 400 KVAR capacitor bank with Automatic Power Factor Correction Controller
- Improvement in Power Distribution network to eliminate use of DG set during peak load of works and for E&I testing works.
- Use of vacuum packs for welding electrode to eliminate use of heating oven for storage of welding electrode
- Replacement of Conventional Choke to Electronic Choke
- Replacement of Florescent tube from T8 to T5
- Installation of CFL light fitting in new office facilities
- Procurement of Star rated Air Conditioners for newly built facilities & progressively migrating from Zero Star rated Air Conditioners to Five Star rated Air Conditioners
- Introduction of battery operated cart for transportation within campus
- Usage of Sewage Treated Water for Gardening at campus

2. Improving Energy Effectiveness/Efficiency of Manufacturing Process:

- Use of Inverter based CHAMP 400 Welding Machines to reduce input power consumption by 4.59 KW per hour
- Installation of Variable Frequency Drive in the 600 CFM Compressor to reduce energy consumption
- Use of Variable frequency drive in motors for EOT Cranes, Tank Rotators, Trolleys to improve motor efficiency

(b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy:

- Implementation of Energy Management System ISO 50001
- Plan to replace the balance T8 florescent lamps and conventional chokes with energy efficient T5 lamps and electronic chokes respectively.

(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, cost of power consumption, energy savings and reduction in maintenance cost, reduction in processing cycle time.

(d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

The Company provides engineering, procurement & construction solutions on turnkey basis in oil & gas, petroleum refining, chemicals & petrochemicals and fertilizer sectors and pipelines. Hence, disclosures in Form A are not applicable to the Company.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B

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:

The Company has well-established R&D facilities for carrying out applied research in the areas of Chemical Engineering, Material Science & Corrosion, Thermal Engineering, Machinery & System Engineering, Mechanical Engineering and Water Technologies.

Research work is currently focused on the following:

- **Chemical Engineering**
Design, analysis and simulation of chemical processes and equipment, with special emphasis on Gas Processing applications (Gas/Liquid Separation, Condensate Fractionation, Gas Dehydration, Gas Sweetening Units and C2/C3/C4 component recovery Systems); Process simulation for Ammonia and Urea Plants; Process Engineering for Gas Compressor Modules; Flow simulation studies for Oil & Gas Projects; Refractory engineering for Fertilizer and Refinery Plant equipment; Modeling and process simulation of fixed bed and entrained bed Coal Gasifiers; Failure analysis and troubleshooting of various process units such as Steam Generators, Thermo-siphon system, Pressure Swing Adsorption unit, HP/LP Flash Drum and Gas Compressors.
- **Material Science & Corrosion Engineering**
Material selection, verification and characterization for Gas Processing Plants and LNG pipelines / terminals; Risk assessment for corrosion damage in gas processing equipment and flowlines; Galvanic corrosion studies for subsea pipelines; Development of Corrosion Management Plan for Oil & Gas projects; Failure Analysis studies for equipment and components (such as waste heat recovery system, heat exchangers, Reformer tubes, Turbine blades, valves, fasteners, fittings, coatings etc.); Preservation and restoration techniques for critical systems; Eco-friendly corrosion inhibitors; Chemical cleaning / surface engineering of metals and non-metals; Characterization of composites with state-of-art instrumentation; Nano-materials for strategic applications.
- **Thermal Engineering**
Application of CFD technique in design optimization and troubleshooting of equipment and systems (such as flare and exhaust stack, gas dehydration and gas sweetening units, multi-phase separators); Safety studies for safe helideck operation at offshore platforms; Radiation and dispersion analysis; Check-rating and design optimization of waste heat recovery coils and heat exchangers; Support for commissioning of boiler, offshore wellhead platform and process platform; String Testing of Process Gas Compressor modules for Offshore Platform; Failure analysis and troubleshooting involving heat exchangers, boilers, heaters and furnaces; Low-temperature thermal desalination processes; Dynamic Simulation study of sub-critical and supercritical power plants; Waste heat recovery from the intermittent sources in Process Plants; CFD Analysis of natural convection heat transfer in complex geometries; Dynamic simulation of equipment and processes using Continuous Simulation Language.
- **Machinery & System Engineering**
Advanced studies in Vibration and Acoustics for machinery and piping; Fatigue Life assessment of process piping considering flow-induced and acoustic induced vibration; Lateral and Torsional Vibration analysis for turbines and compressors; Troubleshooting of vibration problems in steam turbines, centrifugal compressors, HP/LP Flash Drum structure and electric drive motor; Failure analysis of deck crane, mud pumps, gearboxes and slewing bearings in offshore platforms; Noise Assessment studies for Gas Processing Plant and Wellhead Platform; Design improvement/optimization studies for Coal Pulverizes units in Supercritical Boilers; Technical support during Acceptance Test and Commissioning for critical machinery.
- **Mechanical Engineering**
Troubleshooting through dynamic analysis of integral systems involving piping, equipment and support structure using advanced Finite Element Analysis; Buckling analysis of sub-sea pipelines and onshore buried pipelines; Fitness For Service (FFS) assessment of in-service equipment and structures containing damage or flaws; Thermal-Structural analysis of process equipment being subjected to high temperature gradient; Motion induced fatigue analysis of equipment mounted on offshore floating platforms; Experimental stress analysis of critical offshore equipment such as pedestal deck crane and residual stress measurement on turbine rotor.
- **Water Technologies**
Total water management solutions including technology evaluation, design & detailing of water / wastewater facilities for Oil & Gas - Upstream & Mid & Downstream sector; Oil-water Separation processes; Waste minimization / recycling studies; Troubleshooting of feed water treatment system in Steam Boiler; Troubleshooting of Condensate Polishing Unit (CPU) in Fertilizer Plant; Methodologies for achieving Zero-discharge from plants; Testing for water & wastewater characterization; Lab-scale pilot plant studies for treatability aspects of water and wastewater; Review of advanced treatment technologies such as Sea Water/Brackish Water Thermal Desalination, Membrane Bioreactor, Sequential Batch Reactor, Up-flow Anaerobic Sludge Blanket Reactor etc.; Review of innovative technologies for reject water management.

R&D Laboratories in the areas of Vibration & Acoustics, Experimental Stress Analysis, Materials Technology, Corrosion Studies and Water Technology have been upgraded by addition of new, state-of-the-art instruments and software tools to carry out the above studies effectively.

The research facilities are augmented with the latest computer workstations, operating systems and communication network / data storage facilities. A fully E-enabled Technical Library, having a large collection of technical publications, research journals and product/technology

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databases further supplement the R&D resources. Emphasis is given on creating Intellectual Properties (IP) and managing the Intellectual Property Rights (IPR). The R&D Centre has been involved in active networking with Professional Societies, R&D Laboratories and Academic Institutes.

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

- Complete process simulation, design solutions and optimization for Hydrocarbon projects in Fertilizer sector, involving Reformers, Ammonia Plant and Urea Plant.
- Establishment of in-house capability in Process Simulation and FEED Verification of on-shore / off-shore Gas Processing Plants and design optimization of associated equipment.
- In-house expertise for complete Refractory solutions (e.g. material selection, engineering, commissioning and troubleshooting) in high-temperature equipment for process plants.
- Development of in-house capability in multi-phase flow simulation studies for Oil & Gas Projects.
- Equipment design capability for waste heat recovery from intermittent sources.
- Design of equipment used in low temperature thermal desalination and Process optimization.
- Capability for dynamic simulation of equipment and processes.
- Successful testing / commissioning of plants and equipment in various Hydrocarbon projects, through multi-disciplinary technology support.
- Complete support to business units for all Materials related assignments (such as material verification / selection / evaluation / characterization; selection of alternative materials; failure analysis; preservation and corrosion protection of critical equipment; development of new materials for strategic applications, identification of newer technologies and commercially available proven products and their implementation).
- Development of in-house expertise related to manufacturing processes, welding, heat treatment, failure mechanisms and corrosion protection / preservation issues of equipment having special metallurgy for critical Oil & Gas applications; Acquisition of know-how pertaining to special materials and their applications.
- Establishment of in-house capabilities in analysis of piping system for flow-induced and acoustic-induced vibrations; Conduct of Plant Noise studies utilizing in-house expertise; Development of in-house capabilities in special acoustic studies such as piping insulation design and valve noise / vent noise assessment.
- Development of in-house expertise in advanced FEA and fatigue analysis techniques for specialized systems (Process piping and piping supports subjected to vibration induced fatigue; Process equipment on offshore floating platforms subjected to motion induced fatigue).
- Development of in-house expertise in Fitness for Service (FFS) Level 1, Level 2 and Level 3 assessment of in-service equipment and structures.
- Establishment of in-house capability in dynamic stress analysis of complex systems involving equipment, piping and structures.
- Development of in-house expertise in specialized applications such as buckling analysis of sub-sea pipeline and onshore buried pipeline.
- Technical support to Oil & Gas, Refinery, Fertilizer and Chemical Plant Projects for complete water & wastewater management solutions; Management of Produced Water, Injection Water and Utility Water; Design of Sludge and Effluent Treatment systems; Appropriate solutions for water treatment, filtration and desalination applications; Development of water recycling, reuse and zero-discharge schemes.

3. Future Plan of Action:

The R&D Centre is committed to providing appropriate technology support to all Hydrocarbon Projects, as required by various business units. Future development activities are identified based on the expected needs of upcoming Projects as well as requirements for in-house capability development. The following key areas have been identified under R&D Action Plan:

- Process technology for coal gasification (technology evaluation, coal characterization, performance simulation, design optimization and system integration for EPC Projects).
- In-house design / simulation capability of Ammonia and Urea Processes.
- Rate-based model development and simulation for Pre-Reformer, HTER and Auto-thermal Reformer.
- Capability development in multi-phase flow assurance studies.
- Use of Refinery Residue for Gasification application.
- Modeling and Process Simulation of Fluidized Bed Gasification Reactors for high-ash Indian coals.
- Process design capabilities in Petrochemical / Polymer Plants.
- Modularization of Process Plants.
- Carbon Capture and Sequestration (CCS) techniques for Oil & Gas Projects.
- Application of Enhanced Oil Recovery (EOR) processes through chemical flooding techniques.
- Cryogenic Air Separation Processes (technology evaluation, process simulation, heat integration and system engineering).
- Use of CFD techniques for design optimization of coal gasifiers.

- Emerging (Non-traditional) energy solutions such as CBM, Shale Gas and Tar Sands.
- Thermal design and optimization of LNG vaporizers.
- Design of Cryogenic Vaporizers and Cold Boxes for Air Separation plants.
- Application of Low Temperature Thermal Desalination process for commercial use.
- Design / engineering of molten salt based thermal energy storage system for electric arc furnace with intermittent operation.
- Use of Oxyfuel combustion to enhance capacity of existing Power Plant Boilers.
- Design of Combustion Air Pre-heaters for Reformers in Ammonia Plants.
- Design analysis of Bulk Flow coolers in Urea Plants.
- Power generation solutions for offshore process platforms using wind power.
- Development of in-house design / analysis capability involving Recycle, Reuse and Zero-discharge Technologies.
- Solar energy based desalination plants for "Clean Energy" initiative.
- RO reject water management & salt reclamation using Nano-filtration (NF) and other Membrane / Electrolytic based systems.
- Advanced Finite Element Analysis (FEA) techniques for process equipment subjected to thermal shock.
- Study of design philosophy of offshore wind turbines.
- Study of advanced techniques for residual stress measurement.
- Stress analysis of refractory lined equipment and reinforced concrete structures.
- Techniques for Reliability, Availability & Maintainability (RAM) studies as part of specialized engineering support for Process Plants.
- Fitness for Service (Level-3) assessment using FEA.
- Advanced FEA based buckling analysis of sub-sea pipelines.
- Theoretical and experimental study on degradation mechanisms in material of construction for Ammonia Converter.
- Chemical synthesis of Platinum nano-particles for development of electrodes for Electrochemical applications, with appropriate characterization tools.
- Study on degradation / failure mechanisms for High-Strength Steel and Duplex Stainless Steels; Characterization of different heat treated (Normalized + Tempered and Normalized + Accelerated cooling + Tempered) low-alloy steel for hydrogen service; Evaluation of hydrogen charged DSS.
- Development of environmentally-friendly (non-toxic and bio-degradable) chemical formulations for chemical cleaning and pickling of steels; Characterization and optimization of selected chemicals based on surface cleaning efficiency and material weight loss.

4. Expenditure on R&D:

Particulars	2013-2014 (₹ Crore)
Capital	0.14
Recurring	11.48
Total	11.62
Total R&D expenditure as percentage to total turnover	0.13%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

- Interaction with external agencies / technology partners for exposure to the latest products / designs, manufacturing technologies, processes, analytical techniques and engineering protocols.
- Active involvement with International / National Professional Societies (such as IChemE, AIChE / CCPS, IChE, ICC, FRI, ASME, NACE, ASM, ASTM, AISC, ACS, TERI, HTFS, HTRI, STLE, TSI, NAFEMS, etc.).
- Active participation in National / International Innovation forums and Innovation contests.
- Institutionalization of in-house schemes (such as ICONs and KnowNet) for identifying, nurturing and implementing innovative ideas and technology solutions.
- Networking and knowledge sharing through national / international conferences, seminars and exhibitions.
- Valuation, adaptation and/or modification of imported designs / technologies to suit indigenous requirements, alternative materials / components.
- Parametric studies involving theoretical models duly validated by experimental studies at in-house laboratories and pilot plants, as well as feedback and operating data during commissioning of various plants and machinery.
- Review of Patents in relevant technology areas.

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- Nomination of R&D engineers to external training programs, expert groups and technical committees.
- Collaborative efforts with educational / research institutions for research projects.
- Use of state-of-the-art equipment, instrument and software as well as the latest Codes and Standards.
- Analyzing feedback from Customers / internal users to continually improve processes and services.

2. Benefits derived as a result of above efforts:

- Successful performance simulation / optimization of process design and engineering for various Hydrocarbon projects (Refinery, Oil & Gas, Fertilizer and Chemical plants).
- Complete in-house support to business units in providing Refractory solutions (selection, design, engineering, commissioning) for high-temperature applications.
- Energy conservation through optimal design, analysis and engineering of heat exchange equipment and waste heat recovery systems for Process Plants.
- Optimum material selection, verification and characterization of materials for critical applications; Implementation of suitable preservation / corrosion protection techniques to achieve successful longer life and adequate performance.
- Development of optimized design for Coal Pulverizers through appropriate sizing, material selection, heat treatment and indigenization of manufacturing and machining processes.
- Establishment of in-house capability for specialized engineering analyses, such as Modeling & Process Simulation, Computational Fluid Dynamics, Transient Thermal Analysis, Risk Based Inspection (RBI) Studies, Fitness for Service (FFS) Studies, advanced Stress Analysis, Vibration & Acoustics, Rotor Dynamics, Tribology etc., in order to achieve self-sufficiency and minimize dependence on external agencies.
- Multi-disciplinary technology support to Projects towards troubleshooting, failure analysis and plant commissioning, in order to achieve successful Project completion with respect to cost, time, quality and HSE targets.
- Acquisition of in-house expertise in areas such as material characterization, advanced corrosion control methods, coating and wear protection techniques to assess and mitigate material-related failures and associated risks in Projects.
- Contribution towards new materials development (composites / nano-materials) and indigenous solutions to control corrosion for effective support to Projects of strategic importance.
- Establishment / upgradation of state-of-the art laboratory facilities for materials characterization, chemical analysis, corrosion control, coating evaluation, vibration and acoustics studies, experimental stress analysis etc., in order to provide comprehensive technology support to business units. This has reduced the dependence on external agencies and enabled effective execution of projects.

3. Information regarding technology imported during the last 5 years:

No technology was imported during the last 5 years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company has executed large size complex projects internationally, mainly in GCC region. As a part of Strategic Plan, "Internationalization" has been identified as a major theme to drive business growth going forward.

The Company has been taking various initiatives to provide fillip to its international operations viz Investments in strategic construction equipment & fabrication yards, appointment of Expats for business building activities in key customer markets such as GCC, South East Asia and CIS Countries and transferring experienced, top performer employees from domestic operations to international.

During the year, the Company has been pre qualified with major international EPC projects from reputed customers in Saudi Arabia, South East Asia and CIS countries. The Company has bagged a few major international orders for Gas Compression Facilities on turnkey basis and construction of Aviation Fuel Terminal.

Total foreign exchange used and earned:

Particulars	2013-2014 (₹ Crore)
Foreign Exchange earned	6,431.10
Foreign Exchange used	5,921.33

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T HYDROCARBON ENGINEERING LIMITED
(formerly L&T Technologies Limited)

Report on the financial statements

We have audited the accompanying financial statements of **L&T HYDROCARBON ENGINEERING LIMITED (formerly L&T Technologies Limited)** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to note Q(2) to the financial statements which explains the acquisition of the Hydrocarbon business of Larsen & Toubro Limited under a court sanctioned scheme of arrangement. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W

Place : Mumbai
Date : April 29, 2014

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 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 has 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.
- 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 (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 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.
- 5 According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956; accordingly paragraph 4(v)(a) and(b) of the Order is not applicable.
- 6 The Company has not accepted deposits from the public and accordingly, paragraph 4(vi) of the Order is not applicable to the Company.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8 We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the central government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of EPC projects undertaken by the Company and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.
- 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 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, 2014 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, the particulars of sales tax, excise duty, service tax, customs duty and income tax as at March 31, 2014 which have not been deposited on account of a dispute pending are as under:

Name of the Statute	Nature of the disputed dues.	Amount (₹ in Crore)	Period to which the amount relates	Forum where dispute is Pending
Central sales Tax Act, Local Sales Tax Act, Works Contract Tax Act.	Disallowance of deemed interstate sales and non-submission of forms	0.08	1999-00, 2002-03	Assistant Commissioner (Appeals)
	Disallowance of sales in transit, deemed interstate sales, non-submission of forms and other matters	44.48	1989-90, 1997-98, 1998-99, 2001-02, 2003-04 to 2010-11	Deputy Commissioner (Appeals)
	Classification disputes, disallowance of forms and other matters	94.64	1996-97, 2000-01, 2001-02, 2003-04 to 2005-06, 2010-11	Joint Commissioner (Appeals)
	Non submission of forms	3.58	2005-06, 2010-11, 2011-12	Additional Commissioner (Appeals)

L&T HYDROCARBON ENGINEERING LIMITED
(formerly L&T Technologies Limited)

Name of the Statute	Nature of the disputed dues.	Amount (₹ in Crore)	Period to which the amount relates	Forum where dispute is Pending
	Disallowance of deemed sales in course of imports, classification disputes, non-submission of forms	2.55	1987-88 to 1991-92, 1999-00, 2000-01, 2002-03	Sales Tax Tribunal
	Disallowance of deemed sales in course of imports, taxability of sub-contractor's turnover and other matters	78.39	1999-00, 2000-01	High Court
	Classification disputes, disallowance of input tax credit and other matters	106.74	2006-07 to 2008-09	Supreme Court
The Central Excise Act, 1944, Service Tax under Finance Act, 1994	Demand for excise duty on fabrication of tanks, platforms and ladders	0.39	1989-90 to 2011-12	Additional Commissioner (Central Excise)
	Demand for service tax on manpower recruitment and supply agency service and dispute on adjustment of excess service tax paid	6.46	2005-06 to 2010-11	Commissioner of Service Tax
	Demand for service tax including penalty and interest on lump sum turnkey jobs	72.12	2002-03 to 2006-07	CESTAT
Income Tax Act, 1961	Dispute regarding tax not deducted on bank guarantee charges and internet charges	1.92	2009-10	Assistant Commissioner (TDS)
	Dispute regarding tax not deducted on bank guarantee charges and internet charges	1.40	2010-11, 2011-12	Commissioner (TDS)
	Difference in rate of tax deducted at source	2.40	2007-08, 2008-09	Director of Income Tax (International Taxation)
Customs Act, 1962	Dispute on software procurement	0.01	2006-07	Commissioner of Customs

- 10 The Company has no accumulated losses as at March 31, 2014 and it has not incurred cash losses in the financial year ended on that date 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 financial institution or bank or debenture holders as at the Balance Sheet date.
- 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 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 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 or financial institutions.
- 16 In our opinion and according to the information and explanations given to us, the Company has not accepted term loans from banks or financial institutions.
- 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 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 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
Firm's registration number 109982W

Place : Mumbai
Date : April 29, 2014

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	B	1,500.05		0.05	
Reserves and surplus	C	(19.41)		(0.01)	
			1,480.64		0.04
Non-current liabilities					
Long-term borrowings	D(I)	260.00		–	
Other long term liabilities	D(II)	35.93		–	
Long-term provisions	D(III)	10.93		–	
			306.86		–
Current liabilities					
Short-term borrowings	E(I)	786.81		–	
Trade payables	E(II)	2,708.89		0.01	
Other current liabilities	E(III)	906.99		–	
Short-term provisions	E(IV)	83.71		–	
			4,486.40		0.01
TOTAL			6,273.90		0.05
ASSETS:					
Non-current assets					
Fixed assets					
Tangible assets	F(I)	917.60		–	
Intangible assets	F(II)	1.98		–	
Capital-work-in-progress	F(I)	25.13		–	
			944.71		–
Deferred tax assets	Q(10)		16.97		–
Long-term loans and advances	G		108.10		–
Current assets					
Inventories	H(I)	21.03		–	
Trade receivables	H(II)	2,174.66		–	
Cash and bank balances	H(III)	187.11		0.05	
Short term loans and advances	H(IV)	726.91		–	
Other current assets	H(V)	2,094.41		–	
			5,204.12		0.05
TOTAL			6,273.90		0.05
CONTINGENT LIABILITIES					
COMMITMENTS (Capital and others)					
OTHER NOTES FORMING PART OF THE ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No.109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No.38332

K. VENKATARAMANAN

Managing Director

P. S. KAPOOR

Company Secretary &
Chief Financial Officer

U. DASGUPTA

Director

K. RAVINDRANATH

Director

Place : Mumbai
Date : April 29, 2014

Place : Mumbai
Date : April 29, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		2012-13	
		(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
REVENUE:					
Revenue from operations (gross)	K	8,737.03		–	
Less: Excise duty		21.13		–	
Revenue from operations (net)			8,715.90		–
Other income	L		0.89		–
TOTAL REVENUE			8,716.79		–
EXPENSES:					
Manufacturing, construction and operating expenses:					
Cost of raw material, components consumed	M	2,731.82		–	
Construction materials consumed		329.23		–	
Stores, spares and tools consumed		120.94		–	
Sub-contracting charges		3,210.61		–	
Changes in inventories of work-in-progress and stock-in-trade		26.75		–	
Other manufacturing, construction and operating expenses		928.38		–	
			7,347.73		–
Employee benefits expense	N		654.84		–
Sales, administration and other expenses [previous year ₹ 11,792]	O		408.38		0.00
Finance costs	P		41.96		–
Depreciation and amortisation and obsolescence			100.05		–
TOTAL EXPENSES			8,552.96		0.00
Profit / (loss) before tax			163.83		(0.00)
Tax expenses:					
Current tax		44.00		–	
Deferred tax		14.10		–	
			58.10		–
Profit / (loss) after tax [previous year loss of ₹ 11,792]			105.73		(0.00)
Profit / (loss) for the period carried to Balance Sheet			105.73		(0.00)
Basic earnings per equity share (₹)	Q(9)		0.97		(2.36)
Diluted earnings per equity share (₹)	Q(9)		0.97		(2.36)
Face value per equity share (₹)			10		10
OTHER NOTES FORMING PART OF ACCOUNTS	Q				
SIGNIFICANT ACCOUNTING POLICIES	A				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

K. VENKATARAMANAN
Managing Director

P. S. KAPOOR
Company Secretary &
Chief Financial Officer

U. DASGUPTA
Director

K. RAVINDRANATH
Director

Place : Mumbai
Date : April 29, 2014

Place : Mumbai
Date : April 29, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-2014 (₹ Crore)	2012-2013 (₹ Crore)
A. Cash flow from operating activities:		
Profit / (loss) before tax	163.83	(0.00)
Adjustments for:		
Depreciation (including obsolescence), amortisation and impairment	100.05	-
Interest expense	41.96	-
Interest income	(0.10)	-
Profit on sale of fixed assets (net)	(0.39)	-
Operating profit before working capital changes	305.35	(0.00)
Adjustments for:		
(Increase)/decrease in trade and other receivables	509.02	786
(Increase)/decrease in inventories	(15.27)	786
Increase/(decrease) in trade payables and customer advances	(868.09)	0.00
Cash (used in)/generated from operations	(69.00)	-
Direct taxes refund/(paid) - net	(52.17)	-
Net cash (used in)/from operating activities	(121.17)	-
B. Cash flow from investing activities:		
Purchase of fixed assets	(147.03)	-
Sale of fixed assets (including advance received)	26.06	-
Consideration towards transfer of Hydrocarbon Undertaking [Note Q(2)]	(1,760.00)	-
Interest received	0.10	-
Net cash (used in)/ from investing activities	(1,880.87)	-
C. Cash flow from financing activities:		
Proceeds from fresh issue of share capital	1,500.00	-
Proceeds from long term borrowings from Holding Company	260.00	-
(Repayments)/Proceeds from other borrowings (net)	90.78	-
Inter-corporate borrowing from Holding Company (net of repayments)	339.70	-
Interest paid	(38.44)	-
Net cash (used in)/ from financing activities	2,152.04	-
Net (decrease) / increase in cash and cash equivalents (A + B + C)	149.99	-
Add: Cash & Cash equivalents of transferred undertaking received as part of Scheme	37.07	-
Cash and cash equivalents at beginning of the period	0.05	0.05
Cash and cash equivalents at end of the period	187.11	0.05
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 movement of capital work-in-progress during the year		
3. Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised gain of ₹ 0.57 crore (previous year : nil) on account of translation of foreign currency bank balances.		
4. Cash and cash equivalents are reflected in the Balance Sheet as follows:		
(a) Cash and cash equivalents disclosed under current assets [Note H (III)]	187.11	0.05
5. 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

Firm's Registration No.109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No.38332

K. VENKATARAMANAN

Managing Director

P. S. KAPOOR

Company Secretary &
Chief Financial Officer

U. DASGUPTA

Director

K. RAVINDRANATH

Director

Place : Mumbai

Date : April 29, 2014

Place : Mumbai

Date : April 29, 2014

NOTES FORMING PART OF ACCOUNTS

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 Standards) Rules, 2006 prescribed by the central government. Further, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also considered, wherever applicable.

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, allowance for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

2. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees in crore [1 crore = 10 million] rounded off to two decimal places in line with the requirements of Schedule VI. Per share data are presented in Indian Rupees to two decimal places.

3. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

A. Revenue from operations

a. Sales & Service

- i. Sales and service include excise duty and adjustments made towards liquidated damages and price variation, wherever applicable. Escalation and other claims, which are not ascertainable/acknowledged by customers, are not taken into account.
- ii. Revenue from sale of manufactured and traded goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.
- iii. Revenue from construction/project related activity and contracts for supply/commissioning 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 is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs.

Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.
- iv. Revenue from contracts for the rendering of services which are directly related to the construction of an asset is recognised on similar basis as stated in iii above.
- v. Revenue from construction/project related activity and contracts executed in joint ventures under work-sharing arrangement [being jointly controlled operations, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], are recognised on the same basis as similar contracts independently executed by the Company.
- vi. Revenue from service related activities is recognised using the proportionate completion method.
- vii. Revenue from engineering and service fees is recognised as per the terms of the contract.
- viii. Profit/loss on contracts executed by Integrated Joint Ventures under profit-sharing arrangement [being Jointly Controlled Entities, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"] is accounted as and when the same is determined by the joint venture. Revenue from services rendered to such joint ventures is accounted on accrual basis.

b. Other operational revenue

Other operational revenue represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

B. Other Income

- i. Interest income is accrued at applicable interest rate.
- ii. Dividend income is accounted in the period in which the right to receive the same is established.
- iii. Other items of income are accounted as and when the right to receive arises.

4. **Extraordinary and exceptional Items**

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

5. **Research and development**

Revenue expenditure on research and development is expensed under respective heads of account in the period in which it is incurred.

6. **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 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, 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 recognised during the period in which the employee renders the related service.

ii. Defined benefit plans: The employees' gratuity fund schemes, post-retirement medical care scheme, pension scheme and provident fund scheme managed by trust 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.

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 recognised immediately in the Statement of Profit and Loss.

The interest element in the actuarial valuation of defined benefit plans, which comprises the implicit interest cost and the impact of changes in discount rate, is classified under finance costs. The balance charge is recognised as employee benefit expenses in the Statement of Profit and Loss.

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 a net basis.

Gains or 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 award etc. is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

d. Termination benefits: Termination benefits such as compensation under voluntary retirement cum pension scheme are recognised as expense in the period in which they are incurred.

7. **Tangible Fixed assets**

Tangible fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment. Assets acquired on hire purchase basis are stated at their cash values. Specific know-how fees paid, if any, relating to plant and equipment is treated as part of cost thereof.

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 capitalised as a part of the cost of the fixed assets.

Own manufactured assets are capitalised at cost including an appropriate share of overheads.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress". (Also refer to policy on leases, borrowing costs, impairment of assets and foreign currency transactions *infra*.)

8. **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.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

a. Finance leases:

- i. 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.
- ii. Assets given under Leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the 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.
- iii. Initial direct costs relating to assets given on finance leases are charged to Statement of Profit and Loss.

Operating leases:

- 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 Statement of Profit and Loss on accrual basis.
- ii) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term. (Also refer to policy on depreciation *infra*).

9. Depreciation

a. Owned assets

i. Assets carried at historical cost:

Depreciation on assets is calculated 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 higher rates in line with their estimated useful life.

Category of asset	Rate of Depreciation (% p.a.)
i) Furniture and fixtures	10.00
ii) Office Equipment	
Multifunctional devices (fax machine/scanner/printers), inkjet/laserjet printers, switches (audio/video) and projectors	25.00
Others	6.67
iii) Computers	
Desktop, Server & related components	16.67
iv) Plant and Equipment general	
a) Cranes below 100 ton capacity used for construction activity	6.67
b) Minor plant & equipment of construction activity	20.00
c) Heavy lift equipment of construction activity	5.00
d) Equipment for tunnelling & laying electrical transmission lines (other than those employed in heavy construction work)	10.00
e) Equipment used in construction industry for concreting, road making, crushing, piling, pipeline laying, welding etc.	8.33
f) DG sets above 30 kva	8.33
g) Erection winches above 2 tons	8.33
h) Strand Jack system, theodolite, total station etc. used in construction industry	8.33
i) Specialised machine tools, dies, jigs, fixtures, gauges for electrical business	20.00
j) Desktops and laptops given to employees under the Company's scheme	33.33
k) Other laptops	25.00
l) Tunnel Boring Machine	50.00
v) Air conditioning and refrigeration equipment	8.33
vi) Laboratory and canteen equipment	12.50
vii) Motor cars	14.14

- iii. 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.
- iv. 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.

b. Leased assets:

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.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Leasehold land: Land acquired under long term lease is classified under "tangible assets" and is depreciated over the period of lease.

10. Intangible assets and amortization

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. 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:

- a. Specialised software: over a period of six years
- b. Technical know-how: over a period of six years in case of foreign technology and three years in the case of indigenous technology

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets underdevelopment".

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

11. 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; and
- b. the reversal of impairment loss recognised in previous periods, if any.

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).

12. Investment:

Trade investments comprise investments in subsidiary companies, joint ventures, associate companies and in the entities in which the Company has strategic business interest.

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long term investments including trade investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature. Investments in integrated joint ventures are carried at cost net of adjustments for Company's share in profits or losses as recognised.

Current investments are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

Purchase and sale of investments are recognised based on the trade date accounting.

13. 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 realisable value
- b. Manufacturing work-in-progress at lower of cost including related overheads or net realisable value. In the case of qualifying assets, cost also includes applicable borrowing costs vide policy relating to borrowing costs
- c. Finished goods and stock in trade (in respect of goods acquired for trading) at lower of weighted average cost or net realisable value. Cost includes related overheads and excise duty paid/payable on such goods.

14. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

15. Securities premium account

- a. Securities premium includes:
 - The difference between the market value and the consideration received in respect of shares issued pursuant to Stock Appreciation Rights Scheme
 - The discount allowed, if any, in respect of shares allotted pursuant to Stock Options Scheme.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- b. The following expenses are written off against securities premium account:
 - Expenses incurred on issue of shares
 - Expenses (net of tax) incurred on issue of debentures/bonds
 - Premium (net of tax) on redemption of debentures/bonds

16. Borrowing Costs:

Borrowing costs include interest, commitment charges, amortisation of ancillary costs, amortisation of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised/inventorised as part of cost of such asset till such time 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.

17. Employee stock ownership schemes

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

18. Foreign currency transactions, foreign operations, forward contracts and derivatives

- 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 the 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 recognised as income or expense in the period in which they arise
- c. Financial statements of foreign operations comprising jobs contracted are treated as integral operations and translated as in the same manner as foreign currency transactions, as described above. Exchange differences arising on such translation are recognized as income or expense of the period in which they arise.
- d. 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 recognised in the period in which they arise.
Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.
- e. 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 ICAI dated March 29, 2008 on accounting of derivatives. In addition, the derivative arrangements embedded in the contracts entered in the course of business are accounted separately if the economic characteristics and risks of the embedded derivatives are not closely related to economic characteristics and risks of the host contract [Note Q23(a)].
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 (including embedded derivatives) covered under Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" are recognised in the Statement of Profit and Loss or Balance Sheet as the case may be after applying the test of hedge effectiveness. Where the hedge in respect of off-Balance Sheet items is effective, the gains or losses are recognised in the "hedging reserve" which forms part of "reserves and surplus" in the Balance Sheet. The amount recognised in the "hedging reserve" is transferred to the Statement of Profit and Loss in the period in which the underlying hedged item affects the Statement of Profit and Loss. Gains or losses in respect of ineffective hedges are recognised in the Statement of Profit and Loss in the period in which such gains or losses are incurred.
- f. The premium paid/received on a foreign currency forward contract is accounted as expense/income over the life of the contract.

19. Segment accounting

- a. **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:
 - i. Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter segment revenue

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- ii. 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 corporate expenditure”
 - iii. Income which relates to the Company as a whole and not allocable to segments is included in “unallocable corporate income”
 - iv. Segment result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Company
 - v. 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
- b. **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.

20. 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 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 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.

21. Accounting for interests in Joint Ventures are accounted as follows:

Type of joint venture	Accounting treatment
Jointly controlled Operations	Company’s share of revenues, common expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.
Jointly controlled entities	<p>(a) integrated joint ventures:</p> <ul style="list-style-type: none"> (i) Company’s share in profits or losses of integrated joint ventures is accounted on determination of the profits or losses by the joint ventures. (ii) Investments in integrated joint ventures are carried at cost net of Company’s share in recognised profits or losses. <p>(b) Incorporated jointly controlled entities:</p> <ul style="list-style-type: none"> (i) Income on investments in incorporated jointly controlled entities is recognised when the right to receive the same is established. (ii) Investment in such joint ventures is carried at cost after providing for any diminution in value which is other than temporary in nature.

22. 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.

23. Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified and disclosed as follows:

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for
- b. Uncalled liability on shares and other investments partly paid

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- c. Funding related commitment to subsidiary, associate and joint venture companies and
d. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.
Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

24. Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

25. Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- I. transactions of a non-cash nature
- II. any deferrals or accruals of past or future operating cash receipts or payments and
- III. items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

B. SHARE CAPITAL

	As at 31.03.2014		As at 31.03.2013	
	Number of shares	(₹ Crore)	Number of shares	(₹ Crore)
B(I) Authorised, issued, subscribed and paid up:				
Authorised:				
Equity shares of ₹ 10 each	2,000,000,000	2,000.00	50,000	0.05
Preference shares of ₹ 10 each	1,000,000,000	1,000.00	–	–
Issued:				
Equity shares of ₹ 10 each	1,000,050,000	1,000.05	50,000	0.05
Preference shares of ₹ 10 each	500,000,000	500.00	–	–
Subscribed and paid up:				
Equity shares of ₹ 10 each	1,000,050,000	1,000.05	50,000	0.05
Preference shares of ₹ 10 each	500,000,000	500.00	–	–
TOTAL		1,500.05		0.05

B(II) Reconciliation of the number of equity shares and share capital:

Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year:

Equity shares of ₹ 10 each	50,000	0.05	50,000	0.05
Preference shares of ₹ 10 each	–	–	–	–

Add: Shares issued during the year:

Equity shares of ₹ 10 each	1,000,000,000	1,000.00	–	–
Preference shares of ₹ 10 each	500,000,000	500.00	–	–

Issued, subscribed and fully paid up equity shares outstanding at the end of the year:

Equity shares of ₹ 10 each	1,000,050,000	1,000.05	50,000	0.05
Preference shares of ₹ 10 each	500,000,000	500.00	–	–

B(III) Terms/rights attached to equity and preference shares

- (a) Equity shares:

Equity shares of the Company are issued at a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

(b) Preference shares:

The Company has issued 10% redeemable preference shares with rights and privileges as provided below:

- Dividend payable is 10% p.a. non-cumulative (for FY 2013-14 pro-rata from date of allotment).
- Preference shares are non-convertible, redeemable at par at the end of 15 years from the date of allotment
- Company has anytime call option and Larsen & Toubro Limited has anytime put option after 10 years.

B(IV) Shareholders holding more than 5% of equity share as at the end of the period:

	As at 31.03.2014		As at 31.03.2013	
	Number of shares	Shareholding %	Number of shares	Shareholding %
Larsen & Toubro Limited:				
Equity shares of ₹ 10 each	1,000,050,000	100%	50,000	100%
Preference shares of ₹ 10 each	500,000,000	100%	—	—

B(V) The Directors recommend payment of 10% (pro-rata) preference dividend on the number of shares outstanding as on the record date. Provision for preference dividend has been made in the books of account for 50,00,00,000 preference shares outstanding as at March 31, 2014 amounting to ₹ 7.26 crore.

C. RESERVES AND SURPLUS

	As at 31.03.2014		As at 31.03.2013	
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Hedging reserve (net of tax): [Note Q(10)]				
As per last Balance Sheet	—		—	
Transfer pursuant to scheme of arrangement	(148.27)		—	
Addition/(deduction) during the year (net)	31.61		—	
		(116.66)		—
Capital reserve				
As per last Balance Sheet	—		—	
Addition/(deduction) during the year (net)	0.02		—	
		0.02		—
Surplus Statement of Profit and Loss				
As per last Balance Sheet	(0.01)		(0.01)	
Profit for the year	105.73		(0.00)	
	105.72		(0.01)	
Less: proposed dividend on preference shares	(7.26)		—	
Additional tax on dividend	(1.23)		—	
	(8.49)	97.23	—	(0.01)
TOTAL		(19.41)		(0.01)

D D(I) LONG-TERM BORROWINGS

	As at 31.03.2014	As at 31.03.2013
	(₹ Crore)	(₹ Crore)
Loans and advances from related parties (Unsecured)	260.00	—
(Inter Corporate borrowing from Holding Company, repayment due on April 30, 2015)	—	—
	260.00	—

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2014	As at 31.03.2013				
	(₹ Crore)	(₹ Crore)				
D(II) OTHER LONG-TERM LIABILITIES						
Forward contract payable	2.25	–				
Embedded derivatives payable	33.69	–				
	35.93	–				
D(III) LONG-TERM PROVISIONS						
Provision for employee benefits						
Post-retirement medical benefits plan	7.07	–				
Interest rate guarantee-provident fund	3.86	–				
	10.93	–				
E E(I) SHORT TERM BORROWINGS						
	As at 31.03.2014		As at 31.03.2013			
	Secured	Unsecured	Total	Secured	Unsecured	Total
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Loans repayable on demand from banks	184.99	–	184.99	–	–	–
Short term loans and advances from banks	89.87	172.25	262.12	–	–	–
Loans from related parties (Inter Corporate borrowing from Holding Company)	–	339.70	339.70	–	–	–
	274.86	511.95	786.81	–	–	–
Note: Loans repayable on demand from banks include fund based working capital facilities viz. cash credits and demand loans. Working capital facilities and other non-fund based facilities viz. bank guarantees and letters of credit, are secured by hypothecation of inventories, book debts and receivables.						
	As at 31.03.2014		As at 31.03.2013			
	(₹ Crore)		(₹ Crore)			
E(II) TRADE PAYABLES						
Acceptances	502.94		–			
Due to related parties:						
Holding Company and fellow subsidiary companies (previous year ₹ 54,511)	428.46		0.01			
Micro and small enterprises [Note Q(18)]	15.64		–			
Due to others	1,761.85		0.00			
	2,708.89		0.01			
E(III) OTHER CURRENT LIABILITIES						
Interest accrued but not due on borrowings	3.51		–			
Interest accrued and due on borrowings	0.02		–			
Due to customers (construction related activity)	360.00		–			
Advances from customers	313.70		–			
Embedded derivative payable	101.98		–			
Forward contracts payable	50.75		–			
Other payable (including sales tax, service tax and others)	77.04		–			
	906.99		–			

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2014 (₹ Crore)	(₹ Crore)	As at 31.03.2013 (₹ Crore)	(₹ Crore)
E(IV) SHORT TERM PROVISIONS				
Provision for employee benefits :				
Compensated absences	37.04		-	
Post-retirement medical benefits plan [Note Q(5)]	0.04		-	
Bonus provision	0.12		-	
Interest rate guarantee (PF)	0.75		-	
		37.95		-
Others:	-			
Proposed preference dividend [Note A(V)]	7.26		-	
Additional tax on dividend	1.23		-	
Other provisions (AS 29 Related) [Note Q(12)]	37.26		-	
		45.75		-
		83.70		-

F FIXED ASSETS

F(i) FIXED ASSETS - TANGIBLE

(₹ Crore)

Particulars	COST/VALUATION					DEPRECIATION/AMORTISATION					BOOK VALUE		
	As at 31-03-2013	Pursuant to acquisition of HC Undertaking*	Additions	Deductions	As at 31-03-2014	As at 31-03-2013	Pursuant to acquisition of HC Undertaking*	Additions	Deductions	As at 31-03-2014	As at 31-03-2014	As at 31-03-2013	
Land													
Free Hold	-	1.03	-	-	1.03	-	-	-	-	-	1.03	-	
Lease Hold	-	48.47	28.40	-	76.87	-	1.70	0.81	-	2.51	74.36	-	
Sub Total - Land	-	49.50	28.40	-	77.90	-	1.70	0.81	-	2.51	75.39	-	
Buildings	-	117.17	56.17	-	173.34	-	10.71	4.31	-	15.02	158.32	-	
Plant and equipment	-	882.57	138.28	18.65	1,002.20	-	295.86	80.33	3.08	373.11	629.09	-	
Computers	-	53.09	4.75	1.53	56.31	-	34.28	6.94	1.23	39.99	16.32	-	
Office equipments	-	17.83	2.72	0.47	20.08	-	7.62	1.80	0.07	9.35	10.73	-	
Furniture & fixtures	-	12.26	2.78	0.03	15.01	-	7.34	1.20	0.03	8.51	6.50	-	
Vehicles													
Owned	-	29.85	7.48	2.41	34.92	-	9.74	4.02	0.09	13.67	21.25	-	
Leased	-	0.27	-	0.27	-	-	0.17	-	0.17	-	-	-	
Sub Total - Vehicles	-	30.12	7.48	2.68	34.92	-	9.91	4.02	0.26	13.67	21.25	-	
Total	-	1,162.54	240.58	23.36	1,379.76	-	367.42	99.41	4.67	462.16	917.60	-	
Previous Year	-	-	-	-	-	-	-	-	-	-	-	-	
Add: Capital work in progress											25.13	-	
Total - Tangible assets											942.73	-	

F(ii) FIXED ASSETS - INTANGIBLE

(₹ Crore)

Particulars	COST/VALUATION					DEPRECIATION/AMORTISATION					BOOK VALUE		
	As at 31-03-2013	Pursuant to acquisition of HC Undertaking*	Additions	Deductions	As at 31-03-2014	As at 31-03-2013	Pursuant to acquisition of HC Undertaking*	Additions	Deductions	As at 31-03-2014	As at 31-03-2014	As at 31-03-2013	
Specialised softwares	-	4.51	0.51	0.03	4.99	-	2.39	0.63	0.01	3.01	1.98	-	
Total - Specialised softwares	-	4.51	0.51	0.03	4.99	-	2.39	0.63	0.01	3.01	1.98	-	
Previous Year	-	-	-	-	-	-	-	-	-	-	-	-	
Total - Intangible assets											1.98	-	

* Refer Note Q2

NOTES FORMING PART OF ACCOUNTS (CONTD.)

G LONG TERM LOANS AND ADVANCES

	As at 31.03.2014 (₹ Crore)	As at 31.03.2013 (₹ Crore)
Unsecured considered good		
Capital advances	19.38	–
Other loans and advances		
Security deposits	13.56	–
Advances recoverable in cash or in kind	55.29	–
Forward contract receivable	17.92	–
Embedded derivative receivable	1.91	–
Balances with customs, port trust etc.	0.04	–
	<u>108.10</u>	<u>–</u>

H H(I) INVENTORIES (at cost or net realisable value whichever is lower)

	As at 31.03.2014 (₹ Crore)	As at 31.03.2013 (₹ Crore)
Components	14.82	–
Construction material	2.74	–
Manufacturing work -in- progress	1.19	–
Stores and spares	2.28	–
	<u>21.03</u>	<u>–</u>

	As at 31.03.2014		As at 31.03.2013	
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
H(II) TRADE RECEIVABLES				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	806.97		–	
Considered doubtful	18.53		–	
	<u>825.50</u>		–	
Other debts: [Note H(II)(a)]				
Considered good	905.90		–	
Considered doubtful	–		–	
	<u>1,731.40</u>		–	
Less: Allowance for doubtful debts	<u>18.53</u>		–	
		1,712.87		–
Retention money				
Unsecured:				
Other retention money:				
Considered good		461.79		–
		<u>2,174.66</u>		<u>–</u>

H(II) (a) Unsecured-other debts includes ₹ 376.68 crore (previous year Nil) contractually not due.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

H(III) CASH AND BANK BALANCES

	As at 31.03.2014 (₹ Crore)	As at 31.03.2013 (₹ Crore)
Cash and cash equivalents		
Balance with banks	127.83	0.05
Remittance in transit	58.36	-
Cash on hand	0.92	-
	<u>187.11</u>	<u>0.05</u>

H(IV) SHORT TERM LOANS AND ADVANCES

	As at 31.03.2014		As at 31.03.2013	
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Unsecured considered good				
Fellow subsidiaries				
Others		269.75		-
Other loans and advances				
Security deposits		8.64		-
Advances recoverable in cash or in kind		440.35		-
Income tax receivable of current year (net of provision ₹ 44 crores)		8.17		-
Considered doubtful				
Other loan and advances	42.69		-	-
Less: Allowance for doubtful loan and advances	(42.69)		-	-
		<u>0</u>		<u>-</u>
		<u>726.91</u>		<u>-</u>

H(V) OTHER CURRENT ASSET

	As at 31.03.2014 (₹ Crore)	As at 31.03.2013 (₹ Crore)
Due from customers (construction and project related activity)	2,094.41	-
	<u>2,094.41</u>	<u>-</u>

I CONTINGENT LIABILITIES

(a) Claims against the Company not acknowledged as debts	2.95	-
(b) Sales-tax liability that may arise in respect of matters in appeal	20.66	-
(c) Income-tax liability (including penalty) that may arise in respect of which the Company is in appeal	2.40	-

Notes:

- The Company does not expect any reimbursements in respect of the above contingent liabilities.
- It is not practicable to estimate the timing of cash outflows, if any, in respect of matters at (a) to (c) above pending resolution of the appellate proceedings.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

J COMMITMENTS

	As at 31.03.2014	<i>As at 31.03.2013</i>
	(₹ Crore)	<i>(₹ Crore)</i>
Estimated amount of contracts remaining to be executed on capital account (net of advances)	62.30	–

K REVENUE FROM OPERATIONS

	As at 31.03.2014		<i>As at 31.03.2013</i>	
	(₹ Crore)	(₹ Crore)	<i>(₹ Crore)</i>	<i>(₹ Crore)</i>
Sales and service:				
Manufacturing and trading activity	19.07		–	
Construction and project related activity	8,597.53		–	–
Engineering and service fees	33.79		–	
		8,650.39		–
Other operational revenue:				
Income from hire of plant and equipment	18.29		–	
Technical fees	7.41		–	
Income from services to Group companies	28.92		–	
Premium earned (net) on related forward exchange contract	9.75		–	
Miscellaneous income	22.27		–	
		86.64		–
		8,737.03		–

K(l) Revenue from sales and service include ₹ 10.29 crore (*previous year Nil*) for price variations net of liquidated damages in terms of contracts with the customers.

L OTHER INCOME

	2013-14	<i>2012-13</i>
	(₹ Crore)	<i>(₹ Crore)</i>
Interest income		
Others	0.10	–
Net gain/(loss) on sale of fixed assets (net)	0.39	–
Provision no longer required written back	0.40	–
	0.89	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

M MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES

	2013-14		2012-13	
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Materials consumed				
Raw materials and components [Q(19)(b)]	2,759.40		–	
Less: scrap sales	27.58		–	
		2,731.82		–
Construction materials		329.23		–
Stores,spares and tools consumed		120.94		–
Sub-contracting charges		3,210.61		–
Changes in inventories of work- in- progress and stock- in- trade:				
Closing stock:				
Work-in-progress	52.97		–	
Less: opening stock:				
Work-in-progress	79.72		–	
		26.75		–
Other manufacturing, construction and operating expenses:				
Power and fuel [Note (O)(I)]	131.80		–	
Royalty and technical know-how fees	0.75		–	
Packing and forwarding [Note (O)(I)]	9.15		–	
Hire charges - plant and equipment and others	309.93		–	
Engineering, technical and consultancy fees	198.00		–	
Insurance [Note (O)(I)]	11.59		–	
Rent [Note (O)(I)]	45.60		–	
Rates and taxes [Note (O)(I)]	7.28		–	
Travelling and conveyance [Note (O)(I)]	144.77		–	
Repairs to plant and equipment	4.46		–	
General repairs and maintenance [Note (O)(I)]	21.79		–	
Bank guarantee charges	9.02		–	
Miscellaneous expenses [Note (O)(I)]	34.24		–	
		928.38		–
		7,347.73		–

N EMPLOYEE BENEFITS EXPENSE

Salaries, wages and bonus		588.34		–
Contribution to and provision for:				
Provident funds and pension fund	11.30		–	
Superannuation/ employee pension schemes (including provisions ₹ 0.30 crore)	0.93		–	
Gratuity provision [Note Q(5)]	1.08		–	
		13.31		–
Expenses on Employee Stock Option Schemes		8.70		–
Insurance expenses-medical and others [Note (O)(I)]		5.06		–
Staff welfare expenses		39.43		–
		654.84		–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

O SALES, ADMINISTRATION AND OTHER EXPENSES

	2013-14		2012-13	
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Power and fuel [Note O(l)]		3.26		-
Professional fees (previous year ₹ 500)		30.69		-
Audit fees [Note Q(14)] (previous year ₹ 10,000)		0.25		0.00
Insurance [Note O(l)]		3.35		0.00
Rent [Note O(l)]		9.39		-
Rates and taxes [Note O(l)] (previous year ₹ 680)		2.14		-
Travelling and conveyance [Note O(l)]		22.30		0.00
Repairs to buildings [Note O(l)]		1.24		-
General repairs and maintenance [Note O(l)]		13.23		-
Telephone, postage and telegrams		11.87		-
Advertising and publicity		1.23		-
Stationery and printing		7.81		-
Bank charges		7.44		-
Overheads charged by Holding Company and fellow subsidiaries		123.51		-
Miscellaneous expenses [Note O(l)](previous year ₹ 612)		12.69		0.00
Bad debts and advances written off	2.89		0.00	
Less: Allowance for doubtful debts and advances written back	2.22		-	
		0.67		-
Allowance for doubtful debts and advances (net)		(2.97)		-
Provision / (reversal)for foreseeable losses on construction contracts		73.08		-
Exchange (gain) /loss (net)		81.02		-
Other provisions [Note Q(12)]		6.18		-
		408.38		0.00

O(l) Aggregation of expenses disclosed vide notes M, N and O in respect of specific items are as follows:

Sr. No.	Nature of expenses	2013-14				2012-13			
		Note M	Note N	Note O	Total	Note M	Note N	Note O	Total
		(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
1	Power & Fuel	131.80	-	3.26	135.06	-	-	-	-
2	Packing & Forwarding	9.15	-	-	9.15	-	-	-	-
3	Insurance	11.59	5.06	3.35	20.00	-	-	-	-
4	Rent	45.60	-	9.39	54.99	-	-	-	-
5	Rates & Taxes (previous year ₹ 680)	7.28	-	2.14	9.42	-	-	0.00	0.00
6	Travelling & Conveyance	144.77	-	22.30	167.07	-	-	-	-
7	Repairs to Buildings	-	-	1.24	1.24	-	-	-	-
8	General repairs and maintenance	21.79	-	13.23	35.01	-	-	-	-
9	Miscellaneous expenses(previous year ₹ 612)	34.24	-	12.69	46.93	-	-	0.00	0.00

P FINANCE COSTS

	2013-14	2012-13
	(₹ Crore)	(₹ Crore)
Interest expenses	25.91	-
Exchange loss (attributable to finance costs)	16.05	-
	41.96	-

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Q OTHER NOTES FORMING PART OF THE ACCOUNTS

Q(1) During the year, the Hydrocarbon Undertaking ('HC Undertaking') of Larsen & Toubro Limited ('L&T') was transferred to L&T Technologies Limited, which was incorporated as a Company on 2 April 2009 (refer note Q(2) below). The Company changed its name to L&T Hydrocarbon Engineering Limited on 21 May 2013 (hereinafter referred to as 'the Company').

Q(2) Scheme of arrangement:

- a) Pursuant to a Scheme of Arrangement ("Scheme") under Sections 391 to 394 of The Companies Act, 1956, entered into between the Company L&T, the HC Undertaking of L&T was transferred to the Company with effect from April 1, 2013 ("Appointed Date") for a lump sum cash consideration of ₹ 1,760.00 crores.

	(₹ Crore)	(₹ Crore)
ASSETS:		
Fixed Assets	923.38	
Long Term Loans & Advances	86.95	
Deferred Tax Assets (Net)	47.35	
Current Assets	5,512.91	
		6,570.59
LIABILITIES:		
Non-current Liabilities	35.35	
Current Liabilities	4,923.49	
		4,958.84
Net Assets		1,611.75
Specific identified reserves:		
Hedging Reserve (Debit balance)		148.27
Net Asset Value & Specific Identified Reserves of HC Undertaking		1,760.02
Cash Consideration paid to L&T		1,760.00
Capital Reserve		0.02

- b) The HC Undertaking of L&T was engaged in executing engineering, procurement and construction contracts on turnkey basis in the hydrocarbon upstream and mid- and down-stream sectors.
- c) The aforementioned Scheme was sanctioned by the Honourable Bombay High Court vide its order dated December 20, 2013 and it came into effect on January 16, 2014 ("Effective Date") upon which:
- The HC Undertaking together with all related assets, liabilities, specific identified reserves, employees, and other items specifically listed in the Scheme were deemed to have been vested and transferred, on a going concern basis, to the Company with retrospective effect from April 1, 2013; and
 - The business of HC Undertaking was deemed to have been carried out by L&T in trust for the Company from April 1, 2013 upto the effective date

Accordingly, all assets, liabilities and identified reserves of the erstwhile HC Undertaking as at March 31, 2013 have been recorded by the Company at their book values as at April 1, 2013. The difference between the cash consideration of ₹ 1,760.00 crores and the assets, liabilities and identified specific reserves amounting to ₹ 1760.02 crores is accounted as capital reserve (₹ 0.02 crores) in the books of the Company.

- d) In view of the aforesaid Scheme, the figures for the current year are not comparable to those of the previous year.

Q(3) The expenditure on research and development activities recognised as expense in the Statement of Profit and Loss is ₹ 11.48 crore (*previous year: Nil*). Further, the Company has incurred capital expenditure on research and development activities as of ₹ 0.14 crore (*previous year: Nil*).

Q(4) Disclosures pursuant to Accounting Standard (AS) 7 (Revised) "Construction Contracts":

	Particulars	2013-2014 (₹ Crore)	2012-2013 (₹ Crore)
i)	Contract revenue recognised for the financial year [Note no. (K)]	8,597.53	–
ii)	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) as at end of the financial year for all contracts in progress as at that date	21,069.19	–
iii)	Amount of customer advances outstanding for contracts in progress as at end of the financial year	292.00	–
iv)	Retention amounts by customers for contracts in progress as at end of the financial year	461.79	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Q(5) Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"

- i. Defined contribution plans: [accounting policy no.A(6)(b)(i)] ₹ 5.72 crore (*previous year : Nil*) is recognised as an expense and included in "employee benefits expense" (Note no N) in the Statement of Profit and Loss.
- ii. The assets of the gratuity fund of L&T that pertain to the employees of the Company will be transferred to the gratuity fund of the Company when it is formed. The fair value of plan assets that pertain to the Company are as valued by the actuarial valuer as at March 31, 2014 and are disclosed below under present value of defined benefit obligations.
- iii. Defined benefit plans: [accounting policy no. A(6)(b)(ii)]
 - a) The amounts recognised in Balance Sheet are as follows:

	Particulars	Gratuity plan		Post-retirement medical benefit plan		Trust-managed provident fund plan	
		As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
		(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
A)	Present value of defined benefit obligation						
	– Wholly funded			–	–	2.83	–
	– Wholly unfunded	25.23	–	7.11	–		
	Less: Fair value of plan assets	24.96	–	–	–	2.82	–
	Less: Unrecognised past service costs	–	–	–	–		
	Amount to be recognised as liability or (asset)	0.27	–	7.11	–	0.01	–
B)	Amounts reflected in the Balance Sheet						
	Liabilities	0.27	–	7.11	–		
	Assets	–	–	–	–	–	–
	Net liability/(asset)	0.27	–	7.11	–	0.01	–
	Net liability/(asset) - current	0.27	–	0.04	–	0.01	–
	Net liability/(asset) - non-current	–	–	7.07	–	–	–

- b) The amounts recognised in Statement of Profit and Loss are as follows:

	Particulars	Gratuity plan		Post-retirement medical benefit plan		Trust-managed provident fund plan	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
		(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
1	Current service cost	2.41	–	0.70	–	1.05	–
2	Interest cost	2.07	–	0.62	–	0.02	–
3	Expected (return) on plan assets	(1.59)	–	–	–	(0.02)	–
4	Actuarial losses/(gains)	(1.81)	–	(0.49)	–	0.01	–
5	Past service cost			–	–	–	–
6	Actuarial gain/(loss) not recognised in books			–	–	(0.01)	–
	Total (1 to 6)	–	–			–	–
I	Amount included in "employee benefit expenses"	1.08	–	0.83	–	1.05	–
	Total	1.08	–	0.83	–	0.01	–
	Actual return on plan assets	0.80	–	–	–	0.01	–

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		Post-retirement medical benefit plan		Trust-managed provident fund plan	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Opening balance of the present value of defined benefit obligation	0	–	0	–	0	–
Add: Current service cost	2.41	–	0.70	–	1.05	–
Add: Interest cost	2.07	–	0.62	–	0.02	–
Add: Contribution by plan participants						
i) Employer	–	–	–	–	1.76	–
ii) Employee	–	–	–	–	–	–
iii) Transfer-in/(out)	25.11	–	6.28	–		
Add/(less): Actuarial losses/(gains)	(2.61)	–	(0.50)	–		
Less: Benefits paid	(1.75)	–	–	–	–	–
Add: Past service cost	–	–	–	–	–	–
Closing balance of the present value of defined benefit obligation	25.23	–	7.11	–	2.83	–

- 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 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Opening balance of the fair value of the plan assets	–	–	–	–
Add: Expected return on plan assets*	1.59	–	0.02	–
Add/(Less): Actuarial gains/(losses)	(0.79)	–	(0.01)	–
Add: Contribution by the employer	3.79	–	1.05	–
Add/(less) : Transfer in/(out)	22.13	–	–	–
Add: Contribution by plan participants			1.76	–
Less: Benefits paid	(1.75)	–		
Closing balance of the plan assets	24.96	–	2.82	–

Notes: 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.

* Basis used to determine the overall expected return:

Expected return on plan assets 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 increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- 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 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Government of India securities	45.00%	–	24.35%	–
State government securities	–	–	14.84%	–
Corporate bonds	50.00%	–	7.63%	–
Equity shares of listed companies	2.00%	–	–	–
Fixed deposits under special deposit scheme framed by central government for provident funds	–	–	–	–
Insurer managed funds	3.00%	–	–	–
Public sector unit bonds	–	–	41.48%	–
Special Deposit Scheme	–	–	11.62%	–
Mutual Funds	–	–	0.08%	–

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

	As at 31.03.2014	As at 31.03.2013
	(₹ Crore)	(₹ Crore)
1 Discount rate:		
a) Gratuity plan	9.19%	–
b) Post-retirement medical benefit plan	9.19%	–
2 Expected return on plan assets:	7.50%	–
3 Annual increase in healthcare costs (see note below)	5.00%	–
4 Salary growth rate:		
a) Gratuity plan	5.00%	–

5. Attrition rate:
- For post-retirement medical benefit plan, the attrition rate varies from 2% to 8% (*previous year: NA*) for various age groups.
 - For gratuity plan, the attrition rate varies from 1% to 6% (*previous year: NA*) for various age groups.
6. 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.
7. 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 Statement of Profit and Loss as actuarial losses.
8. 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.
9. 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		Effect of 1% decrease	
	2013-2014	2012-2013	2013-2014	2012-2013
	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
Effect on the aggregate of the service cost and interest cost	0.27	–	(0.21)	–
Effect on defined benefit obligation	1.2	–	(0.95)	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

The amounts pertaining to defined benefit plans are as follows

	Particulars	As at 31.03.2014	As at 31.03.2013
		(₹ Crore)	(₹ Crore)
1	Post-retirement medical benefit plan (unfunded)	-	-
	Defined benefit obligation	7.11	-
	Experience adjustment plan liabilities	0.61	-
2	Gratuity plan (unfunded)		
	Defined benefit obligation	25.23	-
	Plan assets	24.96	-
	Surplus/(deficit)	0.27	-
	Experience adjustment plan liabilities	(0.28)	-
	Experience adjustment plan assets	(0.79)	-
3	Trust managed provident fund plan (funded)		
	Defined benefit obligation	2.83	-
	Plan assets	2.82	-
	Surplus/(deficit)	(0.01)	-

General descriptions of defined benefit plans:

1. 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 based on cadre of the employee at the time of retirement.

2. Trust managed provident fund plan:

The Company's provident fund plan is managed by its holding company through a Trust 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.

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 recognized immediately in the Statement of Profit and Loss as actuarial loss. Any loss / gain arising out of the investment risk and actuarial risk associated with the plan is also recognized as expense or income in the period in which such loss / gain occurs.

Q(6) Disclosures pursuant to Accounting Standard (AS 17) "Segment Reporting"

a) Information about business segments (information provided in respect of revenue items for the year ended March 31, 2014 and in respect of assets/liabilities as at March 31, 2014 denoted as "CY" below, previous year denoted as "PY")

i) Primary segments (business segments): The Company operates in only one segment, i.e. integrated EPC projects on turnkey basis in Hydrocarbon sector.

(ii) Secondary segments (geographical segments):

(₹ Crore)

Particulars	Domestic		Overseas		Total	
	CY	PY	CY	PY	CY	PY
External revenue by location of customers	4,014.87	-	4,722.16	-	8,737.03	-
Carrying amount of segment assets by location of assets	3,851.02	-	2,405.90	-	6,256.92	-
Cost incurred on acquisition of tangible and intangible fixed assets (includes assets acquired on transfer of HC Undertaking)	736.87	-	255.93	-	992.80	-

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- b) Segment reporting: segment identification, reportable segments and definition of each reportable segment:
- i) Primary/secondary segment reporting format:
 - [a] The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.
 - [b] In respect of secondary segment information, the Company has identified its geographical segments as (i) domestic and (ii) overseas. The secondary segment information has been disclosed accordingly.
 - ii) Segment identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual businesses, the organisational structure and the internal reporting system of the Company.
 - iii) Reportable segments:

Reportable segments have been identified as per the criteria specified in Accounting Standard (AS) 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

Q(7) Disclosure of related parties/related party transactions pursuant to Accounting Standard (AS 18) "Related Party Disclosures"

- i. Related parties who exercise control

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company

- ii. List of related parties with whom there were transactions during the year:

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company
2	L&T Sargent & Lundy Limited	Fellow Subsidiary
3	L&T Valdel Engineering Limited	Fellow Subsidiary
4	L&T Shipbuilding Limited	Fellow Subsidiary
5	L&T Electrical and Automation FZE	Fellow Subsidiary
6	L&TGulf Private Limited	Fellow Subsidiary
7	L&T MHI Boilers Private Limited	Fellow Subsidiary
8	L&T Special Steels and Heavy Forgings Private Limited	Fellow Subsidiary
9	L&T Howden Private Limited	Fellow Subsidiary
10	L&T Sapura Shipping Private Limited	Fellow Subsidiary
11	L&T Sapura Offshore Private Limited	Fellow Subsidiary
12	EWAC Alloys Limited	Fellow Subsidiary
13	Larsen & Toubro Infotech Limited	Fellow Subsidiary
14	L&T Finance Limited	Fellow Subsidiary
15	Larsen & Toubro International FZE	Fellow Subsidiary
16	Larsen & Toubro Electromech LLC	Fellow Subsidiary
17	L&T Modular Fabrication Yard LLC	Fellow Subsidiary
18	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	Fellow Subsidiary
19	Larsen & Toubro Atco Saudi LLC	Fellow Subsidiary
20	Larsen & Toubro Heavy Engineering LLC	Fellow Subsidiary
21	L&T Valves Limited	Fellow Subsidiary
22	PT TAMCO Indonesia	Fellow Subsidiary
23	L&T Hydrocarbon International LLC	Fellow Subsidiary
24	Larsen & Toubro Saudi Arabia LLC	Fellow Subsidiary
25	Larsen Toubro Arabia LLC	Fellow Subsidiary

- iii. Key management personnel with whom transactions were carried out during the year:

Key management personnel:			
1	Mr. K. Ravindranath (Whole-time director)	2	Mr. U. Dasgupta (Whole-time director)

NOTES FORMING PART OF ACCOUNTS (CONTD.)

iv. Disclosure of related party transactions:

(₹ Crore)

Sr. no.	Nature of transaction/relationship/major parties	2013-2014		2012-2013	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Purchase of goods & services (including commission paid)				
	Holding Company (Larsen & Toubro Limited)	81.84		–	
	Fellow subsidiaries, including:	1044.54		–	
	Larsen & Toubro Electromech LLC		486.67		–
	L&T Modular Fabrication Yard LLC		363.86		–
	L&T Valves Limited		18.60		–
	L&T Gulf Private Limited		10.48		–
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		64.75		–
	Larsen & Toubro Heavy Engineering LLC		42.64		–
	L&T Sapura Shipping Private Limited		19.67		–
	L&T Sapura Offshore Private Limited		0.54		–
	L&T Valdel Engineering Limited		33.65		–
	EWAC Alloys Limited		2.73		–
	L&T Sargent & Lundy Limited		0.82		–
	Larsen & Toubro International FZE		0.15		–
	Total	1126.38		–	
2	Sale of goods/contract revenue & services				
	Holding Company (Larsen & Toubro Limited)	1.22		–	
	Fellow subsidiaries, including:	102.51		–	
	Larsen & Toubro Atco Saudi LLC		78.53		–
	Larsen Toubro Arabia LLC		18.23		–
	Larsen & Toubro Electromech LLC		3.06		–
	L&T Modular Fabrication Yard LLC		1.65		–
	L&T Electrical and Automation FZE		0.10		–
	L&T Special Steels and Heavy Forgings Private Limited		0.53		–
	L&T Gulf Private Limited		0.14		–
	L&T Sargent & Lundy Limited		0.27		–
	Total	103.73		–	
3	Purchase/lease of fixed assets				
	Holding Company (Larsen & Toubro Limited)	11.24		–	
	Fellow subsidiaries, including:	16.74		–	
	L&T Shipbuilding Limited		16.11		–
	Larsen & Toubro International FZE		0.56		–
	EWAC Alloys Limited		0.07		–
	Total	27.98		–	
4	Sale of fixed assets				
	Fellow subsidiaries:	0.62		–	
	Larsen & Toubro Atco Saudi LLC		0.62		–
	Total	0.62		–	
5	Receiving of services from:				
	Holding Company (Larsen & Toubro Limited)	123.04		–	
	Fellow subsidiaries, including:	5.93		–	
	Larsen & Toubro Infotech Limited		5.15		–
	L&T Gulf Private Limited		0.63		–
	L&T Sargent & Lundy		0.10		–
	L&T Valdel Engineering Limited		0.04		–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Sr. no.	Nature of transaction/relationship/major parties	2013-2014		2012-2013	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	EWAC Alloys Limited		0.01		-
	Total	128.97		-	
6	Charges for deputation of employees to related parties				
	Fellow subsidiaries, including:	6.10		-	
	L&T Sapura Shipping Private Limited		5.34		-
	L&T Sapura Offshore Private Limited		0.76		-
	Total	6.10		-	
7	Rent received, overheads recovered and miscellaneous income				
	Holding Company (Larsen & Toubro Limited)	36.29		-	
	Fellow subsidiaries, including:	41.44		-	
	Larsen & Toubro Atco Saudi LLC		20.39		-
	Larsen Toubro Arabia LLC		6.87		-
	L&T Modular Fabrication Yard LLC		6.84		-
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		3.20		-
	L&T Valdel Engineering Limited		2.04		-
	L&T Valves Limited		0.17		-
	L&T MHI Boilers Private Limited		0.07		-
	Larsen & Toubro Electromech LLC		-0.52		-
	L&T Gulf Private Limited		0.73		-
	L&T Sapura Offshore Private Limited		0.04		-
	L&T Sapura Shipping Private Limited		1.40		-
	Larsen & Toubro Saudi Arabia LLC		0.20		-
	L&T MHI Turbine Generators Private Limited		0.01		-
	Total	77.73		-	
8	Interest paid to				
	Holding Company (Larsen & Toubro Limited)	8.46		-	
	Total	8.46	-	-	-
9	Transfer of Business from (refer note Q(2))				
	Holding Company (Larsen & Toubro Limited)	1760.02		-	
	Total	1760.02		-	
10	Payment of salaries/ perquisites (Key management personnel)	2.35			-
	Mr. U. Dasgupta		1.57	-	
	Mr. K. Ravindranath		0.78	-	
	Total	2.35	-		-

v. Amount due to/from related parties

(₹ Crore)

Sr. no.	Nature of transaction/relationship/major parties	As at 31.03.2014		As at 31.03.2013	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Accounts payable (including acceptance & interest accrued)				
	Holding Company (Larsen & Toubro Limited)	278.49		-	
	Fellow subsidiaries, including:	156.47		-	
	Larsen & Toubro Electromech LLC		59.23		-
	L&T Modular Fabrication Yard LLC		39.05		-
	Larsen & Toubro Atco Saudi LLC		0.23		-
	L&T Valves Limited		11.34		-

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Sr. no.	Nature of transaction/relationship/major parties	As at 31.03.2014		As at 31.03.2013	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	Larsen and Toubro (East Asia) SDN.BHD		0.59		–
	EWAC Alloys Limited		0.23		–
	L&T Special Steels and Heavy Forgings Private Limited		0.01		–
	L&T Geostructure LLP		1.11		–
	L&T Gulf Private Limited		5.15		–
	L&T FinCorp Limited		3.08		–
	Larsen and Toubro Infotech Limited		3.59		–
	Larsen and Toubro International FZE		0.62		–
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		1.35		–
	Larsen & Toubro Heavy Engineering LLC		6.96		–
	L&T Shipbuilding Limited		9.05		–
	L&T Sapura Offshore Private Limited		0.55		–
	L&T Sapura Shipping Private Limited		3.40		–
	L&T Sargent & Lundy Limited		0.45		–
	PT TAMCO Indonesia		0.12		–
	TAMCO Switchgear (Malaysia) SDN BHD		0.23		–
	L&T Valdel Engineering Limited		10.13		–
	Total	434.96		–	
2	Loans & advances recoverable				
	Holding Company (Larsen & Toubro Limited)	121.91		–	
	Fellow subsidiaries, including:	167.17		–	
	Larsen Toubro Arabia LLC		29.94		–
	Larsen & Toubro Atco Saudi LLC		28.07		–
	L&T Valves Limited		3.01		–
	L&T MHI Boilers Private Limited		0.13		–
	Larsen & Toubro Electromech LLC		15.79		–
	LT Electrical and Automation FZE		0.33		–
	L&T Special Steels and Heavy Forgings Private Limited		0.12		–
	L&T Gulf Private Limited		1.05		–
	L&T Howden Private Limited		0.01		–
	L&T Hydrocarbon International LLC		0.15		–
	Larsen & Toubro Heavy Engineering LLC		19.50		–
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		5.58		–
	L&T Shipbuilding Limited		20.08		–
	L&T Modular Fabrication Yard LLC		15.81		–
	L&T Sapura Offshore Pvt Ltd.		11.88		–
	L&T Sapura Shipping Pvt. Ltd.		12.88		–
	L&T Valdel Engineering Limited		2.45		–
	Larsen & Toubro Infotech Limited		0.04		–
	L&T Sargent & Lundy Limited		0.12		–
	Larsen & Toubro Saudi Arabia LLC		0.20		–
	L&T MHI Turbine Generators Private Limited		0.02		–
	Total	289.08		–	
3	Unsecured loans (including lease finance)				
	Holding Company (Larsen & Toubro Limited)	599.70		–	
	Total	599.70		–	

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Q(8) Disclosure in respect of leases pursuant to Accounting Standard (AS 19) "Leases"

Where the Company is a lessee:

a) Operating leases:

- i. The Company has taken various commercial premises and plant and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.
- ii. [a] The Company has taken certain assets like cars, technology assets, etc. on non-cancellable operating leases, the future minimum lease payments in respect of which are as follows:

(₹ Crore)

Particulars		Minimum lease payments	
		As at 31-3-2014	As at 31-3-2013
1.	Payable not later than 1 year	1.23	–
2.	Payable later than 1 year and not later than 5 years	0.79	–
3.	Payable later than 5 years	–	–
	Total	2.02	–

- [b] The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

- iii. Lease rental expense in respect of operating leases: ₹ 7.29 crore (*previous year: Nil*).

Q(9) Basic and diluted earnings per share [EPS] computed in accordance with pursuant to Accounting Standard (AS) 20 "Earnings per Share".

		2013-2014	2012-2013
Basic			
Profit after tax as per accounts (₹ crore)		105.73	–
Less: Preference dividend and dividend distribution tax		8.49	–
Profit after tax as per accounts (₹ crore)	A	97.24	–
Weighted average number of shares outstanding	B	1,00,00,50,000	–
Basic EPS (₹)	A/B	0.97	–
Diluted			
Profit after tax as per accounts (₹ crore)		105.73	–
Less: Preference dividend and dividend distribution tax		8.49	–
Profit after tax as per accounts (₹ crore)	A	97.24	–
Weighted average number of shares outstanding	B	1,00,00,50,000	–
Add: Weighted average number of potential equity shares on account of employee stock options	C	–	–
Weighted average number of shares outstanding for diluted EPS	D= B+C	1,00,00,50,000	–
Diluted EPS (₹)	A/D	0.97	–
Face value per share (₹)		10	–

The share capital was infused by the holding company on February 7, 2014 after the scheme of arrangement was approved by the court [refer note Q(2)]. Since the HC Undertaking was transferred with effect from April 1, 2013, the number of shares is considered for the full year and not proportionately from the date of infusion.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Q(10) Major components of deferred tax liabilities and deferred tax assets: pursuant to Accounting Standard (AS 22) "Accounting for Taxes on Income"

(₹ Crore)

Particulars	Deferred tax liabilities/(assets) as at 31.03.2013	Deferred tax liabilities/(assets) On acquisition of HC Undertaking	Charge/(credit) to Statement of Profit and Loss	Charge/(credit) to Hedging reserve	Deferred tax liabilities/(assets) as at 31.03.2014
Deferred tax liabilities:				1.23	
Difference between book and tax depreciation	–	52.33	9.81	–	62.14
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to the Statement of Profit and Loss	–	–	1.60	–	1.60
Total	–	52.33	11.40	–	63.74
Deferred tax (assets):	–				
Provision for doubtful debts and advances debited to the Statement of Profit and Loss	–	(8.06)	1.76	–	(6.30)
Loss on derivative transactions to be claimed for tax purposes in the year of transfer to the Statement of Profit and Loss	–	(76.35)	–	16.27	(60.07)
Unpaid statutory liabilities/provision for compensated absences debited to the Statement of Profit and Loss	–	(15.28)	0.94	–	(14.34)
Total	–	(99.68)	2.70	16.27	(80.71)
Net deferred tax liability/(assets)	–	(47.35)	14.10	16.27	(16.97)
<i>Previous year</i>	–	–	–	–	–

Q(11) Disclosures in respect of joint ventures pursuant to Accounting Standard (AS 27) "Financial Reporting of Interests in Joint Ventures"

Sr no.	Joint venture / consortium with	Description of interest / (description of job)	Country of residence
1	Toyo Engineering Company	Jointly controlled operations (Execution of naphtha cracker associated unit for IOCL, Panipat)	India
2	Pipavav Defence & Offshore Engineering Company	Jointly controlled operations [Execution of Sagar Pragati Conversion Project (MOPU) for ONGC]	India

Note: Contingent liabilities, if any, incurred in relation to interests in joint ventures as at March 31, 2014 ₹ Nil (*previous year ₹ Nil*); share in contingent liabilities incurred jointly with other ventures as at March 31, 2014 ₹ Nil (*previous year ₹ Nil*); contingent liabilities in respect of liabilities of other venturers of joint ventures as at March 31, 2014 ₹ Nil (*previous year ₹ Nil*) and capital commitments, if any, incurred in relation to interests in joint ventures as at March 31, 2014 ₹ Nil (*previous year ₹ Nil*).

Q(12) Disclosures required by pursuant to Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets":

a) Movement in provisions:

(₹ Crore)

Sr. no	Particulars	Class of provisions			Total
		Expected tax liability in respect of indirect taxes	Litigation related obligations	Contractual rectification cost-construction contracts	
1	Balance as at 1.4.2013	–	–	–	–
2	Addition on acquisition of HC Undertaking	14.45	0.84	16.20	31.49
3	Additional provision during the year	0.23	–	47.76	47.99
4	Provision used during the year	–	–	–	–
5	Provision reversed during 2013 - 2014	0.36	0.05	41.81	42.22
6	Balance as at 31.3.2014 (5=1+2+3-4-5)	14.31	0.79	22.15	37.26

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- b) Nature of provisions:
- Expected tax liability in respect of indirect taxes represents mainly the differential sales tax liability on account of non-collection of declaration forms for the period prior to 5 years.
 - Provision for litigation related obligations represents liabilities that are expected to materialise in respect of matters in appeal.
 - Contractual rectification cost represents the estimated cost the Company is likely to incur during defect liability period as per the contract obligations in respect of completed construction contracts accounted under AS 7 (Revised) "Construction Contracts".
- c) Disclosure in respect of contingent liabilities is given as part of Note no. (l) to the Balance Sheet.

Q(13) In line with the Company's risk management policy, the various financial risks are hedged by using a combination of forward contracts, swaps and other derivative contracts, besides the natural hedges.

- (a) The particulars of derivative contracts entered into for hedging purposes outstanding as at March 31, 2014 are as under:

(₹ Crore)

Category of derivative instruments	Amount of exposures hedged	
	As at 31.03.2014	As at 31.03.2013
For hedging foreign currency risks		
a) Forward contracts for receivables including firm commitments and highly probable forecasted transactions	1591.88	—
b) Forward contracts for payables including firm commitments and highly probable forecasted transactions	1070.22	—

- (b) Un-hedged foreign currency exposures as at March 31, 2014 are as under:

(₹ Crore)

Un-hedged foreign currency exposures	As at 31.03.2014	As at 31.03.2013
i Receivables, including firm commitments and highly probable forecasted transactions	5937.17	—
ii Payables, including firm commitments and highly probable forecasted transactions	5757.53	—

Q(14) Auditors' remuneration (excluding service tax) and expenses charged to the accounts:

(₹ Crore)

Particulars	2013-14	2012-13
As auditor	0.09	—
For Taxation matters	—	—
Certification work	0.15	—
For Other services	0.00	—
For reimbursement of expenses	0.01	—

Q(15) Value of imports (on C.I.F. basis):

(₹ Crore)

Particulars	2013-14	2012-13
Raw materials	60.25	—
Components and spare parts	224.54	—
Capital goods	1.38	—

Q(16) Expenditure in foreign currency:

(₹ Crore)

Particulars	2013-14	2012-13
On overseas contracts	4803.00	—
Professional/consultation fees	12.99	—
Commission brokerage and discount charges	2.12	—
Bank and finance charges	0.30	—
Logistic charges	110.66	—
Sales marketing and advertising expenses	1.28	—
Membership and subscription charges	0.36	—
Insurance charges	6.47	—
Telecommunication expenses	0.03	—
Other matters	984.12	—

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Q(17) Earnings in foreign exchange:

(₹ Crore)

Particulars	2013-14	2012-13
Export of goods	1.65	–
Construction and project related activities	6361.04	–
Export of services	46.57	–
Other receipts	21.84	–

Q(18) The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006,[MSMED Act] as at March 31, 2014. The disclosure pursuant to the said Act is as under:

(₹ Crore)

Particulars	2013-14	2012-13
Principal amount due to suppliers under MSMED Act, 2006	15.64	–
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	0.13	–
Interest paid to suppliers under MSMED Act (other than Section 16)	–	–
Interest paid to suppliers under MSMED Act (Section 16)	0.00	–
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	0.00	–

Q(19) Details of sales, raw materials and components consumed, manufacturing work-in-progress and purchase of stock in trade:

a) Sales:

Class of goods	2013-14	2012-13
	(₹ Crore)	(₹ Crore)
(i) Manufacturing and trading activity:		
Plant and equipment and modules for Chemical, Oil and Gas industries	16.00	–
Others	3.07	–
Total	19.07	–
(ii) Construction and project related activity:		
Plant and equipment and modules for Chemical, Oil and Gas industries	3,953.29	–
Chemical plant and machinery	3,027.27	–
Others	1,616.98	–
Total	8,597.53	–
(iii) Engineering and service fees	33.79	–
Total Sales & service (i) to (iii) -[Note K]	8,650.39	–

b) Raw materials and components consumed:

i) Class of goods :

Class of goods	2013-14	2012-13
	(₹ Crore)	(₹ Crore)
Equipment, components for oil & gas industries, etc	1,263.55	–
Chemical plant components	1495.85	–
Total [Note M]	2759.40	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

ii) Classification of goods:

Classification of goods	2013-14		2012-13	
	% to total consumption	(₹ Crore)	% to total consumption	(₹ Crore)
Imported (including through canalising agencies)	79.20	2185.40	–	–
Indigenous	20.80	574.00	–	–
Total	100.00	2759.40	–	–

c) Details of Work-in- progress (Note H (I)):

Class of goods	2013-14	2012-13
	(₹ Crore)	(₹ Crore)
Equipment, components for oil & gas industries, etc	1.19	–
Total [Note H(I)]	1.19	–

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No.38332

K. VENKATARAMANAN

Managing Director

P. S. KAPOOR

Company Secretary &
Chief Financial Officer

U. DASGUPTA

Director

K. RAVINDRANATH

Director

Place : Mumbai

Date : April 29, 2014

Place : Mumbai

Date : April 29, 2014

DIRECTORS' REPORT

The Directors present their seventh Annual Report and Accounts of L&T Modular Fabrication Yard LLC for the year ended 31st December 2013.

FINANCIAL RESULTS

	2013		2012	
	Amount (RO Mn)	Amount (₹ crore)	Amount (RO Mn)	Amount (₹ crore)
Contract Revenue	22.48	341.77	34.36	476.42
Operating (Loss)/Profit	(3.24)	(49.46)	1.43	19.70
Less: Finance Cost	0.27	4.04	0.16	2.09
(Loss)/Profit before tax	(3.51)	(53.50)	1.27	17.61
Less: Tax	-	-	0.04	0.49
(Loss)/Profit after tax	(3.51)	(53.50)	1.23	17.12

During the year 2013, the loss is mainly due to under-recovery of overheads (on account of less work load), increased fixed costs due to Omanisation and increase in costs for ADMA project.

DIVIDEND

The Directors do not propose any dividend for the financial year 2013.

PERFORMANCE OF THE COMPANY

Our Yard is a major fabrication service provider for the region's offshore oil & gas industry, comparable with some of the biggest fabrication yards of this kind in the region.

The business portfolio during the year included Upstream Oil & Gas Projects and Jack up Drill Rig Refurbishment Project.

During the early part of the year, we have successfully completed 'Sagar Uday' Rig Refurbishment project for ONGC, India, 'ZAWTIKA' Offshore platform project for PTTEP Limited, Thailand and Three Well Head Platform Jackets for ONGC, India for HRP-III Project. After a relative lull in operations, we have completed major scope of work of Five Topsides for ADMA-OPCO, Abu Dhabi which is in the final stages now.

During the year, Company secured order for fabrication of 3 offshore platforms (jackets) for ONGC, India - HRP II project for RO 5.40 Mn (equivalent to ₹ 82.07 crore) from ultimate holding Company Larsen & Toubro Limited.

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.

During the year, the Company has received the following accolades:

1. International Safety Award from British Safety Council, London, United Kingdom.
2. "Five Star" rating for Health and Safety Management Audit from British Safety Council, England.
3. Gold Award for Occupational Health and Safety from The Royal Society for the Prevention of Accidents (RoSPA), Scotland, United Kingdom.

CAPITAL EXPENDITURE

Capital expenditure incurred by Company as at December 31, 2013 as under:

	2013		2012	
	Amount (RO Mn)	Amount (₹ crore)	Amount (RO Mn)	Amount (₹ crore)
Gross Tangible Assets	20.54	329.80	19.44	277.73
Gross Intangible Assets	0.28	4.52	0.28	3.98
Capital Work In Progress	0.04	0.61	0.58	8.24
Total	20.86	334.93	20.30	289.95

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.

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

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' 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, 2013 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; and
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

The current Directors of the Company are:

Mr. U. Dasgupta

Mr. D. K. Gupta

Mr. P. S. Kapoor

Mr. R. Srivatsan

Mr. Robert Ambrose

Mr. T. N. Ranjan

During the year, Mr. K. Venkataramanan, Mr. Rashad M Al Zubair and Mr. C.S. Badrinath resigned as Directors of the Company. The Board places on record its sincere appreciation of the services rendered by them during their association with the Company.

AUDITORS

The auditors, M/s PKF LLC., Chartered Accountants continue to be the auditors of the Company for the financial year 2014.

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

U. DASGUPTA
Director

P S KAPOOR
Director

Place : Mumbai

Date : June 19, 2014

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, 2013, being a company registered in the Sultanate of Oman, are audited by PKF L.L.C and we have been furnished with their audit report dated January 23, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of L&T Modular Fabrication Yard LLC as at December 31, 2013 and the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at 31 December 2013;
- 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.

Emphasis on Matter

We draw attention to note no. J(1) of balance sheet regarding claim against the Company of Rs. 1,034,390,201 not acknowledged as debt, as the Company's management has disputed the clients claim. Matter is presently under arbitration. Our opinion is not qualified in respect of this matter.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : June 19, 2014

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 asset.
- (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 of during the year are not substantial in relation to the Company and do not affect its going concern status.
- 2 (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.
- 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 Sultanate of Oman. 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 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.
- 5 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.
- 6 The Company has not accepted any deposits in terms of provisions of sections 58A, 58AA of Companies Act, 1956.
- 7 We were 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.
- 8 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 9 (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The accumulated losses of the Company as at the end of the financial year do not exceed fifty percent of its net worth. The Company has incurred cash losses during the financial year ended December 31, 2013, however has not incurred cash losses in the immediately preceding financial year.
- 11 According to 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.
- 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 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 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.
- 16 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.
- 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 parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956 during the period.
- 19 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.
- 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 period, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : June 19, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	B	32,74,89,633		32,74,89,633	
Reserves and surplus	C	27,01,20,294		70,68,59,460	
			59,76,09,927		1,03,43,49,093
Non- Current Liabilities					
Long-term borrowings	D	46,30,74,519		49,44,63,450	
			46,30,74,519		49,44,63,450
Current Liabilities					
Short-term borrowings	E(I)	1,00,79,90,323		20,81,39,853	
Current maturities of long term borrowings	E(II)	9,23,59,247		18,85,40,475	
Trade payables	E(III)	73,98,03,729		98,44,47,826	
Other current liabilities	E(IV)	11,17,64,509		8,87,40,776	
Short-term provisions	E(V)	16,50,20,161		14,09,59,287	
			2,11,69,37,969		1,61,08,28,217
TOTAL			3,17,76,22,415		3,13,96,40,760
ASSETS:					
Non- Current Assets					
Fixed Assets					
Tangible assets	F(I)	1,75,87,40,642		1,67,81,42,196	
Intangible assets	F(II)	1,58,81,274		2,71,56,572	
Capital-work-in-progress	F(I)	61,29,467		8,11,33,362	
Intangible Assets under Development	F(II)	-		12,37,314	
			1,78,07,51,383		1,78,76,69,444
Current Assets					
Inventories	G(I)	24,10,84,179		3,41,63,492	
Trade receivables	G(II)	62,81,70,222		28,82,86,838	
Cash and bank balances	G(III)	4,63,65,437		10,22,05,315	
Short term loans and advances	G(IV)	5,26,66,946		6,14,06,841	
Other current assets	G(V)	42,85,84,248		86,59,08,830	
			1,39,68,71,032		1,35,19,71,316
TOTAL			3,17,76,22,415		3,13,96,40,760
SIGNIFICANT ACCOUNTING POLICIES	A				
COMMITMENTS (Capital and others)	H				
CONTINGENT LIABILITIES	I				
OTHER NOTES FORMING PART OF THE ACCOUNTS	P				

As per our attached report of even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

R. BALASUBRAMANIYAN

Head - Finance & Accounts

P. S. KAPOOR

Director

U. DASGUPTA

Director

Place : Mumbai

Date : June 19, 2014

Place : Sohar, Oman

Date : June 19, 2014

Place : Mumbai

Date : June 19, 2014

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
REVENUE :					
Revenue from operations (gross)	J	3,41,76,72,001		4,76,42,06,763	
Other income	K	7,23,65,587		7,30,91,912	
Total Revenue		3,49,00,37,588		4,83,72,98,675	
EXPENSES :					
Manufacturing, Construction & Operating Expenses					
Cost of raw materials, components consumed	L	26,28,37,485		66,15,27,490	
Stores, spares and tools consumed		90,778		7,33,133	
Sub-contracting charges		56,35,61,818		38,15,38,333	
Other manufacturing ,construction and operating expenses		65,61,41,022		1,15,96,79,612	
		1,48,26,31,103		2,20,34,78,568	
Employee benefits expense	M	1,96,26,27,428		1,89,70,49,322	
Sales, administration and other expenses	N	23,53,15,568		28,75,79,240	
Finance costs	O	4,04,11,239		2,08,92,976	
Depreciation, obsolescence and amortisation expense		30,40,43,492		25,22,18,891	
Total Expenses		4,02,50,28,830		4,66,12,18,996	
Profit / (loss) before tax		(53,49,91,242)		17,60,79,679	
Current tax		-		48,55,940	
Profit / (loss) after tax carried to Balance Sheet		(53,49,91,242)		17,12,23,739	
Face value per equity share RO 1					
Earnings per equity share - Basic & Diluted		(185.46)		59.36	
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF THE ACCOUNTS	P				

As per our attached report of even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

R. BALASUBRAMANIYAN

Head - Finance & Accounts

P. S. KAPOOR

Director

U. DASGUPTA

Director

Place : Mumbai

Date : June 19, 2014

Place : Sohar, Oman

Date : June 19, 2014

Place : Mumbai

Date : June 19, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) before tax	(53,49,91,242)	17,60,79,679
Adjustments for:		
Depreciation & Amortisation	30,40,43,492	25,22,18,891
Interest (net)	4,03,90,278	1,99,68,064
(Increase)/Decrease in Translation loss	9,82,52,076	3,48,12,347
(Profit)/Loss on sale of fixed asset (net)	4,18,866	1,41,11,041
Operating profit before working capital changes	(9,18,86,530)	49,71,90,022
(Increase) / decrease in inventories	(20,69,20,687)	1,60,04,243
(Increase) / decrease in trade and other receivables	10,61,81,093	(27,75,61,847)
Increase / (decrease) in trade and other payables	(19,75,59,490)	62,51,43,513
Changes in working capital	(29,82,99,084)	36,35,85,909
Cash generated from / (used in) operations	(39,01,85,614)	86,07,75,931
Less: Direct Taxes paid	-	-
Net Cash generated from / (used in) operations	(39,01,85,614)	86,07,75,931
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(10,36,93,410)	(55,05,21,831)
Sale of fixed assets	4,54,537	2,03,36,566
Difference in the opening value of fixed assets / cumulative depreciation due to exchange difference	(19,43,05,424)	(3,59,23,962)
Inter Corporate Deposits (given)/repaid	-	6,89,67,500
Interest received	20,961	924,912
Net Cash (used in) / from investing activities	(29,75,23,336)	(49,62,16,815)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Loans	(12,75,70,159)	(11,26,03,330)
Proceeds/(repayment) from Short Term Loans (net)	79,98,50,470	(15,53,84,987)
Interest paid	(4,04,11,239)	(2,08,92,976)
Net cash (used in) / from financing activities	63,18,69,072	(28,88,81,293)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(5,58,39,878)	7,56,77,823
Cash and cash equivalents at beginning of the year	10,22,05,315	2,65,27,492
Cash and cash equivalents at end of the year	4,63,65,437	10,22,05,315

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
- Cash & Cash Equivalents at end of the period represents cash and bank balances and include unrealised gain of ₹ 2,940,906 (previous year ₹ 3,161,776) on account of translation of foreign currency bank balances.
- Cash and cash equivalents are reflected in the Balance Sheet as follows:

	2013 ₹	2012 ₹
Cash and cash equivalents disclosed under current assets [note G(III)]	4,63,65,437	10,22,05,315
5 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

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

R. BALASUBRAMANIYAN

Head - Finance & Accounts

P. S. KAPOOR

Director

U. DASGUPTA

Director

Place : Mumbai

Date : June 19, 2014

Place : Sohar, Oman

Date : June 19, 2014

Place : Mumbai

Date : June 19, 2014

NOTES FORMING PART OF ACCOUNTS

NOTE A: 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards

c. 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.

d. 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.

e. Fixed assets

Fixed assets are stated at cost less depreciation.

f. Leases

Operating lease rentals are recognized as an expense on a straight line basis over the lease term.

g. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1. Plant, Machinery	10%
2. Equipment, Camps and Caravans	15%
3. Vehicles	33%
4. Furniture & Fixtures	33%
5. Office Buildings	4%
6. Factory Buildings	8%
7. Software	33%
8. Assets value below OMR 50	100%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories.

h. 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

i. 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.

j. 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.

k. 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 Assets, Current & Non Current assets and Current & Non 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.

l. 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.

m. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

n. Operating Cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

o. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- transactions of a non-cash nature
- any deferrals or accruals of past or future operating cash receipts or payments and
- items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
NOTE B				
SHARE CAPITAL				
Authorised:				
2,884,615 Equity shares of RO. 1 each	<u>28,84,615</u>	<u>32,74,89,633</u>	<u>28,84,615</u>	<u>32,74,89,633</u>
Issued, Subscribed and fully Paid up				
2,884,615 Equity shares of RO. 1 each	<u>28,84,615</u>	<u>32,74,89,633</u>	<u>28,84,615</u>	<u>32,74,89,633</u>
TOTAL		<u><u>32,74,89,633</u></u>		<u><u>32,74,89,633</u></u>

RECONCILIATION OF EQUITY SHARES

Issued, Subscribed and fully paid up equity shares outstanding at beginning of the Year	<u>28,84,615</u>	<u>32,74,89,633</u>	<u>28,84,615</u>	<u>32,74,89,633</u>
Issued, Subscribed and fully paid up equity shares outstanding at end of the Year	<u>28,84,615</u>	<u>32,74,89,633</u>	<u>28,84,615</u>	<u>32,74,89,633</u>

TERMS/RIGHTS ATTACHED TO EQUITY SHARES:

The Company has only one class of share capital, i.e equity shares having face value of RO 1 per share. Each holder of equity share is entitled to one vote per share

Holding Company

18,75,000 equity shares of Face Value OMR 1 each amounting to ₹ 21,28,68,262 are held by Larsen & Toubro International FZE, which is the immediate holding company. The ultimate holding company is Larsen & Toubro Limited, India

Shareholders holding more than 5% of equity shares as at the end of the year

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Shareholding %	Number of shares	Shareholding %
Larsen & Toubro International FZE, Sharjah, UAE	<u>18,75,000</u>	<u>65%</u>	<u>18,75,000</u>	<u>65%</u>
The Zubair Corporation, Oman	<u>10,09,615</u>	<u>35%</u>	<u>10,09,615</u>	<u>35%</u>
TOTAL	<u><u>28,84,615</u></u>	<u><u>100%</u></u>	<u><u>28,84,615</u></u>	<u><u>100%</u></u>

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE C				
RESERVES AND SURPLUS				
Legal Reserves				
Opening Legal Reserve	<u>5,63,60,062</u>		<u>4,04,66,709</u>	
Addition during the year	<u>-</u>		<u>1,58,93,353</u>	
		<u>5,63,60,062</u>		<u>5,63,60,062</u>
Foreign Currency Translation Reserve				
As per last Balance Sheet	<u>15,78,14,912</u>		<u>12,31,49,342</u>	
Addition/(deduction) during the year	<u>9,82,52,076</u>		<u>3,46,65,570</u>	
		<u>25,60,66,988</u>		<u>15,78,14,912</u>
Surplus Statement of Profit and Loss				
As per last Balance Sheet	<u>49,26,84,486</u>		<u>33,73,54,100</u>	
Profit / (loss) for the year	<u>(53,49,91,242)</u>		<u>17,12,23,739</u>	
Less: Transfer to Legal Reserve	<u>-</u>		<u>15,893,353</u>	
		<u><u>(4,23,06,756)</u></u>		<u><u>49,26,84,486</u></u>
TOTAL		<u><u>27,01,20,294</u></u>		<u><u>70,68,59,460</u></u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE D				
LONG-TERM BORROWINGS				
Secured Loans :				
Term Loan from banks (refer note D(a))	-		8,24,10,566	
Unsecured Loans :				
Shareholders Loan Account - L&T International FZE (refer note D(b))	30,09,98,438		26,78,34,375	
Shareholders Loan Account - The Zubair Corporation (refer note D(b))	16,20,76,081		14,42,18,509	
TOTAL		46,30,74,519		49,44,63,450

	As at 31.12.2013	As at 31.12.2012	Rate of interest	Terms of repayment	Nature of security
	₹	₹			
Note D (a):					
Term Loan from HSBC Bank	9,23,59,247	27,09,51,041	USD Libor + 3% Spread	Repayable in 10 semi-annual installments commencing from January 2010	Secured by Mortgage over company's plant and machinery and sub-usufruct agreement.
Less: Current portion of long term borrowings (as per Note E(II))	9,23,59,247	18,85,40,475			
Long Term Borrowings as disclosed in Note D	-	8,24,10,566			

NOTE D(b): The loans, received in several installments over the period from November 2006 to December 2010 are unsecured and interest free. Interest is payable on loans after settlement of debt obligations to the banks. The loans are not repayable for a minimum period of 10 years from the date of infusion.

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE E(I)				
SHORT-TERM BORROWINGS				
Secured Loans :				
Loans repayable on demand from banks		14,11,14,823		15,81,44,103
Short term loans from banks (refer Note E(I)(a))		86,68,75,500		4,99,95,750
TOTAL		1,00,79,90,323		20,81,39,853

NOTE E(I)(a)

The above loans include fund based working capital facilities viz. cash credits and demand loans.

The secured portion of working capital facilities and other non-fund based facilities viz. bank guarantees and letters of credit are secured by letter of awareness from shareholders and Ultimate parent company for ₹ 74,16,60,000 (equivalent to USD 12,000,000), and assignment of receivables and insurance policies over stock and plant and machinery for ₹ 30,90,25,000 (Equivalent to USD 5,000,000)

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE E(II)				
CURRENT MATURITIES OF LONG TERM BORROWINGS				
Current maturities of long term borrowings (refer note D(a))		9,23,59,247		18,85,40,475
TOTAL		<u>9,23,59,247</u>		<u>18,85,40,475</u>
NOTE E(III)				
TRADE PAYABLES				
Liability for Revenue goods		6,84,59,086		20,82,90,398
Liability for Revenue Services		24,47,40,574		17,44,03,581
Due to Others		30,75,73,523		50,19,36,252
Due to related parties:				
Fellow subsidiaries	9,13,42,448		7,58,28,186	
Shareholder having significant influence	2,76,88,098		2,39,89,409	
		<u>11,90,30,546</u>		<u>9,98,17,595</u>
TOTAL		<u>73,98,03,729</u>		<u>98,44,47,826</u>
NOTE E(IV)				
OTHER CURRENT LIABILITIES				
Due to Ultimate holding company	-		16,77,859	
Other payables		11,17,64,509		8,70,62,917
		<u>11,17,64,509</u>		<u>8,87,40,776</u>
TOTAL		<u>11,17,64,509</u>		<u>8,87,40,776</u>
NOTE E(V)				
SHORT-TERM PROVISIONS				
Provision for Employee Benefits:				
Provision for Gratuity		7,96,21,879		5,54,02,755
Leave Encashment Payable Account		7,92,23,930		7,50,59,754
		<u>15,88,45,809</u>		<u>13,04,62,509</u>
Others				
Provision for Current Tax	-		50,02,718	
Provisions (refer note I(1))		61,74,352		54,94,060
		<u>61,74,352</u>		<u>1,04,96,778</u>
TOTAL		<u>16,50,20,161</u>		<u>14,09,59,287</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE - F(i)****FIXED ASSETS**

Description	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01. 2013	Exchange difference included in the translation reserve	Additions during the year	Deductions / Adjustment	As at 31.12.2013	Upto 01.01.2013	Exchange difference included in the translation reserve	For the Year	Deductions / Adjustment	Upto 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Leasehold land Development	12,07,18,809	1,49,47,768	2,88,959		13,59,55,535	2,36,35,195	33,23,727	71,24,026		3,40,82,948	10,18,72,587	9,70,83,614
Buildings	34,92,26,634	4,32,42,202	8,57,29,974		47,81,98,810	7,60,92,518	1,08,43,380	2,54,96,748		11,24,32,646	36,57,66,164	27,31,34,116
Plant and Equipment	1,91,41,39,579	23,70,14,643	8,48,34,202		2,23,59,88,424	76,82,98,387	10,61,21,468	19,71,11,560		1,07,15,31,415	1,16,44,57,009	1,14,58,41,192
Computers	4,56,42,029	56,51,598	26,59,863	5,26,065	5,34,27,425	1,81,66,162	26,44,726	74,10,826	3,19,773	2,79,01,941	2,55,25,484	2,74,75,867
Furniture & Fixtures	6,85,54,450	84,88,619	3,01,159		7,73,44,228	5,66,42,029	74,92,461	85,90,091		7,27,24,581	46,19,647	1,19,12,421
Vehicles	8,46,93,222	1,04,86,810	33,28,481		9,85,08,513	6,22,80,996	84,03,016	1,23,98,702		8,30,82,714	1,54,25,799	2,24,12,226
Office Equipments	19,43,27,783	2,40,62,138	22,98,023	21,40,380	21,85,47,564	9,40,45,023	1,33,23,161	3,15,78,697	14,73,269	13,74,73,612	8,10,73,952	10,02,82,760
TOTAL	2,77,73,02,506	34,38,93,778	17,94,40,660	26,66,445	3,29,79,70,499	1,09,91,60,310	15,21,51,939	28,97,10,650	17,93,042	1,53,92,29,857	1,75,87,40,642	1,67,81,42,196
Previous Year	2,04,22,57,303	7,26,97,077	71,17,84,922	4,94,36,797	2,77,73,02,506	83,68,42,859	3,66,10,867	24,06,95,773	1,49,89,190	1,09,91,60,310	1,67,81,42,196	1,20,54,14,444
Add: Capital Work in progress											61,29,467	8,11,33,362
Grand Total											1,76,48,70,109	1,75,92,75,558

NOTE - E (ii)**FIXED ASSETS - INTANGIBLE**

Description	COST / VALUATION					AMORTISATION					BOOK VALUE	
	As at 01.01.2013	Exchange difference included in the translation reserve	Additions during the year	Deductions / Adjustment	As at 31.12.2013	Upto 01.01.2013	Exchange difference included in the translation reserve	For the Year	Deductions / Adjustment	Upto 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Software	3,98,10,101	49,29,400	4,93,959	—	4,52,33,460	1,26,53,529	23,65,815	1,43,32,842	—	2,93,52,186	1,58,81,274	2,71,56,572
Total	3,98,10,101	49,29,400	4,93,959	—	4,52,33,460	1,26,53,529	23,65,815	1,43,32,842	—	2,93,52,186	1,58,81,274	2,71,56,572
Previous Year	59,79,723	2,12,950	3,36,17,428	—	3,98,10,101	7,55,212	3,75,198	1,15,23,118	—	1,26,53,528	2,71,56,572	52,24,511
Add: Intangible Assets under Development											—	12,37,314
GRAND TOTAL											1,58,81,274	2,83,93,886

As at 31.12.2013

As at 31.12.2012

₹

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NOTE G(I)**INVENTORIES (at cost or net realisable value whichever is lower)**

Raw Material	2,92,558	3,24,641
Stores, spares & tackles	12,15,21,603	60,99,260
Consumables	11,92,70,018	2,77,39,591
	24,10,84,179	3,41,63,492
TOTAL	24,10,84,179	3,41,63,492

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE G(II)				
TRADE RECEIVABLES				
Unsecured :				
Debts outstanding for more than 6 months		22,17,80,212		52,81,870
Other Debts:				
Considered good		40,63,90,010		28,30,04,968
		<u>62,81,70,222</u>		<u>28,82,86,838</u>
TOTAL		<u><u>62,81,70,222</u></u>		<u><u>28,82,86,838</u></u>
NOTE G(III)				
CASH AND BANK BALANCES				
Cash and cash equivalents:				
Cash on hand		10,88,105		28,10,732
Balances with banks		4,52,77,332		9,93,94,583
		<u>4,63,65,437</u>		<u>10,22,05,315</u>
TOTAL		<u><u>4,63,65,437</u></u>		<u><u>10,22,05,315</u></u>
NOTE G(IV)				
SHORT-TERM LOANS AND ADVANCES				
Unsecured				
Loans and Advances to related parties				
Considered good				
Due from related parties				
Ultimate Holding Company		1,22,72,493		96,420
Fellow subsidiary companies		1,47,45,198		15,07,677
Shareholder having significant influence		62,667		55,763
		<u>2,70,80,358</u>		<u>16,59,860</u>
Others				
Considered good				
Unamortised expenses		1,65,40,178		4,15,60,256
Advances recoverable in cash or in kind		18,23,032		1,15,56,898
Balance with customs, Insurance claims receivable etc		72,23,378		66,29,827
		<u>2,55,86,588</u>		<u>5,97,46,981</u>
TOTAL		<u><u>5,26,66,946</u></u>		<u><u>6,14,06,841</u></u>
NOTE G(V)				
OTHER CURRENT ASSETS				
Due from Customers (construction & project related activity)		42,85,84,248		86,59,08,830
TOTAL		<u><u>42,85,84,248</u></u>		<u><u>86,59,08,830</u></u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE H				
COMMITMENTS				
Estimated amount of contracts remaining to be executed on capital account (net of advances)		-		1,10,49,775
TOTAL		-		1,10,49,775

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE I				
CONTINGENT LIABILITIES				
Claims against the company not acknowledged as debts		1,04,06,72,640		96,57,08,622
TOTAL		1,04,06,72,640		96,57,08,622

NOTE I (1)

A customer has claimed ₹ 1,040,564,602 from the company towards losses, damages, costs expenses and loss of profits. In the prior year, company has provided ₹ 70,136,810 as provision for customer's claim out of which company has reversed ₹ 63,962,409 in current year and kept ₹ 6,174,401 as closing provision. The balance claim of ₹ 1,034,390,201 (*previous year ₹ 920,420,900*) (including ₹ 215,702,865 relating to subcontract work done by the ultimate parent company) has been disclosed above as claims against the Company not acknowledged as debt. The Company's management has strongly disputed the customer's claim. The matter is under arbitration.

NOTE I (2)

₹ 1,960,904 (*previous year ₹ 41,442,334*) relate towards labour related legal issues pending with courts in Oman and ₹ 4,321,535 (*previous year ₹ 3,845,388*) towards legal case filed by supplier pending with primary court Sohar.

	2013		2012	
	₹	₹	₹	₹
NOTE J				
REVENUE FROM OPERATIONS				
Sales & Service:				
Construction and project related activity		3,41,76,72,001		4,76,42,06,763
TOTAL		3,41,76,72,001		4,76,42,06,763

NOTE K**OTHER REVENUE**

Income from services to Group Companies	2,39,64,313		-	
Recoveries from Group companies	4,62,77,480		1,61,81,111	
Miscellaneous income	21,02,833		5,59,85,889	
		7,23,44,626		7,21,67,000
Interest Income:				
Interest received from Bank	20,961		44,554	
Interest received from others	-		8,80,358	
		20,961		9,24,912
TOTAL		7,23,65,587		7,30,91,912

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		2012	
	₹	₹	₹	₹
NOTE L				
MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES				
Manufacturing, Construction & Operating Expenses:				
Raw Materials & Components	11,83,77,602		4,76,95,850	
Components	1,26,78,158		3,40,75,018	
Less: Scrap sales	8,90,51,890		8,88,12,393	
Consumables	22,08,33,615		66,85,69,015	
		26,28,37,485		66,15,27,490
Stores, spares & tools		90,778		733,133
Subcontracting Expenses		56,35,61,818		38,15,38,333
Other manufacturing, construction and operating expenses				
Freight	13,46,90,480		9,35,86,220	
Power and fuel	6,23,65,423		6,40,21,710	
Engineering & technical services	8,32,72,922		6,56,22,660	
Lease Rent	7,22,18,050		6,39,22,360	
Hire charges	20,00,78,254		73,01,69,035	
Repairs and maintenance P&M	3,04,96,733		6,76,40,840	
Repairs and maintenance Others	2,68,24,528		3,46,23,152	
Cost of Software	1,12,41,878		1,21,02,383	
Insurance premium	3,49,52,754		2,79,91,252	
		65,61,41,022		1,15,96,79,612
TOTAL		1,48,26,31,103		2,20,34,78,568
NOTE M				
EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus	1,72,61,81,730		1,63,10,52,790	
Contribution to social security scheme	2,87,66,988		2,76,76,388	
Provision for Gratuity	3,20,83,385		3,36,47,008	
Welfare and other expenses	17,55,95,325		20,46,73,136	
TOTAL		1,96,26,27,428		1,89,70,49,322
NOTE N				
SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent	5,99,41,611		5,25,15,455	
Travelling and conveyance	2,29,90,556		3,30,34,018	
Telephone, postage and telegram	3,88,30,653		3,78,94,037	
Professional Fees	99,16,878		1,41,97,223	
Insurance	13,02,938		16,29,690	
Stationery and printing	44,36,095		57,63,817	
Entertainment expenses	11,96,375		60,51,098	
Bank charges	13,51,955		16,41,244	
Repairs & Maintenance Buildings	70,79,313		1,14,60,842	
Repairs & Maintenance Others	2,38,22,341		2,25,90,798	
Fees paid to Ministry of Manpower	2,25,70,731		4,45,78,059	
Power & Fuel	1,15,30,931		1,43,85,855	
Rates & Taxes	6,22,772		13,44,070	
Exchange difference (gain) / loss	(36,42,770)		(13,39,912)	
Loss on sale of fixed assets	4,18,866		1,41,11,041	
Miscellaneous expenses	3,29,46,323		2,77,21,904	
TOTAL		23,53,15,568		28,75,79,240

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE N(I)**

Aggregation of expenses disclosed vide Note L and N in respect of specific items is as follows:

Nature of Expenses	2013			2012		
	Sch L ₹	Sch N ₹	Total ₹	Sch L ₹	Sch N ₹	Total ₹
Power & Fuel	6,23,65,423	1,15,30,931	7,38,96,354	3,09,78,368	4,74,29,197	7,84,07,565
Rent	7,22,18,050	5,99,41,611	13,21,59,661	6,20,71,329	5,43,66,486	11,64,37,815
Repairs & Maintenance- Buildings	–	70,79,313	70,79,313	–	1,14,60,842	1,14,60,842
Repairs & Maintenance- Others	2,68,24,528	2,38,22,341	5,06,46,869	3,46,23,152	2,25,90,798	5,72,13,950
Insurance	3,49,52,754	13,02,938	3,62,55,692	2,09,01,310	87,19,632	2,96,20,942
			As at 31.12.2013		As at 31.12.2012	
			₹	₹	₹	₹

NOTE O**FINANCE COST**

Interest paid to Banks	4,04,11,239	1,71,24,784
Interest paid to Others	–	37,68,192
TOTAL	4,04,11,239	2,08,92,976

SCHEDULE P: OTHER NOTES FORMING PART OF THE ACCOUNTS**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) OTHER NOTES FORMING PART OF THE ACCOUNTS

a. Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

Amount in ₹

Particulars	2013	2012
i) Contract revenue recognized for the financial year	3,417,672,001	4,764,206,763
ii) Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at end of the financial year for all contracts in progress as at that date	3,788,673,915	5,625,605,854
iii) Amount of customer advances outstanding for contracts in progress as at end of the financial year	Nil	Nil
iv) Retention amounts due from customers for contracts in progress as at end of the financial year	Nil	Nil

- b. (i) Name of the Companies who exercise control
- Larsen & Toubro Limited - Ultimate Holding Company
 - Larsen & Toubro International FZE - Holding Company

NOTES FORMING PART OF ACCOUNTS (Contd.)

(ii) Disclosure of major transactions with related parties

Amount in ₹

Sr No	Nature of transaction/ Related Party	Year 2013		Year 2012	
		Amount	Amt for major parties	Amount	Amt for major parties
1	Contract and other revenues	3,439,721,613		4,764,206,763	
	Ultimate Holding company				
	Larsen & Toubro Limited		3,384,791,303	4,764,206,763	
	Fellow Subsidiaries				
	Larsen & Toubro Electromech LLC		54,930,310		-
2	Purchase of Plant and Machinery	16,032,916		44,821,470	
	Ultimate Holding company				
	Larsen & Toubro Limited		15,565,040		-
	Fellow Subsidiaries				
	Larsen & Toubro Heavy Engineering LLC		-		19,993,907
	Larsen & Toubro Infotech Limited		467,876		18,984,268
3	Purchase and expenses	19,390,916		9,557,459	
	Ultimate Holding company				
	Larsen & Toubro Limited		-		1,525,561
	Larsen & Toubro Valdel Engineering Limited		13,341,832		-
	Party on which significant influence is exerted by shareholder				
	Oasis Water Company LLC		3,054,801		2,549,869
	International Heavy Equipment Co. LLC		200,866		2,439,660
	Zubair General Automotive		1,258,262		1,690,783
	Zubair Enterprises (Northern) LLC		2,130,302		1,227,983
4	Subcontract expenses	75,366,761		104,880,126	
	Fellow Subsidiaries				
	Larsen & Toubro Electromech LLC		54,859,908		104,880,126
	Larsen & Toubro Heavy Engineering LLC		20,506,853		-
5	Interest Expense	-		3,718,562	
	Fellow Subsidiaries				
	Larsen & Toubro Electromech LLC		-		3,718,562
6	Interest Income	-		880,358	
	Fellow Subsidiaries				
	Larsen & Toubro Heavy Engineering LLC		-		880,358
7	Term Loan taken	-		277,308,000	
	Fellow Subsidiaries				
	Larsen & Toubro Electromech LLC		-		2,77,308,000
8	Repayment of Term loan taken	-		547,683,300	
	Fellow Subsidiaries				
	Larsen & Toubro Electromech LLC		-		5,47,683,300
9	Repayment of Term loan given	-		69,327,000	
	Fellow Subsidiaries				
	Larsen & Toubro Heavy Engineering LLC		-		69,327,000

NOTES FORMING PART OF ACCOUNTS (Contd.)

(iii) Amount due to / due from related parties

Amount in ₹

Transaction/Related Party	Nature of relationship	Year 2013		Year 2012	
		Due from Related Party	Due to Related Party	Due from Related Party	Due to Related Party
Trade Receivable					
Larsen & Toubro Limited, India	Ultimate Holding Company	577,923,976		288,286,838	
Larsen & Toubro Electromech LLC	Fellow Subsidiaries	46,385,705			
Due from Customers					
Larsen & Toubro Limited, India	Ultimate Holding Company	428,584,248		865,908,830	
Short Term Loans & Advances : Due from related parties					
Larsen & Toubro Limited, India	Ultimate Holding Company	12,272,493		96,420	
Larsen & Toubro Heavy Engineering LLC, Oman	Fellow Subsidiary	14,745,198		1,505,749	
Larsen & Toubro Infotech Limited	Fellow Subsidiary	-		1,928	
The Zubair Corporation LLC, Oman	Shareholder having significant influence	62,667		55,763	
Other Current Liabilities					
Larsen & Toubro Limited, India	Ultimate Holding Company		-		1,677,859
Trade Payables:					
Due to related parties					
Larsen & Toubro Electromech LLC	Fellow Subsidiary		90,700,330		75,828,186
Larsen & Toubro Infotech Ltd	Fellow Subsidiary		475,164		-
Larsen & Toubro (Oman) LLC	Fellow Subsidiary		166,954		-
Marsh Oman	Party on which significant influence is exerted by shareholder		23,953,472		19,439,957
Zubair Electric Northern LLC	Party on which significant influence is exerted by shareholder		20,869		889,925
Pentagon Freight Services Oman LLC	Party on which significant influence is exerted by shareholder		66,139		58,852
Zubair General Automotive LLC	Party on which significant influence is exerted by shareholder		1,923,437		529,470
International Heavy Equipment Company LLC	Party on which significant influence is exerted by shareholder		1,241,095		2,641,448
Oasis Water Company LLC	Party on which significant influence is exerted by shareholder		483,086		429,757
Loans taken					
Larsen & Toubro International FZE	Holding Company		300,998,438		267,834,375
The Zubair Corporation LLC, Oman	Shareholder having significant influence		162,076,081		144,218,509
Larsen & Toubro Electromech LLC	Fellow Subsidiary				-
Loans given					
Larsen & Toubro Heavy Engineering LLC, Oman	Fellow Subsidiary			-	
TOTAL		1,079,974,287	582,105,065	1,155,855,528	513,548,338

(iv) No amount due from Group companies has been written-off as bad debts during the year.

NOTES FORMING PART OF ACCOUNTS (Contd.)**c. Taxation**

The Company has obtained in Sultanate of Oman income tax exemption for a period of 5 years with effect from 1 September 2007 (date of production, till 31 August 2012), renewable for another period of 5 years on fulfillment of specific criteria. During the previous year Company has applied to the Income tax Department for extension of the income tax exemption for a further period of 5 years commencing from 1 September 2012. The approval with tax authorities is under process. The losses incurred during the tax exemption period can be carried forward indefinitely till they are adjusted against subsequent year's taxable income. As per the Income Tax law in Oman, losses incurred after the exemption period 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.

d. Foreign Currency Exposures

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials Omani or UAE Dirham's / US Dollar to which the Rial Omani is fixed, except for the following:

Amt in ₹

Currency	Trade Payables		Due to Customer	
	2013	2012	2013	2012
Euro	60,842	1,606,863	-	-
Indian Rupee	1,605	25,998	-	-

- e. 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:

Amount in ₹

Location	2013	2012
India	3,375,253,755	4,763,969,676
Sultanate of Oman	42,418,246	-

All assets are located in the Sultanate of Oman

f. 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, 2013 are as follows:

Amount in ₹

Minimum Lease Payments	31.12.2013	31.12.2012
i. Payable not later than one year	104,178,047	88,205,645
ii. Between one year and five years	301,698,359	271,034,246
iii. Beyond five years	633,065,532	609,046,370
Total minimum lease payments	1,038,941,939	968,286,261

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

₹

Particulars	2013	2012
Audit Fees	889,526	811,086
Taxation	83,631	152,512
Auditor's Remuneration - Certification	288,906	228,768
Expenses Reimbursed	123,469	181,547

- h. 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.
- i. There are no transactions with micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

NOTES FORMING PART OF ACCOUNTS (Contd.)

- j. Borrowing costs capitalised during the year is ₹ Nil (*previous year ₹ Nil*).
- k. 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.
- l. Basic & diluted earnings per share (EPS) computed in accordance with AS 20 are as follows:

₹

Particulars	2013	2012
Profit/(Loss) for the year	(534,991,242)	171,223,739
Weighted Average number of Equity shares	2,884,615	2,884,615
Basic & Diluted EPS	(185.46)	59.36

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

As per our attached report of even date

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

R. BALASUBRAMANIYAN
Head - Finance & Accounts

P. S. KAPOOR
Director

U. DASGUPTA
Director

Place : Mumbai
Date : June 19, 2014

Place : Sohar, Oman
Date : June 19, 2014

Place : Mumbai
Date : June 19, 2014

DIRECTORS' REPORT

The Directors present their report and audited accounts of L&T Overseas Project Nigeria for the year ended December 31, 2013.

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	In Lakhs			
	2013		2012	
	Naira	₹	Naira	₹
Excess of expenditure over income during pre-operational period before tax	(2.38)	(0.89)	(8.67)	(2.96)
Provision for taxes	-	-	-	-
Excess of expenditure over income during pre-operational period after tax	(2.38)	(0.89)	(8.67)	(2.96)
Preliminary Expenses charged to P&L	-	-	-	-
Balance brought forward from Previous Year	(81.45)	(27.08)	(72.78)	(24.12)
Balance carried to Balance Sheet	(83.83)	(27.97)	(81.45)	(27.08)

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 out any commercial activities.

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)

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 applicable.

SUBSIDIARY COMPANIES

The Company has no subsidiary companies.

DIRECTORS

The current Directors of the Company are:

Mr. U. Dasgupta

Mr. K. Ravindranath

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, 2013;
- 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;

L&T OVERSEAS PROJECTS NIGERIA LIMITED

- 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 Point 5 in Note H of the Annual Report).

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 : June 23, 1014

U. DASGUPTA
Director

K. RAVINDRANATH
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 31 December 2013, being a company registered in Nigeria, are audited by Adedolapo Fayomi & Co. and we have been furnished with their audit report dated May 05, 2014.

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 31 December 2013. These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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 notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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 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 31 December 2013;
- (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
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : June 23, 2014

ANNEXURE TO THE AUDITORS' REPORT

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

- 1 The Company has no fixed assets and hence reporting under paragraphs 4(i) (a), (b) and (c) is not applicable.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii) (a), (b) and (c) is not applicable.
- 3 We are informed by management that there are no 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) to (g) of the Order are not applicable.
- 4 The Company has not commenced commercial operations and accordingly we are unable to comment on the adequacy of the internal control procedures.
- 5 We are informed by management that there are no 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(v)(a) and (b) of the Order are not applicable.
- 6 The Company has not accepted deposits from the public.
- 7 The Company has no internal audit system at present.
- 8 The Company is not required to maintain 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 with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December 2013.
(b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at 31 December 2013 and it has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- 11 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.
- 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 availed any term loans during the year.
- 17 According to the information and explanations given to us, the Company has not raised any loans during the year.
- 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 year 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 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
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : June 23, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	B	3,344,783		3,344,783	
Reserve & surplus	C	(2,717,171)		(2,691,137)	
Non-current liabilities		-		-	
Current liabilities					
Other current liabilities	D	366,628		328,507	
TOTAL		994,241		982,153	
ASSETS:					
Non-current assets					
Fixed assets		-		-	
Current assets					
Cash and bank balances	E(I)	966,388		956,870	
Short term loans and advances	E(II)	27,853		25,283	
		994,241		982,153	
TOTAL		994,241		982,153	
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF THE ACCOUNTS	H				

The accompanying notes form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

Place : Mumbai
Date : June 23, 2014

U. DASGUPTA

Director

Place : Mumbai
Date : June 23, 2014

K. RAVINDRANATH

Director

STATEMENT OF INCOME AND EXPENDITURE DURING PRE-OPERATIONAL PERIOD FOR THE YEAR ENDED DECEMBER 31, 2013

	Note no.	2013 ₹	2012 ₹
INCOME			
Revenue from operations		-	-
Other income	F	-	15,767
TOTAL		-	15,767
EXPENDITURE			
Sales, administration and other expenses	G	88,622	312,190
TOTAL		88,622	312,190
Excess of expenditure over income during pre-operational period before tax		(88,622)	(296,423)
Tax expenses		-	-
Excess of expenditure over income during pre-operational period after tax carried to Balance Sheet		(88,622)	(296,423)
Basic and diluted earning per share (₹)	H(8)	(0.01)	(0.03)
Face value per equity share (Naira) - 1			
SIGNIFICANT ACCOUNTING POLICIES	A		
OTHER NOTES FORMING PART OF THE ACCOUNTS	H		

The accompanying notes form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

U. DASGUPTA
Director

K. RAVINDRANATH
Director

Place : Mumbai
Date : June 23, 2014

Place : Mumbai
Date : June 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities		
Excess of expenditure over income during pre-operational period before tax (after extraordinary items)	(88,622)	(296,423)
Adjustment for :		
Interest income	-	(15,767)
Increase/(decrease) in translation reserve	62,589	19,229
Operating profit before working capital changes	(26,033)	(292,961)
Adjustments for :		
(Increase)/ decrease in short term loans and advances	(2,569)	(2,323)
Increase/ (decrease) in other current liabilities	38,121	(86,224)
Cash (used in)/generated from operations	9,518	(381,508)
Direct taxes refund / (paid) - net	-	-
Net cash (used in)/from operating activities (A)	9,518	(381,508)
B Cash flow from investing activities		
Interest income	-	15,767
Net cash (used in)/from investing activities (B)	-	15,767
C Cash flow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents (A+B+C)	9,518	(365,741)
Cash and cash equivalents at beginning of the year	956,870	1,322,611
Cash and cash equivalents at end of the year	966,388	956,870

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 at the end of the year represent bank balances and include unrealised gain of Nil (*previous year Nil*) on account of translation of foreign currency bank balances.
- Cash and cash equivalents are reflected in the Balance Sheet as follows:

	2013 ₹	2012 ₹
Cash and cash equivalents disclosed under current assets [Note E(i)]	966,388	956,870

- 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
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

Place : Mumbai
Date : June 23, 2014

U. DASGUPTA

Director

Place : Mumbai
Date : June 23, 2014

K. RAVINDRANATH

Director

NOTES FORMING PART OF ACCOUNTS**A. 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 :-

- Share capital is retained at the initial contribution amount
- Current assets and liabilities are translated at year end rates
- Revenue transactions are translated at average rates

The resultant difference is accounted as translation reserve in the Balance Sheet

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Amount in ₹	Number of shares	Amount in ₹
B. SHARE CAPITAL				
B(I) Share capital authorised, issued, subscribed and paid up:				
Authorised:				
Equity shares of Naira 1/- each	<u>10,000,000</u>	<u>3,344,783</u>	<u>10,000,000</u>	<u>3,344,783</u>
Issued, subscribed and fully paid up:				
Equity shares of Naira 1/- each	<u>10,000,000</u>	<u>3,344,783</u>	<u>10,000,000</u>	<u>3,344,783</u>
B(II) Reconciliation of the number of equity shares and share capital:				
Issued, subscribed and fully paid up equity shares outstanding at beginning of the year	10,000,000	3,344,783	10,000,000	10,000,000
Add: Shares issued during the year	—	—	—	—
Issued, subscribed and fully paid up equity shares outstanding at the end of the year	<u>10,000,000</u>	<u>3,344,783</u>	<u>10,000,000</u>	<u>10,000,000</u>
B(III) Shareholders holding more than 5% of equity shares as at the end of the year				
	<u>Number of Shares</u>	<u>Shareholding %</u>	<u>Number of Shares</u>	<u>Shareholding %</u>
Larsen & Toubro International FZE	9,999,998	99.99998%	9,999,998	99.99998%

B(IV) Holding Company

99,99,998 equity shares of Face Value Naira 1/- each amounting to ₹. 33.44 lakhs are held by Larsen & Toubro International FZE, Sharjah which is the holding company.

B(V) Terms / rights attached to equity shares

The Company has only one class of share capital, i.e. equity shares having face value of SAR 1000 per share. Each holder of equity share is entitled to one vote per share.

B(VI) No bonus shares have been issued during the immediately preceding five year ended December 31, 2013.

B(VII) No shares have been issued for consideration other than cash during the immediately preceding five year ended December 31, 2013.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
C. RESERVES & SURPLUS				
Foreign currency translation reserve				
As per last Balance Sheet	17,578		(1,651)	
Addition/(deduction) during the year	62,589		19,229	
		80,166		17,578
Surplus / (Deficit) statement of income & expenditure during pre-operational period				
As per last Balance Sheet	(2,708,715)		(2,412,292)	
Excess of expenditure over income during pre-operational period after tax	(88,622)		(296,423)	
		(2,797,337)		(2,708,715)
TOTAL		(2,717,171)		(2,691,137)
D. OTHER CURRENT LIABILITIES				
Due to related parties		151,489		131,986
Due to others		215,138		196,521
TOTAL		366,628		328,507
E. CURRENT ASSETS				
E(I) CASH AND BANK BALANCES				
Cash and cash equivalent				
Balance with banks		966,388		956,870
TOTAL		966,388		956,870
E(II) SHORT TERM LOANS AND ADVANCES				
Income tax receivable		27,853		25,283
		27,853		25,283
TOTAL		994,241		982,153
		2013-14		2012-13
		₹		₹
F. OTHER INCOME				
Interest on fixed deposit		-		15,767
TOTAL		-		15,767
G. SALES, ADMINISTRATION AND OTHER EXPENSES				
Audit fees		37,201		34,182
Professional fees		21,097		264,545
Miscellaneous expenses		28,278		17,129
Exchange (gain)/loss (net)		2,046		(3,666)
TOTAL		88,622		312,190

NOTES FORMING PART OF ACCOUNTS (Contd.)**H. OTHER NOTES FORMING PART OF THE 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 Preliminary and pre-operative expenses incurred prior to commencement of commercial business operations has been charged to the statement of income and expenditure during pre-operational period.
- 3 There are no amounts due to micro and small enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2006 as at December 31, 2013.
- 4 Disclosures regarding derivative instruments:
 - a Derivatives outstanding as on 31.12.2013 - ₹ Nil (*previous year ₹ Nil*)
 - b The Company does not have any material foreign currency exposure as at 31.12.2013 that are hedged by a derivative instrument or otherwise.
 - c Unhedged foreign currency exposure as on 31.12.2013

Currency	Recognised liability (₹)	
	2013	2012
USD	151,489	131,986

- 5 Disclosure of related party transactions:

Particulars	2013	2012
Accounts payable to related parties		
Due to Larsen & Toubro Limited [Ultimate holding company]	151,489	131,986

- 6 There are no contingent liabilities as on December 31, 2013.

- 7 Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil.

- 8 Basic and Diluted Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 "Earnings per Share "

Particulars	2013	2012
Basic		
Loss after tax as per Accounts (₹)	(88,622)	(296,423)
Number of Shares	10,000,000	10,000,000
Basic EPS (₹)	(0.01)	(0.03)

- 9 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.

- 10 Auditors' remuneration and expenses charged to the accounts:

Particulars	2013	2012
Audit fees	37,201	34,182

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

U. DASGUPTA

Director

K. RAVINDRANATH

Director

Place : Mumbai

Date : June 23, 2014

Place : Mumbai

Date : June 23, 2014

DIRECTORS' REPORT

FINANCIAL RESULTS

The Directors present their Annual Report and Audited Accounts of Larsen Toubro ATCO Saudia for the year ended December 31, 2013.

Particulars	2013		2012	
	SAR Million	₹ Crores	SAR Million	₹ Crores
Revenue	346.75	541.28	81.47	115.88
Profit / (Loss) after tax	(2.08)	(3.25)	2.16	2.97

DIVIDEND

The Directors do not recommend payment of any dividend.

PERFORMANCE OF THE COMPANY:

The Company has made a loss of INR 3.25 crores (SAR 2.08 Mn) during the current year as compared to the profit of INR 2.97 crores (SAR 2.16 Mn) in the previous year.

CAPITAL EXPENDITURE

As at December 31, 2013, the Gross Fixed Assets stood at INR 3.84 crores (SAR 2.33 Mn) and Net Fixed Assets at INR 1.76 crores (SAR 1.07 Mn).

AUDITOR'S REPORT

The Auditor's Report to the Shareholders contains no qualification.

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 applicable 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.

SUBSIDIARY COMPANIES

The Company has no subsidiary companies.

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 December 31, 2013 and of the profit 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; and
- that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

Current Directors of the Company are:

- 1) Dr. Mohammed Farid Sammur
- 2) Mohammad Habibullah
- 3) Ziad A. Al - Turki Contracting & Trading Corporation
- 4) P S Kapoor

OUTLOOK

Saudi Arabia is an oil based economy with strong government controls over major economic activities. Current focus of government is on maintaining oil production and developing gas fields. The Company is equipped to execute the construction and electro-mechanical projects.

LARSEN & TOUBRO ATCO SAUDIA COMPANY LLC

AUDITORS

The auditors Deloitte & Touche Bakr Abulhair & Co., member firm of Deloitte Touche Tohmatsu Limited, continue to be the auditors of the Company for the financial year 2014.

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

MOHAMMAD HABIBULLAH

Director

P. S. KAPOOR

Director

Place : Mumbai

Date : July 5, 2014

AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO ATCO SAUDIA COMPANY LLC

The financial statements of **LARSEN & TOUBRO ATCO SAUDIA COMPANY LLC** for the year ended December 31, 2013, being a company registered in the Sultanate of Oman, are audited by Deloitte & Touche and we have been furnished with their audit report dated March 30, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of Larsen & Toubro ATCO Saudia Company LLC as at 31 December 2013 and the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- 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
Firm's registration no.109982W
by the hand of

Place : Mumbai
Date : July 5, 2014

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 asset.
- (b) We are informed that the Company has not formulated any programme of physical verification for fixed assets.
- (c) The Company has not disposed any substantial part of its fixed assets so as to affect its going concern.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii) (a),(b) and (c) is not applicable.
- 3 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(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 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.
- 6 The Company has not accepted deposits and the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules made thereunder are not applicable.
- 7 In our opinion, the Company has internal audit system commensurate with its size and nature of its business.
- 8 The Company is being registered in the Kingdom of Saudi Arabia and hence, 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, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31,2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, custom duty, excise duty and wealth tax that were under dispute as at December 31,2013 .
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at 31 December 2013 and it has incurred cash losses in the financial year ended on that date but not in and 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 financial institution or bank or debenture holders as at the balance sheet.
- 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 availed term loans during the year and these were utilized 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 year 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 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

Firm's registration no.109982W

by the hand of

Place : Mumbai

Date : July 5, 2014

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	B	10,819,314		10,819,314	
Reserves and surplus	C	(66,977,703)		(31,454,898)	
			(56,158,389)		(20,635,584)
Non- current Liabilities					
Long term borrowings	D(I)	365,023,760		91,098,980	
Long term provisions	D(II)	25,245,783		11,394,280	
			390,269,543		102,493,260
Current Liabilities					
Short term borrowings	E(I)	552,232,077		–	
Trade payables	E(II)	2,798,444,231		1,292,270,404	
Other current liabilities	E(III)	768,394,107		93,770,303	
Short term provisions	E(IV)	15,598,338		15,223,317	
			4,134,668,753		1,401,264,024
TOTAL			4,468,779,907		1,483,121,700
ASSETS:					
Non-Current Assets					
Fixed assets					
Tangible assets	F		17,605,383		20,208,851
Long Term Loans & Advances	G		4,548,480		2,654,365
Current Assets					
Trade receivables	H(I)	1,684,072,498		463,946,388	
Cash and bank balances	H(II)	25,325,397		120,175,754	
Short term loans and advances	H(III)	1,783,911,351		876,136,342	
Other current assets	H(IV)	953,316,798		–	
			4,446,626,044		1,460,258,484
TOTAL			4,468,779,907		1,483,121,700
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF ACCOUNTS	O				

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 5, 2014

For and on behalf of the Board

MOHAMMAD HABIBULLA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 5, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
Revenue					
Revenue from operations	I	5,412,750,704		1,158,751,198	
Other income	J	29,690		841,409	
Total Revenue		5,412,780,394		1,159,592,607	
EXPENSES:					
Manufacturing, construction and operating expenses	K				
Stores, spares and tools consumed		675,030,929		5,280,320	
Sub contracting charges		1,803,782,324		802,450,890	
Other manufacturing, construction and operating expenses		1,727,463,535		148,977,592	
		4,206,276,789		956,708,802	
Employee benefits expenses	L	1,157,874,149		103,012,893	
Sales, Administration and other expenses	M	66,375,769		61,769,695	
Finance costs	N	9,316,709		–	
Depreciation & Amortisation expenses		4,875,645		4,250,143	
Total Expenses		5,444,719,060		1,125,741,533	
Profit/(Loss) before tax		(31,938,666)		33,851,074	
Less: Tax expense					
Current tax		506,991		4,166,759	
Deferred Tax		–		–	
Profit/(Loss) after tax		(32,445,657)		29,684,314	
Basic and diluted earnings per share (₹)	O9	(32,446)		29,684	
Face value per equity share SAR 1000					
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF ACCOUNTS	O				

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

MOHAMMAD HABIBULLA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 5, 2014

Place : Mumbai
Date : July 5, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
I. Cash Flow from Operating Activities		
Profit/(Loss) before tax	(31,938,666)	33,851,074
Adjustments for:		
Depreciation & amortisation	4,875,645	4,250,143
Interest income received	-	(22,507)
(Increase)/decrease in translation reserve	(3,077,147)	(734,347)
	-	-
Operating profit/(loss) before working capital changes	(30,140,168)	37,344,364
(Increase) / decrease in trade and other receivable	(3,083,112,033)	(1,114,566,792)
(Increase) / decrease in inventories	-	2,515,439
Increase / (decrease) trade payables and other payables	2,195,024,155	1,153,179,152
Income tax provisions	(506,991)	-
Cash (used in) / generated from Operations	(918,735,036)	78,472,163
Direct Taxes paid	-	(3,483,535)
Net Cash (used in) /from Operations activities	[A] (918,735,036)	74,988,628
II. Cash Flow from Investing Activities		
Purchase of fixed assets	(2,728,066)	(763,841)
Difference in opening value of fixed assets due to exchange difference	(2,478,616)	(1,152,086)
Difference in opening value of cumulative depreciation due to exchange difference	1,999,033	458,648
Proceeds from sale of fixed assets	-	51,943
Interest received	-	22,507
Net Cash Flow (used in) /from Investing Activities	[B] (3,207,649)	(1,382,829)
III. Cash Flow from Financing Activities		
Proceeds from long term borrowings	273,924,780	3,137,060
Proceeds from other borrowings	552,232,077	-
Net Cash Flow (used in) / from Financing Activities	[C] 826,156,857	3,137,060
Net Increase / (decrease) in cash & cash equivalents	[A+B+C] (95,785,828)	76,742,859
Cash & Cash Equivalents at beginning of the period	120,175,754	43,432,897
Cash & Cash Equivalents at end of the period	24,389,927	120,175,756

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 & Cash Equivalents at end of the period represents cash & bank balances and include unrealised gain of ₹ Nil (*previous year ₹ Nil*) on account of translation of foreign currency bank balances.
- Previous years figures have been regrouped/reclassified wherever applicable
- Cash and cash equivalents are reflected in the Balance Sheet as follows:

	2013	2012
Cash and cash equivalents disclosed under current assets [Note H(II)]	25,325,397	120,175,754
Cash and cash equivalents disclosed under non current assets	-	-
Total cash and cash equivalents as per Cash Flow Statement	25,325,397	120,175,754

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

For and on behalf of the Board

MOHAMMAD HABIBULLA

Director

P. S. KAPOOR

Director

Place : Mumbai
Date : July 5, 2014Place : Mumbai
Date : July 5, 2014

NOTES FORMING PART OF ACCOUNTS

NOTE A: 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards

c. Revenue Recognition

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.

Billing in excess of revenue recognized represents the excess of amounts billed over the value of work performed at the year end. Revenue recognized in excess of billing represents the value of work performed but not yet billed at the year end.

d. Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

e. 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.

f. Retirement/Termination Benefits

At the Balance Sheet date, employees' terminal benefits are calculated under the framework of the Saudi Regulations for labour and workmen.

g. 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.

h. 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.

i. 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

j. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1.	Plant & Machinery	10%
2.	Motor Vehicles	25%
3.	Furniture & Fixtures	10%
4.	Porta cabins	20%
5.	Office Equipments	10%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

k. 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 Assets, Current & Non Current assets and Current & Non 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.

l. Operating cycle for current and non-current classification:

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

m. Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- transactions of a non-cash nature
- any deferrals or accruals of past or future operating cash receipts or payments and
- items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure

n. 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:

- 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.
- Assets given under Leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Lease income is recognized over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- Initial direct costs relating to assets given on finance leases are charged to Statement of Profit and Loss.

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 Statement of Profit and Loss on accrual basis.
- Assets leased out under operating leases are capitalised. Rental income is recognized on accrual basis over the lease term.

o. 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 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 recognized, nor disclosed.

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

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE B : SHARE CAPITAL****B (I) Share Capital authorised, issued, subscribed and paid up**

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Authorised:				
Equity shares of SAR 1,000 each	1,000	10,819,314	1,000	10,819,314
Issued,Subscribed and fully paid up				
Equity shares of SAR 1,000 each	1,000	10,819,314	1,000	10,819,314
Total	1,000	10,819,314	1,000	10,819,314

B (II) Reconciliation of number of equity shares and share capital

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Issued, Subscribed and fully paid equity shares outstanding at beginning of the period	1,000	10,819,314	-	-
Shares subscribed during the period	-	-	1,000	10,819,314
Issued, Subscribed and fully paid equity shares outstanding at end of the period	1,000	10,819,314	1,000	10,819,314

B (III) Holding Company

750 equity shares of Face Value SAR 1,000 each amounting to ₹ 8,114,486/- are held by Larsen & Toubro International FZE. Larsen & Toubro Ltd is the ultimate holding Company of L&T ATCO Saudia LLC.

B (IV) Terms/rights attached to equity shares

The Company has only one class of share capital, i.e. equity shares having face value of SAR 1000 per share. Each holder of equity share is entitled to one vote per share.

B (V) Shareholders holding more than 5% of equity shares as at the end of the period

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Shareholding %	Number of shares	Shareholding %
Larsen & Toubro Limited, India	750	75%	490	49%
Mr. Khalil Abdulkareem Bin Nasser Al Fraih	250	25%	510	51%
TOTAL	1,000	100%	1,000	100%

B (VI) No bonus shares have been issued during the immediately preceding five years ended December 31, 2013.

B (VII) No shares have been issued for consideration other than cash during the immediately preceding five years ended December 31, 2013.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE C : RESERVES & SURPLUS				
Statutory reserve				
As per last Balance Sheet		86,778		86,778
Foreign Currency Translation Reserve				
As per last Balance Sheet	(7,158,436)		(6,293,811)	
Addition/(deduction) during the year	(3,077,147)		(864,625)	
		(10,235,583)		(7,158,436)
Surplus Statement of Profit and Loss				
As per last Balance Sheet	(24,383,241)		(54,067,555)	
Profit/(Loss) for the year	(32,445,657)		29,684,314	
		(56,828,898)		(24,383,241)
TOTAL		(66,977,703)		(31,454,899)
			As at	As at
			31.12.2013	31.12.2012
			₹	₹

NOTE D: NON CURRENT LIABILITIES**D (I) Long Term Borrowings****Unsecured:****Loans from related parties:**

Loans from Shareholders - L&T International FZE [Note D(I)(a)] 76,780,320 72,137,135

Loans from Shareholders - A. A. Turki Contracting & Trading Corporation [Note D(I)(a)] 25,593,440 18,961,845

Secured:

Term loans from bank [Note D(I)(b)] 262,650,000 -

TOTAL 365,023,760 91,098,980

D (I) (a) Unsecured loans provided by the Shareholders are to promote the business and to support the Company by providing additional funds. These loans are interest free and have no set repayment schedule.

D (I) (b) Details of term loan from bank

Particulars	31.12.2013	Rate of interest	Terms of repayment
	₹		
Term loan from Saudi British Bank	674,650,000	SIBOR + 2.5% p.a.	1. Installment in March 2014 - SAR 13.75 mn 2. 6 equal quarterly installment of SAR 3.75 mn commencing from June 2014. 3. Final Installment in Dec 2015 - SAR 4.68 mn

	As at	
	31.12.2013	31.12.2012
	₹	₹
D (II) Long Term Provisions		
Provision for Employee Benefits		
Provision for Gratuity	25,245,783	11,394,280
TOTAL	25,245,783	11,394,280

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE F : TANGIBLE ASSETS**

₹

DESCRIPTION	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2013	Exchange difference included in the translation reserve in 2013 Closing Balance	Additions during the year	Deductions / Adjustment	As at 31.12.2013	Upto 01.01.2013	Exchange difference included in the translation reserve	Additions for the year	Deductions / Adjustment	Upto 31.12.2013	As at 31.12.2013	As at 31.12.2012
Plant & Machinery	11,634,173	1,439,893	-	-	13,074,066	2,815,918	417,547	1,238,420	-	4,471,884	8,602,182	8,818,256
Motor Vehicles	2,648,499	327,789	-	-	2,976,288	2,522,608	319,676	133,963	-	2,976,247	41	125,891
Office Equipment	18,080,106	487,920	1,792,596	1,749,748	20,360,622	8,087,976	1,185,600	3,311,402	-	12,584,978	7,775,644	9,992,131
Furniture & Fixtures	1,801,920	223,014	935,470	935,470	2,024,934	529,347	76,210	191,860.15	-	797,417	1,227,517	1,272,573
Total	34,164,699	2,478,616	2,728,066	2,685,218	38,435,910	13,955,848	1,999,033	4,875,645	-	20,830,527	17,605,383	20,208,849
Previous Year	32,304,425	1,152,086	763,841	55,654	34,164,698	9,250,770	458,646	4,250,143	3,710	13,955,849	20,208,849	23,053,655
Add: Capital Work in progress											-	-
											17,605,383	20,208,849

As at	As at
31.12.2013	31.12.2012
₹	₹

NOTE: G LONG TERM LOANS & ADVANCES

Unsecured:

Security Deposits

4,548,480

2,654,365

TOTAL

4,548,480

2,654,365

NOTE: H CURRENT ASSETS**H (I) Trade Receivables****Unsecured**

Debts outstanding more than six months

-

-

Other debts:

Considered good

1,684,072,498

463,946,388

TOTAL

1,684,072,498

463,946,388

H (II) Cash & Bank Balances**Cash & Cash equivalents**

Balance with Bank

21,086,963

118,994,657

Cash on hand

4,238,434

1,181,097

TOTAL

25,325,397

120,175,754

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013 ₹	2012 ₹
NOTE K : MANUFACTURING, CONSTRUCTION AND OPERATING ACTIVITIES		
Stores,spares	675,030,929	5,280,320
Sub-contracting	1,803,782,324	802,450,890
Hire Charges-plant & Machinery and others	405,752,005	31,330,673
Erection charges	422,089	78,685
Fabrication Cost	-	1,413,485
Testing & Inspection	14,407,759	848,907
Temporary structure	-	199,274
Power and fuel	2,888,620	12,218
Safety materials	413,871	118,604
Manpower hire charges	604,841,662	34,594,051
Repairs & Maintenance- Plant & Machinery	-	830,694
Repairs & Maintenance- Building	3,434,267	22,987
Repairs & Maintenance- others	2,017,287	118,753
Rent expenses	27,292,344	2,846,954
Travelling and conveyance	156,919,305	3,363,833
Telephone and postage	17,582,589	1,219,922
Visa and emigration expense	133,088,977	790,621
Service and Agency fees	53,062,110	54,624,512
Accommodation expenses	256,301,382	11,379,690
Printing & Stationery	3,223,480	192,456
Bank Charges	7,123,846	535,474
Other Expenses	34,820,507	4,329,260
Insurance expenses	3,825,804	126,539
Rates and Taxes	45,632	-
TOTAL	4,206,276,789	956,708,802
NOTE L : EMPLOYEE BENEFITS EXPENSES		
Salaries, wages and bonus	935,071,493	84,111,017
Social Insurance Scheme	18,473,875	3,413,984
End of Service benefits	14,521,785	(2,549,495)
Welfare and other expenses	189,806,996	18,037,387
TOTAL	1,157,874,149	103,012,893

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013	2012
	₹	₹
NOTE M : SALES, ADMINISTRATION AND OTHER EXPENSES		
Technical Fees	50,236,732	47,223,615
Stores,spares	-	185,168
Power and fuel	43,786	39,881
Safety materials	9,210	1,850
Deputation Charges	628,576	157,056
Repairs & Maintenance- Plant & Machinery	340,153	4,981
Repairs & Maintenance- Building	60,285	416,840
Repairs & Maintenance- others	260,652	410,063
Rent expenses	1,882,590	2,967,259
Travelling and conveyance	1,407,491	3,017,558
Telephone and postage	847,113	2,027,882
Visa and emigration expense	3,513,701	947,875
Service and Agency fees	893,974	710,513
Accommodation expenses	304,860	-
Printing & Stationery	29,565	259,113
Statutory audit fees	487,650	652,408
Professional fees	456,587	865,418
Bank Charges	1,529,766	98,232
Other Expenses	3,269,310	1,338,661
Insurance expenses	173,768	412,269
Rates & taxes	-	33,051
TOTAL	66,375,769	61,769,695

M (I) Aggregation of expenses disclosed vide notes K and M in respect of specific items are as follows:

Sr no.	Nature of expenses	2013			2012		
		Note K	Note M	Total	Note K	Note M	Total
1	Stores,spares	675,030,929	-	675,030,930	5,280,320	185,168	5,465,488
2	Power and fuel	2,888,620	43,786	2,932,406	12,218	39,881	52,099
3	Safety materials	413,871	9,210	423,080	118,604	1,850	120,454
4	Deputation Charges	604,841,662	628,576	605,470,238	34,594,051	157,056	34,751,108
5	Repairs & Maintenance- Plant & Machinery	-	340,153	340,153	830,694	4,981	835,676
6	Repairs & Maintenance- Building	3,434,267	60,285	3,494,552	22,987	416,840	439,828
7	Repairs & Maintenance- others	2,017,287	260,652	2,277,939	118,753	410,063	528,816
8	Rent expenses	27,292,344	1,882,590	29,174,934	2,846,954	2,967,259	5,814,213
9	Travelling and conveyance	156,919,305	1,407,491	158,326,795	3,363,833	3,017,558	6,381,392
10	Telephone and postage	17,582,589	847,113	18,429,702	1,219,922	2,027,882	3,247,804
11	Visa and emigration expense	133,088,977	3,513,701	136,602,678	790,621	947,875	1,738,496
12	Service and Agency fees	53,062,110	893,974	53,956,083	54,624,512	710,513	55,335,025
13	Accommodation expenses	256,301,382	304,860	256,606,241	11,379,690	-	11,379,690
14	Printing & Stationery	3,223,480	29,565	3,253,045	192,456	259,113	451,569
15	Bank Charges	7,123,846	1,529,766	8,653,612	535,474	98,232	633,706
16	Other Expenses	34,820,507	3,269,310	38,089,817	4,329,260	1,338,661	5,667,921
17	Insurance expenses	3,825,804	173,768	3,999,572	126,539	412,269	538,808

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013 ₹	2012 ₹
NOTE N : FINANCE COSTS		
Interest on Term Loans	9,316,709	—
TOTAL	9,316,709	—

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).

NOTE O: OTHER NOTES FORMING PART OF ACCOUNTS

1. Disclosures pursuant to Accounting Standard (AS) 7

₹

Particulars	2013	2012
Contract Revenue recognized for the financial year	5,412,750,733	1,158,751,198
Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at end of financial year for all contracts in progress as at that date	6,357,302,148	2,255,262,759
Amount of customer advances outstanding for contracts in progress as at end of financial year	288,392,201	Nil
Retention amounts due from customers for contracts in progress as at end of financial year	557,549,667	98,587,310

2. Disclosure of related parties / related party transactions:

- (i) List of related parties who exercise control over the Company:

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 2013	Year 2012
Larsen & Toubro Limited	Ultimate Holding Company	Equipment Hire Charges	4,391,600	22,633,595
Larsen & Toubro Limited	Ultimate Holding Company	Technical Fees	89,238,664	46,209,780
Larsen & Toubro Limited	Ultimate Holding Company	Sub-Contract Charges	—	646,974,155
Larsen & Toubro Hydrocarbon International Limited LLC	Fellow Subsidiary	Sale of Fixed asset	57,987,434	—
A.A Turki Contracting & Trading Corporation	Shareholder exerting significant influence	Sub-Contract Charges	342,571,435	95,915,925
A.A Turki Contracting & Trading Corporation	Shareholder exerting significant influence	Rental Charges	—	2,519,391

- (iii) Amount due to/due from related parties

₹

Transaction/Related Party	Nature of relationship	31.12.2013		31.12.2012	
		Due from Related Party	Due to Related Party	Due from Related Party	Due to Related Party
Loans & Advances from/to related parties					
Larsen & Toubro Limited	Ultimate Holding Company	1,139,554,454		783,713,357	
L&T Electrical & Automation FZE	Fellow Subsidiary	1,333,678		931,962	
L&T Arabia LLC	Fellow Subsidiary	29,625,025		2,606,620	

NOTES FORMING PART OF ACCOUNTS (Contd.)

Transaction/Related Party	Nature of relationship	31.12.2013		31.12.2012	
		Due from Related Party	Due to Related Party	Due from Related Party	Due to Related Party
L&T Hydrocarbon International LLC	Fellow Subsidiary	69,484,177		1,867,431	
L&T Sargent & Lundy Limited	Fellow Subsidiary	397,339		293,410	
Larsen & Toubro Qatar LLC	Fellow Subsidiary	-		1,994	
L&T Power Ltd	Fellow Subsidiary	-		36,663	
A. A. Turki Contracting & Trading Corporation	Shareholder exerting significant influence	113,535,706		-	
L&T Arabia LLC	Fellow Subsidiary	8,24,00,000			
Trade Payables					
Larsen & Toubro Limited	Ultimate Holding Company		1,050,681,737		802,702,703
Larsen & Toubro Electromech LLC	Fellow Subsidiary		12,384		110,962,415
Larsen & Toubro Kuwait Construction General Contracting Co WLL	Fellow Subsidiary		1,216,273		
Larsen & Toubro Saudi Arabia LLC	Fellow Subsidiary		103,249		59,393
A. A. Turki Contracting & Trading Corporation	Shareholder exerting significant influence		-		33,501,284
A. A. Turki Engineering	Party on which Shareholder is exerting significant influence		4,478,515		3,985,281
Other Current Liabilities					
Larsen & Toubro Limited	Ultimate Holding Company		1,189,710		1,265,792
Unsecured Loans					
Larsen & Toubro International FZE	Holding Company		76,780,320		72,137,135
A. A. Turki Contracting & Trading Corporation	Shareholder exerting significant influence		25,593,440		18,961,845
TOTAL		1,436,330,379	1,160,055,628	789,451,437	1,043,573,848

(iv) No amount due from Group companies has been written-off as bad debts during the year.

- Borrowing cost capitalised during the period is ₹ Nil.
- 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.
- Auditor's remuneration and expenses charged to the accounts:

Particulars	2013	2012
Audit Fees	487,650	652,408
Taxation	456,587	865,418

- Estimated amount of contracts remaining to be executed on capital account (net of advances) is ₹ Nil (*previous year ₹ Nil*)
- The Company is engaged only in one segment, namely, business of general contracting in The Kingdom of Saudi Arabia and hence disclosure requirements under Accounting Standard 17 are not applicable.
- 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

9. Earnings Per share (EPS)

Particulars	2013	2012
Profit/(loss) for the year (₹)	(32,445,657)	29,684,313
Average number of Equity shares	1000	1000
Basic & diluted EPS (₹)	(32,446)	29,684

10. Zakat and Income-tax provision

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 in the financial statements on an accrual basis and charged to the Profit and Loss Account for the period. Zakat is computed on the Saudi shareholder's share of the zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

The charge for the year for zakat and income tax is as follows:

	2013	2012
Zakat for the year	506,991	1,319,990
Income tax for the year	-	2,846,769
TOTAL	506,991	4,166,759

₹

11. Previous year figures have been regrouped / reclassified wherever necessary.

12. Operating Lease Arrangements

Where the Company is a lessee.

The Company has taken various assets like equipments, vehicles, office rental and employees accommodation on non-cancellable operating leases. The future minimum lease payments in respect of which are as follows:

PARTICULARS	Minimum lease payments (₹)	
	As at 31.3.2013	As at 31.3.2012
1. Payable not later than 1 year	592,494,893	53,348,660
2. Payable later than 1 year and not later than 5 years	-	-
3. Payable later than 5 years	-	-
TOTAL	592,494,893	53,348,660

The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period.

As per our report attached
SHARP & TANNAN
 Chartered Accountants
 Firm's Registration No. 109982W
 by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
 Partner
 Membership No. 38332

MOHAMMAD HABIBULLA
 Director

P. S. KAPOOR
 Director

Place : Mumbai
 Date : July 5, 2014

Place : Mumbai
 Date : July 5, 2014

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts for Larsen & Toubro Electromech LLC for the year ended December 31, 2013.

FINANCIAL RESULTS

	2013 RO Mn	2013 ₹ crores	2012 RO Mn	2012 ₹ crores
Total Income	51.84	788.21	42.89	594.67
Operating Profit / (loss)	(4.48)	(68.16)	2.43	33.68
Add: Interest income	0.01	0.16	0.08	1.11
Less: Finance costs	0.03	0.34	0.004	0.005
Profit / (loss) before Tax	(4.49)	(68.33)	2.51	34.78
Less: Income tax expense	-	-	0.30	4.19
Net Profit / (loss) after Tax	(4.49)	(68.33)	2.21	30.59
Add: Balance brought forward from previous year	11.06	135.95	9.45	113.68
Balance available for disposal which Directors appropriate as follows:	6.57	67.61	11.66	144.27
Dividend	-	-	0.60	8.32
Balance to be carried forward	6.57	67.61	11.06	135.95

DIVIDEND

The Directors do not propose any dividend for the financial year 2013.

YEAR IN RETROSPECT

The Contract Revenue for the financial year under review was RO 51.84 Mn as against RO 42.89 Mn for the previous financial year. The Loss during the year is mainly due to considerable delays in project completion, overhead costs on account of Omanization, temporary accommodation, etc. Further owing to stringent Quality and HSE standards not fully envisaged at the time of bidding, additional spending were incurred resulting in further cost over-runs.

ORDER INFLOWS

The major projects secured by the Company during the year are:

Sl. No.	Client	Job	Contract Value (In RO Mn)
1	Larsen & Toubro Limited	C, M, E&I Construction works for Yibal 3rd Stage Depletion Compression project	27.4
2	Jindal Shadeed Iron & Steel LLC	Electrical & Automation of Steel Melt Shop at Shadeed Iron & Steel	3.5
3	Daleel Petroleum LLC	Construction of A, AB Natih Headers and water transfer pipeline from DPS to B Block Station at Daleel Field	2.6

AWARDS & RECOGNITIONS

The Directors are pleased to inform that Company received the following awards during the year under review:

- "ASSE GCC Excellence Gold Award - 2013" in Engineering & Construction category. Company has won gold awards consecutively for the third time since 2011.
- "OSC HSE Award - 2013" - 2nd winner in non-member category.

CAPITAL EXPENDITURE

Capital expenditure incurred by Company as at December 31, 2013 as under:

	2013 RO Mn	2013 ₹ crores	2012 RO Mn	2012 ₹ crores
Gross Fixed Assets	12.28	197.08	9.60	137.13
Net Fixed Assets	5.40	86.76	4.12	58.79

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 applicable.

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, 2013 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; and
- v. that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

The current Director of the Company are:

Mr. U. Dasgupta	Mr. Robert Ambrose
Mr. D. R. Saxena	Mr. T. N. Ranjan
Mr. P. S. Kapoor	
Mr. S. D. Navare	

During the year, Mr. K. Venkataramanan, Mr. Rashad M. Al Zubair and Mr. C. S. Badrinath resigned as Directors of the Company. The Board places on record its sincere appreciation of the services rendered by them during their association with the Company.

AUDITORS

The auditors, M/s PKF L.L.C., Chartered Accountants continue to be the statutory auditors of the Company.

PERSONNEL

The Board of Directors wishes to express their appreciation to the employees for their contribution to the operations of the Company. 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.

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 : July 11, 2014

U. DASGUPTA
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, 2013, being a company registered in the Sultanate of Oman, are audited by PKF L.L.C and we have been furnished with their audit report dated February 9, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of Larsen Toubro Electromech LLC as at December 31, 2013 and the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- 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.

Emphasis on Matter

Without qualifying our opinion, we draw attention to note no. 2 of Schedule O to the financial statements regarding unapproved variations.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 11, 2014

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 asset.
- (b) The fixed 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 fixed assets disposed of during the year are not substantial in relation to the Company and do not affect its going concern status.
- 2 (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.
- 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 Sultanate of Oman. 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 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.
- 5 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.
- 6 The Company has not accepted any deposits in terms of provisions of sections 58A, 58AA of Companies Act, 1956.
- 7 In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 We were 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.
- 9 (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The Company has no accumulated losses as at 31 December 2013. It has incurred cash losses in the current financial year but has not incurred cash losses in immediately preceding financial year.
- 11 According to 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.
- 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 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 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.
- 16 The Company has not availed any term loans during the year and accordingly reporting under paragraph 4 (xvi) is not required.
- 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 parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956 during the period.
- 19 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 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 period, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 11, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	B	35,560,200		35,560,200	
Reserves and surplus	C	1,082,527,491		1,604,659,605	
			1,118,087,691		1,640,219,805
Non-current liabilities					
Long term provisions	D		110,104,679		83,552,647
Current liabilities					
Short term borrowings	E(i)	428,269,129		-	
Trade payables	E(ii)	2,859,055,194		1,381,681,204	
Other current liabilities	E(iii)	721,410,074		309,557,218	
Short term provisions	E(iv)	181,348,311		284,880,148	
			4,190,082,707		1,976,118,570
TOTAL			5,418,275,077		3,699,891,022
ASSETS:					
Non current assets					
Fixed assets					
Tangible assets	F(i)	814,913,191		587,913,212	
Intangible assets	F(ii)	14,607,025			
Capital work-in-progress		38,044,919		-	
			867,565,135		587,913,212
Long term loans and advances	G		4,171,437		1,185,614
Current assets					
Inventories	H(i)	166,927,718		396,972,545	
Trade receivables	H(ii)	1,751,089,994		998,344,511	
Cash and bank balances	H(iii)	35,877,292		353,463,359	
Short term loans and advances	H(iv)	547,500,265		376,781,819	
Other current assets	H(v)	2,045,143,236		985,229,963	
			4,546,538,505		3,110,792,196
TOTAL			5,418,275,077		3,699,891,022
Contingent liabilities	P9				
Commitments (capital and others)	I				
Other notes forming part of the accounts	P				
Significant accounting policies	A				

The accompanying notes 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

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

B. L. NARASIMHAN
Head - Finance & Accounts

U DASGUPTA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 11, 2014

Place : Oman
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013 ₹	₹	2012 ₹	₹
REVENUE :					
Revenue from operations (net)	J	7,882,045,647		5,946,683,983	
Other income	K	7,436,912		16,455,899	
TOTAL REVENUE		7,889,482,559		5,963,139,882	
EXPENSES :					
Manufacturing, construction & operating expenses	L				
Cost of raw materials, components		2,117,046,997		719,221,691	
Stores, spares and tools consumed		144,796,634		234,043,807	
Sub-contracting charges		2,141,941,727		1,887,010,615	
Other manufacturing ,construction and operating expenses		1,073,280,450		777,246,751	
		5,477,065,809		3,617,522,864	
Employee benefits expense	M	2,616,528,152		1,552,274,313	
Sales, administration and other expenses	N	261,023,795		243,139,601	
Finance costs	O	3,380,123		49,213	
Depreciation		214,810,077		202,377,654	
TOTAL EXPENSES		8,572,807,956		5,615,363,645	
Profit/(loss) before tax		(683,325,397)		347,776,236	
Tax expenses					41,882,978
Profit/(loss) after tax carried to Balance Sheet		(683,325,397)		305,893,258	
Face value per equity share RO 1					
Earnings per equity share - Basic & Diluted	P8	(2,277.75)		1,019.64	
Other Notes forming part of the accounts	P				
Significant accounting policies	A				

The accompanying notes 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

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

B. L. NARASIMHAN
Head - Finance & Accounts

U DASGUPTA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 11, 2014

Place : Oman
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit / (loss) before tax	(683,325,397)	347,776,236
Adjustments for:		
Depreciation	214,810,077	202,377,654
Interest (net)	1,761,305	(11,013,625)
(Profit)/ loss on sale of fixed assets and other receipts	(3,578,373)	(2,609,166)
Increase/ (decrease) in translation gains	161,193,284	56,926,940
Operating profit before working capital changes	(309,139,104)	593,458,039
Adjustments for:		
(Increase) / decrease in trade and other receivables	(2,096,296,538)	(434,955,252)
(Increase) / decrease in inventories	230,044,826	(157,313,813)
Increase / (decrease) in trade and other payables	2,366,431,291	246,451,029
Cash (used in)/generated from operations	191,040,475	247,640,003
Direct taxes refund / (paid)	(42,722,699)	(81,619,393)
Net cash (used in)/from operating activities	148,317,776	166,020,610
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(433,640,216)	(421,397,178)
Sale of fixed assets	3,780,280	3,007,321
Difference in the opening value of fixed assets / cumulative depreciation due to exchange difference	(61,023,690)	(7,134,551)
Deposits/loans (given)/repaid (net)-subsidiaries, associates, joint venture companies and third parties	109,933,512	193,523,488
Interest received	1,618,818	11,062,837
Net cash (used in) / from investing activities	(379,331,296)	(220,938,083)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Interest paid	(3,380,123)	(49,213)
Dividend paid	(83,192,423)	(109,267,442)
Net cash (used in) / from financing activities	(86,572,546)	(109,316,655)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(317,586,068)	(164,234,128)
Cash and cash equivalents at beginning of the year	353,463,359	517,697,488
Cash and cash equivalents at end of the year	35,877,292	353,463,359
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 movement of capital work-in-progress during the year.		
3. Cash & cash equivalents at end of the period represents cash and bank balances and include unrealised gain of ₹927,965 (previous year Rs 38,237) on account of translation of foreign currency bank balances.		
4. Previous year's figures have been regrouped / reclassified wherever applicable.		
5. Cash and cash equivalents are reflected in the Balance Sheet as follows:		
Cash and cash equivalents disclosed under current assets [Note G(iii)]	35,877,292	353,463,359
Cash and cash equivalents disclosed under non current assets	-	-
Total cash and cash equivalents as per Cash Flow Statement	35,877,292	353,463,359

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

B. L. NARASIMHAN
Head - Finance & Accounts

U DASGUPTA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 11, 2014

Place : Oman
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

NOTES FORMING PART OF ACCOUNTS

A 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.

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. Tangible assets

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

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 & 33.33
Vehicles	33.33
Furniture and Fixtures	33.33
Specialized softwares	16.67

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories.

7. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

NOTES FORMING PART OF ACCOUNTS (Contd.)

8. Intangible assets and amortization

Intangible assets are stated at original cost less accumulated amortisation and cumulative impairment. 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:

Specialised software: over a period of six years

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

9. 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

10. 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.

11. 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.

12. 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.

13. 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.

NOTES 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.

14. Taxes on Income

Provision for income tax has not been made as the Company has incurred tax loss during the year arrived at after making suitable adjustments to the net loss 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.

Losses incurred shall be carried forward for a period of 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.

15. 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 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.

16. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

17. Operating Cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

18. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- transactions of a non-cash nature
- any deferrals or accruals of past or future operating cash receipts or payments and
- items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure

B SHARE CAPITAL

(i) Share capital authorised, issued, subscribed and paid up

	As at 31.12.2013		As at 31.12.2012	
	No. of Shares	₹	No. of Shares	₹
Authorised:				
Equity shares of RO 1 each	300,000	35,560,200	300,000	35,560,200
Issued, subscribed and paid up:				
Equity shares of RO. 1 each	300,000	35,560,200	300,000	35,560,200

NOTES FORMING PART OF ACCOUNTS (Contd.)**(ii) Reconciliation of number of equity shares and share capital:**

	As at 31.12.2013		As at 31.12.2012	
	No. of Shares	₹	No. of Shares	₹
Issued, subscribed and fully paid up equity shares outstanding at beginning of the year	300,000	35,560,200	300,000	35,560,200
Add: shares issued during the year	—	—	—	—
Issued, subscribed and fully paid up equity shares outstanding at end of the year	300,000	35,560,200	300,000	35,560,200

(iii) Terms/rights attached to equity shares:

The Company has only one class of share capital, i.e equity shares having face value of RO 1 per share. Each holder of equity share is entitled to one vote per share.

(iv) Holding Company

195,000 equity shares of Face Value OMR 1 each amounting to Rs 23,114,130 are held by Larsen & Toubro International FZE, which is the immediate holding company. The ultimate holding company is Larsen & Toubro Limited, India

(v) Shareholders holding more than 5% of equity shares as at the end of the year

Name of Shareholder	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Shareholding %	Number of shares	Shareholding %
Larsen & Toubro International FZE, Sharjah, UAE	195,000	65%	195,000	65%
Muscat Trading Company LLC, Oman	105,000	35%	105,000	35%

(vi) No bonus shares have been issued during the immediately preceding five years ended December 31, 2013.

(vii) No shares for consideration other than cash have been issued during the immediately preceding five years ended December 31, 2013.

C RESERVES AND SURPLUS

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Legal reserve				
As per last Balance Sheet	11,853,400		11,853,400	
Addition/(deletion) during the year	—		—	
		11,853,400		11,853,400
Foreign currency translation reserve				
As per last Balance Sheet	232,394,823		189,648,937	
Addition/(deletion) during the year	162,060,434		42,745,886	
		394,455,257		232,394,823
Hedging reserve				
As per last Balance Sheet	944,205		(11,973,862)	
Addition/(deletion) during the year	(867,150)		12,918,067	
		77,055		944,205
Surplus Statement of Profit and Loss				
As per last Balance Sheet	1,359,467,176		1,136,766,341	
Profit/(loss) for the year	(683,325,397)		305,893,258	
Less: Proposed dividend	—		83,192,423	
		676,141,779		1,359,467,176
TOTAL		1,082,527,491		1,604,659,605

NOTES FORMING PART OF ACCOUNTS (Contd.)**D NON-CURRENT LIABILITIES**

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Long term provisions:				
Provision for end of service gratuity [Note O(3)(ii)]		110,104,679		83,552,647
TOTAL		110,104,679		83,552,647

E(i) SHORT TERM BORROWINGS:**Secured:**

Short term loans and advances from banks [Note E(i)(a)], [Note E(i)(c)]	321,065,000	–
Loans repayable on demand from banks [Note E(i)(b)], [Note E(i)(c)]	107,204,129	–
TOTAL	428,269,129	–

(i) (a) Details of short term loans and advances from banks:

Particulars	31.12.2013	Rate of interest (% p.a.)	Terms of repayment
	₹		
1. Bank Muscat	160,532,500	3.00	Payable in March 2014
2. Bank Dhofar	160,532,500	2.75	Payable in January 2014

(i) (b) Loans repayable on demand from banks include fund based working capital facilities viz. cash credits and demand loans.

(i) (c) Bank facilities are secured against/by:

- Irrevocable confirmed assignment of specific contract receivables against bank facilities granted by Bank Muscat (S.A.O.G), HSBC Bank Oman S.A.O.G, Bank Dhofar (S.A.O.G) and Bank Sohar (S.A.O.G)
- Assignment of all insurance policies.
- The above facilities are subject to some restrictive covenants such as shareholding pattern, routing surplus receivable, debt equity ratio, total gearing and current ratio, payment of dividends.

E(ii) TRADE PAYABLES

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to related parties:				
Ultimate holding company		144,463,642		4,921,068
Fellow subsidiary companies		7,008,647		4,135,662
Companies over which significant influence is exerted by members		174,598,501		59,531,274
Due to others		2,532,984,404		1,313,093,200
		2,859,055,194		1,381,681,204
TOTAL		2,859,055,194		1,381,681,204

E(III) OTHER CURRENT LIABILITIES:

Interest accrued but not due on borrowings	347,713	–
Due to customers (construction and project related activity)	589,907,304	186,896,083
Advances from customers	43,988,705	99,161,790
Other payables	87,166,352	23,499,345
TOTAL	721,410,074	309,557,218

NOTES FORMING PART OF ACCOUNTS (Contd.)**E(iv) SHORT TERM PROVISIONS:**

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Provision for employee benefits:				
Leave salary	166,683,032		106,652,278	
Social security insurance [Note O(3)(i)]	8,469,206		5,653,428	
		175,152,238		112,305,706
Others				
Taxation	–		42,722,699	
Proposed dividend	–		83,192,424	
Other provisions (AS 29 related)	6,196,073		46,659,319	
		6,196,073		172,574,442
TOTAL		181,348,311		284,880,148

F FIXED ASSETS**(i) TANGIBLE ASSETS**

Class of assets	COST / VALUATION				DEPRECIATION					BOOK VALUE		
	As at 01-01-2013	Exchange difference included in translation reserve	Additions during the year	Deductions	As at 31-12-2013	As at 01-01-2013	Exchange difference included in translation reserve	Additions during the year	Deductions	As at 31-12-2013	As at 31-12-2013	As at 31-12-2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Porta cabins	331,849,307	41,090,647	162,676,250	–	535,616,204	113,759,901	17,672,083	64,325,521	–	195,757,504	339,858,699	218,089,406
Plant & Machinery	570,483,566	70,639,012	73,415,400	–	714,537,978	346,615,419	46,330,840	61,196,973	–	454,143,232	260,394,746	190,903,539
Office equipments	54,768,486	6,781,600	30,175,455	–	91,725,540	32,964,089	4,621,456	9,679,718	–	47,265,263	44,460,277	54,769,004
Motor Vehicles	399,760,162	49,499,431	111,571,693	(3,823,724)	557,007,562	283,953,185	39,092,204	74,162,444	(3,621,816)	393,586,017	163,421,545	115,806,977
Furniture & Fixtures	14,470,576	1,791,768	776,977	–	17,039,321	6,126,289	936,920	3,198,189	–	10,261,398	6,777,923	8,344,286
TOTAL	1,371,332,096	169,802,457	378,615,775	(3,823,724)	1,915,926,605	783,418,883	108,653,502	212,562,845	(3,621,816)	1,101,013,414	814,913,191	587,913,212
Previous Year	929,173,362	33,075,224	421,397,178	(12,313,668)	1,371,332,096	567,016,070	25,940,673	202,377,654	(11,915,512)	783,418,884		
Add: Capital work in progress											38,044,919	–
											852,958,110	587,913,212

(ii) INTANGIBLE ASSETS

Class of assets	COST / VALUATION				DEPRECIATION					BOOK VALUE		
	As at 01-01-2013	Exchange difference included in translation reserve	Additions during the year	Deductions	As at 31-12-2013	As at 01-01-2013	Exchange difference included in translation reserve	Additions during the year	Deductions	As at 31-12-2013	As at 31-12-2013	As at 31-12-2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Specialised software	–	–	16,979,523	–	16,979,523	–	125,278	2,247,232	–	2,372,510	14,607,013	0
TOTAL	–	–	16,979,523	–	16,979,523	–	125,278	2,247,232	–	2,372,510	14,607,025	0
Previous Year	0	–	–	–	–	–	–	–	–	–		
Add: Capital work in progress											–	–
											14,607,025	–

G LONG TERM LOANS AND ADVANCES

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Advances recoverable in cash or kind		4,171,437		1,185,614
TOTAL		4,171,437		1,185,614

NOTES FORMING PART OF ACCOUNTS (Contd.)**H(i) INVENTORIES (at cost or net realisable value whichever is lower)**

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Construction materials	5,766,762		54,745,492	
Stores, spares & tackles	161,160,956		342,227,053	
		166,927,718		396,972,545
TOTAL		166,927,718		396,972,545

H(ii) TRADE RECEIVABLES**Unsecured**

Debts outstanding for more than 6 months

Considered good	249,437,164	371,800,680
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Considered doubtful	66,998,239	–
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Other Debts:

Considered good	1,268,717,243	203,425,085
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	1,585,152,646	575,225,765
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Less: Provision for doubtful debts	66,998,239	–
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	1,518,154,407	575,225,765
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Retention Money

Unsecured

Considered good	232,935,587	423,118,746
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TOTAL	1,751,089,994	998,344,511
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H(ii) (a) Unsecured debts include ₹ 1,457,890,828/- (previous year ₹ 583,007,583/-) contractually not due.

H(iii) CASH AND BANK BALANCES**Cash and cash equivalents:**

Balance with banks	32,891,770	349,826,027
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Cash on hand	2,985,521	3,637,332
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	35,877,292	353,463,359
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TOTAL	35,877,292	353,463,359
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H(iv) SHORT TERM LOANS AND ADVANCES**Unsecured**

Considered good

Due from ultimate holding company	66,095,482	193,082,365
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Due from fellow subsidiaries	30,012,895	11,784,277
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Inter-corporate deposit with fellow subsidiary companies	–	109,933,512
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	96,108,377	314,800,154
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Others

Forward contract receivable	77,056	944,205
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Advances recoverable in cash or in kind	410,939,671	61,037,459
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Other receivables	40,375,161	–
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	451,391,888	61,981,664
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Considered doubtful

Other loans and advances	4,216,868	–
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Less: Allowance for doubtful loans and advances	(4,216,868)	–
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	451,391,888	61,981,664
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TOTAL	547,500,265	376,781,819
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NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
H(v) OTHER CURRENT ASSETS				
Due from customers (construction & project related activity)		2,045,143,236		985,229,963
TOTAL		<u>2,045,143,236</u>		<u>985,229,963</u>
I CAPITAL COMMITMENTS				
Estimated amount of contracts remaining to be executed on capital account		135,259,708		164,848,987
TOTAL		<u>135,259,708</u>		<u>164,848,987</u>
		2013		2012
		₹		₹
J REVENUE FROM OPERATIONS				
Sales & service:				
Construction and project related activity		7,539,107,201		5,632,469,657
Maintenance services		342,938,446		314,214,326
TOTAL		<u>7,882,045,64</u>		<u>5,946,683,983</u>
K OTHER INCOME				
Interest received		1,618,818		11,062,837
Net gain/(loss) on sale of fixed assets (net)		3,578,373		2,609,166
Miscellaneous income		2,239,721		2,783,896
TOTAL		<u>7,436,912</u>		<u>16,455,899</u>
L MANUFACTURING, CONSTRUCTION & OPERATING EXPENSES				
Manufacturing, construction & operating expenses				
Cost of raw materials, components	2,124,667,866		723,629,052	
Less: Scrap sales	<u>7,620,869</u>		<u>4,407,361</u>	
		2,117,046,997		719,221,691
Stores, spares and tools consumed		144,796,634		234,043,807
Sub-contracting charges		2,141,941,727		1,887,010,615
Other manufacturing, construction and operating expenses				
Power and fuel [Note N(i)]	147,983,066		97,307,022	
Hire charges - Plant & Machinery and others	614,646,784		227,648,759	
Technical fees	-		86,944,096	
Rent [Note N(i)]	76,453,496		41,620,908	
Travelling and conveyance [Note N(i)]	48,935,305		57,343,829	
Repairs and maintenance of buildings	12,218,638		12,806,401	
Repairs and maintenance of plant and machinery	12,493,138		478,641	
Expenses on installation of temporary structures	6,428,751		115,649,697	
General repairs and maintenance	30,918,583		73,468,922	
Calibration charges	64,100,869		8,120,759	
Water Charges [Note N(i)]	16,559,588		10,756,504	
Direct expenses	1,293,744		7,051,566	
Packing and forwarding [Note N(i)]	20,863,804		7,588,365	
Insurance [Note N(i)]	20,315,043		30,112,219	
Rates and taxes [Note N(i)]	<u>69,642</u>		<u>349,062</u>	
		1,073,280,450		777,246,751
TOTAL		<u>5,477,065,809</u>		<u>3,617,522,864</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		2012	
	₹	₹	₹	₹
M EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus		2,014,192,735		1,206,672,484
Contribution to and provision for:				
Social security scheme		56,749,923		40,763,912
Staff end of service gratuity		32,452,297		25,962,109
Provident fund		1,150,257		959,555
Welfare and other expenses		511,982,940		277,916,253
TOTAL		2,616,528,152		1,552,274,313
N SALES,ADMINISTRATION AND OTHER EXPENSES				
Power and fuel [Note N(i)]		3,159,749		1,673,697
Packing and forwarding [Note N(i)]		233,482		386,424
Insurance [Note N(i)]		561,303		1,091,624
Rent [Note N(i)]		32,183,592		12,992,867
Water charges [Note N(i)]		1,599,438		243,477
Travelling and conveyance [Note N(i)]		6,105,677		2,683,233
Telephone and postage		23,686,532		19,789,916
Advertising & publicity		352,807		1,280,248
Stationery and printing		3,078,104		6,741,955
Service, consultancy and agency fees		22,796,955		113,564,376
Bank charges		3,324,244		3,533,179
Professional fees		1,516,931		1,657,235
Visa and emigration expenses		31,127,072		51,072,265
Software and other computer related expenses		2,875,592		13,738,174
Miscellaneous expenses		8,985,255		10,289,474
Allowance for doubtful debts and advances		67,454,676		-
Provision for foreseeable losses on construction contracts		96,908,791		(7,412,445)
Rates & taxes [Note N(i)]		3,270,742		215,468
Provisions AS 29 related		(43,799,009)		(1,072,491)
Exchange (gain) / loss		(4,398,141)		10,670,924
TOTAL		261,023,795		243,139,601

N(i) Aggregation of expenses disclosed vide note L and N in respect of specific items is as follows:

Nature of Expenses	2013			2012		
	Sch K ₹	Sch M ₹	Total ₹	Sch K ₹	Sch M ₹	Total ₹
Power & fuel	147,983,066	3,159,749	151,142,815	97,307,022	1,673,697	98,980,719
Insurance	20,315,043	561,303	20,876,346	30,112,219	1,091,624	31,203,844
Packing and forwarding	20,863,804	233,482	21,097,286	7,588,365	386,424	7,974,789
Travelling and conveyance	48,935,305	6,105,677	55,040,982	57,343,829	2,683,233	60,027,062
Rent	76,453,496	32,183,592	108,637,088	41,620,908	12,992,867	54,613,775
Water charges	16,559,588	1,599,438	18,159,027	10,756,504	243,477	10,999,981
Rates & taxes	69,642	3,270,742	3,340,384	349,062	215,468	564,530

NOTES FORMING PART OF ACCOUNTS (Contd.)**H(v) OTHER CURRENT ASSETS**

	2013		2012	
	₹	₹	₹	₹
Interest expenses		3,380,123		49,213
TOTAL		3,380,123		49,213

P NOTES FORMING PART OF ACCOUNTS

- LARSEN & TOUBRO ELECTROMECH LLC is a limited liability Company, registered under the Commercial Laws of Sultanate of Oman. The Company is a leading Civil, Mechanical and Electrical & Instrumentation Construction Company in Oman, undertaking projects in Oil and Gas, Refineries, Petrochemicals, Power and Water treatment sectors.
- Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

Particulars		2013	2012
i)	Contract revenue recognized for the year ended December 31, 2013	7,539,107,201	5,632,469,656
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto December 31, 2013 for all contracts in progress as at that date	12,433,328,983	8,634,656,674
iii)	Amount of customer advances outstanding for contracts as at December 31, 2013	42,773,724	98,080,805
iv)	Retention amounts due from customers for contracts in progress as at December 31, 2013	108,390,173	180,629,074

At the year end amounts aggregating to 264,481,450 have been considered for revenue recognition in final contract values in Company's cost to completion exercise for jobs in progress at the year end. Though variation orders and client / consultant certificates are not yet available, the Company's management is confident that these variations would be approved and certified in due course by the client / consultant.

3. Disclosures pursuant to Accounting Standard (AS) 15 (Revised):**i. Defined Contribution Plans:**

The Company contributes to a pension fund set up in accordance with the Social Insurance law of Oman. Contributions are paid on monthly basis computed based on pre-defined percentages of the basic salary for all Omani Nationals employed by the Company.

The contribution paid under this scheme is recognized in the period in which the employee renders the related service.

Amount of ₹ 56,749,923 (*previous year ₹ 40,763,912*) is recognized as an expense and included in "Staff Expenses" (Schedule I) in the Profit and Loss Account.

ii. Defined Benefit Plans:

The gratuity fund scheme, pension scheme and provident fund scheme for employees sent on deputation from India are managed by the parent Company, Larsen & Toubro Limited, India's trust. The Company also provides for gratuity payable to all expatriate employees in accordance with the provisions of Oman Labour law.

Amount recognized in Balance Sheet are:

Particulars	End of Service Gratuity	
	2013 ₹	2012 ₹
Amounts reflected in Liabilities	110,104,679	83,552,647

Amount recognized in Profit and Loss Account are:

Particulars	End-of-Service Gratuity		Provident Fund & Super Annuation Fund	
	2013 ₹	2012 ₹	2013 ₹	2012 ₹
Amount recognized in Staff Expenses	32,452,297	25,962,109	1,150,256	959,555

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.

NOTES FORMING PART OF ACCOUNTS (Contd.)**4. 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.

5. Disclosure of related parties / related party transactions:

i. List of related parties who exercise control over the Company:

Sr. 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 the Company had transactions during the year:

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate Holding Company
2.	Larsen & Toubro International FZE	Holding Company
3.	Muscat Trading Company LLC	Associate Company
4.	Larsen & Toubro (Oman) LLC	Fellow subsidiary
5.	L&T Modular Fabrication Yard LLC	Fellow subsidiary
6.	Larsen & Toubro ATCO Saudia 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 Infotech Ltd	Fellow subsidiary
10.	L&T Heavy Engineering LLC	Fellow subsidiary
11.	L&T - Sargent & Lundy Ltd	Fellow subsidiary
12.	L&T - Infrastructure Finance Ltd	Fellow subsidiary
13.	L&T Power	Fellow subsidiary
	Parties on whom significant influence is exerted by shareholder	
14.	The Zubair Corporation	
15.	Zubair Automotive Group LLC	
16.	SOCAT LLC	
17.	General Automotive Company LLC	
18.	Zubair Electric LLC	
19.	Zubair Enterprises - Southern LLC	
20.	Zubair Enterprises - Northern LLC	
21.	International Heavy Equipment LLC	
22.	Oman Oil Industry Supplies and Services Company	
23.	Zubair Enterprises Dakhliya	
24.	Zubair Furnishing	
25.	Dhofar Automotive LLC	
26.	Oasis Water Company LLC	

iii. Disclosure of related party transactions:

Sr. No.	Name / Nature of Transaction / Relationship	2013 ₹	2012 ₹
1	Ultimate Holding Company		
	Larsen & Toubro Limited		
	Sales and Services	5,046,627,279	3,077,288
	Purchase of Goods & Services	30,942,741	139,551,911
	Purchase of Fixed Assets	36,036,001	–
	Overheads charged by the related Party	19,369,175	6,619,039
	Overheads charged to the related Party	256,947,151	233,718,169

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr. No.	Name / Nature of Transaction / Relationship	2013 ₹	2012 ₹
2	Holding Company Larsen & Toubro International FZE Dividend paid	59,301,750	71,023,837
3	Fellow subsidiaries Larsen & Toubro (Oman) LLC Sale & Services Purchase of Goods & Services Overheads charged by the related party Overheads charged to the related party Provision for doubtful debts	- 29,918,189 2,072,520 213,387 4,815,975	2,356,235 124,026,088 4,484,959 - -
	L&T Heavy Engineering LLC Term Loan/ICD Interest on Term Loan/ICD Purchase of Goods & Services Overheads charged by the related Party Overheads charged to the related Party	- - 3,117,673 63,001 1,212,693	69,327,019 1,292,949 - - 642,384
	L&T Electrical & Automation FZE Sales and Services Purchase of Goods & Services Overheads charged to the related Party	- 113,965,480 22,072,544	2,654,920 158,717,139 9,838,888
	L&T Modular Fabrication Yard LLC Sales and Services Purchase of Goods & Services Overheads charged to the related party Overheads charged by the related party Term Loan/ICD Interest on Term Loan/ICD	54,395,062 43,937,101 17,295,261 687,368 - -	99,905,379 - 9,534,129 1,550,291 277,308,077 3,718,840
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL Overheads charged by the related party	-	7,085
	Larsen & Toubro ATCO Saudia LLC Interest on Term Loan/ICD Term Loan / ICD Repayment of ICD Overheads charged to the related Party	662,051 - 117,022,120 18,277	1,887,913 160,062,222 - -
	L&T - Sargent & Lundy Ltd Purchase of Goods & Services Overheads charged by the related party	3,056,873 16,833	41,036,742 443,319

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr. No.	Name / Nature of Transaction / Relationship	2013 ₹	2012 ₹
	L&T Infotech Ltd		
	Purchase of intangible assets	16,083,091	–
	Purchase of Goods & Services	1,169,613	–
	Overheads charged to the related Party	38,014	–
	L&T Infrastructure Finance Co. Ltd		
	Overheads charged to the related party	38,470	29,284
	L&T Gulf Private Limited		
	Purchase of Goods & Services	–	6,004,274
	L&T Power		
	Overheads charged to the related Party	26,610	–
4	Associate Company		
	Muscat Trading Company LLC		
	Dividend paid	31,931,712	38,243,605
5	Parties on whom significant influence is exerted by the shareholder		
	General Automotive Company LLC		
	Purchase of Fixed Assets	–	75,736,926
	Purchase of Goods & Services	–	18,123,106
	Zubair Automotive Group LLC		
	Purchase of Fixed Assets	34,966,745	–
	Purchase of Goods & Services	2,781,996	145,864
	Hire charges	22,354,801	5,638,644
	Socat LLC		
	Purchase of Goods & Services	267,273,218	111,188,657
	International Heavy Equipment LLC		
	Purchase of Fixed Assets	5,268,732	6,211,701
	Purchase of Goods & Services	3,810,694	1,075,260
	Oman Oil Industry Supplies and Services Company		
	Purchase of Fixed Assets	–	8,097,396
	Purchase of Goods & Services	3,310,255	2,460,139
	Zubair Electric LLC		
	Purchase of Goods & Services	619,901	1,407,852
	Zubair Enterprises Northern LLC		
	Purchase of Goods & Services	449,515	272,677
	Zubair Enterprises Southern LLC		
	Purchase of Goods & Services	156,284	388,170
	The Zubair Corporation		
	Purchase of Goods & Services	401,883	–
	Overheads charged by the related Party	–	3,624,001
	Zubair Enterprises Dakhliya		
	Purchase of Goods & Services	62,951	45,964
	Zubair Furnishing		
	Purchase of Goods & Services	–	2,488,855
	Dhofar Automotive LLC		
	Purchase of Fixed Assets	24,518,993	–
	Purchase of Goods & Services	93,981	–
	Oasis Water Company LLC		
	Purchase of Goods & Services	844,442	–

NOTES FORMING PART OF ACCOUNTS (Contd.)

iv. Amount due to / due from related parties (Net):

Sr.No.	Name / Nature of transaction / relationship	2013 ₹	2012 ₹
1	Accounts Receivable Ultimate Holding Company Larsen & Toubro Limited	665,644,320	96,330,140
	Fellow subsidiaries Larsen & Toubro (Oman) LLC	16,053,249	14,284,499
	L&T Modular Fabrication Yard LLC	63,923,678	67,603,025
2	Accounts Payable Ultimate Holding Company Larsen & Toubro Limited	144,463,642	4,921,170
	Fellow subsidiaries Larsen & Toubro (Oman) LLC	6,781,719	3,898,025
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	8,203	7,299
	L&T Infotech Ltd	218,726	230,338
	Parties on whom significant influence is exerted by shareholder General Automotive Company LLC	–	32,274,750
	Zubair Automotive Group LLC	42,238,900	3,741,874
	Zubair Enterprises Southern LLC	420,861	591,889
	Zubair Enterprises Northern LLC	643,279	477,065
	SOCAT LLC	122,355,825	18,026,096
	International Heavy Equipment LLC	5,638,402	1,066,483
	Zubair Electric LLC	259,931	40,944
	Oman Oil Industry Supplies and Services Company	2,376,966	3,058,876
	Zubair Corporation	19,071	16,913
	Zubair General Automotive Enterprises LLC	212,449	189,041
	Zubair Enterprises Dakhliya	119,677	47,343
	Dhofar Automotive LLC	34,295	–
	Oasis Water Company LLC	278,845	–
3	Loans & Advances Recoverable Ultimate Holding Company Larsen and Toubro Limited	66,095,482	193,082,365
	Fellow subsidiaries L&T Modular Fabrication Yard LLC	26,777,431	8,225,223
	Larsen & Toubro Saudi Arabia LLC	38,351	110,947,908
	L&T Electrical & Automation FZE	3,112,800	1,900,284
	L&T Heavy Engineering LLC	–	609,753
	L&T Infrastructure Finance Co. Ltd	56,218	13,885
	Tamco Switchgear (Malaysia) SDN BHD	–	4,928
	L&T - Sargent & Lundy Ltd	–	15,813
	L&T Power	28,093	–
4	Due to others Ultimate Holding Company Larsen & Toubro Limited	6,147,279	155,713,716
	Fellow subsidiaries Larsen & Toubro (Oman) LLC	1,0818,606	43,002,759
	L&T - Sargent & Lundy Ltd	1,178,680	1,454,997
	L&T Electrical & Automation FZE	25,407,449	44,770,048
	L&T Gulf Private Limited	407,704	362,783
	L&T Heavy Engineering LLC	1,392,436	–
	L&T Modular Fabrication Yard LLC	46,386,486	–

NOTES FORMING PART OF ACCOUNTS (Contd.)**6. Leases:**

Operating Leases:

The Company has entered in to non-cancellable operating leases for vehicles, the future minimum lease payments in respect of which, as at December 31, 2013 are as follows:

	2013 ₹	2012 ₹
Minimum Lease Payments:		
i. Payable not later than one year	26,892,886	69,111,268
ii. Between one year and five years	-	-
Total minimum lease payments	26,892,886	69,111,268

The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional / restrictive covenants in the lease agreements.

7. Provision for current tax has been made at ₹ Nil (previous year ₹ 41,882,978) at the applicable rate of 12% after the basic exemption in accordance with the law of Income Tax on Companies in Oman.

Additional income tax liability that may arise in future on completion of pending income tax assessments for the tax years 2008 to 2012 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.

8. Basic and diluted earnings per share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share".

Particulars	2013 ₹	2012 ₹
Basic		
Profit after Tax as per Accounts	(683,325,398)	305,893,258
No. of shares outstanding	300,000	300,000
Basic EPS	(2,277.75)	1019.64
Diluted		
Diluted EPS	(2,277.75)	1019.64

9. Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets":

Movement in provisions:

Sr no.	Particulars	Contractual rectification cost
1.	Balance as at 01.01.2013	46,659,319
2.	Additional provision during the year	6,196,073
3.	Provision reversed during the year	46,659,319
4.	Balance as at 31.12.2013 (1+2-3)	6,196,073

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.

10. 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, 2013 are as under:

Category of Derivative Instruments	Currency Pair	Amount of Exposure Hedged	
		As at 31.12.2013	As at 31.12.2012
i. For hedging foreign currency risks			
a. Forward contracts for payables	EUR / USD	21,249,848	11,318,752
	GBP / USD	-	287,198,586
	GBP / OMR	-	33,654,282
	USD/GBP	-	177,724,035

NOTES FORMING PART OF ACCOUNTS (Contd.)

b) Unhedged foreign currency exposures as at December 31, 2013 are as under:

Unhedged Foreign Currency Exposures	Currency	As at 31.12.2013	As at 31.12.2012
Receivables - outstanding as at the Balance Sheet date	USD	952,272,666	375,982,467
Receivables - firm commitments and highly probable forecasted transactions	USD	8,206,070,736	5,547,568,086
Payables - outstanding as at the Balance Sheet date	USD / AED / EUR	116,227,593	51,826,320

11. Estimated amount of contracts remaining to be executed on capital account (net of advances): ₹ 135,259,708 (previous year ₹ 164,848,987).

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

	2013	2012
Audit Fees	1,315,282	1,081,501
Fees for taxation services	102,638	187,183

13. There are no transactions with micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

14. Borrowing Costs capitalized during the year ₹ Nil (previous year ₹ Nil).

15. 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.

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

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

B. L. NARASIMHAN
Head - Finance & Accounts

U DASGUPTA
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : July 11, 2014

Place : Oman
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

Place : Mumbai
Date : July 11, 2014

DIRECTOR'S REPORT

The Directors present their first annual report and audited accounts of Larsen & Toubro Hydrocarbon International Limited LLC for the year ended December 31, 2013.

FINANCIAL RESULTS

The net balance in the Statement of Income & Expenditure during pre-operational period represents preliminary and pre-operative expenses incurred by the Company.

Particulars	2013	
	SAR	INR
	Million	Lakhs
Revenue	Nil	Nil
Excess of expenditure over income during pre-operational period after tax	(0.64)	(99.87)

DIVIDEND

The Directors do not recommend payment of any dividend.

PERFORMANCE OF THE COMPANY

During the period under review, the Company did not carry out any business activities.

CAPITAL EXPENDITURE

Capital expenditure incurred by Company as at December 31, 2013 as under:

Particulars	2013	
	SAR	INR
	Million	Lakhs
Gross tangible assets	3.71	610.65
Gross intangible assets	0.29	47.53

AUDITOR'S REPORT

The Auditor's Report to the shareholders contains no qualification.

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 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, 2013 and of the loss of the Company for the year ended on that date;
- that the annual accounts have been prepared on a going concern basis.

DIRECTORS

The Director of the Company is:

- M. F. Sammur

AUDITORS

The auditors Deloitte & Touche Bakr Abulkhair & Co., member firm of Deloitte Touche Tohmatsu Limited, continue to be the auditors of the company for the financial year 2014.

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 : Al-Khobar, KSA
Date : July 21, 2014

M. F. SAMMUR
Director

AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO HYDROCARBON INTERNATIONAL LIMITED LLC

The financial statements of **LARSEN & TOUBRO HYDROCARBON INTERNATIONAL LIMITED LLC** for the year ended December 31, 2013, being a company registered in the Kingdom of Saudi Arabia are audited by Deloitte & Touche and we have been furnished with their audit report dated March 30, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of Larsen & Toubro Hydrocarbon International Limited LLC as at December 31, 2013 and the statement of income & expenditure during pre-operational period and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 & 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 & expenditure during pre-operational period and cash flow statement dealt with by this report comply with the accounting standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- 2 in the case of the statement of income & expenditure during pre-operational period, 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
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 21, 2014

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 not formulated any programme of physical verification for fixed assets.
(c) There are no fixed assets disposed of during the year.
- 2 The Company has no inventories and hence reporting under paragraphs 4(ii) (a),(b) and (c) is not applicable.
- 3 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(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 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.
- 6 The Company has not accepted deposits from the public.
- 7 The Company has no internal audit system at present.
- 8 The Company is being registered in the Kingdom of Saudi Arabia and hence, 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, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December, 2013.
(b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, custom duty, excise duty and wealth tax that were under dispute as at 31 December 2013 .
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at 31 December 2013 and it has incurred cash losses in the financial year ended on that date.
- 11 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.
- 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, the Company has not raised any loans during the year.
- 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 year 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 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

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 21, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013	
		₹	₹
EQUITY AND LIABILITIES:			
Shareholders' funds			
Share capital	B	75,76,750	
Reserves and surplus	C	<u>(98,80,894)</u>	
			(23,04,144)
Current liabilities			
Trade payables	D	<u>8,83,21,857</u>	
			<u>8,83,21,857</u>
TOTAL			<u><u>8,60,17,713</u></u>
ASSETS:			
Non-current assets			
Fixed assets			
Tangible assets	E(I)	57,62,347	
Intangible assets	E(II)	47,53,430	
Capital work in progress	E(I)	5,53,02,216	6,58,17,993
Current Assets			
Cash and bank balances	F(I)	82,40,000	
Short term loans and advances	F(II)	<u>1,19,59,720</u>	
			<u>2,01,99,720</u>
TOTAL			<u><u>8,60,17,713</u></u>
SIGNIFICANT ACCOUNTING POLICIES	A		
OTHER NOTES FORMING PART OF ACCOUNTS	I		

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

SHARP & TANNAN

Chartered Accountants

Firm's registration number 109982W

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : July 21, 2014

For and on behalf of the Board

M. F. SAMMUR

Director

Place : Al-Khobar, KSA

Date : July 21, 2014

STATEMENT OF INCOME & EXPENDITURE DURING PRE-OPERATIONAL PERIOD ENDED ON DECEMBER 31, 2013

	Note No.	For the period 17-06-2013 to 31-12-2013 ₹
INCOME		-
EXPENSES:		
Employee benefits expenses	G	45,42,354
Administration and other expenses	H	49,59,644
Depreciation and amortisation expenses		4,85,386
Total Expenses		<u>99,87,384</u>
Excess of expenditure over income during pre-operational period before tax		<u>(99,87,384)</u>
Less: Tax expense		
Current tax		-
Deferred Tax		-
Excess of expenditure over income during pre-operational period after tax carried to balance sheet		<u>(99,87,384)</u>
Basic and diluted earnings per equity share (₹)	I(2)(h)	(19,975)
Face value per equity share (SAR 1,000)		
SIGNIFICANT ACCOUNTING POLICIES	A	
OTHER NOTES FORMING PART OF ACCOUNTS	I	

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

SHARP & TANNAN

Chartered Accountants

Firm's registration number 109982W

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : July 21, 2014

For and on behalf of the Board

M. F. SAMMUR

Director

Place : Al-Khobar, KSA

Date : July 21, 2014

CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2013

	2013
	₹
I. Cash flow from operating activities	
Excess of expenditure over income during pre-operational period	(99,87,384)
Adjustments for:	
Depreciation and amortisation expenses	4,85,386
(Increase)/decrease in translation reserve	1,06,490
Operating profit before working capital changes	(93,95,508)
(Increase) / decrease in trade and other receivable	(1,19,59,720)
Increase / (decrease) in trade payables and other payables	8,83,21,857
Cash (used in) / generated from operations	6,69,66,629
Direct Taxes paid	-
Net cash (used in) /from operations activities	[A] 6,69,66,629
II. Cash flow from investing activities	
Purchase of fixed assets	(6,63,30,437)
Difference in opening value of cumulative depreciation due to exchange difference	27,058
Net cash (used in) /from investing activities	[B] (6,63,03,379)
III. Cash flow from financing activities	
Proceeds from fresh issue of share capital	75,76,750
Net cash (used in) / from financing activities	[C] 75,76,750
Net Increase / (decrease) in cash & cash equivalents	[A+B+C] 82,40,000
Cash & cash equivalents at beginning of the period	-
Cash & cash equivalents at end of the period	82,40,000

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 & cash equivalents at end of the period represents bank balances and include unrealised gain / (loss) of ₹ nil on account of translation of foreign currency bank balances.
- Cash and cash equivalents are reflected in the balance sheet as follows:

	2013
	₹
Cash and cash equivalents disclosed under current assets [note F(l)]	82,40,000

As per our report attached of even date

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W
By the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 21, 2014

For and on behalf of the Board

M. F. SAMMUR
Director

Place : Al-Khobar, KSA
Date : July 21, 2014

NOTES FORMING PART OF THE ACCOUNTS

NOTE A: 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. Presentation of financial statements

The Balance Sheet and the Statement of income and expenditure are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of income and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards

c. Revenue Recognition

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.

d. Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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. 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.

g. 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.

h. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

1. Furniture & Fixtures	33.33%
2. Computers	16.67% to 25%
3. Office Equipments	25% to 33%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

i. Intangible assets and amortization

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. 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:

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

- a. Specialised software: over a period of six years

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

j. Translation of financial statements in foreign currency to Indian Rupees

Accounts are translated in Indian Rupees as follows:

- a. Share capital and statutory reserve are retained at the initial contribution amount.
- b. Fixed Assets, Current & Non Current assets and Current & Non 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.

k. Operating cycle for current and non-current classification:

Operating cycle for the business activities of the company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

l. Cash flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- a. transactions of a non-cash nature
- b. any deferrals or accruals of past or future operating cash receipts or payments and
- c. items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the cash flow statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

m. 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.

n. Leases

Operating lease rentals are recognized as an expense on a straight line basis over the lease term.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**B SHARE CAPITAL**

		As at 31.12.2013	
		No. of Shares	₹
B	(I) Authorised Capital		
	Equity shares of SAR 1,000 each	500	75,76,750
	Issued		
	Equity shares of SAR 1,000 each	500	75,76,750
	Subscribed and fully paid up		
	Equity shares of SAR 1,000 each	500	75,76,750
	TOTAL	500	75,76,750

B (II) Reconciliation of the number of equity shares and share capital

		As at 31.12.2013	
		No. of Shares	₹
	Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year	-	-
	Add: Shares issued during the year	500	75,76,750
	Issued, subscribed and fully paid up equity shares outstanding at the end of the year	500	75,76,750

B (III) Holding Company

100% equity share capital of the Company is held by Larsen & Toubro Limited along with its wholly owned subsidiary Larsen & Toubro International FZE.

B (IV) Terms / rights attached to equity shares

The Company has only one class of share capital, i.e. equity shares having face value of SAR 1000 per share. Each holder of equity share is entitled to one vote per share.

B (V) Shareholders holding more than 5% of equity shares as at the end of the year

		As at 31.12.2013	
		No. of Shares	% shareholding
	Larsen & Toubro Limited	450	90%
	Larsen & Toubro International FZE	50	10%
	TOTAL	500	500

B (VI) No bonus shares have been issued during the immediately preceding period ended on December 31, 2013.

B (VII) No shares have been issued for consideration other than cash during the immediately preceding period ended December 31, 2013.

C RESERVES & SURPLUS

		As at 31.12.2013 ₹
Foreign currency translation reserve:		
Addition / (deduction) during the year		1,06,490
Surplus / (deficit) statement of income & expenditure during pre-operational period:		
Excess of expenditure over income during pre-operational period after tax		(99,87,384)
TOTAL		(98,80,894)

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

As at
31.12.2013
₹

D TRADE PAYABLES**Due to related parties:**

Ultimate Holding Company

95,67,689

Fellow subsidiaries

7,78,27,168

Due to others

9,27,000

TOTAL**8,83,21,857****E FIXED ASSETS****E (I) TANGIBLE ASSETS**

Description	COST/VALUATION			DEPRECIATION				BOOK VALUE
	Additions during the period	Deductions / adjustment	As at 31.12.2013	Exchange difference included in the translation reserve	Addition for the period	Deductions / adjustment	As at 31.12.2013	As at 31.12.2013
Computers	33,77,368	–	33,77,368	13,715	2,46,029	–	2,59,744	31,17,624
Office equipments	25,60,898	–	25,60,898	8,396	1,50,607	–	1,59,003	24,01,895
Furniture and fixtures	2,47,792	–	2,47,792	262	4,702	–	4,964	2,42,828
Total	61,86,058	–	61,86,058	22,373	4,01,338	–	4,23,711	57,62,347
Add: Capital work in progress								5,53,02,216
								6,10,64,563

E (II) INTANGIBLE ASSETS

Description	COST/VALUATION			DEPRECIATION				BOOK VALUE
	Additions during the period	Deductions / adjustment	As at 31.12.2013	Exchange difference included in the translation reserve	Addition for the period	Deductions / adjustment	As at 31.12.2013	As at 31.12.2013
Specialised softwares	94,77,163	46,35,000	48,42,163	4,685	84,048	–	88,733	47,53,430
Total	94,77,163	46,35,000	48,42,163	4,685	84,048	–	88,733	47,53,430

As at
31.12.2013
₹

F (I) CASH AND BANK BALANCES**Cash and cash equivalents**

Balance with banks

82,40,000

TOTAL**82,40,000****F (II) SHORT TERM LOANS & ADVANCES****Unsecured****Loans & advances to related parties****Considered good:**

Fellow subsidiaries

45,31,127

Others:**Considered good:**

Unamortised Expenses

74,28,593

TOTAL**1,19,59,720**

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	For the period 17.06.2013 to 31.12.2013 ₹
G EMPLOYEE BENEFITS AND EXPENSES	
Salaries, wages and bonus	44,53,035
Social insurance scheme	15,204
Welfare and other expenses	74,115
TOTAL	45,42,354
H ADMINISTRATION AND OTHER EXPENSES	
Rent expenses	14,07,268
Travelling and conveyance	27,676
Visa and emigration expense	59,520
Service and agency fees	24,320
Printing and stationery	1,09,113
Other expenses	33,31,747
TOTAL	49,59,644

I OTHER NOTES FORMING PART OF ACCOUNTS**1) LEGAL STATUS**

Larsen & Toubro Hydrocarbon International Limited is a limited liability company registered on 8 Sha'aban 1434H (June 17, 2013) under commercial registration number 2051053464. It is engaged in executing construction contracts and operating oil & gas plants and refineries, petrochemicals, metal industries, water purification, pipelines, industrial projects, supplying technical support services and training related to that under license of Saudi Arabian General Investment Authority (SAGIA) no. 1220340529932.

The first accounting period of the Company is from the date of its commercial registration (June 17, 2013) to December 31, 2013. The Company's registered office is in Al-Khobar, Kingdom of Saudi Arabia.

2) OTHER NOTES FORMING PART OF ACCOUNTS

- a. 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.
- b. Related party transactions

(i) List of Companies who exercise control

Larsen & Toubro Limited – Holding Company
Larsen & Toubro International FZE - Shareholder

(ii) Disclosure of transactions with related parties

Related party	Nature of relationship	Nature of Transaction	Year 2013
Larsen & Toubro Limited	Ultimate Holding Company	Introduction of share capital	6,819,075
Larsen & Toubro International FZE	Holding Company	Introduction of share capital	757,675
Larsen & Toubro Infotech Limited	Fellow Subsidiary	Purchase of intangible asset	8,343,000
Larsen & Toubro ATCO Saudi LLC	Fellow Subsidiary	Purchase of assets	57,987,434
Larsen Toubro Arabia LLC	Fellow Subsidiary	Sale of intangible asset	4,635,000

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**(iii) Amount due to/due from related parties**

Transaction/Related Party	Nature of relationship	31.12.2013	
		Due from Related Party	Due to Related Party
Larsen Toubro Arabia LLC	Fellow Subsidiary	4,531,127	
Trade Payables			
Larsen Toubro Limited	Ultimate Holding Company		9,567,689
Larsen & Toubro Infotech Ltd.	Fellow Subsidiary		8,343,000
L&T ATCO Saudia LLC	Fellow Subsidiary		69,484,168
TOTAL		4,531,127	87,394,856

(iv) No amount due from Group companies has been written-off as bad debts during the year.

c. Borrowing cost capitalised during the period is Nil.

d. The Company is engaged only in one segment, namely, business of general contracting in The Kingdom of Saudi Arabia and hence disclosure requirements under Accounting Standard 17 are not applicable.

e. Operating leases:

Operating lease payments represents lease payments, payable by the company under non-cancellable operating lease agreements for the leasing of the office and staff accommodation. These leases are negotiated for an average period of one year.

f. There are no contingent liabilities as on December 31, 2013.

g. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil.

h. Earnings per share (EPS)

Particulars	2013
Excess of expenditure over income	(9,987,384)
Average number of Equity shares	500
Basic and diluted EPS	(19,975)

i. Zakat and Income-tax provision:

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 in the financial statements on an accrual basis and charged to the Statement of income and expenditure. Zakat is computed on the Saudi shareholder's share of the zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

As per our report attached of even date

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W
By the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : July 21, 2014

For and on behalf of the Board

M. F. SAMMUR
Director

Place : Al-Khobar, KSA
Date : July 21, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting the Sixth Annual Report and Accounts for Larsen & Toubro Kuwait Construction General Contracting Company WLL for the year ended December 31, 2013.

FINANCIAL RESULTS

Particulars	2013		2012	
	KD Million	₹ Crores	KD Million	₹ Crores
Total Income	7.03	145.30	4.58	88.15
Profit after tax	0.07	1.40	0.34	6.62

DIVIDEND

The Directors do not recommend payment of any dividend.

PERFORMANCE OF THE COMPANY

The Company has submitted bids to various clients, which are expected to get realized during the Financial Year 2014. During the year, the Company has achieved sales of KD 6.99 Million (equivalent INR 144.50 Crores).

CAPITAL EXPENDITURE

As at December 31, 2013, the gross fixed assets stood at KD 0.43 Million (INR 9.52 Crores). The additions during the year were KD 0.09 Million (equivalent INR 1.89 Crores).

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 applicable 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

The Directors of the Company are:

Mr. K. Ravindranath
Mr. P. S. Kapoor
Dr. Mohammed Farid Sammur
Mr. Rajesh Srivastava

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 December 31, 2013 and of the profit 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.
- that the Company has adequate internal systems and controls in place to ensure compliance of the laws applicable to the Company.

AUDITORS

The auditors Deloitte & Touche Al Fahad Al Wassan & Co, continue to be the auditors of the Company for the financial year 2014.

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 : June 23, 2014

K. RAVINDRANATH
Director

P. S. KAPOOR
Director

AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO KUWAIT CONSTRUCTION GENERAL CONTRACTING COMPANY W.L.L

The financial statements of **LARSEN & TOUBRO KUWAIT CONSTRUCTION GENERAL CONTRACTING COMPANY W.L.L** for the year ended December 31, 2013, being a company registered in the State of Kuwait, are audited by Deloitte & Touche Al-Wazzan & Co. and we have been furnished with their audit report dated March 3, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of Larsen & Toubro Kuwait Construction General Contracting Company W.L.L as at December 31, 2013 and the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at 31 December 2013;
- 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 : June 23, 2014

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 not physically verified the fixed assets during the year.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
- 2 The Company has no inventories and accordingly, paragraphs 4(ii) (a),(b) and (c) are not applicable.
- 3 There are no loans , secured or unsecured, either granted to or taken from companies , firm 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.
- 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 the purchase of inventory, fixed assets and for the 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 procedures.
- 5 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.
- 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 the nature of its business.
- 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, the Company is generally regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax customs duty, excise duty and wealth tax that were under dispute as at December 31, 2013.
- 10 The Company has no accumulated losses as at December 31, 2013 and it has not incurred cash losses in the financial year ended on that date 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 financial institution or bank or debenture holders as at the Balance Sheet.
- 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 In our opinion and according to the information and explanations given to us ,the Company has not accepted term loans from banks or financial institutions.
- 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 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 debentures during the year.
- 20 The Company has not raised any money by public issues during the year.
- 21 We are informed by management that there were no instances of material fraud on or by the Company, except for theft of cash amounting to Rs. 54,13,053 (Kuwaiti Dinars 26,182.900) during the year; this is provided for in full in the accounts.

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : June 23, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY & LIABILITIES:					
Shareholders Funds:					
Share capital	B	320,221,984		320,221,984	
Reserves and Surplus	C	122,466,000		67,447,084	
			442,687,984		387,669,068
Non-current Liabilities					
Long term provisions	D		19,744,555		12,835,243
Current Liabilities					
Short term borrowings	E(I)	43,230,085		–	
Trade Payables	E(II)	1,342,825,052		285,637,783	
Other Current Liabilities	E(III)	96,644,340		221,674,440	
Short Term Provisions	E(IV)	36,933,344		14,013,090	
			1,519,632,821		521,325,313
TOTAL			1,982,065,360		921,829,624
ASSETS:					
Non Current Assets:					
Fixed assets:					
Tangible Assets	F	44,756,160		42,636,243	
			44,756,160		42,636,243
Current assets:					
Inventories	G(I)	–		714,691	
Trade Receivables	G(II)	1,129,151,148		72,339,552	
Cash and bank balances	G(III)	247,528,906		410,957,453	
Short Term Loans and advances	G(IV)	34,643,676		36,814,821	
Other current assets	G(V)	525,985,470		358,366,864	
			1,937,309,200		879,193,381
TOTAL			1,982,065,360		921,829,624
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF ACCOUNTS	M				

The accompanying notes form an integral part of the financial statements.

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(Firm's registration No. 109982W)

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

K. RAVINDRANATH

Director

P. S. KAPOOR

Director

Place : Mumbai

Date : June 23, 2014

Place : Mumbai

Date : June 23, 2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED DECEMBER 2013

	Note No	2013		2012	
		₹	₹	₹	₹
INCOME:					
Revenue from operations	H	1,445,029,328		871,090,632	
Other income	I	7,952,415		10,366,145	
Total Revenue			1,452,981,743		881,456,777
EXPENDITURE:					
Manufacturing, Construction and operating expenses	J				
Construction materials consumed		94,425,602		347,746,786	
Stores, spares and tools consumed		37,470,446		4,359,064	
Sub-contracting charges		364,726,999		84,000,284	
Other manufacturing, construction and operating expenses		383,710,164		165,741,618	
			880,333,211		601,847,752
Employee benefits expense	K	497,970,013		185,252,613	
Sales, administration and other expenses	L	39,683,692		18,817,837	
Depreciation		20,016,625		9,336,299	
Total Expenses			1,438,003,541		815,254,501
Profit before tax			14,978,202		66,202,276
Current Tax		-		-	
Add: Short provision of earlier year		985,736		-	
			985,736		
Deferred Tax			-		-
Profit after tax carried to Balance Sheet			13,992,466		66,202,276
Earnings per equity share - Basic / Diluted	M(h)		6,996		33,101
Face Value per Equity Share KD 1000/-					
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF ACCOUNTS	M				

The accompanying notes form an integral part of the financial statements.
As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
(Firm's registration No. 109982W)
By the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

K. RAVINDRANATH
Director

P. S. KAPOOR
Director

Place : Mumbai
Date : June 23, 2014

Place : Mumbai
Date : June 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) before tax	14,978,202	66,202,276
Adjustments for:		
Depreciation	20,016,625	9,336,299
Interest (net)	(5,397,754)	(7,284,478)
(Increase)/Decrease in Translation Reserve	41,026,450	12,284,242
Operating profit before working capital changes	70,623,523	80,538,339
(Increase) / decrease in trade and other receivables	(1,222,259,057)	(143,893,702)
(Increase) / decrease in inventories	714,691	361,029
Increase / (decrease) in trade payables and other liabilities	1,005,216,821	143,820,903
Cash (used in)/generated from operations	(145,704,022)	80,826,569
Direct taxes refund/(paid) - net	(985,736)	-
Cash generated from operations (A)	(146,689,758)	80,826,569
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(18,895,388)	(31,474,822)
Difference in opening balance of fixed assets due to exchange fluctuation	(7,168,665)	(1,259,488)
Difference in opening balance of cumulative depreciation due to exchange fluctuation	3,927,511	877,773
Interest received	5,397,754	7,284,478
Net Cash (used in) / from investing activities (B)	(16,738,788)	(24,572,059)
C CASH FLOW FROM FINANCING ACTIVITIES (C)	-	-
Net increase in cash and cash equivalents (A+B+C)	(163,428,546)	56,254,510
Cash and cash equivalents at beginning of the year	410,957,452	354,702,942
Cash and cash equivalents at end of the period	247,528,906	410,957,452
Cash and cash equivalents at end of the period	247,528,906	410,957,452

- 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 & Cash Equivalents at end of the period represents cash and bank balances and include unrealised gain of ₹ Nil (previous year ₹ Nil) on account of translation of foreign currency bank balances.
 - Previous year figures have been regrouped / reclassified wherever applicable.
 - Cash and cash equivalents are reflected in the Balance Sheet as follows:

	2013 ₹	2012 ₹
Cash and cash equivalents disclosed under current assets [Note G(III)]	247,528,906	410,957,453
Cash and cash equivalents disclosed under non-current assets	-	-
Total cash and cash equivalents as per Cash Flow Statement	247,528,906	410,957,453

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's registration No. 109982W)
By the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332
Place : Mumbai
Date : June 23, 2014

K. RAVINDRANATH
Director
Place : Mumbai
Date : June 23, 2014

P. S. KAPOOR
Director

NOTES FORMING PART OF ACCOUNTS

NOTE - A

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) Presentation of Financial Statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards

c) 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's 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.

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.

d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and demand & time deposits with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and whose original maturities do not exceed three months.

e) 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.

f) Tangible 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)**g) 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%
Plant & Machinery	25%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

h) 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.

i) 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.

j) 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. Accordingly, the transfer was made during the year to Legal Reserve.

k) 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. Accordingly, the transfer was made during the year to General Reserve.

l) Translation of financial statements in foreign currency to Indian Rupees

Accounts are translated in Indian Rupees as follows:

- a. Share capital, statutory and voluntary reserve are retained at the initial contribution amount.
- b. Fixed Assets, Current & Non Current assets and Current & Non 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.

m) Operating Cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

n) Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- a. transactions of a non-cash nature
- b. any deferrals or accruals of past or future operating cash receipts or payments and
- c. items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

o) 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.

NOTES 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
- 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.

p) Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for
- Uncalled liability on shares and other investments partly paid
- Funding related commitment to subsidiary, associate and joint venture companies and
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management. Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
NOTE - B				
SHARE CAPITAL				
(I) Share Capital authorised, issued, subscribed and paid up				
Authorised:				
2000 Equity shares of KD. 1000 each	2,000	320,221,984	2,000	320,221,984
Issued, Subscribed and Fully Paid up				
2000 Equity shares of KD. 1000 each	2,000	320,221,984	2,000	320,221,984
TOTAL		320,221,984		320,221,984
(II) Reconciliation of number of equity shares and share capital				
Issued, Subscribed and fully paid up equity shares outstanding at beginning of the Year	2,000	320,221,984	2,000	320,221,984
Issued, Subscribed and fully paid up equity shares outstanding at end of the Year	2,000	320,221,984	2,000	320,221,984

(III) Holding Company

980 equity shares of Face Value KD 1,000 each amounting to ₹ 156,908,772 are held by Larsen & Toubro International FZE, which is the immediate holding company by virtue of its control over board of directors of L&T Kuwait Construction General Contracting Company WLL. The ultimate holding company is Larsen & Toubro Limited, India.

(IV) Terms/Rights attached to equity shares:

The Company has only one class of share capital, i.e equity shares having face value of KD 1000 per share. Each holder of equity share is entitled to one vote per share

(V) Shareholders holding more than 5% of equity shares as at the end of the year

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	%	Number of shares	%
Bader Al Mulla and Brothers Company WLL	1,020	51%	1,020	51%
Larsen & Toubro International FZE	980	49%	980	49%

(VI) No bonus shares have been issued during the immediately preceding five years ended December 31, 2013.

(VII) No shares have been issued for consideration other than cash during the immediately preceding five years ended December 31, 2013.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE - C				
RESERVES AND SURPLUS				
General Reserve				
As per last Balance Sheet	-			
Addition/(deduction) during the year	482,741	482,741	-	-
Legal Reserve				
As per last Balance Sheet	-		-	
Addition/(deduction) during the year	482,741	482,741	-	-
Foreign Currency Translation Reserve				
As per last Balance Sheet	63,225,319		50,941,077	
Addition/(deduction) during the year	41,026,450		12,284,242	
		104,251,769		63,225,319
Surplus Statement of Profit and Loss				
As per Last Balance Sheet	4,221,765		(61,980,511)	
Add: Profit for the year	13,992,466		66,202,276	4,221,765
Less: transfer to general reserve	482,741			
Less: transfer to legal reserve	482,741	17,248,749		
TOTAL		122,466,000		67,447,084

NOTE - D**NON-CURRENT LIABILITIES**

Long term provisions:

Provision for employee benefits:

End of service benefit

19,744,555

12,835,243

TOTAL

19,744,555

12,835,243

NOTE - E (I)**SHORT TERM BORROWINGS**

Loans repayable on demand from Banks

43,230,085

-

TOTAL

43,230,085

-

These are overdraft facilities from local commercial bank carrying an effective interest rate of 2% to 2.5% (2012 - NIL) per annum over the Central Bank of Kuwait discount rate.

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE - E (II)				
TRADE PAYABLES				
Due to related parties:				
Ultimate Holding Company	937,932,287		84,562,340	
Due to Others				
Suppliers ledger - revenue goods/services	266,511,587		116,589,421	
Unpaid salaries wages bonus	66,202,975		53,530,172	
Liability for other expenses	72,178,203		30,955,850	
		1,342,825,052		285,637,783
TOTAL		1,342,825,052		285,637,783

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE - E (III)				
OTHER CURRENT LIABILITIES				
Due to customers (construction and project related activity)		-	87,222,264	
Advance from customers	47,936,563		89,730,683	
Other Payables :				
Due to Ultimate holding company	3,730,360		4,256,113	
Due to Shareholder exerting significant influence over the company	44,977,417		40,465,380	
		96,644,340		221,674,440
TOTAL		96,644,340		221,674,440

NOTE - E (IV)				
SHORT TERM PROVISIONS				
Provision for employee benefits				
Provision for Leave encashment		36,933,344		14,013,090
TOTAL		36,933,344		14,013,090

NOTE - F

TANGIBLE ASSETS

DESCRIPTION	COST/VALUATION					DEPRECIATION					NET BLOCK	
	As at 01.01.2013	Exchange Difference	Additions	Deductions	As at 31.12.2013	As at 01.01.2013	Exchange Difference	For the Year	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Plant & Machinery	14,071,658	1,459,235	14,879,577	-	30,410,471	3,007,192	689,790	6,409,822	-	10,106,804	20,303,667	11,064,466
Office Equipments	5,057,283	524,442	918,849	-	6,500,574	3,825,638	443,012	785,113	-	5,053,762	1,446,812	1,231,646
Furniture	17,693,216	1,834,793	513,588	-	20,041,597	6,581,521	920,790	4,041,242	-	11,543,553	8,498,044	11,111,695
Vehicles	32,306,497	3,350,196	2,583,374	-	38,240,066	13,078,061	1,873,921	8,780,448	-	23,732,429	14,507,637	19,228,436
Total	69,128,654	7,168,666	18,895,388	-	95,192,708	26,492,412	3,927,513	20,016,625	-	50,436,548	44,756,160	42,636,243
<i>Previous Year</i>	<i>37,957,620</i>	<i>1,259,488</i>	<i>31,474,822</i>	<i>1,563,275</i>	<i>69,128,655</i>	<i>17,841,614</i>	<i>877,773</i>	<i>9,336,299</i>	<i>1,563,275</i>	<i>26,492,412</i>	<i>42,636,243</i>	<i>20,116,006</i>

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE - G (I)				
INVENTORIES (at cost or net realisable value whichever is lower)				
Stores, spares and consumables		-		714,691
TOTAL		-		714,691

NOTE - G (II)

TRADE RECEIVABLES

Unsecured:

Debts outstanding for more than 6 months				
Considered good		982,635,260		68,868,608
Other Debts: [Note G(II)(a)]				
Considered good		146,515,888		3,470,944
TOTAL		1,129,151,148		72,339,552

NOTES FORMING PART OF ACCOUNTS (Contd.)**G - (II)(A)**

Unsecured-other debts include ₹ 75,455,100/- (previous year ₹ 3,830,618/-) contractually not due.

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE - G (III)				
CASH & BANK BALANCES				
Cash & Cash Equivalents				
Cash on hand	1,458,305		1,427,653	
Balance with banks	16,194,101		32,645,800	
Fixed Deposits with banks (maturity less than 3 months)	–		79,344,000	
		17,652,406		113,417,453
Other bank balances				
Fixed Deposits with banks		229,876,500		297,540,000
TOTAL		247,528,906		410,957,453

NOTE - G (IV)**SHORT TERM LOANS & ADVANCES****Unsecured:**

Loans & Advances to related parties

Considered Good

Due from related parties:

Ultimate Holding Company

Fellow Subsidiaries

23,700,990

32,713,519

7,350,410

1,659,197

31,051,400

34,372,716

Others:

Considered Good

Deposits

1,967,086

613,924

Advances recoverable in cash or in kind

1,625,190

1,828,181

3,592,276

2,442,105

TOTAL

34,643,676

36,814,821

NOTE - G (V)**OTHER CURRENT ASSETS**

Due from customers (Construction and project related activity)

524,461,279

355,900,964

Unamortised expenses

492,593

–

Interest Accrued

1,031,598

2,465,900

TOTAL

525,985,470

358,366,864

NOTE - H**REVENUE FROM OPERATIONS****Sales & Service:**

Construction and project related activity

1,445,029,328

871,090,632

TOTAL

1,445,029,328

871,090,632

2013

₹

2012

₹

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013 ₹	2012 ₹
NOTE - I		
OTHER INCOME		
Other Income:		
Interest income from banks	5,397,754	7,284,478
Professional Fees/Service Agency Fees	2,554,661	2,504,257
Motor Car Insurance Claim Settlement	-	577,410
TOTAL	7,952,415	10,366,145
NOTE - J		
MANUFACTURING, CONSTRUCTION & OPERATING EXPENSES		
Construction materials	94,425,602	347,746,786
Sub contracting charges	364,726,999	84,000,284
Stores, spares and tools	37,470,446	4,359,064
Direct expenses on jobs	12,028,096	48,242,596
Other site expenses	28,642,926	13,801,918
Power & Fuel	7,985,175	101,805
Travelling & Conveyance [Note L(I)]	53,673,532	40,968,998
Food Expenses	143,382	360,306
Plant and Machinery Hire chgs	173,055,813	29,484,084
Site Repairs & Maintenance - others	38,283,455	2,327,816
Rent [Note L(I)]	33,839,331	8,673,805
Technical fees	36,058,454	21,780,290
TOTAL	880,333,211	601,847,752
NOTE - K		
EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	491,713,710	182,607,071
Welfare and other expenses	6,256,303	2,645,542
TOTAL	497,970,013	185,252,613
NOTE - L		
SALES, ADMINISTRATION AND OTHER EXPENSES		
Rent [Note L(I)]	11,722,158	10,670,537
Travelling & Conveyance [Note L(I)]	1,118,089	1,136,475
Telephone, postage and telegrams	2,874,306	2,022,027
Stationery and printing	213,993	397,482
Insurance	597,274	477,440
Bank charges	3,572	5,486
General repairs and maintenance - others	2,069,530	1,583,600
Visa Expenses	345,266	298,219
Professional fees	1,357,041	917,889
Miscellaneous expenses	748,346	1,295,251
Camp Maintenance	27,517	13,431
Bad debts written off	18,606,600	-
TOTAL	39,683,692	18,817,837

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE - L(I)**

Aggregation of expenses disclosed vide notes J and L in respect of specific items are as follows:

Nature of expenses	2013			2012		
	Note J	Note L	Total	Note J	Note L	Total
	₹	₹	₹	₹	₹	₹
1 Rent	33,839,331	11,722,158	45,561,489	8,673,805	10,670,537	19,344,342
2 Travelling and conveyance	53,673,532	1,118,089	54,791,621	40,968,998	1,136,475	42,105,473

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.

NOTE - M**OTHER NOTES FORMING PART OF ACCOUNTS****a) Disclosure pursuant to Accounting Standard (AS) 7 (Revised)**

Particulars	2013	2012
	₹	₹
i) Contract revenue recognized for the financial year	1,445,029,328	871,090,632
ii) Aggregate amount of contract costs incurred and recognized profits (less recognized losses) as at end of the financial year for all contracts in progress as at that date	2,503,065,003	881,428,132
iii) Amount of customer advances outstanding for contracts in progress as at end of the financial year	47,936,563	89,730,683
iv) Retention amounts due from customers for contracts in progress as at end of the financial year	133,795,348	28,417,847

b) (i) List of Companies who exercise control
Larsen & Toubro International FZE- Holding Company
Larsen & Toubro Limited - Ultimate Holding Company**(ii) Disclosure of major transactions with related parties**

Related Party	Nature of relationship	Nature of transaction	Year 2013	Year 2012
			₹	₹
Larsen & Toubro Limited	Ultimate Holding Company	Contract Revenues	535,759,267	609,297,082
Larsen & Toubro Limited	Ultimate Holding Company	Income from Project management	—	—
Larsen & Toubro Infotech Limited	Fellow Subsidiary	Service Agency Fees received	2,554,661	1,486,831
Larsen & Toubro Limited	Ultimate Holding Company	Cost of Sales	168,801,556	351,445,986
Larsen & Toubro Limited	Ultimate Holding Company	Technical charges paid	36,058,557	21,780,290
Key management personnel		Short term benefits	11,546,015	10,981,760
Key management personnel		Termination benefits	626,009	393,601

NOTES FORMING PART OF ACCOUNTS (Contd.)

(iii) Amount due to / due from related parties

	Relationship	2013		2012	
		₹		₹	
		Due		Due	
Related Party		From	To	From	To
Trade Payables					
Larsen & Toubro Limited	Ultimate Holding Company		937,932,288		84,562,340
Trade Receivables					
Larsen & Toubro Limited	Ultimate Holding Company	1,028,338,205			
Advance from customers					
Larsen & Toubro Limited	Ultimate Holding Company	28,909,488			88,957,914
Other Current Liabilities - Other Payables					
Larsen & Toubro Limited	Ultimate Holding Company		3,730,359		4,256,113
Bader Al Mulla and Brothers Co WLL	Shareholder exerting significant influence over the Company		44,977,417		40,465,380
Loans & Advances					
Larsen & Toubro Limited	Ultimate Holding Company	23,700,990		32,713,519	
Larsen & Toubro Infotech Limited	Fellow Subsidiary	6,076,030		1,651,867	
L & T Electromech Oman LLC	Fellow Subsidiary	8,089		7,330	
L & T ATCO Saudi LLC	Fellow Subsidiary	1,266,291			
Due from customers					
Larsen & Toubro Limited	Ultimate Holding Company	267,422,119		355,900,963	

(iv) No amount due from Group companies has been written-off as bad debts during the year.

- c. Borrowing cost capitalised during the period is ₹ Nil.
- d. 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.
- e. Auditor's remuneration and expenses charged to the accounts:

Particulars	2013	2012
Audit Fees	1,357,041	977,889

f. Estimated amount of contracts remaining to be executed on capital account (net of advances) is Nil

g. 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.

h. Earnings per share (EPS)

Particulars	2013	2012
Profit for the year	13,992,466	66,202,276
Average number of Equity shares	2,000	2,000
Basic & diluted EPS	6,996	33,101

i. Previous year figures have been regrouped / reclassified wherever necessary.

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(Firm's registration No. 109982W)

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : June 23, 2014

K. RAVINDRANATH

Director

Place : Mumbai

Date : June 23, 2014

P. S. KAPOOR

Director

DIRECTORS' REPORT**FINANCIAL RESULTS:**

The Directors present their Second Annual Report & Accounts of Larsen Toubro Arabia LLC for the year ended December 31, 2013.

Particulars	2013		2012	
	SAR Million	₹ Crores	SAR Million	₹ Crores
Revenue	29.90	46.68	–	–
Profit / (Loss) after tax	(1.65)	(2.58)	(0.19)	(0.27)

DIVIDEND

The Directors do not propose any dividend for the financial year 2013.

PERFORMANCE OF THE COMPANY:

The Company has obtained a certificate from Society of Engineers - Saudi Arabia as In Kingdom Engineering Procurement and Construction (IK-EPC) Company. The In-Kingdom EPC Contracts of Saudi Aramco can be bid only by an IK-EPC Company for which the Company is now pre-qualified.

The Company during the current year, bagged its first IK-EPC order from Saudi Aramco of USD 269.7 Million.

CAPITAL EXPENDITURE

Capital expenditure incurred by the Company as at December 31, 2013 as under:

Particulars	2013		2012	
	SAR Million	₹ Crores	SAR Million	₹ Crores
Gross Fixed Assets	1.40	2.30	–	–
Net Fixed Assets	1.33	2.20	–	–

AUDITOR'S REPORT

The Auditor's Report to the shareholders contains no qualification.

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 applicable 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 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, 2013 and of the profit 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; and
- that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

Current Directors of the Company are:

- 1) Dr. Mohammed Farid Sammur
- 2) Mohammad Habibullah
- 3) P S Kapoor
- 4) Mr. Khalil Abdul Karim Al- Fraih

AUDITORS

The auditors Deloitte & Touche Bakr Abulkhair & Co., member firm of Deloitte Touche Tohmatsu Limited, continue to be the auditors of the Company for the financial year 2014.

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 : July 5, 2014

MOHAMMAD HABIBULLAH
Director

P. S. KAPOOR
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARSEN TOUBRO ARABIA LLC

The financial statements of **LARSEN TOUBRO ARABIA LLC** for the year ended December 31, 2013, being a company registered in the Kingdom of Saudi Arabia, are audited by Deloitte & Touche and we have been furnished with their audit report dated March 30, 2014.

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:

Report on the financial statements

We have audited the attached balance sheet of Larsen Toubro Arabia LLC as at December 31, 2013 and the profit and loss account and the cash flow statement of the Company for the year ended on that date, annexed thereto.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's management in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. Our responsibility is to express an opinion on these financial statements based on our audit.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

Opinion

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:

- 1 In the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- 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
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : July 5, 2014

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 not formulated any programme of physical verification for the fixed 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) of the Order 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 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.
- 5 According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956; accordingly paragraph 4(v) (a) and (b) of the Order is not applicable.
- 6 The Company has not accepted deposits from the public and accordingly, paragraph 4(vi) of the Order is not applicable to the Company.
- 7 The Company has no internal audit system at present.
- 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, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31,2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax customs duty, excise duty and wealth tax that were under dispute as at December 31,2013
- 10 The Company is in existence for a period of less than five years, hence reporting under paragraph 4(x) is not applicable.
- 11 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.
- 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 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- 15 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 or financial institutions.
- 16 In our opinion and according to the information and explanations given to us, the Company has not accepted term loans from banks or financial institutions.
- 17 According to the information and explanations given to us, the Company has not raised any loans during the year.
- 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 year.
- 19 According to the information and explanations given to us the Company has not issued 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 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
Firm's registration no. 109982W

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : July 5, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	B	14,77,50,000		14,77,50,000	
Reserves and surplus	C	(1,32,99,274)		(38,89,933)	
			13,44,50,726		14,38,60,067
Non-current liabilities					
Long term provisions	D		21,47,453		–
Current liabilities					
Trade payables	E(I)	35,59,97,104		26,06,620	
Other current liabilities	E(II)	1,04,12,68,612		1,83,313	
Short term provisions	E(III)	26,56,712		–	
			1,39,99,22,428		27,89,933
TOTAL			1,53,65,20,607		14,66,50,000
ASSETS:					
Non-current assets					
(a) Fixed assets					
Tangible assets	F(I)	1,73,78,976		–	
Intangible assets	F(II)	45,94,788		–	
			2,19,73,764		–
Current assets					
Trade receivables	G(I)	22,57,27,829		–	
Cash and bank balances	G(II)	70,11,78,259		14,66,50,000	
Short term loans and advances	G(III)	9,38,60,761		–	
Other current assets	G(IV)	49,37,79,994		–	
			1,51,45,46,843		14,66,50,000
TOTAL			1,53,65,20,607		14,66,50,000
SIGNIFICANT ACCOUNTING POLICIES	A				
OTHER NOTES FORMING PART OF ACCOUNTS	M				

The accompanying notes form an integral part of the financial statements.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982 W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No.: 38332

MOHAMMAD HABIBULLA
Director

P S KAPOOR
Director

Place : Mumbai
Date : July 5, 2014

Place : Mumbai
Date : July 5, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013 ₹	For the Period 01.07.2012 to 31.12.2012 ₹
REVENUE:			
Revenue from operations	H	46,67,74,711	–
Other income	I	15,77,242	–
TOTAL REVENUE		46,83,51,953	–
EXPENSES:			
Manufacturing ,construction and operating expenses	J	40,84,97,155	
Employee benefits expenses	K	6,90,50,593	
Sales, administration and other expenses	L	1,48,96,892	27,07,908
Finance costs		–	–
Depreciation, amortisation and obsolescence		9,88,750	
Total expenses		49,34,33,390	27,07,908
Excess of expenditure over income during the pre-operational period before tax		–	(27,07,908)
Profit/(loss) before tax		(2,50,81,436)	–
Less: Tax expense		–	–
Current tax		6,95,635	–
Profit/(loss) after tax		(2,57,77,072)	(27,07,908)
Basic and diluted earnings per share	M4	(2,577.71)	(541.58)
Face value per equity share SAR 1000			
SIGNIFICANT ACCOUNTING POLICIES	A		
OTHER NOTES FORMING PART OF ACCOUNTS	M		

The accompanying notes form an integral part of the financial statements.

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982 W

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No.: 38332

MOHAMMAD HABIBULLA

Director

P S KAPOOR

Director

Place : Mumbai
Date : July 5, 2014

Place : Mumbai
Date : July 5, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	For the Period 01.07.2012 to 31.12.2012
	₹	₹
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before tax	(2,50,81,436)	(27,07,908)
Adjustments for:		
(Increase)/decrease in translation reserve	1,64,06,509	(11,82,025)
Depreciation and amortisation	9,88,750	–
Interest income	(15,77,242)	–
Operating loss before working capital changes	(92,63,420)	(38,89,933)
Adjustments for:		
(Increase)/ decrease in trade and other receivables	(73,09,68,584)	–
(Increase)/ decrease in trade payables and other liabilities	1,39,85,45,534	27,89,933
Net cash (used in)/from operating activities [A]	65,83,13,530	(11,00,000)
II. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,83,82,632)	–
Purchase of intangible assets	(46,35,000)	–
Loan to related party	(8,24,00,000)	–
Interest received	15,77,242	–
Net cash (used in) /from investing activities [B]	(10,38,40,390)	–
III. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	–	14,77,50,000
Net cash (used in)/from financing activities [C]	–	14,77,50,000
Net increase/(decrease) in cash and cash equivalents [A+B+C]	55,44,73,140	14,66,50,000
Cash and cash equivalents at beginning of the period	14,66,50,000	–
Cash and cash equivalents at end of the period	70,11,23,140	14,66,50,000
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. Cash and cash equivalents at end of the period represents cash and bank balances and include unrealised gain of ₹ Nil on account of translation of foreign currency bank balances.		
3. Cash and cash equivalents are reflected in the Balance Sheet as follows:		
Cash and cash equivalents disclosed under current assets [Note G(II)]	70,11,78,259	14,66,50,000
Cash and cash equivalents disclosed under non current assets	–	–
Total cash and cash equivalents as per Cash Flow Statement	70,11,78,259	14,66,50,000

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982 W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No.: 38332

MOHAMMAD HABIBULLA
Director

P S KAPOOR
Director

Place : Mumbai
Date : July 5, 2014

Place : Mumbai
Date : July 5, 2014

NOTES FORMING PART OF ACCOUNTS

NOTE A : 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 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.

2. Revenue Recognition

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.

3. Retirement/Termination Benefits

At the Balance Sheet date, employees' terminal benefits are calculated under the framework of the Saudi Regulations for labour and workmen.

4. 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.

5. Tangible fixed assets

Tangible fixed assets are stated at actual cost less 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.

6. 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 recognized when the carrying amount of an asset exceeds its recoverable amount.

7. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of fixed assets as follows:

1. Furniture & Fixtures	10%
2. Computers and software	16%-33.3%
3. Office Equipments	6%-25%

8. 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 assets, current and non-current assets and current and non-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.

9. Intangible asset and amortization

Intangible asset represents software purchased by the Company. Software purchased is recognized as an intangible asset and amortized over a period of six years.

NOTES FORMING PART OF ACCOUNTS (Contd.)

10. End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

11. Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- i. transactions of a non-cash nature.
- ii. any deferrals or accruals of past or future operating cash receipts or payments and
- iii. items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

12. 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 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.
- ii. Assets given under Leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Assets given under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Lease income is recognized over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
- iii. Initial direct costs relating to assets given on finance leases are charged to Statement of Profit and Loss.

Operating leases:

- 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 Statement of Profit and Loss on accrual basis.
- ii. Assets leased out under operating leases are capitalised. Rental income is recognized on accrual basis over the lease term.

13. 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
- 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.

14. Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified and disclosed as follows:

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for
- b. Uncalled liability on shares and other investments partly paid
- c. Funding related commitment to subsidiary, associate and joint venture companies and
- d. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management. Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE B : SHARE CAPITAL****(I) Share capital authorised, issued, subscribed and paid up**

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Authorised:				
Equity shares of SAR 1,000 each	10,000	14,77,50,000	10,000	14,77,50,000
Issued, subscribed and fully paid up				
Equity shares of SAR 1,000 each	10,000	14,77,50,000	10,000	14,77,50,000
TOTAL	10,000	14,77,50,000	10,000	14,77,50,000

(II) Reconciliation of number of equity shares and share capital

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Issued, subscribed and fully paid equity shares outstanding at beginning of the year	10,000	14,77,50,000	-	-
Shares subscribed during the year	-	-	10,000	14,77,50,000
Issued, subscribed and fully paid equity shares outstanding at end of the year	10,000	14,77,50,000	10,000	14,77,50,000

(III) Holding company

7,500 equity shares of Face Value SAR 1,000 each, amounting to ₹ 110,812,500 are held by Larsen & Toubro Limited, which is the holding company.

(IV) Terms/rights attached to equity shares

The Company has only one class of share capital, i.e. equity shares having face value of SAR 1000 per share. Each holder of equity share is entitled to one vote per share.

(V) Shareholders holding more than 5% of equity shares as at the end of the period

	As at 31.12.2013		As at 31.12.2012	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Larsen & Toubro Limited, India	7,500	75%	7,500	75%
Mr. Khalil Abdulkareem Bin Nasser Al Fraih	2,500	25%	2,500	25%
TOTAL	10,000	100%	10,000	100%

(VI) No bonus shares have been issued during the immediately preceding one year ended December 31, 2013.

(VII) No shares have been issued for consideration other than cash during the immediately preceding one year ended December 31, 2013.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE C : RESERVES & SURPLUS				
Foreign Currency Translation Reserve				
As per last Balance Sheet	(11,82,025)		-	
Addition/(deduction) during the year	<u>1,63,67,730</u>		<u>(11,82,025)</u>	
		1,51,85,705		(11,82,025)
Surplus Statement of Profit and Loss				
As per last Balance Sheet	(27,07,908)		-	
Profit/(loss) for the year	<u>(25,777,072)</u>		<u>(27,07,908)</u>	
		<u>(2,84,84,980)</u>		<u>(27,07,908)</u>
TOTAL		<u>(1,32,99,274)</u>		<u>(38,89,933)</u>
		As at 31.12.2013	As at 31.12.2012	
		₹	₹	
NOTE D : NON-CURRENT LIABILITIES				
Long term provisions:				
Provision for employee benefits:				
End of service		21,47,453		-
TOTAL		<u>21,47,453</u>		<u>-</u>
NOTE E: CURRENT LIABILITIES				
(I) TRADE PAYABLES				
Due to related parties:				
Holding company		9,66,88,687		-
Fellow subsidiary companies		7,65,54,066		26,06,620
Due to others:				
Suppliers ledger - revenue goods / services		16,16,39,499		-
Unpaid salaries wages bonus		33,64,623		-
Liability for other expenses		1,77,50,229		-
TOTAL		<u>35,59,97,104</u>		<u>26,06,620</u>
(II) OTHER CURRENT LIABILITIES				
Due to customers(construction and project related activity)		75,07,51,262		-
Advances from customers others AS 7		29,04,73,975		-
Other payables		43,375		.
TOTAL		<u>1,04,12,68,612</u>		<u>1,83,313</u>
(III) SHORT TERM PROVISIONS				
Provision for employee benefits:				
Compensated absences		18,03,575		-
GOSI - Staff		1,18,722		-
Others:				
Current taxes		7,34,415		-
TOTAL		<u>26,56,712</u>		<u>-</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE [F(I)] : TANGIBLE ASSETS**

TANGIBLE ASSETS	Cost/valuation			Depreciation			Book value	
	Additions during the year	Deductions	As at 31.12.2013	Additions during the year	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹
Computers	48,79,398	—	48,79,398	1,74,773	—	1,74,773	47,04,625	—
Office equipments	67,54,427	—	67,54,427	5,72,323	—	5,72,323	61,82,104	—
Furniture and fixtures	67,48,807	—	67,48,807	2,56,561	—	2,56,561	64,92,246	—
Total - Tangible assets	1,83,82,632	—	1,83,82,632	10,03,657	—	10,03,657	1,73,78,976	—

NOTE [F(II)] : INTANGIBLE ASSETS

TANGIBLE ASSETS	Cost/valuation			Depreciation			Book value	
	Additions during the year	Deductions	As at 31.12.2013	Additions during the year	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹
Specialised softwares	46,35,000	—	46,35,000	40,212	—	40,212	45,94,788	—
Total - Intangible assets	46,35,000	—	46,35,000	40,212	—	40,212	45,94,788	—

As at 31.12.2013 **As at 31.12.2012**
₹ ₹

NOTE G: CURRENT ASSETS**(I) TRADE RECEIVABLES**

Unsecured:

Debts outstanding for more than 6 months

— —

Other debts:

Considered good [Note G(I)(a)]

22,57,27,829 —

TOTAL**22,57,27,829** —**(I) (a)** Unsecured-other debts includes ₹ 7,50,75,126/- (previous year ₹ NIL) contractually not due**(II) CASH & BANK BALANCES**

Cash on hand

2,85,796 —

Balances with banks:

Balances with Non-scheduled banks current account

28,88,92,463 14,66,50,000

Fixed deposit with Non-scheduled banks (maturity less than 3 months)

41,20,00,000 —

TOTAL**70,11,78,259** **14,66,50,000****(III) SHORT TERM LOANS AND ADVANCES**

Unsecured:

Considered good

Fellow subsidiary company

Loans [Note M(2)(iv)]

8,24,00,000 —

Other loans and advances

Prepaid insurance

2,44,720 —

Prepaid rent

63,26,359 —

Prepaid expenses

32,30,080 —

Deposit paid

14,98,246 —

Advance to employees

1,61,356 —

TOTAL**9,38,60,761** —

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013	As at 31.12.2012
	₹	₹
(IV) OTHER CURRENT ASSETS		
Due from customers (construction and project related activity)	49,27,95,772	-
Accrued FD interest	9,84,222	-
TOTAL	49,37,79,994	-
	2013	For the Period 01.07.2012 to 31.12.2012
	₹	₹
	₹	₹
NOTE H : REVENUE FROM OPERATIONS		
Sales & service:		
Construction and project related activity	46,67,74,711	-
TOTAL	46,67,74,711	-
NOTE I : OTHER INCOME		
Interest income:		
Interest income on fixed deposits	9,32,252	-
Subsidiary and associate companies	6,44,990	-
	15,77,242	-
TOTAL	15,77,242	-
NOTE J : MANUFACTURING, CONSTRUCTION AND OPERATING ACTIVITIES		
Other manufacturing, construction and operating expenses:		
Power and fuel	5,29,142	-
Engineering, technical and consultancy fees	16,52,63,569	-
Commission paid [Note (L)(I)]	21,63,55,509	-
Rent [Note (L)(I)]	41,75,967	-
Rates and taxes [Note (L)(I)]	1,94,810	-
Travelling and conveyance [Note (L)(I)]	25,29,585	-
Repairs to building [Note (L)(I)]	56,10,071	-
General repairs and maintenance [Note (L)(I)]	34,09,713	-
Miscellaneous expenses [Note (L)(I)]	1,04,28,789	-
TOTAL	40,84,97,155	-
NOTE K : EMPLOYEE BENEFITS EXPENSES		
Salaries, wages and bonus	6,58,08,334	-
End of service benefit	20,34,061	-
Insurance expenses-medical and others	2,96,291	-
Staff welfare expenses	9,11,906	-
TOTAL	6,90,50,593	-

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		For the Period 01.07.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE L : SALES, ADMINISTRATION AND OTHER EXPENSES				
Audit fees		5,74,987		1,77,923
Rent [Note (L)(I)]		33,82,271		–
Rates and taxes [Note (L)(I)]		3,44,977		–
Travelling and conveyance [Note (L)(I)]		1,06,428		–
Repairs to buildings [Note (L)(I)]		71,12,312		–
General repairs and maintenance [Note (L)(I)]		1,327		–
Preliminary expenses		–		23,31,575
Commission [Note (L)(I)]		3,54,780		–
Miscellaneous expenses [Note (L)(I)]		30,19,811		1,98,410
TOTAL		1,48,96,892		27,07,908

NOTE L (I) : Aggregation of expenses disclosed vide notes J and L in respect of specific items are as follows:

Sr no.	Nature of expenses	2013			For the Period 01.07.2012 to 31.12.2012		
		Note J	Note L	Total	Note J	Note L	Total
1	Rent	4,175,967	3,382,271	7,558,238	–	–	–
2	Repairs to building	5,610,071	7,112,312	12,722,384	–	–	–
3	General repairs and maintenance	3,409,713	1,327	3,411,040	–	–	–
4	Rates & taxes	194,810	344,977	539,827	–	–	–
5	Miscellaneous expenses	10,428,789	3,019,811	13,448,600	–	198,410	198,410
6	Travelling and conveyance	2,529,585	106,428	2,636,013	–	–	–
7	Commission	216,355,509	354,780	216,710,289	–	–	–

LEGAL STATUS

Larsen Toubro Arabia LLC is incorporated as an in-Kingdom Company in Saudi Arabia. It is a mixed limited liability company to manage construction projects related to oil and gas facilities, refineries of petrochemicals, fertilizers and minerals, preparation of detailed engineering designs, the purchase of materials, to carry out projects under its management and to provide services of pipelines installation and maintenance.

NOTE M : OTHER NOTES FORMING PART OF ACCOUNTS**1. Disclosures pursuant to Accounting Standard (AS) 7 (Revised):**

Particulars	2013 ₹	2012 ₹
i) Contract revenue recognized for the year ended December 31, 2013	46,67,74,711	NIL
ii) Aggregate amount of contract costs incurred and recognized profits (less recognized losses) upto December 31, 2013 for all contracts in progress as at that date	49,27,95,772	NIL
iii) Amount of customer advances outstanding for contracts as at December 31, 2013	29,04,73,975	NIL
iv) Retention amounts due from customers for contracts in progress as at December 31, 2013	7,50,75,126	NIL

2. Disclosure of related parties / related party transactions:

i. List of related parties who exercise control over the Company:

Sr. No	Name of Related Party	Relationship
1.	Larsen & Toubro Limited.	Ultimate Holding Company

NOTES FORMING PART OF ACCOUNTS (Contd.)

ii. List of related parties with whom the Company had transactions during the year:

Sr. No.	Name of the Related Party	Relationship
1.	Larsen & Toubro Limited	Ultimate holding company
2.	Larsen & Toubro ATCO Saudi LLC	Fellow subsidiary
3.	Larsen & Toubro Hydrocarbon International Limited.	Fellow subsidiary
4.	Larsen & Toubro Chiyoda Limited	Fellow subsidiary
5.	L&T Gulf Private Limited	Fellow subsidiary
	Parties on whom significant influence is exerted by shareholder	
6.	Larsen & Toubro ATCO Saudi LLC	Fellow subsidiary
7.	Larsen & Toubro Hydrocarbon International Limited.	Fellow subsidiary
8.	Larsen & Toubro Chiyoda Limited	Fellow subsidiary
9.	L&T Gulf Private Limited	Fellow subsidiary

iii. Disclosure of related party transactions:

Nature of transaction/relationship/major parties	2013 ₹	2012 ₹
1. Purchase of goods & services		
Holding Company(Larsen & Toubro Limited)	91,410,737	–
Fellow subsidiaries including:		
L&T-Gulf Private Limited	3,02,51,807	–
Larsen & Toubro Chiyoda Limited	99,07,358	–
2. Purchase of Fixed Assets		
Fellow Subsidiary including:		
Larsen & Toubro Hydrocarbon International Limited	46,35,000	–
3. Overheads charged by related party		
Fellow subsidiaries including:		
Larsen &Toubro ATCO Saudi LLC	–	25,29,985
4. Interest received		
Fellow subsidiaries including:		
Larsen & Toubro ATCO Saudi LLC	6,44,990	–
5. Subscription to equity shares		
Holding Company (Larsen & Toubro Limited)	–	11,08,12,500
Mr. Khalil Abdulkareem Bin Nasser Al Friah	–	3,69,37,500

iv. Amount due to/from related parties:

Nature of transaction/relationship/major parties	2013 ₹	2012 ₹
1. Accounts payable		
Holding Company(Larsen & Toubro Limited)	9,66,88,687	–
Fellow subsidiaries including:		
L&T-Gulf Private Limited	3,19,38,240	–
Larsen &Toubro ATCO Saudi LLC	2,96,25,041	26,06,620
Larsen & Toubro Chiyoda Limited	1,04,59,658	–
Larsen & Toubro Hydrocarbon International Limited	45,31,127	–
2. Loans and advances		
Fellow subsidiaries including:		
Larsen & Toubro ATCO Saudi LLC	8,24,00,000	–

NOTES FORMING PART OF ACCOUNTS (Contd.)

3. 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. Zakat @ 2.5% is provided on current year wealth of the partner. The Company has incurred taxable losses for the year ended December 31, 2013 and therefore no provision for income tax was made.

4. **Basic and diluted earnings per share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share".**

Particulars	2013 ₹	2012 ₹
Basic		
Excess of expenditure over income during the pre-operational period after tax	-	(27,07,908)
Profit/(Loss) after Tax as per Accounts	(2,57,77,072)	-
No. of shares outstanding	10,000	5,000
Basic EPS	(2,577.71)	(541.58)

5. There are no contingent liabilities as on December 31, 2013.

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

Particulars	2013 ₹	2012 ₹
Audit Fees	5,74,987	1,77,923

7. Estimated amount of contracts remaining to be executed on capital account (net of advances) is ₹ Nil.

8. **Operating Lease Arrangements**

Where the Company is a lessee.

- a. The Company has taken various assets like equipments, vehicles, office rental and employees accommodation on non-cancellable operating leases. The future minimum lease payments in respect of which are as follows:

Particulars	Minimum lease payments (₹)	
	As at 31.12.2013 ₹	As at 31.12.2012 ₹
1. Payable not later than 1 year	55,78,134	-
2. Payable later than 1 year and not later than 5 years	-	-
3. Payable later than 5 years	-	-
TOTAL	55,78,134	-

- b. The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period.

As per our report attached

SHARP & TANNAN

Chartered Accountants
Firm's registration no. 109982 W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No.: 38332

MOHAMMAD HABIBULLA
Director

P S KAPOOR
Director

Place : Mumbai
Date : July 5, 2014

Place : Mumbai
Date : July 5, 2014

DIRECTORS' REPORT

The Directors have pleasure in submitting the Nineteenth Annual Report and the Audited Financial Statements of Larsen & Toubro (Oman) LLC for the year ended 31st December, 2013.

FINANCIAL RESULTS

	2013	<i>2012</i>
Financial Parameters	₹ in Crores	<i>₹ in Crores</i>
Total Income	2257.51	<i>1995.24</i>
Operating Profit / (Loss)	(69.44)	<i>24.09</i>
Add : Interest Income	0.06	<i>0.29</i>
Less : Finance Costs	10.35	<i>7.15</i>
Profit / (Loss) before Tax	(79.73)	<i>17.23</i>
Less : Income Tax Expenses	(0.36)	<i>2.39</i>
Net Profit/ (Loss) after Tax	(79.37)	<i>14.84</i>
Dividend	-	<i>6.34</i>
Balance to be carried forward	(79.37)	<i>8.50</i>

DIVIDEND

The Directors do not recommend payment of dividend.

PRINCIPAL ACTIVITY

The principal activities of the Company spanned across Civil Constructions, Power Transmission & Distribution, Infrastructure and Minerals & Metals segment projects.

FINANCIAL REVIEW

The Order Inflow for the year 2013 stood at ₹ 3445 Crores.

The Revenue from the projects stood at ₹ 2244 crores registering an increase of 4.7% over the previous year.

Loss Before Tax for 2013 stood at ₹ 79.73 Crores as against ₹ 17.23 Crores profit in 2012 and the Loss after Tax stood at ₹ 79.37 Crores as against ₹ 14.84 Crores profit over the previous year.

CAPITAL EXPENDITURE

As at December 31, 2013 the Gross Fixed Assets stood at ₹ 332.65 Crores and Net Fixed Assets at ₹ 148.67 Crores. Additions during the year amounted to ₹ 40.29 Crores (*previous year ₹ 89.03 Crores*)

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.

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 Director) Rules, 1988, are not applicable.

PARTICULARS OF EMPLOYEES

The Company being registered outside India, the disclosure 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:

- 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 as at December 31, 2013 and 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 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.

DIRECTORS

Current Directors of the Company are:

- 1. Mr. S. N. Subrahmanyam
- 2. Mr. B. Ramakrishnan
- 3. Mr. V. A. K. Shenoik
- 4. Mr. T. N. Ranjan

AUDITORS

The Board recommends the reappointment of auditors M/s PKF LLC, Chartered Accountants to be the auditors of the Company for the year 2013 including for Limited Review on quarterly basis.

THE YEAR AHEAD

Sultanate of Oman has rolled out an expansionary Budget for the year 2014. There is a 29% increase in expenditure and budget year assumes 7% growth in economy.

Though growth remains vulnerable to downturn in oil prices, strong domestic demand, an expansionary fiscal policy and gains in the non-oil economy will ensure that economic growth is robust. The current account is expected to remain a healthy surplus.

Continuing the trend of high value projects, there is a 30% increase in infrastructure development expenditure. Capitalizing on the Infrastructure projects delivered, the Company expects the announcement of few high value Infrastructure projects.

The Company carries forward the budgetary outlook and is confident of securing orders in the areas of Universities, Hospitals, Substations and Integrated Tourism Complexes.

The Company expects a re-entry in to the Water & Solar segment during the year 2013.

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 cooperation 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 commitments in pursuance of excellence 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 : May 17, 2014

S. N. SUBRAHMANYAN

Director

B. RAMAKRISHNAN

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LARSEN & TOUBRO (OMAN) L.L.C.

Report on the Financial Statements

The financial statements of Larsen & Toubro (Oman) L.L.C. for the year ended December 31, 2013, being a Company registered in Sultanate of Oman, have been audited by PKF L.L.C., Chartered Accountants, Oman and we have been furnished with their audit report dated April 01, 2014 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 financial statements in Omani Rials to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the accompanying financial statements of Larsen & Toubro (Oman) L.L.C. ("the Company"), which comprise the Balance Sheet as at December 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act;
 - 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.

for **SHARP & TANNAN**
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place: Chennai
Date : June 18, 2014

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the Independent Auditor's Report to the members of Larsen & Toubro (Oman) L.L.C on the financial statements for the year ended December 31, 2013 and based on our communication with the Component Auditors by way of Group Audit Deliverables, we report that:

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and 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) According to the information and explanations given to us by the Component Auditors, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us by the Component Auditors, the procedures of physical verification of inventories followed by the management are 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. There were no material discrepancies between physical stock and book records.
- (iv) In our opinion, and according to the information and explanations given to us by the Component Auditors, there exists an adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets and for sale of goods and services. In our opinion, and according to the information and explanations given to us by the Component Auditors, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vii) In our opinion, the Company has an internal audit system 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 under clauses 4 (ix) (a) and (b) of the Order does not arise. However, according to the information and explanations given to us, the Company has complied with all local laws applicable to it.
- (x) The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) As per the information and explanations given to us by the Component Auditors, we are of the opinion that the Company has not defaulted in repayment of dues to a bank during the year. The Company has not availed loans from financial institutions or issued any debentures.
- (xii) According to the information and explanations given to us by the Component Auditors, 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 the provision of clause 4(xiv) of the Order does not arise.
- (xv) According to the information and explanations given to us by the Component Auditors, 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 by the Component Auditors, 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 by the Component Auditors, 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 issues during the year. Accordingly, reporting under clause 4 (xx) of the Order does not arise.
- (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 by the Component Auditors, we have neither come across any instances of fraud by the Company or material fraud on 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 Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

for **SHARP & TANNAN**
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place: Chennai
Date : June 18, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	2	179,551,666		179,551,666	
(b) Reserves and surplus	3	4,453,573,936		5,129,261,055	
			4,633,125,602		5,308,812,721
Non-current liabilities					
(a) Deferred tax liabilities (net)	4	21,321,124		21,222,910	
(b) Long-term provisions	5	367,818,967		265,476,004	
			389,140,091		286,698,914
Current liabilities					
(a) Short-term borrowings	6	4,221,035,615		3,713,970,000	
(b) Trade payables	7	5,308,885,064		4,938,440,626	
(c) Other current liabilities	8	5,496,201,253		4,618,820,578	
(d) Short-term provisions	9	-		11,803,854	
			15,026,121,932		13,283,035,058
TOTAL			20,048,387,625		18,878,546,693
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets	10	1,389,641,078		1,343,454,940	
(ii) Capital work-in-progress		97,076,571		6,664,148	
			1,486,717,649		1,350,119,088
Current assets					
(a) Inventories	11	726,965,165		652,234,270	
(b) Trade receivables	12	11,324,469,190		10,570,466,720	
(c) Cash and cash equivalents	13	31,252,144		49,619,497	
(d) Short term loans and advances	14	381,777,749		508,702,473	
(e) Other current assets	15	6,097,205,728		5,747,404,645	
			18,561,669,976		17,528,427,605
TOTAL			20,048,387,625		18,878,546,693
CONTINGENT LIABILITIES AND COMMITMENTS	16				
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements

As per our report attached of even date

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No.003792S)

For and on behalf of the Board

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

S. N. SUBRAHMANYAN

Director

Place : Chennai

Date : June 18, 2014

B. RAMAKRISHNAN

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operations	17		22,575,118,400		19,952,380,246
Other income	18		13,125,328		7,160,872
Total revenue			22,588,243,728		19,959,541,118
EXPENSES					
Construction and operating expenses	19	17,225,085,696		13,773,172,800	
Employee benefits expense	20	4,291,795,079		3,908,633,367	
Finance costs	21	103,509,707		71,549,623	
Depreciation expense	10	424,532,506		319,419,680	
Sales, administration and other expenses	22	1,340,570,923		1,714,472,698	
Total expenses			23,385,493,911		19,787,248,168
Profit/ (loss) before tax			(797,250,183)		172,292,950
Tax expenses:					
Income tax			-	7,773,534	
Deferred tax	4	(3,596,997)		16,137,550	
			(3,596,997)		23,911,084
Profit / (loss) after tax for the year			(793,653,186)		148,381,866
Earnings per equity share (Basic and diluted)	28		(544.66)		101.83
Face value per equity share (in Omani Rial)			1.00		1.00
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements

As per our report attached of even date
For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No.003792S)

For and on behalf of the Board

V. VISWANATHAN
Partner
Membership No. 215565

S. N. SUBRAHMANYAN
Director

B. RAMAKRISHNAN
Director

Place : Chennai
Date : June 18, 2014

Place : Chennai
Date : June 18, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities		
Net profit / (loss) before tax	(797,250,183)	172,292,950
Adjustments for:		
Depreciation expense	424,532,506	319,419,680
Interest expense	103,509,707	71,549,623
Interest income	(568,833)	(2,892,174)
(Profit) / loss on sale of fixed assets (net)	(3,726,235)	(412,045)
Translation difference	159,269,281	77,144,476
Operating profit / (loss) before working capital changes	(114,233,757)	637,102,510
Adjustments for		
(Increase) / decrease in trade receivables	(754,002,470)	29,504,227
(Increase) / decrease in loans and advances	136,079,680	(139,529,898)
(Increase) / decrease in inventories	(74,730,895)	(519,375,566)
(Increase) / decrease in other current assets	(349,801,083)	(1,806,354,156)
Increase / (decrease) in trade and other payables	1,338,364,222	1,584,730,646
Cash used in operating activities	181,675,697	(213,922,237)
Less: Direct tax paid	-	(7,773,534)
Net cash flow from / (used in) operating activities (A)	181,675,697	(221,695,771)
B. Cash flow from investing activities		
Purchase of fixed assets / capital work-in-progress	(401,624,447)	(896,921,585)
Sale of fixed assets	3,950,432	2,021,616
Difference in balance of fixed assets due to exchange fluctuation	(159,730,817)	(36,224,434)
Interest received	568,833	2,892,174
Net cash flow from / (used in) investing activities (B)	(556,835,999)	(928,232,229)
C. Cash flow from financing activities		
Dividends paid	(46,762,959)	(63,367,919)
Interest paid	(103,509,707)	(71,549,623)
Proceeds / (Repayments) from short-term borrowings (net)	507,065,615	1,306,343,403
Net cash flow from financing activities (C)	356,792,949	1,171,425,861
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(18,367,353)	21,497,861
Cash and cash equivalents at the beginning of the year	49,619,497	28,121,636
Cash and cash equivalents at the end of the year	31,252,144	49,619,497

Notes:

- Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) 3 "Cash Flow Statements" specified by the Companies (Accounting Standards) Rules, 2006, as amended.
- Purchase of fixed assets includes movement in capital work-in-progress during the year.
- Cash and cash equivalents comprise cash on hand and balance with banks on current accounts. Refer Note 13 for components of cash and cash equivalents.
- Figures for the previous year have been regrouped / reclassified wherever necessary.

As per our report attached of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No.003792S)

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

S. N. SUBRAHMANYAN

Director

Place : Chennai

Date : June 18, 2014

B. RAMAKRISHNAN

Director

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

i) 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 as specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government (as amended) 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.

ii) Use of estimates

The preparation of financial statements in conformity with Indian 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 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, allowance 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.

iii) Revenue recognition

Revenue is recognized based on nature of activity when consideration can be reliably measured and there exists reasonable certainty of its recovery.

- a) Contract revenues comprising the total value of construction work performed during the year are recognized using the percentage of completion method based primarily on contract cost incurred to date compared to the estimated total cost. When the final outcome of the contracts cannot be reliably estimated, the contract revenue is recognised only to the extent of cost incurred that are expected to be recoverable. Losses on contracts are fully recognised as and when identified. Contract billings are 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.
- b) Interest income is recognised at agreed rates on time-proportion basis.
- c) Other items of income are accounted as and when the right to receive arises.

iv) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

v) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- | | |
|----------------------------------|-----------|
| a) Buildings | – 15% |
| b) Machinery and other equipment | – 15% |
| c) Vehicles | – 33.33 % |
| d) 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.

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.

vi) Impairment of assets

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

- a) the provision for impairment loss, if any; and
- 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:

- a) in the case of an individual asset, at the higher of the net selling price and the value in use; and
- 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

vii) Inventories

Inventories are stated at the lower of cost and net realizable value after making providing for obsolescence. Cost is determined as follows -

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

viii) Cash and cash equivalents

Cash and bank balances includes fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation.

ix) 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:

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.

x) 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. Leases rentals are charged to the Statement of Profit and Loss on accrual basis.

xi) Taxes on income

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 on companies in Oman.

b) Deferred tax

i. 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.

ii. Deferred tax asset (including deferred tax asset on unabsorbed depreciation and business losses) 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.

xii) Borrowing costs

a) Borrowing cost that are attributable to the acquisition, construction or production of qualifying assets are capitalized 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 takes a substantial period of time (ordinarily, a period of twelve months) to get ready for its intended use or sale

b) All other borrowing costs are recognised as expense in the period in which they are incurred.

xiii) Foreign currency transactions and translation

a) The reporting currency of the Company is Omani Rials.

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.

c) Exchange differences that arise on settlement of monetary items or on reporting of the Company's monetary items at each Balance Sheet date at the closing rate are recognised as income or expense in the period in which they arise.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

Accounts are translated in Indian Rupees as follows:

- Share capital is retained at the initial contribution amount.
- Fixed assets, current assets and current liabilities other than stock are translated at year-end rates.
- Revenue transactions are translated at the average rates.
- The resultant exchange difference is accounted as translation reserve in the Balance Sheet.

xiv) Hedge accounting

The Company is a party to forward foreign currency and commodity contracts that reduce exposure to fluctuations in foreign currency exchange rates and commodity prices on specific hedged items comprising of firm commitments and highly probable forecast contract revenues and costs. These contracts are designated as cash flow hedges and are initially recognised at cost and subsequently re-measured to their fair value at each reporting date.

a) Cash flow hedges

The effective portion of changes in the fair value of such forward foreign currency and commodity 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 Statement of Profit and Loss.

Amounts under hedge reserve are recycled to the Statement of Profit and Loss in the periods when the forecast hedged item is recognised in Statement of Profit and Loss, in the same line of the Statement of Profit and Loss 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 Statement of Profit and Loss. 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 Statement of Profit and Loss.

xv) Operating cycle for current/non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

xvi) 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:

- 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.

Reimbursements 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.

b) Contingent liability is disclosed in the 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 when no reliable estimate is possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

c) Contingent assets are neither recognised nor disclosed.

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

2 SHARE CAPITAL

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Authorised:				
Ordinary Shares of Omani Rial 1 each	<u>1,457,144</u>	<u>179,551,666</u>	<u>1,457,144</u>	<u>179,551,666</u>
Issued, subscribed and fully paid-up:				
Ordinary Shares of Omani Rial 1 each	<u>1,457,144</u>	<u>179,551,666</u>	<u>1,457,144</u>	<u>179,551,666</u>
TOTAL	<u><u>1,457,144</u></u>	<u><u>179,551,666</u></u>	<u><u>1,457,144</u></u>	<u><u>179,551,666</u></u>

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**a) Reconciliation of shares outstanding at the beginning and at the end of the year**

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
At the beginning of the year	1,457,144	179,551,666	1,457,144	179,551,666
Issued during the year	-	-	-	-
At the end of the year	1,457,144	179,551,666	1,457,144	179,551,666

b) Terms / rights attached to equity shares

- (i) The Company has only one class of equity shares having a par value of Omani Rial 1 each. Each holder of equity share is entitled to one vote per share.
- (ii) All shares issued carry equal rights for dividend declared by the Company. There are no restrictions attached for any specific shareholder.
- (iii) The Company has not issued any securities with the right/option to convert the same into equity shares at a later date.
- (iv) During the year, the Company has paid dividend of Omani Rial 0.26 per share (*previous year Omani Rial 0.35 per share*) amounting to ₹ 46,762,959/ - (*previous year ₹ 63,367,919/-*)

c) Shares held by the holding Company

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Larsen & Toubro International FZE, Sharjah, United Arab Emirates (Ordinary Shares of Omani Rial 1 each fully paid)	947,144	116,708,583	947,144	116,708,583

d) Equity shares in the Company held by each shareholder holding more than 5 percent shares

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	% holding	Numbers	% holding
Larsen & Toubro International FZE, Sharjah, United Arab Emirates	947,144	65%	947,144	65%
Muscat Trading Co. LLC, Sultanate of Oman	510,000	35%	510,000	35%
TOTAL	1,457,144	100%	1,457,144	100%

- e) The Company has not bought back any shares or issued shares for consideration other than cash during the five years immediately preceding the Balance Sheet date.
- f) Aggregate number of ordinary shares allotted as fully paid up by way of bonus shares during the five years immediately preceding the Balance Sheet is 1,092,858 shares (*previous year 1,092,858 shares*)
- g) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

3 RESERVES AND SURPLUS

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Legal reserve [Refer Note (a) below]				
As per last Balance Sheet		60,502,018		60,502,018
Foreign currency translation reserve		1,032,767,844		877,193,774
Hedge reserve [Refer Note (b) below]		28,197,052		19,042,096
Surplus				
As per last Balance Sheet	4,172,523,167		4,087,509,220	
Add: Profit/ (Loss) for the year	(793,653,186)		148,381,866	
Less: Dividend paid [Refer Note 2(b)(iv)]	46,762,959		63,367,919	
		3,332,107,022		4,172,523,167
TOTAL		4,453,573,936		5,129,261,055

Note :

- (a) Legal reserve is created by the Company by apportioning 10% of the net profit for the year as required by Article 154 of the Commercial Companies Law of Oman, 1974. In accordance with the Law, no accretion to the Legal Reserve is required once the reserve totals 33.33% of the paid-up share capital. The reserve is not available for distribution.
- (b) Hedge reserve represents net mark-to-market gain on forward contracts open as at the end of the financial year for which the hedged transactions have not occurred.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**4 DEFERRED TAX LIABILITIES (NET)**

(a) Major components of deferred tax assets and deferred tax liabilities are as follows -

In ₹

Particulars	As at 31.12.2013		As at 31.12.2012	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between book depreciation and tax depreciation	-	17,476,050	-	18,937,819
Deferred tax on hedging reserve	-	3,845,074	-	2,285,091
Total	-	21,321,124	-	21,222,910
Net deferred tax (asset) / liability	-	21,321,124	-	21,222,910

(b) Amounts charged to the Statement of Profit and Loss is as follows -

Particulars		2013	2012
		₹	₹
Change in deferred tax liability compared to previous year	A	98,214	16,584,846
Effect of translation loss / (gain)	B	(3,695,211)	(447,296)
Net incremental liability debited / (credited) to the Statement of Profit and Loss	A + B	(3,596,997)	16,137,550

5 LONG-TERM PROVISIONS

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
Employees' end-of-service gratuity	367,818,967	265,476,004
TOTAL	367,818,967	265,476,004

6 SHORT-TERM BORROWINGS

Secured [Refer Note below]	As at 31.12.2013	As at 31.12.2012
Short-term loans from banks	4,013,312,500	3,713,970,000
Bank overdrafts	207,723,115	-
TOTAL	4,221,035,615	3,713,970,000

Note:

Short-term loans from banks and bank overdrafts are secured against assignment of project receivables from contracts, assignment of insurance policies, title to goods procured under letters of credit and charge on bank balances. Bank facilities are subject to financial and shareholding covenants.

7 TRADE PAYABLES

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
Due to holding companies	80,581,536	1,901,892,469
Due to others	5,228,303,528	3,036,548,157
TOTAL	5,308,885,064	4,938,440,626

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**8 OTHER CURRENT LIABILITIES**

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to customers				
Progress bills raised	74,992,119,959		43,668,337,619	
Less: Construction work-in-progress				
– At cost	138,168,125		416,478,166	
– At estimated realisable sales value	74,286,864,714		41,654,427,178	
		567,087,120		1,597,432,275
Due to fellow subsidiaries		–		17,331,416
Advances from customers		4,132,028,852		2,576,899,374
Other liabilities		797,085,281		427,157,513
TOTAL		5,496,201,253		4,618,820,578

9 SHORT-TERM PROVISIONS

Income tax [Refer note below]	–	11,803,854
TOTAL	–	11,803,854

Note:

Provision for tax has been made at applicable rates after the basic exemption, in accordance with 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 2008 to 2013 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. The Company does not have any taxable profits for the year and hence no provision for income tax has been made.

10 FIXED ASSETS**(i) Tangible assets**

(In ₹)

PARTICULARS	GROSS BLOCK					DEPRECIATION					BOOK VALUE	
	As at 01.01.2013	Additions	Deductions	Translation difference	As at 31.12.2013	Upto 31.12.2012	For the year	On deductions	Translation difference	Upto 31.12.2013	As at 31.12.2013	As at 31.12.2012
Owned												
Fabricated building	443,001,485	31,651,537	9,465,381	56,147,271	521,334,912	225,258,566	64,563,456	9,465,381	31,104,502	311,461,143	209,873,769	217,742,919
Plant and machinery	1,551,315,127	211,403,220	3,559,226	204,206,169	1,963,365,290	609,659,317	253,073,195	3,539,658	90,037,905	949,230,759	1,014,134,531	941,655,810
Other equipment	250,580,413	13,498,483	3,299,990	31,622,213	292,401,119	180,258,391	28,127,502	3,281,484	23,768,863	228,873,272	63,527,847	70,322,022
Furniture and fixtures	43,107,050	3,142,082	–	5,520,833	51,769,965	43,107,050	–	–	5,337,645	48,444,695	3,325,270	–
Vehicles	400,288,401	51,516,702	6,352,424	52,198,071	497,650,750	286,554,212	78,768,353	6,166,301	39,714,825	398,871,089	98,779,661	113,734,189
Total	2,688,292,476	311,212,024	22,677,021	349,694,557	3,326,522,036	1,344,837,536	424,532,506	22,452,824	189,963,740	1,936,880,958	1,389,641,078	
Previous year	1,741,943,734	890,257,437	21,114,375	77,205,680	2,688,292,476	1,003,941,414	319,419,680	19,504,804	40,981,246	1,344,837,536		1,343,454,940

(ii) Impairment of assets

The Company has reviewed potential generation of economic benefits from fixed assets and concluded that fixed assets employed in the business will generate adequate economic returns over their useful lives. Consequently no provision of impairment loss is required.

11 INVENTORIES

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
Stores, spares, scaffolding materials and consumables	726,965,165	652,234,270
TOTAL	726,965,165	652,234,270

Refer note 1 (vii) for mode of valuation

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**12 TRADE RECEIVABLES**

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Unsecured, considered good				
Outstanding for more than six months		5,198,782,887		4,735,853,212
Others		6,125,686,303		5,834,613,508
TOTAL		11,324,469,190		10,570,466,720

13 CASH AND CASH EQUIVALENTS

Balances with banks in current accounts		28,475,735		47,490,249
Cash in hand		2,776,409		2,129,248
TOTAL		31,252,144		49,619,497

14 SHORT-TERM LOANS AND ADVANCES

Unsecured, considered good				
Due from holding Company		78,514,198		47,380,830
Due from fellow subsidiary		6,783,462		3,898,097
Advances to suppliers and subcontractors		149,244,015		232,027,848
Advances to employees		826,582		2,042,398
Security deposits		39,046,962		51,112,941
Forward contract receivable		32,042,126		19,042,096
Other advances		75,320,404		153,198,263
TOTAL		381,777,749		508,702,473

15 OTHER CURRENT ASSETS

Unsecured, considered good				
Due from customers				
Construction material stock-at-site	1,101,399,195		1,351,423,691	
Construction work-in-progress				
– at cost	323,508,872		1,251,512,889	
– at estimated realisable sale value	42,160,514,706		51,011,519,784	
	43,585,422,773		53,614,456,364	
Less: Progress bills raised	37,475,842,397		47,867,051,719	
Less: Provision for foreseeable losses	12,374,648		–	
		6,097,205,728		5,747,404,645
TOTAL		6,097,205,728		5,747,404,645

16 CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
(a) Contingent liabilities - Bankers' letters of guarantee (refer note below)	12,694,115,785	10,400,985,841
(b) Purchase Commitments (Letters of credit utilised)	1,401,513,259	1,700,253,609

Note:

There are certain ongoing pending matters under negotiations with the customers/consultants relating to possible penalties for delay in job completion, claim of supplier/subcontractors not accepted by the Company, work disputes, recovery of uncertified contract/variation work dues, etc., whose actual occurrence and financial impact cannot be ascertained at the present stage.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

Particulars	2013		2012	
	₹	₹	₹	₹
17 REVENUE FROM OPERATIONS				
Sales and services				
Construction contracts				
Work-in-progress at the end of the year				
– at cost	461,676,997		1,667,991,055	
– at estimated realisable sales value	116,447,379,420		92,665,946,962	
	<u>116,909,056,417</u>		<u>94,333,938,017</u>	
Work-in-progress at the beginning of the year				
– at cost	1,667,991,055		1,233,071,176	
– at estimated realisable sales value	92,665,946,962		73,148,486,595	
	<u>94,333,938,017</u>		<u>74,381,557,771</u>	
		<u>22,575,118,400</u>		<u>19,952,380,246</u>
TOTAL		<u><u>22,575,118,400</u></u>		<u><u>19,952,380,246</u></u>
18 OTHER INCOME				
Profit on sale of fixed assets (net)		3,726,235		412,045
Interest income		568,833		2,892,174
Exchange gain (net)		8,830,260		2,347,180
Miscellaneous income		–		1,509,473
TOTAL		<u><u>13,125,328</u></u>		<u><u>7,160,872</u></u>
19 CONSTRUCTION AND OPERATING EXPENSES				
Construction materials		7,128,470,597		5,562,234,954
Stores, spares and tools		1,513,946,450		1,795,018,397
Subcontracting charges		7,965,592,695		5,800,009,425
Hire of plant and equipment		266,146,191		344,156,820
Power and fuel		350,929,763		271,753,204
TOTAL		<u><u>17,225,085,696</u></u>		<u><u>13,773,172,800</u></u>
20 EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus		3,481,719,245		3,175,468,636
Contribution to and provision for social security and pension		58,191,919		35,682,224
Welfare and other expenses		751,883,915		697,482,507
TOTAL		<u><u>4,291,795,079</u></u>		<u><u>3,908,633,367</u></u>
21 FINANCE COSTS				
Interest on term loans		98,311,787		60,052,665
Interest on overdraft		5,197,920		11,496,958
TOTAL		<u><u>103,509,707</u></u>		<u><u>71,549,623</u></u>

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**22 SALES, ADMINISTRATION AND OTHER EXPENSES**

Particulars	2013		2012	
	₹	₹	₹	₹
Rent		245,885,573		241,827,531
Rates and taxes		143,555,702		123,686,118
Travelling and conveyance		213,950,377		229,220,370
Telephone, postage and telegrams		72,357,226		61,477,904
Printing and stationery		6,647,610		5,639,466
Insurance		71,309,663		109,638,272
Bank charges		33,014,006		35,549,977
General repairs and maintenance		184,479,217		213,509,605
Professional charges [Refer Note (a) below]		222,311,996		549,390,715
Provision for foreseeable losses		11,692,931		–
Miscellaneous expenses		135,366,622		144,532,740
TOTAL		1,340,570,923		1,714,472,698

(a) Professional charges include Auditor's remuneration (paid to overseas auditor only) as follows:

Particulars	2013		2012	
	₹	₹	₹	₹
Statutory audit fees		2,730,398		2,527,020
Certification fees		1,152,835		1,066,964
Taxation matters		273,040		252,702
TOTAL		4,156,273		3,846,686

23. Disclosure pursuant to Accounting Standard (AS) 7 "Construction Contracts"

(₹)

Particulars	2013	2012
Contract revenue recognized during the year	22,575,118,400	19,952,380,246
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	116,896,681,769	94,333,938,017
Amount of customer advances outstanding for contracts in progress as at the end of the financial year	4,132,028,852	2,576,899,374
Retention amounts due from customers for contracts in progress as at the end of the financial year	2,732,304,567	1,926,571,656

24. Borrowing cost capitalized during the year is ₹ Nil (Previous year ₹ Nil).

25. Disclosures pursuant to Accounting Standard (AS) 17 "Segment reporting"

The Company operates in the single segment of construction and hence no primary reporting has been made as per the requirements under Accounting Standard (AS) 17 on Segment Reporting. Further, the entire operations of the Company are situated in the Sultanate of Oman and hence no secondary segment reporting has been made. The Company's tangible assets are situated entirely outside India.

26. 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 Electromech LLC	Fellow subsidiary
4	L&T Modular Fabrication Yard LLC	Fellow subsidiary
5	Tamco Switchgear Malaysia SDN.BHD.	Fellow subsidiary
6	Larsen & Toubro Readymix Concrete Industries LLC	Fellow subsidiary

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

iii Disclosure of related party transactions

(Amount in ₹)

Related Party	Nature of relationship	Nature of transaction	Transaction during the year	Amount Outstanding	
				Due from Related Party	Due to Related Party
Larsen & Toubro Limited	Ultimate Holding Company	Contract revenue	2,756,951,221 (3,995,341,180)	78,514,198 (1,365,164,665)	73,906,434 (1,899,357,256)
		Contract cost and administrative expense	11,685,343 (1,272,111,663)		
		Reimbursement of expenses to	47,894,251 (51,137,004)		
		Reimbursement of expenses from	435,288,309 (234,965,128)		
		Interest Received	568,833 (-)		
Larsen & Toubro International FZE	Holding Company	Contract cost and administrative expense	12,614,441 (11,247,836)		6,675,102 (2,535,213)
		Dividend	30,395,923 (41,189,147)		
Larsen & Toubro Electromech LLC	Fellow Subsidiary	Reimbursement of expenses from	6,204,375 (4,532,688)	6,616,508 (3,898,097)	
		Reimbursement of expenses to	59,143 (687,158)		
L&T Modular Fabrication Yard LLC	Fellow Subsidiary	Reimbursement of expenses from	157,756 (27,376)	166,954 (-)	
Tamco Switchgear Malaysia SDN.BHD.	Fellow subsidiary	Contract cost and administrative expense	13,388,352 (86,988,257)		- (16,215,045)
Larsen & Toubro Readymix Concrete Industries LLC	Fellow subsidiary	Purchase of fixed assets	27,058,703 (70,886,679)		- (1,116,371)

Note: Figures in bracket represent amounts for the previous year

iv. No amount due to / due from related parties has been written off or written back during the year. (Previous year ₹ Nil)

27. Disclosures pursuant to Accounting Standard (AS) 19 "Leases"

a) Finance lease

The Company has not taken any assets on finance lease and hence no disclosure is required to be made with respect to finance leases.

b) Operating leases

i. The Company has taken certain premises on cancellable operating leases. These leases agreements are normally renewed on expiry. Amount paid toward these leases are included in Note 22 "Selling, administration and other expenses". There are no exceptional / restrictive covenants in these lease agreements.

ii. Lease rental expenses charged to the Statement of Profit and Loss for the year is ₹ 245,885,573/- (previous year ₹ 241,827,531/-)

iii. Contingent rent recognised during the year ₹ Nil (previous year ₹ Nil).

28. Basic and diluted Earnings Per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2013	2012
Net Profit/(loss) after tax	(₹)	(793,653,186)	148,381,866
Number of equity shares outstanding	(Nos.)	1,457,144	1,457,144
Weighted average number of equity shares	(Nos.)	1,457,144	1,457,144
Earnings per share (basic and diluted)	(₹)	(544.66)	101.83
Face value of an equity share	(Omani Rial)	1.00	1.00

29. Figures for the previous year have been regrouped or reclassified, wherever necessary.

As per our report attached of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No.003792S)

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

S. N. SUBRAHMANYAN

Director

B. RAMAKRISHNAN

Director

Place : Chennai

Date : June 18, 2014

DIRECTORS' REPORT

On behalf of the Board of Directors, it gives me pleasure in presenting the Fourth Annual Report and Audited Accounts of Larsen & Toubro T&D SA (Pty) Limited for the period ending March 31, 2014.

Financial Results:

Since the Company has not executed any project, no turnover is reported during the year. The Company reported profit of ₹ 0.10 crores mainly on account of interest income as at March 31, 2014 (*Previous Year -2012-13- Loss of ₹ 0.26 crores*) and the accumulated loss reduced to ₹ 1.74 crores as at March 31, 2014. (*Previous Year 2012-13- Accumulated Loss of ₹ 1.84 crores*).

Dividend :

The Directors do not recommend payment of any dividend.

Capital Expenditure :

The Company has not purchased any capital items during the year and reported NIL Gross and Net Fixed Assets value as at March 31, 2014.

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.

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 Director) Rules, 1988, are not applicable.

Particulars of Employees :

The Company being registered outside India, the disclosure 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 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, 2014.
- 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.

Directors :

Current Directors of the Company are:

1. Mr. Balasubramaniam Ramakrishnan
2. Mr. Ravindra Pravin Desai
3. Mr. Juttu Subburaman Sudarsan
4. Mr. Ayanda Sinehlanhla Ngcobo
5. Mr. Shanmugam Rajavel
6. Mr. Vasudeva Asoka Kumar Shenoi

Prospects for the Company:

South Africa has lagged behind in investments in the power sector in the past decade, the impact of which have been felt in the past few years. Now since the country is looking for large scale development, the investment in power sector including T&D has become a priority. The amount of transformation (MVA) increased by approx. 11000MVA. This is mainly due to new substations being added in the latter part of the planning period. A slower rate of completion of the transmission lines and new transformers has resulted in an increase of the overall network. The economic slowdown as well as efforts to promote demand side management will provide more prospects for the Company.

The economy is showing signs of a recovery, and there should be a return to pre-recession demand levels and forecasts soon. Hence it is believed that Eskom will proceed with the planned infrastructure development. Transmission infrastructure could easily become the critical path in connecting and integrating large new loads and generation, due to the long lead times for securing corridors. The estimated rand value of the planned projects is approximately R149 billion (excluding IDC) over the next ten years, of which approximately R3 billion is for customer related projects; R25 billion for generation integration projects, and approximately R121 billion is related to reliability projects.

These prospective investments by Eskom may result in good order inflow for the Company in the coming years.

LARSEN & TOUBRO T&D SA (PTY) LIMITED

Auditors:

The Auditor, M/s Grant Thornton, Chartered Accountants continue to be the statutory auditors of the Company for the year 2014.

Acknowledgements :

The Directors place on record, their gratitude for the continuing support of Parent Company, Bankers and Business Associates at all Levels.

For and on behalf of the Board

Place: Chennai

Date : April 10, 2014

J. S. SUDARSAN

Director

B. RAMAKRISHNAN

Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO T&D SA PROPRIETARY LIMITED

Report on the Financial Statements

The financial statements of **LARSEN & TOUBRO T&D SA PROPRIETARY LIMITED, SOUTH AFRICA**, for the year ended March 31, 2014, being a Company registered in South Africa, have been audited by Grant Thornton, Chartered Accountants, South Africa ("the Component Auditors") and we have been furnished with their audit report dated April 10, 2014 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 financial statements in South African Rand to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the accompanying financial statements of Larsen & Toubro T&D SA Proprietary Limited, ("the Company"), which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"), to the extent applicable to the Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act to the extent applicable to the Company;
 - 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 South Africa, no reporting is required to be made under the said Section.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the Independent Auditor's Report to the members of **LARSEN & TOUBRO T&D SA PROPRIETARY LIMITED** on the financial statements for the year ended March 31, 2014 and based on our communication with the Component Auditors by way of Group Audit Deliverables, we report that:

- (i) The Company does not have any fixed assets in its books and hence, reporting under clauses 4 (i) (a), (b) and (c) of the Order does not arise.
- (ii) The Company does not carry any inventories in its books and hence, reporting under clauses 4 (ii) (a), (b) and (c) of the Order does not arise.
- (iv) In our opinion, and according to the information and explanations given to us by the Component Auditors, there exists an adequate internal control system commensurate with the size of the Company and nature of its business. In our opinion, and according to the information and explanations given to us by the Component Auditors, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) The Company being registered in South Africa, has no statutory liabilities in India and accordingly reporting under clauses 4 (ix) (a) and (b) of the Order does not arise. However, according to the information and explanations given to us by the Component Auditors, the Company has complied with all local statutory laws applicable to it.
- (x) The Company has been registered for a period of less than five years and hence commenting on accumulated losses and cash losses under clause 4(x) of the Order does not arise.
- (xi) In our opinion and according to the information and explanations given to us by the Component Auditors, the Company has not availed any loan from a financial institution, bank or debenture holders and hence reporting under clause 4(xi) of the Order does not arise.
- (xii) According to the information and explanations given to us by the Component Auditors, 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, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us by the Component Auditors, 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 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 by the Component Auditors, 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 issues during the year. Accordingly, reporting under clause 4(xx) of the Order does not arise.
- (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 by the Component Auditors, we have neither come across any instances of fraud by the Company or material fraud on the Company, noticed or reported during the year, nor have we been informed of such cases by management.

The clauses (iii), (v), (vi), (viii), (xiii) and (xviii) of the Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	2	6,455		6,455	
(b) Reserves and surplus	3	28,573,893		27,511,341	
			28,580,348		27,517,796
Current liabilities					
(a) Other current liabilities	4		3,213,827		3,206,559
TOTAL			31,794,175		30,724,355
ASSETS					
Non current assets					
(a) Fixed assets	5				
(i) Tangible assets			-		-
Current assets					
(a) Cash and cash equivalents	6	31,612,789		30,522,609	
(b) Short-term loans and advances	7	181,386		201,746	
			31,794,175		30,724,355
TOTAL			31,794,175		30,724,355
CONTINGENT LIABILITIES AND COMMITMENTS	8				
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No. 003792S)

V. VISWANATHAN

Partner

Membership No. 215565

J. S. SUDARSAN

Director

B. RAMAKRISHNAN

Director

Place : Chennai

Date : June 18, 2014

Place : Chennai

Date : June 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	<u>Note No.</u>	<u>2013-14</u> ₹	<u>2012-13</u> ₹
REVENUE			
Other income	9	<u>1,546,584</u>	<u>1,642,334</u>
TOTAL REVENUE		<u>1,546,584</u>	<u>1,642,334</u>
EXPENSES			
Employee benefits expense	10	–	2,588,095
Depreciation expense	5	–	128,025
Administration and other expenses	11	<u>519,832</u>	<u>1,488,675</u>
TOTAL EXPENSES		<u>519,832</u>	<u>4,204,795</u>
Profit / (loss) before and after tax		<u>1,026,752</u>	<u>(2,562,461)</u>
Earnings per equity share (Basic and diluted)	14	1,026.75	(2,562.46)
Face value per equity share (in South African Rand)		1.00	1.00
SIGNIFICANT ACCOUNTING POLICIES	1		

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of the Board

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

J. S. SUDARSAN
Director

B. RAMAKRISHNAN
Director

Place : Chennai
Date : June 18, 2014

Place : Chennai
Date : June 18, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A. Cash flow from operating activities		
Profit / (loss) before tax	1,026,752	(2,562,461)
Adjustments for		
Depreciation expense	-	128,025
Loss on sale of fixed assets (net)	-	281,562
Interest income	(1,546,584)	(1,642,334)
Translation difference	35,800	(3,692,608)
Operating profit / (loss) before working capital changes	(484,032)	(7,487,816)
Adjustments for		
(Increase) / decrease in loans and advances	20,360	529,607
Increase / (decrease) in other current liabilities	7,268	(1,695,531)
Net cash from / (used in) operating activities	(A) (456,404)	(8,653,740)
B. Cash flow from investing activities		
Interest received	1,546,584	1,642,334
Purchase of fixed assets	-	(19,775)
Sale of fixed assets	-	-
Effect of translation difference in fixed assets and depreciation	-	23,545
Net Cash from / (used in) investing activities	(B) 1,546,584	1,646,104
C. Cash flow from financing activities		
Net cash from / (used in) financing activities	(C) -	-
Net (decrease)/increase in cash and cash equivalents	(A+B+C) 1,090,180	(7,007,636)
Cash and cash equivalents at beginning of the year	30,522,609	37,530,245
Cash and cash equivalents at the end of the year	31,612,789	30,522,609

Notes:

- Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) 3 "Cash Flow Statements" as specified by the Companies (Accounting Standards) Rules, 2006, as amended.
- Refer Note 6 for components of cash and cash equivalents.
- Figures for the previous year have been regrouped / reclassified wherever necessary.

As per our attached report of even date

For and on behalf of the Board

For SHARP & TANNANChartered Accountants
(Firm's Registration No. 003792S)**V. VISWANATHAN**Partner
Membership No. 215565**J. S. SUDARSAN**

Director

B. RAMAKRISHNAN

Director

Place : Chennai
Date : June 18, 2014Place : Chennai
Date : June 18, 2014

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

i. 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 as specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government, (as amended) 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.

ii. Use of estimates

The preparation of financial statements in conformity with Indian 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 life of tangible and intangible fixed assets, allowances 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.

iii. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

iv. Impairment of assets

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

- 1) The provision for impairment loss, if any, required or
- 2) 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.

v. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- 1) Furniture and fixtures – 25%
- 2) Office equipment – 25%

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.

vi. Cash and cash equivalents

Cash and cash equivalents represents cash on hand and demand deposits with banks and include short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

vii. Foreign currency translations

The reporting currency of the Company is South African Rand.

The Financial Statements are translated in Indian Rupees as follows:

- 1) Share capital is retained at the initial contribution amount.
- 2) Fixed assets, current assets and current liabilities are translated at year-end exchange rates.
- 3) Revenue transactions are translated at the average exchange rates.
- 4) The resultant exchange difference is accounted as Foreign Currency Translation Reserve Difference in the Balance Sheet.

viii. 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.

- 1) Interest income is recognised at the agreed rates on time proportion basis.
- 2) Other items of income are accounted as and when the right to receive arises.

ix. Operating cycle for current/non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

x. Provisions, contingent liabilities and contingent assets

- 1) 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- 2) Reimbursements 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.
- 3) Contingent liability is disclosed in the 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, unless the probability of outflow of resources is remote.
- 4) Contingent assets are neither recognised nor disclosed.
- 5) Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

	As at 31.03.2014		As at 31.03.2013	
	Numbers	₹	Numbers	₹
2 SHARE CAPITAL				
Authorised:				
Ordinary shares of South African Rand 1 each	5,000	32,275	5,000	32,275
Issued, subscribed and fully paid up:				
Ordinary shares of South African Rand 1 each	1,000	6,455	1,000	6,455

a) There was no movement in share capital during the current and previous year.

b) Terms / rights / restrictions attached to equity shares

- (i) The Company has only one class of equity shares having a par value of South African Rand 1 each. Each holder of equity share is entitled to one vote per share.
- (ii) All shares issued carry equal rights for dividend declared by the Company. There are no restrictions attached for any specific shareholder.
- (iii) The Company has not issued any securities with the right/option to convert the same into equity shares at a later date.
- (iv) The Company has not declared any dividends during the year (Previous year ₹ Nil).

c) Shares held by the holding company

Name of shareholder	As at 31.03.2014		As at 31.03.2013	
	Numbers	₹	Numbers	₹
Larsen & Toubro International FZE Sharjah, United Arab Emirates	725	4,680	725	4,680
(Ordinary shares of South African Rand 1 each fully paid up)				

d) Equity shares in the Company held by each shareholder holding more than 5 percent shares

Name of shareholder	As at 31.03.2014		As at 31.03.2013	
	Numbers	% holding	Numbers	% holding
Larsen & Toubro International FZE, Sharjah, United Arab Emirates	725	72.50%	725	72.50%
Befula Investments, South Africa	275	27.50%	275	27.50%

- e) The Company has not bought back any shares or issued shares for consideration other than cash or issued bonus shares since incorporation.
- f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
3 RESERVES AND SURPLUS				
Securities premium				
As per last Balance Sheet		48,406,045		48,406,045
Foreign currency translation reserve / (difference)		(2,476,023)		(2,511,823)
Surplus				
As per last Balance Sheet	(18,382,881)		(15,820,420)	
Profit / (loss) for the year	1,026,752		(2,562,461)	
		(17,356,129)		(18,382,881)
TOTAL		28,573,893		27,511,341
4 OTHER CURRENT LIABILITIES				
Liability for expenses		3,213,827		3,206,559
TOTAL		3,213,827		3,206,559

5. FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 01.04.2013	Additions	Deductions	Translation difference	As at 31.03.2014	Up to 31.03.2013	For the year	On deductions	Translation difference	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Furniture and fixtures	-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-
<i>Previous year</i>	551,142	19,775	539,525	(31,392)	-	137,785	128,025	257,963	(7,847)	-	-	-

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
6 CASH AND CASH EQUIVALENTS				
Balances with banks				
- on current accounts		1,244,201		1,679,617
- on deposit accounts with maturity of less than three months [including interest accrued thereon ₹ 111,412/- (previous year ₹ 255,874/-)]		30,368,588		28,842,992
		31,612,789		30,522,609
TOTAL		31,612,789		30,522,609
7 SHORT-TERM LOANS AND ADVANCES				
(Unsecured, considered good)				
Deposits		-		192,031
Balances with excise, customs, value added tax authorities etc.,		535		9,715
Other advances		180,851		-
TOTAL		181,386		201,746

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
8 CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent liabilities	Nil	NIL
(b) Commitments	Nil	NIL
	2013-14	2012-13
	₹	₹
9 OTHER INCOME		
Interest income on bank deposits	1,546,584	1,642,334
TOTAL	1,546,584	1,642,334
10 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	-	2,582,560
Contribution to social security and pension	-	4,679
Welfare and other expenses	-	856
TOTAL	-	2,588,095
11 ADMINISTRATION AND OTHER EXPENSES		
Rent	16,442	502,263
Rates and taxes	33,906	33,011
Legal and professional charges [Refer Note below]	412,372	121,047
Repairs and maintenance	13,934	215,095
Loss on sale of fixed assets (net)	-	281,562
Miscellaneous expenses	43,178	335,697
TOTAL	519,832	1,488,675
Note : Legal and professional charges include Auditor's remuneration (paid to overseas auditor only) as follows -		
Statutory audit fees	56,059	56,250

12 Disclosures as required by Accounting Standard (AS) 17 "Segment Reporting"

The Company is engaged only in the business of construction related activity and hence no primary segment reporting has been made. Further, the entire operations of the Company are in South Africa and hence no secondary segment reporting has been made.

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

(i) List of related parties who exercise control over the Company:

Name of related party	Relationship
a) Larsen & Toubro Limited	Ultimate holding company
b) Larsen & Toubro International FZE	Holding company

(ii) There were no transactions with related parties during the current year and previous year.

(iii) No amounts pertaining to related parties have been written off or written back during the current and previous year.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**14 Disclosures as required by Accounting Standard (AS) 20 "Earnings Per Share"**

Particulars		2013-14	2012-13
Profit / (loss) after tax as per Statement of Profit and Loss	₹	1,026,752	(2,562,461)
Number of equity shares outstanding	Numbers	1,000	1,000
Weighted average number of equity shares outstanding	Numbers	1,000	1,000
Earnings per share (basic and diluted)	₹	1,026.75	(2,562.46)
Face value of equity share	Rand / Share	1	1

15 The Company has carried forward business losses as at March 31, 2014 and does not have any taxable income for the year as per the local laws under which the Company is governed. Accordingly, no provision for tax has been made for the year.

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

As per our attached report of even date

For and on behalf of the Board

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

J. S. SUDARSAN
Director

B. RAMAKRISHNAN
Director

Place : Chennai
Date : June 18, 2014

Place : Chennai
Date : June 18, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and Accounts for Larsen & Toubro Qatar LLC for the year ended December 31, 2013.

FINANCIAL RESULTS

	2013 ₹ in Crs	2012 ₹ in Crs
Total Income	2.34	0.06
Operating Profit / (Loss)	2.34	-
Add: Interest Income	-	-
Less: Finance Costs	-	-
Profit / (Loss) before exceptional items and Tax	2.34	-
Exceptional Items	27.76	-
Profit before Tax	30.10	-
Less: Income Tax Expense	0.11	-
Net Profit / (Loss) after Tax	29.99	-
Add: Balance Brought Forward from previous year	(29.33)	(29.33)
Balance available for Director's appropriations f for di ollows	0.66	-
Dividend	-	-
Less: Transfer to Legal Reserve	0.07	-
Balance to be carried forward	0.59	(29.33)

We have reported a Profit of ₹ 2.34 crs from Other Income for the year 2013 and the cumulative profit of ₹ 0.06 crs as at December 31, 2013. The company has paid Income Tax of ₹ 0.11 crs towards earnings during the year 2013.

DIVIDEND

The Directors do not recommend payment of any dividend.

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 Director) Rules, 1988, are not applicable.

PARTICULARS OF EMPLOYEES

The Company being registered outside India, the disclosure 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 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 31st December, 2013 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 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.

BOARD OF DIRECTORS

Current Directors of the Company are:

Mr. Dip. Kishore Sen

Mr. B. Ramakrishnan

Dr. Sheikh Jassim Bin Nasser Al-Thani

LARSEN & TOUBRO QATAR LLC

MAJOR ACTIVITIES

During the year 2013 there is no major activity in the company. The company continued its operation without any new project being quoted. During the year 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 to follow up for the extra claims submitted during the year 2011 total claims as follows.

1. Prolongation Cost	₹ 13.08 crores
2. Escalation Cost	₹ 1.16 crores
3. Disputed Variation & other cost	₹ 17.86 crores
Total Claim	₹ 32.10 crores

Presently the claim is with "Claims Committee" of the customer ASHGHAL and expected to be realized during the year 2014.

AUDITORS

The Deloitte & Touche, Qatar Chartered Accountants has been appointed as the Auditors of the company for the year 2013 and continue to be the statutory auditors of the Company for 2014.

PROSPECTS FOR THE COMPANY

The country Qatar, the highest per-capita income country in the world, in which the 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.

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.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support by the Government authorities in the State of Qatar and take this opportunity to thank them for the same. The Directors also thank the Parent Company, 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: Chennai

Date: April 14, 2014

DIP. KISHORE SEN

Director

B. RAMAKRISHNAN

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LARSEN & TOUBRO QATAR L.L.C

Report on the Financial Statements

The financial statements of **LARSEN & TOUBRO QATAR L.L.C.** for the year ended December 31, 2013, being a Company registered in the Qatar, have been audited by Deloitte & Touche., Chartered Accountants, Doha, Qatar ("the Component Auditors") and we have been furnished with their audit report dated April 14, 2014 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 financial statements in Qatari Riyals to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the accompanying financial statements of Larsen & Toubro Qatar L.L.C. ("the Company"), which comprise the Balance Sheet as at December 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"), to the extent applicable to the Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note 13 of the financial statements, regarding write back of amount due to shareholder, which has been disclosed as an Exceptional item of Income in the Statement of Profit and Loss. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash flow statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash flow statement comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act, to the extent applicable to the Company;
 - 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.

For SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the Independent Auditor's Report to the members of Larsen & Toubro Qatar L.L.C on the financial statements for the year ended December 31, 2013 and based on our communication with the Component Auditors by way of Group Audit Deliverables, we report that:

- (i) The Company does not carry any fixed assets in its books and accordingly, reporting under clauses 4 (i) (a), (b) and (c) of the Order relating to fixed assets does not arise.
- (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 relating to inventory does not arise.
- (iv) In our opinion, and according to the information and explanations given to us by the Component Auditors, there exists an adequate internal control system commensurate with the size of the Company and nature of its business. In our opinion, and according to the information and explanations given to us by the Component Auditors, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vii) In our opinion, the Company has an internal audit system commensurate with the 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 Order does not arise. However, according to the information and explanations given to us by the Component Auditors, the Company has complied with all local laws applicable to it.
- (x) The Company does not have any accumulated losses as at December 31, 2013. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) As per the information and explanations given by the Component Auditors, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank during the year. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us by the Component Auditors, 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 a trader of shares, securities, debentures and other investments. Accordingly, reporting under clause 4(xiv) of the Order does not arise.
- (xv) According to the information and explanations given to us by the Component Auditors, 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 by the Component Auditors, 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 issues during the year. Accordingly, reporting under clause 4 (xx) of the order does not arise.
- (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 by the Component Auditors, we have neither come across any instances of fraud by the Company or material fraud on the Company, noticed or reported during the year, nor have we been informed of such cases by management.

The clauses (iii), (v), (vi), (viii), (xiii) and (xviii) of the Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

For SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	2	2,388,000		2,388,000	
(b) Reserves and surplus	3	4,006,653		(356,748,266)	
			6,394,653		(354,360,266)
Current liabilities					
(a) Trade payables	4	2,548,236		1,881,031	
(a) Other current liabilities	5	2,206,732		363,889,784	
(a) Short-term provisions	5	1,213,271		–	
			5,968,239		365,770,815
TOTAL			12,362,892		11,410,549
ASSETS					
Non-current assets					
(a) Non-current investments	7		–		–
Current assets					
(a) Cash and cash equivalents	8	9,547,996		8,956,644	
(b) Short-term loans and advances	9	2,814,896		2,453,905	
			12,362,892		11,410,549
TOTAL			12,362,892		11,410,549
CONTINGENT LIABILITIES AND COMMITMENTS	10				
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date

For SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 003792S

For and on behalf of the Board

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

D. K. SEN

Director

Place : Chennai

Date : June 18, 2014

B. RAMAKRISHNAN

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013 ₹	2012 ₹
REVENUE			
Other income	11	23,394,719	596,476
Total Revenue		23,394,719	596,476
EXPENSES			
Sales, administration and other expenses	12	–	596,476
Total expenses		–	596,476
Profit before exceptional items and tax		23,394,719	–
Exceptional items	13	277,569,530	
Profit before tax		300,964,249	–
Tax expense:			
Current tax		1,146,336	–
Profit for the year		299,817,913	–
Tax expense:			
Earnings per share (Basic and diluted)	16	1,499,089.57	–
Face value per ordinary share (in Qatari Riyal)		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES	1		

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date

For SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

For and on behalf of the Board

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

D. K. SEN
Director

Place : Chennai
Date : June 18, 2014

B. RAMAKRISHNAN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities		
Net profit before tax and exceptional items	299,817,913	–
Adjustments for		
Translation difference	60,937,006	<i>(12,253,197)</i>
Operating profit / (loss) before working capital changes	360,754,919	<i>(12,253,197)</i>
(Increase) / decrease in trade and other receivables	–	–
(Increase) / decrease in loans and advances	(360,991)	<i>(1,267,726)</i>
Increase / (decrease) in trade and other payables	(361,015,847)	<i>12,704,817</i>
Increase / (decrease) in short term provisions	1,213,271	–
Cash (used in) / generated from operations	591,352	<i>(816,106)</i>
Direct taxes paid / (refund)	–	–
Net cash (used in) / from operating activities (A)	591,352	<i>(816,106)</i>
B. Cash Flow from investing activities		
Net Cash (used in) / from investing activities (B)	–	–
C. Cash Flow from financing activities		
Net cash (used in) / from financing activities (C)	–	–
Net (decrease) / increase in cash and cash equivalents (A+B+C)	591,352	<i>(816,106)</i>
Cash and cash equivalents at beginning of the year	8,956,644	<i>9,772,750</i>
Cash and cash equivalents at end of the year	9,547,996	<i>8,956,644</i>

Notes:

- Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) 3 "Cash Flow Statements" as specified by the Companies (Accounting Standards) Rules, 2006, as amended.
- Cash and cash equivalents comprise cash on hand and balances with banks on current accounts. Refer Note 8 for components of cash and cash equivalents.
- Figures for the previous year have been regrouped or reclassified wherever necessary.

As per our attached report of even date

For SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 003792S

For and on behalf of the Board

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

D. K. SEN

Director

Place : Chennai

Date : June 18, 2014

B. RAMAKRISHNAN

Director

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 1 : SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation

The Company maintains its accounts on accrual basis following the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") and in compliance with the provisions of the Companies Act, 1956 and Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 (as amended). However, certain escalation and other claims are accounted for in terms of contracts with the customers / admitted by the appropriate authorities.

ii) Use of estimates

The preparation of financial statements in conformity with Indian 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 life of tangible and intangible fixed assets, allowance 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.

iii) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

iv) 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.

v) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- a) Machinery and other equipment at 15%
- b) Vehicles, Furniture and 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.

vi) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and demand deposits with banks and include short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

vii) 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.

viii) 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 on companies in Qatar.

ix) Revenue Recognition

- a) Revenue is recognized based on nature of activity when consideration can be reliably measured and there exists reasonable certainty of its recovery.
- b) 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
- c) Other items of income are accounted as and when the right to receive arises.

x) Foreign currency translations

The reporting currency of the Company is Qatari Riyals. Accounts are translated in Indian Rupees as follows:

- a) Share capital is retained at the initial contribution amount.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- b) Fixed and Current assets and Current liabilities are translated at year-end exchange rates.
- c) Revenue transactions are translated at the average exchange rates.
- d) The resultant difference is accounted as Foreign currency translation reserve in the Balance Sheet.

xi) Operating cycle for current/non-current classification

Operating cycle for the business activities of the company is taken as twelve months for classification of its assets and liabilities into current/non-current.

xii) 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) Reimbursements 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.
- c) Contingent liability is disclosed in the case of:
 - i. a present obligation arising from past events, 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, 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.

Note 2 : SHARE CAPITAL

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Authorised:				
Ordinary shares of Qatari Riyal 1,000 each	200	2,388,000	200	2,388,000
Issued, subscribed and fully paid up:				
Ordinary shares of Qatari Riyal 1,000 each	200	2,388,000	200	2,388,000
TOTAL	200	2,388,000	200	2,388,000

a) Reconciliation of shares outstanding at the beginning and at the end of the year

There was no movement in share capital during the current and previous year.

b) Terms / rights attached to equity shares

- (i) The Company has only one class of equity shares having a par value of Qatari Riyal 1,000/- each. Each holder of equity share is entitled to one vote per share.
- (ii) All shares issued carry equal rights for dividend declared by the Company. There are no restrictions attached for any specific shareholder.
- (iii) The Company has not issued any securities with the right/option to convert the same into equity shares at a later date.
- (iv) The Company has not declared any dividend during the year (*Previous year ₹ Nil*).

c) Shares held by the holding company

Name of shareholder	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Al-Jazeera International Trading Co. L.L.C.	102	1,217,880	102	1,217,880
Larsen & Toubro International FZE, Sharjah, United Arab Emirates (Ordinary shares of Qatari Riyal 1,000 each fully paid)	98	1,170,120	98	1,170,120
TOTAL	200	2,388,000	200	2,388,000

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**d) Equity shares in the company held by each shareholder holding more than 5 percent shares**

Name of shareholder	As at 31.12.2013		As at 31.12.2012	
	Numbers	% holding	Numbers	% holding
Al-Jazeera International Trading Co. L.L.C.	102	51%	102	51%
Larsen & Toubro International FZE, Sharjah, United Arab Emirates	98	49%	98	49%
TOTAL	200	100%	200	100%

e) The Company has not bought back any shares or issued shares for consideration other than cash or issued bonus shares during the five years immediately preceding the Balance Sheet date.

f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

Note 3 : RESERVES AND SURPLUS

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Legal reserve [Refer Note (a) below]				
As per last Balance Sheet	760,651		760,651	
Add: Transfer from Surplus	667,729		—	
		1,428,380		760,651
Foreign currency translation reserve				
As per last Balance Sheet		(3,288,430)		(64,225,436)
Surplus / (deficit)				
As per last Balance Sheet	(293,283,481)		(293,283,481)	
Add: Profit for the year	299,817,913		—	
Less: Transfer to Legal Reserve	(667,729)		—	
		5,866,703		(293,283,481)
TOTAL		4,006,653		(356,748,266)

a) In accordance with Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association, 10% of the net profit for the year is to be transferred to Legal Reserve. This reserve is to be maintained until the reserve equals 50% of the paid up capital and is not available for distribution except in circumstances specified in the above Law.

NOTE 4 : TRADE PAYABLES

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to others		2,548,236		1,881,031
TOTAL		2,548,236		1,881,031

NOTE 5 : OTHER CURRENT LIABILITIES

Due to related parties:

- Holding company [Refer Note 13 infra]

- Joint venture

			339,100,661	
			—	
				339,100,661
Liability for expenses		2,206,732		24,789,123
TOTAL		2,206,732		363,889,784

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**NOTE 6 : SHORT-TERM PROVISIONS**

	As at 31.12.2013	As at 31.12.2012
	₹	₹
Provision for income tax	1,213,271	-
[Refer Note (a) below]		
TOTAL	1,213,271	-

- (a) Provision for income tax has been made in accordance with applicable provisions of 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 2012 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.

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE 7 : NON-CURRENT INVESTMENTS (At cost unless otherwise specified)		
Trade investments		
Investments in unquoted equity instruments - fully paid		
Joint Ventures		
Larsen & Toubro & HBK Contracting Co. WLL (100 shares of Qatari Riyal 1,000 each fully paid)	1,278,250	1,278,250
Less: Provision for diminution in the value of investments	(1,278,250)	(1,278,250)
TOTAL	-	-
(a) Aggregate amount of unquoted investments	-	-

NOTE 8 : CASH AND CASH EQUIVALENTS

Balances with banks on current accounts	9,514,708	8,767,183
Cash on hand	33,288	189,461
TOTAL	9,547,996	8,956,644

NOTE 9 : SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good)		
Advances to related parties		
- Joint venture	41,237,605	36,688,700
	41,237,605	36,688,700
Less: Allowance for doubtful advances	(38,569,543)	(34,365,432)
	2,668,062	2,323,268
Advance to suppliers	146,834	130,637
TOTAL	2,814,896	2,453,905

NOTE 10 : CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities	Nil	Nil
(b) Commitments	Nil	Nil

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	2013 ₹	2012 ₹
NOTE 11 : OTHER INCOME		
Share of profit from joint operation	54,804	–
Provision no longer required written back	23,339,915	596,476
TOTAL	23,394,719	596,476

NOTE 12 : SALES, ADMINISTRATION AND OTHER EXPENSES

Rates and taxes	–	293,436
Auditors' remuneration [Refer Note (b) below]	–	296,850
Bank charges	–	2,969
Miscellaneous expenses	–	3,221
TOTAL	–	596,476

(a) Expenses for the current year amounting to ₹ 900,546/- were paid off from the accrued expenses created in the previous years.

(b) Auditor's remuneration (paid to overseas auditor only) charged to the Statement of Profit and Loss is as follows:-

Statutory audit fees	–	296,850
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NOTE 13 :

During the year, one of the Company's shareholder, Larsen & Toubro International FZE has agreed to waive off the amounts payable by the Company, in order to provide financial support to the Company to continue its operations. Accordingly, the Company has written back the amount due to the shareholder and has disclosed the same as an Exceptional item of Income in the Statement of Profit and Loss for the year.

NOTE 14 : DISCLOSURES PURSUANT TO ACCOUNTING STANDARD (AS) 17 "SEGMENT REPORTING"

The Company is engaged only in the business of construction related activity and hence no primary segment reporting has been made. Further, the entire operations of the Company are in Qatar and hence no secondary segment reporting has been made. The Company does not have any fixed assets in its books.

NOTE 1 : DISCLOSURES PURSUANT TO ACCOUNTING STANDARD (AS) 18 "RELATED PARTY DISCLOSURES"**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	Al Jazeera International Trading Company L.L.C.	Holding Company
3	Larsen & Toubro International FZE	Holding Company (Management control)

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 International FZE	Holding Company (Management control)
2	Larsen & Toubro & HBK Contracting Co. W.L.L	Joint Venture

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**iii. Disclosure of related party transactions**

Related Party	Nature of relationship	Nature of transaction	Transaction during the year (₹)	Amount Outstanding (₹)	
				Due from Related Party	Due to Related Party
Larsen & Toubro International FZE	Holding Company	Write back of dues	277,569,530 (-)		- (339,100,661)
Larsen & Toubro & HBK Contracting Co. W.L.L	Joint Venture	Share of profits accounted	54,804 (-)	- (-)	- (-)
		Advances paid	- (-)	41,237,605 (36,688,700)	

Note: Figures in bracket represents amounts for the previous year.

iv. Amounts due to related parties written back during the year:

Larsen & Toubro International FZE ₹ 277,569,530/- (Previous year ₹ Nil)

v. There are no amounts due from related parties written off during the current and previous year.**NOTE 16 :****Basic and diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"**

Particulars			2013	2012
Profit after tax as per accounts	A	(₹)	299,817,913	--
Number of ordinary shares outstanding	B	(Nos.)	200	200
Earnings per share (basic and diluted)	C = A / B	(₹)	1,499,089.57	--
Face value of an equity share		(Qatari Riyal)	1,000	1,000

NOTE 17 :

Figures for the previous year have been regrouped or reclassified, wherever necessary.

As per our attached report of even date

For SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 003792S

For and on behalf of the Board

V. VISWANATHAN

Partner

Membership No. 215565

Place : Chennai

Date : June 18, 2014

D. K. SEN

Director

Place : Chennai

Date : June 18, 2014

B. RAMAKRISHNAN

Director

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and Accounts for **Larsen & Toubro Saudi Arabia LLC** for the year ended December 31, 2013.

FINANCIAL RESULTS

Particulars	2013 (₹ in Crs)	2012 (₹ in Crs)
Total Income	228.85	647.90
Operating Profit / (loss)	(30.89)	(13.09)
Less: Finance costs	8.85	3.25
Profit / (loss) before tax	(39.74)	(16.34)
Less: Income tax expense	Nil	Nil
Net Profit / (loss) after tax	(39.74)	(16.34)

YEAR IN RETROSPECT

During the current year, the Company has successfully completed the projects booked in the year 2010 & 2011. As during the year, the effort was to complete jobs in hand successfully and then go for new orders bidding at the end of the year. Hence, there has been a decrease in sales during the year. In the last quarter, the Company has booked below mentioned orders.

Order inflow during the year comprised the following projects

SI No	Client	Job	Contract Value (₹ in Crs)
1	Saudi Aramco	Replace Power supply at Abu Ali Plants	636.33
2	National Grid	Construction of New 132kv DC OHL from New Abu ajram substation up to Al jouf power plant substation in Al jouf area	159.36
3	National Grid	Construction of Al Dawadmi BSP substation no.9037 with 132kv network in Riyadh area	97.26

AWARDS & RECOGNITIONS

The Directors are pleased to inform that Company received the following awards during the year under review:

GCC HSE Excellence Gold Award- 2014 from American Society of Safety Engineer, Kuwait Chapter. Gold Award from RoSPA (The Royal Society for Prevention of Accidents) (UK).

CAPITAL EXPENDITURE

As at December 31, 2013, the gross Fixed Assets stood at ₹ 19.27 Crs (*Previous year ₹ 17.09 Crs*). Additions during the year amounted to ₹ 0.05 Crs (*Previous year ₹ 5.28 Crs*)

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 applicable.

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 December 31, 2013 and of the profit 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; and
- That the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

During the year, there was no change in directorship of the Company. Accordingly, the following directors continue on the Board of Directors of the Company:

Mr. Dileep S. Shevde

Mr. J. S. Sudarshan

Mr. B. Ramakrishnan

AUDITORS

The auditors, Ernst & Young (E&Y) continue to be the statutory auditors of the Company for 2014.

PERSONNEL

The Board of Directors wishes to express their appreciation to the employees for their outstanding contribution to the operations of the Company. There are no employees covered by the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended by the Government authorities in the Kingdom of Saudi Arabia 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 : Chennai
Date : March 18, 2014

B. RAMAKRISHNAN
Director

J. S. SUDARSHAN
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO SAUDI ARABIA L.L.C

Report on the Financial Statements

The financial statements of **LARSEN & TOUBRO SAUDI ARABIA L.L.C.** for the year ended December 31, 2013, being a Company registered in the Kingdom of Saudi Arabia, have been audited by Ernst & Young, Chartered Accountants, Saudi Arabia and we have been furnished with their audit report dated March 18, 2014 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 financial statements in Saudi Arabian Riyals to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

We have audited the accompanying financial statements of Larsen & Toubro Saudi Arabia L.L.C. ("the Company"), which comprise the Balance Sheet as at December 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"), to the extent applicable to the Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note 20 accompanying the financial statements which states that the financial statements have been prepared on going concern basis, even though the Company has accumulated losses. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act, to the extent applicable to the Company;
- 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.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the Independent Auditor's Report to the members of Larsen & Toubro Saudi Arabia L.L.C on the financial statements for the year ended December 31, 2013 and based on our communication with the Component Auditors by way of Group Audit Deliverables, we report that:

- (i) (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets have not been physically verified by the management during the year. Hence we are unable to comment on the discrepancies, if any.
- (c) The Company has not disposed off any of its fixed assets during the year so as to affect its going concern status.
- (ii) (a) According to the information and explanations given to us by the Component Auditors, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us by the Component Auditors, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory and there were no discrepancies between physical stock and book records.
- (iv) In our opinion, and according to the information and explanations given to us by the Component Auditors, there exists an adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets and for sale of services. In our opinion, and according to the information and explanations given to us by the Component Auditors, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) The Company being registered in Saudi Arabia, has no statutory liabilities in India and accordingly reporting under clauses 4 (ix) (a) and (b) of the Order does not arise. However, according to the information and explanations given to us by the Component Auditors, the Company has complied with all local 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 December 31, 2013, and in the immediately preceding financial year.
- (xi) As per the information and explanations given to us by the Component Auditors, we are of the opinion that the Company has not defaulted in repayment of dues to a bank during the year. The Company has not availed loans from financial institutions or issued any debentures.
- (xii) According to the information and explanations given to us by the Component Auditors, 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 Order does not arise.
- (xv) According to the information and explanations given to us by the Component Auditors, 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 by the Component Auditors, 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 by the Component Auditors, 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 issues during the year. Accordingly, reporting under clause 4 (xx) of the Order does not arise.
- (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 by the Component Auditors, 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 (iii), (v), (vi), (viii), (xiii) and (xviii) of the Order are not applicable to the Company since it is registered outside India and hence no reporting has been made.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No. 215565

Place : Chennai
Date : June 18, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	2	46,350,000		46,350,000	
(b) Reserves and surplus	3	(1,290,690,431)		(646,626,233)	
			(1,244,340,431)		(600,276,233)
Advance against share capital	22		140,080,000		-
Non-current liabilities					
(a) Long-term borrowings	4	1,600,113,800		172,781,783	
(b) Long-term provisions	5	38,061,351		17,066,907	
			1,638,175,151		189,848,690
Current liabilities					
(a) Short-term borrowings	6	3,272,341,362		2,480,345,167	
(b) Trade payables	7	435,676,883		2,474,939,253	
(c) Other current liabilities	8	73,989,955		356,152,123	
			3,782,008,200		5,311,436,543
TOTAL			4,315,922,920		4,901,009,000
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets	9		89,828,360		122,240,990
Current assets					
(a) Trade receivables	10	1,407,410,424		1,140,275,564	
(b) Cash and cash equivalents	11	68,265,779		331,069,429	
(c) Short-term loans and advances	12	68,079,885		206,002,115	
(d) Other current assets	13	2,682,338,472		3,101,420,902	
			4,226,094,560		4,778,768,010
TOTAL			4,315,922,920		4,901,009,000
CONTINGENT LIABILITIES AND COMMITMENTS	14				
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No: 003792S)

V. VISWANATHAN

Partner

Membership No: 215565

B. BAMAKRISHNAN

Director

J.S.SUDARSAN

Director

Place : Chennai

Date : June 18, 2014

Place : Chennai

Date : June 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operations	15	2,288,518,516		6,478,973,876	
Other income		3,788,618		383,330	
Total revenue		2,292,307,134		6,479,357,206	
EXPENSES					
Construction and operating expenses	16	1,685,416,891		5,739,902,130	
Employee benefits expense	17	543,071,487		293,136,688	
Finance costs	18	88,473,212		32,548,743	
Depreciation expense	9	45,464,786		38,791,633	
Sales, administration and other expenses	19	327,300,157		538,435,010	
Total expenses		2,689,726,533		6,642,814,204	
Profit / (loss) before tax		(397,419,399)		(163,456,998)	
Tax expenses					
Income tax		-		-	
Deferred tax		-		28,590,826	
					28,590,826
Profit / (loss) for the year		(397,419,399)		(192,047,824)	
Earnings per share (Basic and Diluted)	29	(99,354.85)		(48,011.96)	
Face value per equity share (Saudi Arabian Riyal)		1,000		1,000	
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements.

As per our report attached of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No: 003792S)

V. VISWANATHAN

Partner

Membership No: 215565

B. BAMAKRISHNAN

Director

J.S.SUDARSAN

Director

Place : Chennai

Date : June 18, 2014

Place : Chennai

Date : June 18, 2014

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

i. 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 (as amended) 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.

Although the Company has accumulated losses as at the end of the financial year, these financial statements have been prepared on a going concern basis (Refer Note 20).

ii. Use of estimates

The preparation of financial statements in conformity with Indian 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 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, allowance 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.

iii. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and cumulative impairment.

iv. 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.

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; and
- 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.

v. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows -

- | | |
|---|-------|
| a) Furniture, fixtures and office equipment | – 25% |
| b) Electrical installations | – 25% |
| c) Vehicles | – 25% |

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.

vi. Retirement/Termination benefits

Payment is made according to Saudi Arabian labour Law. In respect of staff deputed from parent Company Larsen & Toubro Limited, the provisions / contributions are made in the books of Parent Company and the cost is debited. Provision towards other expatriate costs is made for amounts payable in accordance with the employees' contract of employment applicable to their accumulated periods of service at the Balance Sheet date.

vii. 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 Statement of Profit and Loss on accrual basis.

viii. Taxes on Income

- a) 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.
- b) Deferred tax is recognized on timing difference between the accounting income and the estimated taxable income for the period and quantified using the current rates of taxation.
- c) The carrying amount of any deferred tax asset (including deferred tax asset on unabsorbed depreciation and business losses) is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available in the near future to allow all or part of the deferred tax assets to be utilized.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

ix. 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.

- (i) 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 of a contract.

No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined. Expected loss, if any, on construction activity is recognized as an expense as and when it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

- (ii) Other items of income are recognized as and when the right to receive arises.

x. Inventories

Construction materials are valued at lower of actual cost and net realizable value, after providing for obsolescence, if any.

xi. Cash and bank balances

Cash and bank balances includes fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation.

xii. Foreign currency transactions

The reporting currency of the Company is Saudi Arabian Riyals.

The Financial Statements are translated in Indian Rupees as follows:

- a) Share capital is retained at the initial contribution amount.
- b) Fixed and current assets, Non –current and current liabilities are translated at year-end exchange rates.
- c) Revenue transactions are translated at the average exchange rates.
- d) The resultant difference is accounted as Foreign Currency Translation Reserve / Difference in the Balance Sheet.

xiii. Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

The effective portion of the gain or loss on the hedging instrument from a cash flow hedge is recognized directly in equity, while any ineffective portion is recognized immediately in the Statement of Profit and Loss.

xiv. Operating cycle for current/non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

xv. 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 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 present obligation arising from past events, when no reliable estimate is possible;
 - iii) a possible obligation arising from past events, unless the probability of outflow of resources is remote.
- (d) Contingent assets are neither recognised, nor disclosed.
- (e) Provision, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**2 SHARE CAPITAL**

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Authorised:				
Ordinary shares of Saudi Riyal 1,000 each	4,000	46,350,000	4,000	46,350,000
Issued, subscribed and fully paid up:				
Ordinary shares of Saudi Riyal 1,000 each	4,000	46,350,000	4,000	46,350,000
TOTAL	4,000	46,350,000	4,000	46,350,000

a) Reconciliation of shares outstanding at the beginning and at the end of the year

There was no movement in share capital during the current and previous year.

b) Terms/ rights attached to equity shares

- The Company has only one class of equity shares having a par value of Saudi Arabian Riyal 1,000/- each. Each holder of equity share is entitled to one vote per share.
- All shares issued carry equal rights for dividend declared by the Company. There are no restrictions attached for any specific shareholder.
- The Company has not issued any securities with the right/option to convert the same into equity shares at a later date.
- The Company has not declared any dividend during the year (*Previous year ₹ Nil*)

c) Shares held by the holding Company

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	₹	Numbers	₹
Larsen & Toubro International FZE, Sharjah, United Arab Emirates (Ordinary shares of Saudi Riyal 1,000 each fully paid up)	3,800	44,032,500	3,800	44,032,500

d) Equity shares in the Company held by each shareholder holding more than 5 percent shares

Particulars	As at 31.12.2013		As at 31.12.2012	
	Numbers	% holding	Numbers	% holding
Larsen & Toubro International FZE, Sharjah, United Arab Emirates	3,800	95%	3,800	95%
Tractor Engineers Limited	200	5%	200	5%
TOTAL	4,000	100%	4,000	100%

e) The Company has not bought back any shares or issued shares for consideration other than cash or issued bonus shares during the five years immediately preceding the Balance Sheet date.

f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

3 RESERVES AND SURPLUS

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Statutory reserve [Refer Note (a) below]				
As per last Balance Sheet		1,183,084		1,183,084
Foreign currency translation reserve		(614,280,368)		(368,113,345)
Hedging reserve [Refer Note (b) below]				
As per last Balance Sheet	34,184		(226,927,041)	
Additions / (deduction) during the year (net)	(477,776)		226,961,225	
		(443,592)		34,184
Surplus				
As per last Balance Sheet	(279,730,156)		(87,682,332)	
Add: Profit/(loss) for the year	(397,419,399)		(192,047,824)	
		(677,149,555)		(279,730,156)
TOTAL		(1,290,690,431)		(646,626,233)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**(a) 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. No transfer has been made due to the loss incurred during the year. The reserve is not available for distribution / appropriation.

(b) Hedge reserve

Derivative Financial Instruments - Forward commodity contracts

The Company purchases aluminum and copper on an ongoing basis as its construction activities require continuous supply of these materials. Due to the increased volatility in these material prices, the Company has entered into commodity forward contracts. These contracts are expected to reduce the volatility of cash flows in respect of highly probable forecast material purchases and therefore, designated as cash flow hedges.

As at December 31, 2013, fair value loss of ₹ 443,592/- has been recognised as Hedge Reserve in the Balance Sheet and related liability has been accounted under Other current liabilities.

4 LONG-TERM BORROWINGS

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
Unsecured		
From holding Company [Refer Note (a) below]	<u>1,600,113,800</u>	<u>172,781,783</u>
TOTAL	<u><u>1,600,113,800</u></u>	<u><u>172,781,783</u></u>

(a) The Company has signed a loan agreement with its holding Company, Larsen & Toubro International FZE, to finance its operations. Under the loan agreement, the Company has received loan of ₹ 1,427,332,017/- during the year. The loan received during the year carries an interest rate of 3% p.a. and loan received till the previous year are interest free. The entire loan balance is repayable within five years in installments commencing in the year 2016. Accordingly, the loan has been classified as a non-current liability in the Balance Sheet.

5 LONG-TERM PROVISIONS

Particulars	As at 31.12.2013	As at 31.12.2012
	₹	₹
Employees' terminal benefits	<u>38,061,351</u>	<u>17,066,907</u>
TOTAL	<u><u>38,061,351</u></u>	<u><u>17,066,907</u></u>

6 SHORT-TERM BORROWINGS

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Secured				
Loans repayable on demand from banks [refer Note (a) below]				
(i) Short-term loans		<u>2,925,056,393</u>		<u>2,042,294,373</u>
(ii) Bank overdraft		<u>347,284,969</u>		<u>438,050,794</u>
TOTAL		<u><u>3,272,341,362</u></u>		<u><u>2,480,345,167</u></u>

(a) Short-term loans and bank overdraft have been obtained from a commercial bank. These are secured by irrevocable assignment of contract proceeds and carry commission at commercial rates.

7 TRADE PAYABLES

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to Ultimate holding Company		<u>317,957,902</u>		<u>1,068,102,559</u>
Due to others		<u>117,718,981</u>		<u>1,406,836,694</u>
TOTAL		<u><u>435,676,883</u></u>		<u><u>2,474,939,253</u></u>

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**8 OTHER CURRENT LIABILITIES**

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to customers				
Progress bills raised	525,953,292		523,872,704	
Less: Construction and project related work-in-progress:				
- At estimated realisable value	494,323,677		493,399,097	
		31,629,615		30,473,607
Interest accrued and due on borrowings from related parties	19,529,228			-
Liability for expenses	22,387,520			325,148,494
Other liabilities	443,592			530,022
TOTAL	73,989,955			356,152,123

9 TANGIBLE ASSETS

PARTICULARS	COST				DEPRECIATION				BOOK VALUE		
	As at 01.01.2013	Additions during the year	Translation difference	Deductions during the year	As at 31.12.2013	Upto 31.12.2012	For the year	Translation difference	Upto 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹		₹	₹	₹	₹	₹	₹	₹
Owned											
Furniture and fixtures	55,257,928	541,082	6,411,573	-	62,210,583	20,143,462	16,921,795	3,479,169	40,544,426	21,666,157	35,114,466
Office equipment	18,940,859	-	2,803,100	-	21,743,959	6,492,445	2,849,378	969,581	10,311,404	11,432,555	12,448,414
Electrical installations	58,128,408	-	7,194,192	-	65,322,600	16,017,304	15,431,382	2,881,642	34,330,328	30,992,272	42,111,104
Vehicles	38,656,779	-	4,784,336	-	43,441,115	6,089,773	10,262,231	1,351,735	17,703,739	25,737,376	32,567,006
Total	170,983,974	541,082	21,193,201	-	192,718,257	48,742,984	45,464,786	8,682,127	102,889,897	89,828,360	
Previous year	113,186,785	52,842,970	4,954,219	-	170,983,974	8,960,420	38,791,633	990,931	48,742,984		122,240,990

(a) Impairment of assets

The Company has reviewed and satisfied that the recoverable amount of fixed assets is more than the carrying value in the books. Accordingly, no provision has been made for the impairment in these financial statements.

10 TRADE RECEIVABLES

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
(Unsecured, considered good)				
Outstanding for more than six months	1,192,416,251		544,876,022	
Others	214,994,173		595,399,542	
TOTAL	1,407,410,424		1,140,275,564	

11 CASH AND CASH EQUIVALENTS

Balances with banks on current accounts	66,543,998	329,056,995
Cash on hand	1,721,781	2,012,434
TOTAL	68,265,779	331,069,429

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**12 SHORT TERM LOANS AND ADVANCES**

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
(Unsecured, considered good)				
Advances to related parties				
- Ultimate holding Company	12,730,701		-	
- Fellow subsidiary	103,231		64,203	
		12,833,932		64,203
Advances to suppliers and subcontractors	22,344,787		188,531,202	
Deposits	18,857,273		5,872,907	
Prepaid expenses	14,043,893		11,533,803	
TOTAL	68,079,885		206,002,115	

13 OTHER CURRENT ASSETS

Due from customers				
Construction materials stock at site	1,448,117,129		1,874,027,474	
Construction and project related work-in-progress				
(i) At cost	6,017,214		-	
(ii) At realisable sale value	10,322,086,878		8,040,510,156	
Less: Provision for foreseeable losses	-		(3,725,863)	
	10,328,104,092		8,036,784,293	
Less: Progress bills raised	9,093,882,749		6,809,390,865	
		1,234,221,343		1,227,393,428
TOTAL	2,682,338,472		3,101,420,902	

14 CONTINGENT LIABILITIES AND COMMITMENTS

- (a) Contingent liabilities as at December 31, 2013 is ₹ Nil (Previous year ₹ Nil)
(b) Commitments as at December 31, 2013 is ₹ Nil (Previous year ₹ Nil)

15 REVENUE FROM OPERATIONS

Particulars	2013		2012	
	₹	₹	₹	₹
Sales and services				
Construction contracts				
Work-in-progress at the end of the year				
- at cost	6,017,214		-	
- at realisable sales value	10,816,410,555		8,533,909,253	
	10,822,427,769		8,533,909,253	
Less: Work-in-progress at the beginning of the year				
- at cost	-		231,307,461	
- at realisable sales value	8,533,909,253		1,823,627,916	
	8,533,909,253		2,054,935,377	
		2,288,518,516		6,478,973,876
TOTAL	2,288,518,516		6,478,973,876	

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**16 CONSTRUCTION AND OPERATING EXPENSES**

Particulars	2013		2012	
	₹	₹	₹	₹
Construction materials		910,161,190		3,931,083,887
Stores, spares and tools consumed		13,444,315		9,047,130
Subcontract charges		566,839,498		1,665,385,691
Power and fuel		5,091,693		4,691,644
Hire charges		189,880,195		129,693,778
TOTAL		1,685,416,891		5,739,902,130

17 EMPLOYEE BENEFITS EXPENSE

Salaries, wages and bonus		477,968,596		261,523,173
Welfare and other expenses		65,102,891		31,613,515
TOTAL		543,071,487		293,136,688

18 FINANCE COSTS

Interest:				
- on loans from related parties		18,453,817		-
- others		70,019,395		32,548,743
TOTAL		88,473,212		32,548,743

19 SALES, ADMINISTRATION AND OTHER EXPENSES

Rent		29,649,495		32,306,368
Rates and taxes		25,517,659		71,678,335
Travelling and conveyance		60,872,389		45,693,203
Telephone, postage and telegrams		22,099,105		39,652,910
Printing and stationery		4,370,594		4,043,903
Insurance		4,174,909		16,302,454
Bank charges		48,451,825		68,119,096
General repairs and maintenance		10,898,197		10,017,943
Professional charges		44,637,419		12,795,490
Provision for foreseeable loss (net)		(3,956,427)		3,661,712
Exchange loss (net)		7,197,282		177,642,512
Miscellaneous expenses [Refer Note (a)]		73,387,710		56,521,084
TOTAL		327,300,157		538,435,010

(a) Auditor's remuneration (paid to overseas auditor only) charged to the Statement of Profit and Loss is as follows:

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Statutory audit fees		2,444,883		1,513,313
Certification fees		700,763		792,687
TOTAL		3,145,646		2,306,000

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

20 The accumulated losses of the Company at the Balance Sheet date have exceeded its share capital. 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 & Toubro International FZE, United Arab Emirates, will continue to provide unconditional financial support to the Company, to enable it discharge its obligations as and when they fall due. (Refer Note 21 below)

21 SUBSEQUENT EVENTS

The shareholders have met and decided to continue with the operations of the Company and to provide financial support to the Company as and when required.

22. ADVANCE AGAINST SHARE CAPITAL

During the year, the shareholders decided to increase the share capital of the Company and have contributed ₹ 140,080,000/-. Since the legal formalities with respect to increase in share capital are in process, the contribution has been disclosed as Advance against share capital as at December 31, 2013.

23. TAXES ON INCOME**a) Current tax**

The Company does not have any taxable income under the Saudi Arabian Fiscal regulations. Accordingly, no provision for income tax has been made for the year.

Income tax assessments have been agreed with the Department of Zakat and Income Tax ("the DZIT") up to 2002. The assessments for the years from 2003 to 2012 have not yet been raised by the DZIT.

b) Deferred tax

The Company does not have any timing differences giving rise to deferred tax assets or liabilities as at the reporting date.

24. Disclosure pursuant to Accounting Standard (AS) 7 "Construction Contracts"

₹

Particulars	2013	2012
Contract revenue recognized during the year	2,288,518,516	6,478,973,876
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	10,822,427,769	8,530,183,390
Amount of customer advances outstanding for contracts in progress as at the end of the financial year	-	-
Retention amounts due from customers for contracts in progress as at the end of the financial year	1,337,741,604	821,608,978

25. Borrowing cost capitalized during the year is ₹ Nil (Previous year ₹ Nil)

26. Disclosure pursuant to Accounting Standard (AS) 17 "Segment reporting"

The Company operates in the single segment of business of construction related activity and hence no primary reporting has been made as per the requirements under Accounting Standard (AS) 17 on Segment 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.

27. 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
a.	Larsen & Toubro Limited	Ultimate Holding Company
b.	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
a.	Larsen & Toubro Limited	Ultimate Holding Company
b.	Larsen & Toubro International FZE	Holding Company
c.	Larsen & Toubro ATCO Saudi Arabia LLC	Fellow subsidiary

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

iii. Disclosure of related party transactions

Related party	Nature of transaction during the year	Transaction during the year (₹)	Amount outstanding (₹)	
			Due from related party	Due to related party
Larsen & Toubro Limited, India	Liability towards financial instruments	- (480,481,691)		317,957,902 (1,068,102,559)
	Cost of services and overheads charged by	833,646,629 (34,480,667)		
	Cost of services charged to	11,638,481 (-)	12,730,701 (-)	
	Advances paid	494,474 (-)		
Larsen & Toubro International FZE, UAE	Loan availed	1,427,332,017 (-)		1,600,113,800 (172,781,783)
	Interest expenses	18,453,817 (-)		19,529,228 (-)
Larsen & Toubro ATCO Saudi Arabia LLC, Saudi Arabia	Cost of Service & Overhead Charged	29,385 (63,080)	103,231 (64,203)	

Note: Figures in bracket represent amounts of the previous year.

iv. No amounts pertaining to related parties have been written off or written back during the current and previous year.

28. Disclosure in respect of leases pursuant to Accounting Standard (AS) 19 "Leases"

a) Finance lease

The Company has not acquired any assets under finance lease.

b) Operating lease

- The Company has taken various commercial premises and plant and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry. There are no exceptional/restrictive covenants in the lease agreements.
- Lease rental expense in respect of operating leases is ₹ 29,649,495/- (previous year ₹ 32,306,368/-).
- Contingent rent recognised in the Statement of Profit and Loss is ₹ Nil (previous year ₹ Nil).

29. Basic and diluted Earnings per Share ("EPS") computed in accordance with Accounting Standard (AS) 20 "Earnings per Share"

Particulars		2013	2012
Profit / (loss) after tax as per accounts	(₹)	(397,419,399)	(192,047,809)
No. of shares outstanding	(Nos.)	4,000	4,000
Face value of an equity share	(Saudi Riyal)	1,000	1,000
Earnings per share (basic and diluted)	(₹)	(99,354.85)	(48,011.96)

30. Figures for the previous year have been regrouped or reclassified wherever necessary.

As per our report attached of even date

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No: 003792S)

V. VISWANATHAN

Partner

Membership No: 215565

B. BAMAKRISHNAN

Director

J.S.SUDARSAN

Director

Place : Chennai

Date : June 18, 2014

Place : Chennai

Date : June 18, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting the Fifth Annual Report and Audited Accounts of Larsen & Toubro Heavy Engineering LLC for the year ended December 31, 2013.

FINANCIAL RESULTS

Particulars	₹ in lakhs		(OMR in lakhs)	
	2013	2012	2013	2012
Total Income	19,887.06	15,119.33	130.79	109.16
Profit / (Loss) before Tax	(315.43)	(2,670.08)	(2.07)	(19.26)
Profit / (Loss) after Tax	(315.43)	(2,670.08)	(2.07)	(19.26)

PERFORMANCE OF THE COMPANY

During the year under review, the Company has done well in recording a sales of INR 19,887 Lakhs. It was possible mainly due to execution of 19 equipment for Abener, Africa. Projects from Alstom (RIL) and PDO SaihRawal are other 2 major contributors to the sales during the Year. During the year the Company booked orders worth INR 43,289.04 Lakhs. (OMR 284.69 lakhs)

DIVIDEND

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

CAPITAL EXPENDITURE

As on December 31, 2013, the Gross fixed assets and the net fixed assets stood at INR 25,723.52 Lakhs and INR 18,446.31 Lakhs respectively. Capital Work-in-Progress as on that date was INR 10.16 Lakhs.

CAPITAL & FINANCE

The Company has raised further long term loan of OMR 1,000,000 and Short term loan of OMR 450,000 from it's Bankers (Bank Sohar) and short term loan against Trust receipts has been repaid fully to the tune of OMR 1,909,523 during the year.

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

Changes in the Directorship of the Company are as under:

- 1) In May 2013, Mr. A. V. Parab was appointed as Director of the Company upon resignation of Mr. R. G. Kulkarni from the Directorship of the Company.
- 2) In March 2014, Mr. Sanjay Sharma was appointed as Director of the Company upon resignation of Mr. M. V. Kotwal from the Directorship of the Company.
- 3) Mr. Robert Ambrose and Mr. T. N. Ranjan were appointed as Director of the Company in March 2014 as appointment of Mr. Rashad M. Al Zubair and Mr. C. S. Badrinath as Director of the Company had been revoked.

In March 2014, Mr. Y. S. Trivedi has been appointed as Chairman of the Company in place of Mr. M. V. Kotwal and Mr. Robert Ambrose has been appointed as Co-chairman of the Company in place of Mr. Raahad M Al Zubair.

AUDITORS

The Company has re-appointed M/s. PKF LLC, Chartered Accountants, Muscat as the Auditors of the Company for the year 2014.

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.

SUBSIDIARY COMPANIES

The Company has no subsidiary companies.

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.

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, 2013 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; and
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

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 28, 2014

Y. S. TRIVEDI
Director

S. A. GUNE
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LARSEN & TOUBRO HEAVY ENGINEERING L.L.C

Report on the financial statements

The financial statements of **LARSEN & TOUBRO HEAVY ENGINEERING L.L.C** for the year ended December 31, 2013, being the Company registered in Sultanate of Oman are audited by PKF L.L.C. and we have been furnished with their audit report dated 6 February 2014.

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 accompanying financial statements of Larsen & Toubro Heavy Engineering L.L.C ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 sultanate of Oman.

SHARP & TANNAN

Chartered Accountants
Firm's registration no. 109982W
 by the hand of

EDWIN P. AUGUSTINE

Partner
Membership number 43385

Place : Mumbai
Date : May 28, 2014

ANNEXURE TO THE INDEPENDENT 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) The Company not disposed off any substantial part of fixed assets during the year so as to affect its going concern.
- 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 discrepancies noticed on verification between the physical stock and the book records were not material.
- 3 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.
- 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 inventories, fixed assets and for the 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 we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Sultanate of Oman and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4 (v)(a) and (b) of the Order is not applicable.
- 6 The Company has not accepted any deposits in terms of provisions of Section 58A and 58AA of the Companies Act, 1956. Accordingly, paragraph 4(vi)of the Order is not applicable.
- 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 records under Section 209(1) (d) of the Companies Act, 1956. Accordingly, paragraph 4(viii)of the Order are not applicable.
- 9 (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authority and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31, 2013.
(b) According to the information and explanation given to us, there are no dues towards income tax, services tax, custom duty, excise duty and wealth tax that were under disputes as at December 31, 2013.
- 10 The Company has accumulated losses at the end of the financial year. Company incurred cash losses in the current 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 repayments of dues to any financial institution or bank as on 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 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 In our opinion and information and explanation 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 In our opinion and according to information and explanation given to us, on over all basis the term loan have been applied 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 during the year.
- 19 The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue 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

Firm's registration no. 109982W

by the hand of

EDWIN P. AUGUSTINE

Partner

Membership number 43385

Place : Mumbai

Date : May 28, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	68,48,52,639		68,48,52,639	
Reserves & surplus	B	(1,19,54,36,795)		(1,10,95,48,339)	
			(51,05,84,156)		(42,46,95,700)
Non-current liabilities					
Long term borrowings	C(i)	1,87,26,98,301		1,78,54,01,514	
Long-term provisions	C(ii)	81,77,204		54,45,251	
			1,88,08,75,505		1,79,08,46,765
Current liabilities					
Short term borrowings	D(i)	15,86,50,096		36,36,44,651	
Current maturities of long term borrowings	D(ii)	29,43,09,530		22,61,71,202	
Trade payables	D(iii)	77,24,56,484		69,56,29,265	
Other current liabilities	D(iv)	31,65,84,262		15,25,46,905	
Short term provision	D(v)	1,08,10,259		68,33,276	
			1,55,28,10,631		1,44,48,25,299
TOTAL			2,92,31,01,980		2,81,09,76,364
ASSETS:					
Fixed assets					
Tangible fixed assets	E	1,84,55,17,197		1,76,92,86,774	
Intangible fixed assets		(8,86,560)		2,99,089	
Capital work in progress		10,15,855		3,89,824	
			1,84,56,46,492		1,76,99,75,687
Current assets, loans and advances					
Inventories	F(i)	8,93,74,383		7,40,14,819	
Trade receivables	F(ii)	20,60,89,065		41,97,56,926	
Cash and bank balance	F(iii)	3,71,36,144		1,84,79,865	
Other current assets	F(iv)	68,64,46,048		51,60,92,650	
Short term loans and advances	F(v)	5,84,09,848		1,26,56,417	
			1,07,74,55,488		1,04,10,00,677
TOTAL			2,92,31,01,980		2,81,09,76,364
CONTINGENT LIABILITY	M				
CAPITAL COMMITMENTS	N				
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

The notes 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
Firm Registration No. 109982W
by the hand of

EDWIN P. AUGUSTINE

Partner
Membership No: 43385

Place : Mumbai
Date : May 28, 2014

Y. S. TRIVEDI
Director

S. A. GUNE
Director

Place : Mumbai
Date : May 28, 2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013 ₹	₹	2012 ₹	₹
INCOME					
Sales and service	G	1,98,59,81,257		1,50,98,91,393	
Other income	H	27,24,438		20,41,521	
		<u>1,98,87,05,695</u>		<u>1,51,19,32,914</u>	
EXPENDITURE					
Manufacturing and operating expenses	I				
Cost of raw materials, components consumed		86,77,26,645		47,44,44,439	
Stores, spares, tools consumed		10,90,50,013		5,19,02,139	
Sub-contracting charges		7,73,83,325		63,25,13,458	
Other manufacturing and operating expenses		35,13,76,471		14,34,18,497	
		<u>1,40,55,36,455</u>		<u>1,30,22,78,533</u>	
Employee benefits	J	28,35,69,788		17,98,92,660	
Sales, administration and other expenses	K	10,41,98,882		7,03,43,449	
Finance cost	L	6,06,74,542		7,17,42,614	
Depreciation and amortisation	E	16,62,68,772		15,46,84,155	
		<u>2,02,02,48,439</u>		<u>1,77,89,41,411</u>	
Profit before tax		(3,15,42,744)		(26,70,08,497)	
Provision for current year taxes		—		—	
Profit after tax available for appropriation		(3,15,42,744)		(26,70,08,497)	
Add: Balance brought forward from previous year		(1,07,73,32,824)		(81,03,24,327)	
Balance carried to Balance Sheet		(1,10,88,75,568)		(1,07,73,32,824)	
Earnings per equity share- Basic	O(7)	(5.57)		(58.15)	
Earnings per equity share- Diluted		(5.57)		(58.15)	
Face value per equity share (Omani Rial)		1.00		1.00	
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

The notes referred to above form an integral part of the Statement of Profit & Loss.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm Registration No. 109982W

by the hand of

EDWIN P. AUGUSTINE

Partner

Membership No: 43385

Place : Mumbai

Date : May 28, 2014

Y. S. TRIVEDI

Director

S. A. GUNE

Director

Place : Mumbai

Date : May 28, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(Loss) before tax	(3,15,42,744)	(26,70,08,497)
Adjustments for:		
Depreciation	16,62,68,772	15,46,84,155
(Profit) / Loss on sale of fixed assets	(2,05,491)	(4,81,977)
Interest (net)	-	7,17,42,614
Unrealised foreign exchange difference - gain/(loss) in operating activities	6,81,73,698	(34,09,720)
Operating profit before working capital changes	20,26,94,234	(4,44,73,425)
(Increase) / decrease in Inventories	(11,26,44,070)	(38,91,32,314)
(Increase) / decrease in Trade and other receivables	26,56,43,430	(40,56,32,787)
(Increase) / decrease in Loans & Advances	(4,41,86,275)	10,93,292
Increase / (decrease) in Trade payables & Customer advances	14,10,29,111	66,46,12,912
Cash (used in) / generated from operating activities	45,25,36,431	(17,35,32,322)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets	(3,23,93,848)	(87,79,989)
Sale of fixed assets	5,66,010	15,78,440
Net Cash (used in) / from investing activities	(3,18,27,838)	(72,01,549)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital & share application money received	-	-
Net Proceeds from borrowings from Others	-	40,71,08,250
Net Repayment of secured loans from bank	(34,36,66,040)	(13,88,49,287)
Interest paid	(6,06,74,542)	(7,17,42,614)
Net cash from financing activities	(40,43,40,582)	19,65,16,349
Net (decrease) in cash and cash equivalents (A+B+C)	1,63,68,009	1,57,82,478
Cash and cash equivalents at beginning of the year	1,84,79,865	26,04,725
Foreign Exchange difference in cash and cash equivalents	22,88,270	92,662
Cash and cash equivalents at end of the year	3,71,36,144	1,84,79,865

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm Registration No. 109982W

by the hand of

EDWIN P. AUGUSTINE

Partner

Membership No: 43385

Place : Mumbai

Date : May 28, 2014

Y. S. TRIVEDI

Director

S. A. GUNE

Director

Place : Mumbai

Date : May 28, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31.12.2013		As at 31.12.2012	
	Number of Shares	₹	Number of Shares	₹
NOTE [A]				
SHARE CAPITAL				
A(i) Share capital authorised, issued, subscribed and paid-up :				
Authorised:				
Equity shares of Omani Rial 1 each	<u>92,30,000</u>	<u>1,11,55,14,725</u>	<u>92,30,000</u>	<u>1,11,55,14,725</u>
Issued, Subscribed and Paid-up				
Equity shares of Omani Rial 1 each	<u>56,65,000</u>	<u>68,48,52,639</u>	<u>56,65,000</u>	<u>68,48,52,639</u>
	<u>56,65,000</u>	<u>68,48,52,639</u>	<u>56,65,000</u>	<u>68,48,52,639</u>
A(ii) Reconciliation of the number of equity shares and share capital				
Issued subscribed and fully paid equity shares outstanding at the beginning of the year	<u>56,65,000</u>	<u>68,48,52,639</u>	<u>56,65,000</u>	<u>68,48,52,639</u>
Add: Equity shares issued during the year	-	-	-	-
Issued subscribed and fully paid equity shares outstanding at the end of the year	<u>56,65,000</u>	<u>68,48,52,639</u>	<u>56,65,000</u>	<u>68,48,52,639</u>
A(iii) Terms / rights attached to equity shares				
The Company has only one class of share capital, i.e. equity shares having face value of Omani Rial of 1 per share. Each holder of equity share is entitled to one vote per share.				
A(iv) Shareholders holding more than 5% of equity shares as at the end of the year				
	As at 31.12.2013		As at 31.12.2012	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %
L&T International FZE, UAE	<u>39,65,500</u>	<u>70.00%</u>	<u>39,65,500</u>	<u>70.00%</u>
The Zubair Corporation, Sultanate of Oman	<u>16,99,500</u>	<u>30.00%</u>	<u>16,99,500</u>	<u>30.00%</u>
A(v) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended December 31, 2013 are Nil (previous period of five years ended December 31, 2012 Nil)				
A(vi) The aggregate number of equity shares pursuant to contract without payment being received in cash in immediately preceding five years ended December 31, 2013 are Nil (previous period of five years ended December 31, 2012 Nil)				
	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [B]				
RESERVES & SURPLUS				
Balance in Statement of Profit and loss :				
Opening balance at the beginning of the year		<u>(1,07,73,32,824)</u>		<u>(81,03,24,327)</u>
Loss for the year		<u>(3,15,42,744)</u>		<u>(26,70,08,497)</u>
		<u>(1,10,88,75,568)</u>		<u>(1,07,73,32,824)</u>
Foreign Currency Translation reserve :				
Opening balance at the beginning of the year		<u>(3,22,15,515)</u>		<u>(1,90,01,652)</u>
Translation loss the year		<u>(5,43,45,712)</u>		<u>(1,32,13,863)</u>
		<u>(8,65,61,227)</u>		<u>(3,22,15,515)</u>
TOTAL		<u>(1,19,54,36,795)</u>		<u>(1,10,95,48,339)</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [C(i)]				
LONG TERM BORROWINGS				
Term loan from bank [Refer note no. c(i)(a)]		61,49,26,163		66,62,10,939
Loans from shareholders [Refer note no. c(i)(b)]				
Larsen & Toubro International FZE	88,04,40,496		78,34,33,403	
The Zubair Corporation	37,73,31,642		33,57,57,172	
		1,25,77,72,138		1,11,91,90,575
TOTAL		1,87,26,98,301		1,78,54,01,514

NOTE [C(i)(a)]**TERM LOAN (SECURED) FROM BANK**

Sr. No.	As at 31.12.2013	As at 31.12.2012	Interest	Security	Terms of repayment for loan outstanding as on 31.12.2013
1	42,10,20,561	51,74,77,439	5.75% per annum	Secured by mortgage of fixed assets and current assets and letter of comfort from the ultimate holding company	Repayable in 12 half yearly installments of Omani Rial 5,00,000 each starting from 25th June, 2011.
2	32,76,82,632	37,49,04,702	5.75% per annum		Repayable in 12 half yearly installments of Omani Rial 2,91,666 each from 25th July, 2012.
3	16,05,32,500		– 5.50% per annum		Repayable in 8 half yearly installments of Omani Rial 125,000 each from 25th June, 2014.
Less:	29,43,09,530	22,61,71,202	Current portion of long term borrowings [Note D(ii)]		
	61,49,26,163	66,62,10,939			

NOTE [C(i)(b)]**TERM LOAN (UNSECURED) FROM SHAREHOLDERS**

Sr. No.	As at 31.12.2013	As at 31.12.2012	Interest	Terms of repayment for loan outstanding as on 31.12.2013
1	67,98,55,138	60,49,48,575	Nil	Received in various tranches between February 2009 to February 2010, not repayable for a period of 10 years from date of infusion
2	57,79,17,000	51,42,42,000	Nil	Received in various tranches between March 2012 to July 2012, not repayable for a minimum period of 5 years from date of infusion
TOTAL	1,25,77,72,138	1,11,91,90,575		

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [C(ii)]				
LONG TERM PROVISIONS				
Employee benefits				
Gratuity		81,77,204		54,45,251
TOTAL		81,77,204		54,45,251

NOTE [D(i)]**SHORT TERM BORROWINGS**

Secured :

Loan against trust receipts		–		27,27,65,803
Overdraft / short term loans [Note D(i) (a)]		15,86,50,096		9,08,78,848
TOTAL		15,86,50,096		36,36,44,651

D(i) (a) Overdraft / short term loans are secured by mortgage of fixed assets and current assets of the Company and a letter of comfort from the ultimate holding company.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [D(ii)]				
CURRENT MATURITIES OF LONG TERM BORROWINGS				
Secured term loan from banks [Refer note no. C(i)(a)]		29,43,09,530		22,61,71,202
TOTAL		<u>29,43,09,530</u>		<u>22,61,71,202</u>
NOTE [D(iii)]				
TRADE PAYABLES				
Due to related parties :				
Ultimate Holding Company	25,01,11,080		37,51,49,639	
Fellow subsidiaries	<u>2,69,49,734</u>		<u>3,01,65,910</u>	
		27,70,60,814		40,53,15,549
Due to others		<u>49,53,95,670</u>		<u>29,03,13,716</u>
TOTAL		<u>77,24,56,484</u>		<u>69,56,29,265</u>
NOTE [D(iv)]				
OTHER CURRENT LIABILITIES				
Security deposit received	73,35,159		48,01,507	
Liability for other Expenses	-		-	
Salary & wages payable	90,62,931		1,34,45,571	
Interest accrued but not due	9,19,759		11,90,658	
Other payables	<u>28,87,436</u>		<u>4,26,444</u>	
		2,02,05,285		1,98,64,180
Advance to customers				
Due to ultimate holding company & fellow subsidiaries	-		11,68,63,786	
Due to others	<u>29,63,78,977</u>		<u>1,58,18,939</u>	
		29,63,78,977		13,26,82,725
TOTAL		<u>31,65,84,262</u>		<u>15,25,46,905</u>
NOTE [D(v)]				
SHORT TERM PROVISION				
Leave encashment		1,08,10,259		68,33,276
TOTAL		<u>1,08,10,259</u>		<u>68,33,276</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE [E]
FIXED ASSETS**

Fixed Assets	Cost / Valuation					Depreciation					Book Value	
	As at 01.01.2013	Exchange difference included in the translation reserve	Additions during the year	Deductions	As at 31.12.2013	As at 01.01.2013	Exchange difference included in the translation reserve	For the Year	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
TANGIBLE :												
Buildings	1,45,25,06,444	17,98,53,742	16,61,511	-	1,63,40,21,698	28,84,35,925	40,71,33,39.80	8,96,60,508	-	41,88,09,773	1,21,52,11,925	1,16,40,70,520
Plant & Machinery	74,98,89,760	9,28,53,618	96,39,190	-	85,23,82,568	16,50,53,909	24,23,60,32.52	6,81,38,875	-	25,74,28,817	59,49,53,751	58,48,35,851
Computers	68,87,988	8,52,891	24,42,984	(2,65,665)	99,18,197	54,75,904	6,69,869	-	(1,46,621)	59,99,152	39,19,045	14,12,083
Other Equipments	2,00,63,354	24,84,305	38,65,693	(5,16,915)	2,58,96,438	72,81,067	10,72,407	34,00,582	(3,35,986)	1,14,18,070	1,44,78,368	1,27,82,287
Air Condition & Refrigeration	30,95,265	3,83,265	4,08,491	(17,659)	38,69,363	13,86,419	2,00,160	5,14,099	(3,055)	20,97,623	17,71,739	17,08,846
Electrical installations	5,17,992	64,139	-	-	5,82,131	1,35,913	21,441	82,721	-	2,40,075	3,42,056	3,82,079
Furniture & Fixtures	2,12,23,232	26,27,925	1,37,93,005	(18,25,177)	3,58,18,985	1,78,55,777	22,59,114	25,34,341	(16,70,491)	2,09,78,741	1,48,40,244	33,67,455
Vehicles	75,42,173	9,33,895	5,298	(11,76,567)	73,04,799	68,14,521	8,25,124	7,79,525	(11,14,440)	73,04,730	69	7,27,652
TOTAL TANGIBLE	2,26,17,26,208	28,00,53,781	3,18,16,172	(38,01,983)	2,56,97,94,179	49,24,39,435	6,99,97,487	16,51,10,652	(32,70,593)	72,42,76,981	1,84,55,17,197	1,76,92,86,774
INTANGIBLE :												
Software	22,76,226	2,81,849	-	-	25,58,075	19,77,137	3,09,377	11,58,120	-	34,44,634	(8,86,560)	2,99,089
TOTAL INTANGIBLE	22,76,226	2,81,849	-	-	25,58,075	19,77,137	3,09,377	11,58,120	-	34,44,634	(8,86,560)	2,99,089
Total	2,26,40,02,434	28,03,35,630	3,18,16,172	(38,01,983)	2,57,23,52,254	49,44,16,573	7,03,06,864	16,62,68,772	(32,70,593)	72,77,21,616	1,84,46,30,637	1,76,95,85,863
Capital Work In Progress	2,18,23,35,919	7,76,83,469	88,69,124	(48,86,077)	2,26,40,02,435	32,72,13,422	1,62,12,423	15,46,84,155	(36,93,428)	49,44,16,572	10,15,855	3,89,824
Total											1,84,56,46,492	1,76,99,75,687

Note : Capital work-in-progress includes advances ₹ Nil (previous year ₹ Nil)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [F(i)]				
INVENTORIES (at cost or net realisable value whichever is lower:)				
Raw materials	69,82,522		37,68,224	
[Includes goods in transit Nil (previous year 5,06,177/-)]				
Components	23,66,731		1,14,46,845	
[Includes goods in transit Nil (previous year 1,01,06,161)]				
Stores, spare parts and loose tools	8,00,25,130		5,87,99,750	
		8,93,74,383		7,40,14,819
TOTAL		8,93,74,383		7,40,14,819

NOTE [F(ii)]**Trade receivables**

Unsecured :

Debts outstanding for more than 6 months

Considered good

Due from ultimate holding company & fellow subsidiaries

Due from others

2,26,04,037

-

71,34,843

3,13,73,530

2,26,04,037

3,85,08,373

Other debts

Considered good

Due from ultimate holding company & fellow subsidiaries

Due from others

18,33,58,530

1,26,498

37,49,46,949

63,01,604

18,34,85,028

38,12,48,553

TOTAL

20,60,89,065

41,97,56,926

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [F(iii)]				
CASH AND BANK BALANCES				
Cash on hand	4,59,284		3,29,464	
Balances with banks	3,66,76,860		1,81,50,401	
		<u>3,71,36,144</u>		<u>1,84,79,865</u>
TOTAL		<u><u>3,71,36,144</u></u>		<u><u>1,84,79,865</u></u>
NOTE [F(iv)]				
OTHER CURRENT ASSETS				
Due from customers :				
Construction and project related work-in-progress :				
At cost	-		-	
At estimated realisable value on sale	69,36,64,033		53,51,05,814	
Less: Provision for expected loss	(72,17,985)		(1,90,13,164)	
		<u>68,64,46,048</u>		<u>51,60,92,650</u>
TOTAL		<u><u>68,64,46,048</u></u>		<u><u>51,60,92,650</u></u>
NOTE [F(v)]				
SHORT TERM LOANS AND ADVANCES				
Considered good :				
Unsecured :				
Advances recoverable in cash or in kind				
Due from ultimate holding company & fellow subsidiaries	3,37,71,832		24,35,385	
Due from fellow subsidiaries	-		-	
Advance to suppliers	1,58,22,523		45,29,042	
Prepaid insurance	27,48,680		18,80,969	
Prepaid expenses	33,92,454		25,47,878	
Deposit paid	19,59,588		9,34,275	
Other Receivables	17,196		4,143	
Advance to employees	6,97,575		32,47,24.68	
		<u>5,84,09,848</u>		<u>1,26,56,417</u>
TOTAL		<u><u>5,84,09,848</u></u>		<u><u>1,26,56,417</u></u>
	2013		2012	
	₹	₹	₹	₹
NOTE [G]				
SALES AND SERVICE				
Sales and service income		1,98,59,81,257		1,50,98,91,393
TOTAL		<u><u>1,98,59,81,257</u></u>		<u><u>1,50,98,91,393</u></u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		2012	
	₹	₹	₹	₹
NOTE [H]				
OTHER INCOME				
Overheads charged		2,19,873		-
Profit on sale of fixed assets		2,05,491		4,81,977
Scrap sales		22,99,074		15,59,544
TOTAL		27,24,438		20,41,521
NOTE [I]				
MANUFACTURING AND OPERATING EXPENSES				
Raw materials and components		86,77,26,646		47,44,44,439
Stores spares and tools		10,90,50,013		5,19,02,139
Subcontracting charges		7,73,83,325		63,25,13,458
Other manufacturing & operating expenses :				
Hire charges	1,07,06,842		83,65,226	
Repairs and maintenance	1,43,71,966		84,71,429	
Rent premises facility	4,90,31,155		4,16,91,835	
Rates and taxes	2,39,130		2,32,574	
Power and fuel	92,07,479		44,82,074	
Water charges	28,04,825		24,69,593	
Workmen transportation	1,31,99,356		57,72,686	
Other contract costs	25,18,15,718		7,19,33,081	
		35,13,76,471		14,34,18,497
TOTAL		1,40,55,36,455		1,30,22,78,533
NOTE [J]				
EMPLOYEE BENEFITS				
Salaries, wages and bonus		23,23,35,451		14,57,16,230
Contribution to and provision for:				
Social insurance scheme	47,35,282		37,14,528	
Gratuity	40,52,030		33,55,908	
Leave encashment	88,22,580		78,80,335	
		1,76,09,892		1,49,50,771
Staff welfare expenses:				
Medical expenses	44,12,991		15,26,176	
Tuition fees	13,16,968		48,33,455	
Staff welfare expenses	1,74,38,673		72,76,578	
Canteen expenses	1,04,55,813		55,89,450	
		3,36,24,445		1,92,25,659
TOTAL		28,35,69,788		17,98,92,660

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		2012	
	₹	₹	₹	₹
NOTE [K]				
SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent		1,64,50,491		1,38,31,981
Transfer allowance		7,07,659		2,95,201
Travelling and conveyance		1,57,85,804		1,14,71,726
Power (Other than manufacturing activity)		1,76,976		-
Telephone, postage and telegram		60,07,351		51,55,431
Advertisement and publicity		13,58,530		27,038
Stationery and printing		11,24,382		6,40,124
Insurance		49,49,951		36,80,774
Bank charges		95,00,377		26,72,087
General repairs and maintenance		83,44,210		77,31,149
Audit fees		10,33,979		8,73,520
Professional fees		70,13,589		13,10,806
Miscellaneous expenses		2,49,08,734		41,98,284
Provision for expected loss		68,36,849		1,84,55,328
TOTAL		10,41,98,882		7,03,43,449
NOTE [L]				
FINANCE COST				
Interest paid to banks		6,01,04,333		6,67,12,798
Interest on Inter corporate borrowings		5,70,209		50,29,816
TOTAL		6,06,74,542		7,17,42,614

NOTE [M]**CONTINGENT LIABILITY: NIL**

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 cannot 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.

NOTE [N]**CAPITAL COMMITMENTS :**

Estimated amount of contract remaining to be executed on capital account (net of advance) : ₹ 2,31,17,804/- (Previous year ₹ 1,99,412/-)

NOTE [O]

- The Balance sheet as at December 31, 2013 and Statement of profit and loss for the year ended December 31, 2013 are drawn and presented as per the new format prescribed under Schedule VI to the Companies Act, 1956 applicable for the financial year commencing from April 1, 2011. The amounts pertaining to the previous year have been recast to confirm the new format.
- Disclosures pursuant to Accounting Standard (AS) 7 (Revised) "Construction contracts"

	Particulars	2013 ₹	2012 ₹
a.	Contract revenue recognised during the year	2,30,86,60,021	58,07,71,310
b.	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) upto year end for all contracts in progress as at that date	1,90,14,74,892	53,73,70,806
c.	Amount of customer advances outstanding for contracts	29,63,78,977	13,26,82,725

- Disclosures pursuant to Accounting Standard (AS) 15 (Revised) "Employee benefits"

- Defined contribution plans:

Amount of ₹ 47,35,282/- (Previous year ₹ 37,14,528/-) is recognized as an expense and included in Employee benefits (Note J)

NOTES FORMING PART OF ACCOUNTS (Contd.)

b. Defined benefit plans

Particulars	2013 ₹	2012 ₹
Amount recognized in Balance Sheet:		
Leave encashment	1,08,10,259	68,33,276
Gratuity	81,77,204	54,45,251
Amount recognized in Profit and Loss Account:		
Leave encashment	88,22,580	47,01,068
Gratuity	40,52,030	33,55,908

4) 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.

5) Disclosure of related parties/ related party transactions pursuant to Accounting Standard (AS) 18 "Related party disclosures

a) List of related parties who exercise control:

Sr. No.	Name of the Related Party	Relationship
1.	Larsen and Toubro Limited	Ultimate holding company
2.	Larsen and Toubro International FZE	Holding company
3.	The Zubair Corporation LLC	Member company

b) List of related parties with whom transactions were carried out and description of relationship:

Sr. No.	Party name	Relationship
1	Larsen and Toubro Limited	Ultimate holding company
2	Larsen and Toubro International FZE	Holding company
3	Larsen and Toubro Modular Fabrication Yard LLC – Oman	Fellow subsidiary
4	Larsen and Toubro (Oman) LLC	Fellow subsidiary
5	Larsen and Toubro Electromech LLC	Fellow subsidiary
6	The Zubair Corporation LLC	Member company
7	Larsen & Toubro ATCO Saudi Company LLC	Other related parties
8	Zubair Enterprises Northern LLC	Other related parties
9	Zubair Automotive Group LLC	Other related parties
10	Marsh Oman LLC	Other related parties

c) Disclosure of transactions with related parties

Sr. No.	Relationship/ Name/ Nature of Transaction	2013 ₹	2012 ₹
1	Ultimate Holding Company		
	Larsen and Toubro Limited – India		
	Purchase of goods and overheads	35,75,63,553	34,87,22,227
	Sale of fixed assets	54,381	–
	Sales of goods and services	1,32,83,08,263	140,51,43,065
2	Holding Company		
	Larsen and Toubro International FZE		
	Term loan taken	–	35,99,69,400
3	Fellow Subsidiary		
	Larsen and Toubro Modular Fabrication Yard LLC – Oman		
	Purchase of goods, expenses & overheads (net)	1,01,70,445	–
	Purchase of fixed assets	7,52,325	–
	Sales of goods and services	2,07,26,802	1,99,93,907
	Term loan taken	–	–
	Term loan repaid	–	(7,14,22,500)
	Interest payments	–	8,80,358

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr. No.	Relationship/ Name/ Nature of Transaction	2013 ₹	2012 ₹
	Larsen and Toubro (Oman) LLC		
	Purchase of goods and expenses	-	-
	Term loan taken	7,60,27,900	29,99,74,500
	Term loan repaid	8,02,66,250	(29,99,74,500)
	Interest payments	5,70,209	28,56,462
	Larsen and Toubro Electromech LLC		
	Interest paid	-	12,92,996
	Purchase and expenses		57,257
	Term loan taken		7,14,22,500
	Term loan repaid		(10,71,33,750)
	Sale of Goods and services	31,17,674	-
	Larsen & Toubro Saudi Arabia LLC		
	Purchase and expenses	-	8,69,104
	Larsen & Toubro ATCO Saudi Company LLC		
	Purchase and expenses	4,63,553	3,02,03,789
4	Member Company		
	Zubair Corporation LLC		
	Term loan taken	-	15,42,72,600
5	Other related parties		
	Zubair Automotive Group LLC		
	Purchase and expenses	10,41,833	4,67,278
	Zubai Enterprises Northern LLC		
	Purchase and expenses	3,40,462	7,68,552
	Marsh Oman LLC		
	Insurance premium	31,04,098	18,24,534

d) Amount due to / due from related party (net)

Sr. No.	Relationship/ Name	As at 31.12.2013 ₹		As at 31.12.2012 ₹	
		Due from related party	Due to related party	Due from related party	Due to related party
1	Ultimate Holding Company				
	Larsen and Toubro Limited – India	52,39,91,779	25,01,89,361	36,38,09,938	37,51,49,619
	Larsen and Toubro Limited – India-advance	33,10,956	-	-	11,68,63,786
2	Holding Company				
	Larsen & Toubro International FZE- loan	-	88,04,40,496	-	78,34,33,403
3	Fellow Subsidiary				
	Larsen and Toubro Modular Fabrication Yard LLC – Oman	101,47,019	2,48,92,217	2,05,98,249	2,21,03,996
	Larsen and Toubro (Oman) LLC	-	-	-	29,98,869
	Larsen & Toubro Electromech LLC	32,91,475	18,99,040	-	5,50,766
	Larsen & Toubro ATCO Saudi Company LLC	-	-	-	44,53,290
4	Member Company				
	Zubair Corporation LLC	-	-	49,996	-
	Zubair Corporation LLC - loan	-	37,73,31,641	-	33,57,57,173
5	Other Related Parties				
	Zubair Automotive Group LLC	-	7,14,691	-	4,51,304
	Zubair Enterprises Northern LLC	-	1,02,502	-	1,77,520
	Marsh Oman LLC	-	4,14,960	-	6,46,077

No amount due from group companies has been written-off as bad-debts during the year.

NOTES FORMING PART OF ACCOUNTS (Contd.)**6) 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:

Particulars	As at 31.12.2013 ₹	As at 31.12.2012 ₹
Not later than one year	5,83,98,242	4,86,43,579
Between one and five years	21,29,60,067	17,23,97,774
Later than five years	42,44,01,613	41,04,56,965
	69,57,59,920	63,14,98,318

7) Basic and Diluted Earnings per share "EPS" computed in accordance with Accounting Standard AS (20) "Earnings per share"

Particulars	2013	2012
Basic :		
Profit after tax as per accounts (₹)	(3,15,42,744)	(26,70,08,497)
Weighted average number of shares outstanding	56,65,000	56,65,000
Basic EPS (₹)	(5.57)	(47.13)
Diluted :		
Profit after tax as per accounts (₹)	(3,15,42,744)	(26,70,08,497)
Weighted average number of shares outstanding for Diluted EPS	56,65,000	56,65,000
Diluted EPS (₹)	(5.57)	(47.13)

8) Provision for 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 to 2013 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 for the year 2008 and for the period January 1, 2009 to December 19, 2009 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. The tax loss for the tax exemption period December 20, 2009 to December 31, 2013, can be carried forward indefinitely till they are fully adjusted against subsequent years' taxable income.

Deferred tax asset on unused tax losses are not recognized since probable taxable income against which the unused tax losses can be utilized in foreseeable near future period cannot be determined.

9) Auditors' remuneration:

Auditors' remuneration and expenses charged to the accounts:

Audit fees : ₹ 7,22,265/- (Previous year: ₹ 8,04,193/-)

Certification work : ₹ 76,028/- (Previous year: ₹ 69,327/-)

Expenses reimbursed : ₹ 2,35,686/- (Previous year: ₹ 1,04,180/-)

10) Value of imports on CIF basis

Particulars	2013 ₹	2012 ₹
Raw materials	33,34,00,895	31,01,79,453
Components	48,00,35,349	15,20,94,049
Consumables	7,84,28,280	6,83,15,095
Stores, Spares and Tools	2,40,27,019	81,62,561
Capital goods	1,14,86,923	46,79,064

11) Expenditure in foreign currency

Particulars	2013 ₹	2012 ₹
On overseas contract	1,51,21,190	66,42,00,812
Fees for technical services	10,54,82,779	—
Fees for design and engineering services	3,53,15,238	—
Other matters	8,35,06,365	3,06,41,486

12) Earnings in foreign exchange

Particulars	2013 ₹	2012 ₹
Project Related Activities	1,78,53,32,933	65,84,73,896
Export of Services	83,26,180	80,88,17,084

NOTES FORMING PART OF ACCOUNTS (Contd.)**13) Exchange rate risk**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials or UAE Dirhams/ US Dollars to which the Omani Rial is fixed except for the following amounts:

Currency	Amount due from customer for contract work		Trade payables		Advance to suppliers	
	2013	2012	2013	2012	2013	2012
Euro	1,18,794	1,05,705	3,11,71,398	14,75,875	-	31,24,606
INR	-	-	3,56,382	38,47,102	-	66,851
GBP	-	-	3,45,787	22,998	-	1,27,989

14) There are no transactions with micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

15) Borrowing costs capitalized during the year ₹ Nil (*Previous year ₹ Nil*)

16) Figures of the previous year have been regrouped/ reclassified wherever necessary.

NOTE P: SIGNIFICANT ACCOUNTING POLICIES**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 equipment for core sector industries.

2) Going concern concept:

As per the statement of financial position, the Company has incurred accumulated losses of ₹ 1,10,88,75,568 which has eroded the share capital of ₹ 68,48,52,639. The Company is dependent 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) 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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.

4) 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.

5) Fixed assets and depreciation

Fixed assets are stated at original cost less accumulated depreciation.

6) Impairment of assets

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

- ii) the provision for impairment loss, if any, required or
- iii) 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)**7) 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 %
2	Plant and machinery	7.42 % to 15%
3	Furniture	33.33%
4	Equipment	15%
5	Vehicle	33.33%
6	Computers	33.33%
7	Air conditioners 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.

In case of Plant and machinery, the historical cost is amortised over its useful life. In those cases, where the depreciation rate is lower on account of higher useful life, Schedule XIV rates are applied.

8) 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.

9) Employee 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.

10) Foreign currencies translation

Accounts are translated in ₹ as follows:

- i. Share capital is retained at the initial contribution amount and the current year additions are recorded at exchange rates on the dates of infusion.
- ii. Fixed, current assets, current liabilities, non-current assets and non-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.

11) 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.

12) Leases

Operating Leases are recognized as an expense on straight line basis over the lease term.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm Registration No. 109982W

by the hand of

EDWIN P. AUGUSTINE

Partner

Membership No: 43385

Place : Mumbai

Date : May 28, 2014

Y. S. TRIVEDI

Director

S. A. GUNE

Director

Place : Mumbai

Date : May 28, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

Particulars	2013-14 (₹ in lakhs)	2012-13 (₹ in lakhs)
Profit before extraordinary items, Depreciation and tax	14835.65	6820.33
Less: Depreciation	782.53	736.45
Profit before extraordinary items and tax	14053.12	6083.88
Add: Extraordinary items	–	6.06
Profit before tax	14053.12	6089.94
Less: Provision for taxes	4341.22	2110.14
Profit after taxes	9711.90	3979.80
Add: Balance brought forward from Previous year	3772.19	11818.27
Balance available for disposal which the Directors appropriate as follows:	13484.09	15798.07
Dividend	6487.53	10004.86
Dividend tax	1102.56	1623.04
General Reserve	971.19	397.98
	8561.27	12025.88
Balance to be carried forward	4922.81	3772.19

DIVIDEND

The Company has declared two interim dividends during the year. The first interim dividend of ₹ 85 per share and the Second Interim dividend of ₹ 330 per share totalling to ₹ 415 per share on 1563260 equity shares of ₹ 100 each have been declared and paid during the year.

The total outgo on Dividend payment for 2013-14 amounts to ₹ 7590.09 Lakhs including dividend distribution tax of ₹ 1102.56 Lakhs.

PERFORMANCE OF THE COMPANY

a. Sales & Other Income

Income from sales and other sources amounted to ₹ 93723.41 lakhs for the year ended March 31, 2014 against ₹ 67629.84 lakhs the previous year.

b. Capital Expenditure

As at March 31, 2014, the gross fixed and intangible assets, including leased assets, stood at ₹ 15341.01 lakhs and the net fixed and intangible assets including leased assets at ₹ 8733.35 lakhs. Capital expenditure during the year amounted to ₹ 4339.33 lakhs.

c. Deposits

As on the date of this report, there are no deposits lying unclaimed and unpaid by the Company.

d. Change of Name:

Subsequent to becoming a wholly owned subsidiary of Larsen & Toubro during the year 2012-13, the Company has changed its name to L&T Valves Limited with effect from April 29, 2013.

e. Restructuring of Business:

As there is considerable investment planned globally in oil and gas, power and infrastructure investments, the valves market is set to expand. In order to capitalise this opportunity and enhance our market share, the Company has during the year acquired the Valves Marketing Unit of Larsen & Toubro Limited located at Chennai and the Valve Manufacturing Unit of Larsen & Toubro Limited located at Coimbatore.

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 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 year. The payment made to employees covered by the provisions of the Section 217(2A) of the Companies Act, 1956 and read with the Companies (Particulars of Employees) Rules, 1975 is ₹ 79.38 lakhs.

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, 2014 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; and
- v) that proper systems are in place to ensure compliance of all laws applicable to the Company.

DIRECTORS

Under the Articles of Association of the Company, Mr. S. R. Subramanian retires from the Board of Directors by rotation and is eligible for re-appointment. This appointment will be ratified at the Annual General Meeting.

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. S.R.Subramanian. Mr. J. P. Nayak is the Chairman of the Audit Committee.

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

The Audit Committee met periodically during the year, reviewed financial statements and had discussions with the auditors on internal control procedures, accounting policies and on 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.

COST AUDITORS

Pursuant to the Cost Audit Order dated January 24, 2012 issued by the Ministry of Corporate Affairs (MCA), the Board of Directors has appointed Mr. K. Suryanarayanan as Cost Auditor for audit of cost accounting records of L&T Valves Limited for the Financial Year ended March 31, 2014.

The Report of the Cost Auditor for the Financial Year ended March 31, 2014 is under finalisation and will be filed with the MCA within the prescribed period.

Based on the Audit Committee recommendations, the Board of Directors at its meeting held on April 19, 2014 has approved the re-appointment of Mr. K. Suryanarayanan as the Cost auditor of the Company for the Financial Year ending March 31, 2014 for applicable products covered under MCA Cost Audit Order No. 52/56/CAB-2010 dated November 6,2012. The appointment is subject to the approval of Central Government.

ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the bankers, vendors, suppliers and customers. The Directors are also 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 : Coimbatore

Date : April 19, 2014

J P NAYAK
Director

S RAGHAVAN
Director

S R SUBRAMANIAN
Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988) AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

A CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

Introducing CFL in streets lights instead of sodium lamps, replacing Fluorescent lamps with CFL lamps, Replacing CFL lamps with LED lamps. Saving achieved ₹ 2.97 Lakhs per annum

Downsizing of motor in test-stand & auto switching off motor in test-stands. Saving achieved ₹ 2.92 Lakhs

Timer fixed for efficient running of A/C & Switching off AC during Lunch hour for 30 minutes. Saving achieved ₹ 2.21 Lakhs

100 KW furnace retrofitted with auto control system Saving achieved ₹ 1.8 Lakhs

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Investment for implementing all energy saving is ₹ 2.7 Lakhs; Saving achieved ₹ 12.56 Lakhs / Annum. Direct Cost saving through power purchase is ₹ 19.92 Lakhs / Annum

(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 in respect of industries specified in the schedule thereto:

NOT APPLICABLE

B TECHNOLOGY ABSORPTION

(e) Efforts made in Technology absorption as per Form B

C FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans:

Increased market penetration in Asia Pacific , Latin America, Middle East, USA and Canada through product qualifications globally/ new Distributorships.

Increased focus in the marketing efforts through participation in Local Exhibitions in UAE & Korea

(g) total foreign exchange used and earned:

Used – ₹ 16488.76 lakhs

Earned – ₹ 24881.94 lakhs

(including deemed export of ₹ 1141.06 lakhs)

FORM – B

(See Rule 2)

Form for disclosure of particulars with respect to absorption

RESEARCH AND DEVELOPMENT (R&D)

1	Specific areas in which R&D carried out by the Company	Industrial Valves and Accessories.
2	Benefits derived as a result of the above R&D	Export promotion; Import substitution; Enhance business; Standardisation; Weight/ Cost reduction and to enhance Product performance
3	Future plan of action	
	R&D efforts are directed towards business promotion through new product development, product up gradation and new manufacturing processes; innovation; weight and cost reduction to improve competitiveness	
4	Expenditure on R&D	(₹ In lakhs)
	a) Capital	75.57
	b) Recurring	705.67
	c) Total	781.24
	d) Total R&D expenditure as a percentage of total turnover	0.83%

Technology absorption, adaptation and innovation

- | | | |
|---|--|--|
| 1 | Efforts, in brief, made towards technology absorption, adaptation and innovation | Development of high end valves for Oil & Gas, Power, Defence, Nuclear, Ship building, Space, etc; Research on Stem sealing, Gland packing & Gasket sealing arrangement to meet stringent national/international standards to curtail Fugitive Emissions from Valves; New concepts for metal sealing in valves, Development of valves with special surface coating like Hard facing, Inconel cladding, Tungsten carbide coating etc to meet arduous service requirements; Development of Control and Automation systems for valves; Development of High Integrity Pressure Protection Systems (HIPPS); Training R&D engineers in CAE tools like Pro-Engineer/Creo, ANSYS, Computational Fluid Dynamics and manufacturing methods & processes for development of special valves; Collaborative efforts with educational institutions and research centers for technology up gradation, knowledge transfer and use of special equipment and methods; Active participation in national/international (Valve World 2012, CII Valve Conference, etc) seminars to keep abreast on the recent trends in Valve technology; Sharing knowledge through Technical Meet etc; Feasibility study and application of Radio Frequency Identification (RFID) technology for Valve traceability, Maintenance & Supply chain; Emphasis on filing Patents on new developments and unique features introduced. New innovative process, Product Configuration System followed for error free translation of customer needs to manufacturing system. Obtained Safety Integrity Level (SIL) Certification for valve – actuator assemblies to meet emerging stringent safety requirements in the Oil & Gas sector. |
| 2 | Benefits derived as a result of the above efforts | Development of high end valves for Defence and Nuclear sectors; Development of valves meeting Fugitive emission standards to comply to stringent norms & protect environment; Development of high pressure & high temperature valves; Customisation and development of new types of valves to enhance business; Cost reduction through re-design/improvements of valves using CAE tools |

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- a) Technology imported
- b) Year of import
- c) Has technology been fully absorbed?
- d) If not fully absorbed, areas where this has not taken place, reason therefore and future plans of action.

NIL

INDEPENDENT AUDITORS' REPORT

To the Members of L&T Valves Limited (Formerly Audco India Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T VALVES LIMITED (Formerly Audco India Limited)** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2) As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. VISWANATHAN
Partner
Membership No.215565

Place : Chennai
Date : May 8, 2014

ANNEXURE TO THE AUDITORS' REPORT

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

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the Independent Auditor's Report to the members of **L&T VALVES LIMITED (formerly Audco India Limited)** on the financial statements for the year ended 31 March 2014, we report that:

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed asset
 - (b) The Company has physically verified during the year all its fixed assets. No material discrepancies were noticed on such verification.
 - (c) Fixed assets disposed off during the year were not substantial so as to affect its going concern status.
- (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
 - (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 physical verification between the physical stocks and the 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 is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory, fixed assets and for the 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 internal control system.
- (v)
 - (a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in the register mentioned under Section 301 of the Companies Act, 1956; Accordingly paragraph 4(v)(b) of the Order is not applicable
- (vi) The Company has not accepted any deposits from the public and therefore reporting on compliance with the directives issued by Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder does not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix)
 - (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been 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 any other statutory dues during the year with the appropriate authorities. As at March 31, 2014, 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 disputed liabilities in respect of sales tax/ income tax / custom duty / service tax / wealth tax / cess which have not been deposited with the appropriate authorities except for liabilities disputed and not deposited as given below.

Name of Statute	Nature of Disputed dues	Period to which the dispute relates	Forum where the dispute is pending	Amount (₹ Lakhs)
CST Act, 1956	Penalty on the disputed tax not covered by declaration forms	1990-91, 1993-94, 1995-96	High court	23.40
	Non submission of C and H Form	2007-08, 2008-09, 2011-12	Appellate Deputy commissioner (CT)	48.12
Central Excise Act. 1944 and Service Tax under Finance Act, 1994	Denial of Excise duty Exemption under Excise Notification 6 of 2006	2010-11, 2011-12, 2012-13	High Court/Commissioner appeals / Additional Commissioner	271.78
	Ineligibility of service tax credit on catering services	2013-14	Additional Commissioner	1.07
	Penalty disputed on the delayed period of payment of duty on the scrap in job worker place	1994-2000	CESTAT / Commissioner appeals	15.33

L&T VALVES LIMITED
(formerly Audco India Limited)

Name of Statute	Nature of Disputed dues	Period to which the dispute relates	Forum where the dispute is pending	Amount (₹ Lakhs)
	Demand of interest on the cenvat credit availed on inputs removed as such	2006-07	High Court	1.39
				361.09

- (x) The Company has no accumulated losses as at March 31, 2014 and it has not incurred cash losses in the financial year ended on that date 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 banks. The Company did not have any outstanding debentures or any outstanding loans from any financial institution 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) 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 investments.
- (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) 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) The Company does not have any outstanding debentures. Accordingly, no security or charge need 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 fraud by the Company, or material frauds on the Company, noticed or reported during the year, nor have we been informed of such cases by management.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

V. VISWANATHAN
Partner
Membership No.215565

Place : Chennai
Date : May 8, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No	As at 31.03.2014		As at 31.03.2013	
		₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
EQUITY & LIABILITIES					
Shareholders' funds					
Share capital	2	1,563.26		1,563.26	
Reserves and surplus	3	<u>18,341.00</u>		<u>21,987.95</u>	
			19,904.26		23,551.21
Non - Current liabilities					
Long term borrowings	4	393.58		330.80	
Deferred tax liabilities (net)	5	658.95		504.06	
Long term provisions	6	<u>355.62</u>		<u>165.95</u>	
			1,408.15		1,000.81
Current liabilities					
Short term borrowings	7	6,364.56		45.67	
Trade payables	8	34,862.53		14,488.79	
Other current liabilities	9	23,157.34		2,464.26	
Short term provisions	10	<u>10,675.20</u>		<u>8,773.93</u>	
			75,059.63		25,772.65
TOTAL			<u>96,372.04</u>		<u>50,324.67</u>
ASSETS					
Non - Current assets					
Fixed Assets					
Tangible assets	11	8,077.90		5,128.30	
Intangible assets		586.46		-	
Capital work-in-progress		<u>68.99</u>		<u>92.76</u>	
			8,733.35		5,221.06
Long term loans & advances	12		279.89		43.58
Current assets					
Inventories	13	28,244.44		13,275.42	
Trade receivables	14	46,757.23		15,340.44	
Cash & bank balances	15	9.50		7,886.08	
Short- term loans and advances	16	12,345.17		8,557.97	
Other current assets	17	<u>2.46</u>		<u>0.12</u>	
			87,358.80		45,060.03
TOTAL			<u>96,372.04</u>		<u>50,324.67</u>
CONTINGENT LIABILITIES AND COMMITMENTS	18				
SIGNIFICANT ACCOUNTING POLICIES	1				

The accompanying notes form an integral part of the financial statements

As per our report attached

SHARP & TANNAN

Chartered Accountants

(Firm Registration No: 003792S)

By the hand of

J. P. NAYAK
Director

S. RAGHAVAN
Director

S. R. SUBRAMANIAN
Director

V. VISWANATHAN

Partner

Membership No.215565

Place : Chennai

Date : May 8, 2014

N. V. VENKATASUBRAMANIAN

Manager

Place : Coimbatore

Date : April 19, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14		2012-13	
		₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
REVENUE					
Revenue from operations (gross)	19	96,267.40		67,102.66	
Less: Excise duty		4,996.41		2,030.58	
Revenue from operations (net)			91,270.99		65,072.08
Other income	20		2,452.42		2,557.76
TOTAL REVENUE			93,723.41		67,629.84
EXPENSES					
Manufacturing and operating expenses	21				
Cost of materials consumed	21a	64,641.91		45,821.37	
Purchase of traded goods		98.47		-	
Change in inventories	21b	(5,998.06)		25.39	
Other manufacturing and operating expense	21c	5,603.91		5,190.30	
			64,346.23		51,037.06
Employee benefits expenses	22		7,106.53		6,495.53
Selling, Administration and other expenses	23		7,331.40		3,224.19
Finance cost	24		103.60		52.73
Depreciation & Amortisation	11		782.53		736.45
TOTAL EXPENSES			79,670.29		61,545.96
Profit before extraordinary items and tax			14,053.12		6,083.88
Extraordinary items			-		6.06
Profit before tax			14,053.12		6,089.94
Tax expenses					
Current tax		4,186.33		2,074.73	
Deferred tax	5	154.89		35.41	
			4,341.22		2,110.14
Profit after tax carried to Balance sheet			9,711.90		3,979.80
SIGNIFICANT ACCOUNTING POLICIES					
Basic & Diluted earnings per equity share before extraordinary items (₹)	33		621.26		254.20
Basic & Diluted earnings per equity share after extraordinary items (₹)	33		621.26		254.58
Nominal value of the Equity share (₹)			100.00		100.00

The accompanying notes form an integral part of the financial statements

As per our report attached

SHARP & TANNAN

Chartered Accountants

(Firm Registration No: 003792S)

By the hand of

J. P. NAYAK
Director

S. RAGHAVAN
Director

S. R. SUBRAMANIAN
Director

V. VISWANATHAN

Partner

Membership No.215565

Place : Chennai

Date : May 8, 2014

N. V. VENKATASUBRAMANIAN

Manager

Place : Coimbatore

Date : April 19, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹ Lakhs	2012-13 ₹ Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	14,053.12	6,089.94
Adjustments for :		
Depreciation	782.53	736.45
Interest (Net)	(70.73)	(1,186.07)
Dividend income from investment	(35.72)	(6.93)
Unrealised exchange (gain) / Loss	182.42	(4.71)
(Profit)/Loss on sale of fixed assets (net)	8.94	(6.77)
(Profit)/Loss on sale of undertaking		(6.06)
Operating Profit before Working Capital changes	14,920.56	5,615.85
Adjustments for :		
(Increase)/Decrease in inventories	(4,583.36)	(2,597.88)
(Increase)/Decrease in trade receivables	(20,988.28)	(1,285.38)
(Increase)/Decrease in Loans and Advances	(8,043.79)	(223.21)
(Increase)/Decrease in other current assets	(2.34)	(0.75)
Increase/(Decrease) in trade and other payables	33,005.43	609.51
Cash generated from / (used in) operations	14,308.22	2,118.14
Direct taxes paid (net of refund)	(3,823.22)	(2,259.40)
Net Cash from / (used in) Operating Activities (A)	10,485.00	(141.26)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(629.52)	(972.55)
Sale of Fixed Assets	11.80	25.23
Interest received (Gross)	174.33	1,238.80
Purchase of mutual funds	(7,800.18)	(3,900.00)
Sale of mutual funds	7,800.18	3,900.00
Dividend received from other investments	35.72	6.93
Sale of Undertaking (refer Note 4 below)	-	5,499.62
Purchase of undertaking	(14,960.00)	
Net Cash from / (used in) Investing Activities (B)	(15,367.67)	5,798.03
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowing	3.93	333.09
(Repayment) of long term borrowing	-	
(Repayment) / Proceeds from other borrowings (net)	6,318.89	(397.00)
Dividends Paid	(6,487.53)	(10,004.86)
Tax on Dividend	(2,725.60)	
Interest Paid (Gross)	(103.60)	(52.73)
Net cash from / (used in) Financing activities (C)	(2,993.91)	(10,121.50)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(7,876.58)	(4,464.73)
Cash and Cash equivalents as at the beginning of the year	7,886.08	12,350.81
Cash and Cash equivalents as at the end	9.50	7,886.08

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 Standards) Rules, 2006.
- Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year.
- Refer note no 15 for components of Cash and cash equivalents
- Amount represents Sale consideration received net of cash balances transferred.
- Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report attached

SHARP & TANNAN

Chartered Accountants

(Firm Registration No: 003792S)

By the hand of

J. P. NAYAK
Director

S. RAGHAVAN
Director

S. R. SUBRAMANIAN
Director

V. VISWANATHAN

Partner

Membership No.215565

Place : Chennai

Date : May 8, 2014

N. V. VENKATASUBRAMANIAN

Manager

Place : Coimbatore

Date : April 19, 2014

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 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 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. However, escalation, insurance and other claims are accounted as and when admitted by the customers / 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 fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Difference if any between actual results and estimates is recognised in the period in which the results are known.

1.2 Revenue Recognition

- a) Revenue from sale of goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract and there is no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.
- b) Sales and Service include excise duty and adjustments made towards liquidated damages and price variation, wherever applicable.
- c) Interest income is accrued at applicable interest rate on time proportion basis.
- d) Dividend income is accounted in the period in which the right to receive the same is established.
- e) Other items of income are accounted as and when the right to receive arises.

1.3 Extraordinary & Exceptional Items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events / transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

1.4 Research and development

- a) Revenue expenditure on research is expensed under respective heads of accounts in the period in which it is incurred
- b) Development expenditure on new products is capitalised as intangible asset, if all of the following can be demonstrated
 - i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
 - ii) The Company has intension to complete the intangible asset and use or sell it.
 - iii) The Company has ability to use or sell the intangible asset.
 - iv) The manner in which the probable feature economic benefits will be generated including the existence of a market for output of the intangible asset or intangible asset itself or if it is to be used internally, the usefulness of intangible asset.
 - v) The availability of adequate technical, financial and other recourses to complete the development and to use or sell the intangible asset and
 - vi) The Company has ability to measure the expenditure attributable to the intangible asset during its development reliably
- c) The development expenditure capitalized as intangible asset is amortised over its useful life.
- d) Other development costs that do not meet above criteria are expensed in the period in which they are incurred.

1.5 Retirement and other employee benefits

- a) Short Term Employee Benefits:

All employee benefits falling due 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, 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, Company's Provident Fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid/payable under the scheme is recognised during the period in which the employee renders the related service.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- ii) Defined Benefit Plans: The employee's gratuity fund schemes, post-retirement medical benefit plan and provident fund scheme managed by trust are 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 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 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 Statement of Profit & Loss.

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.

- c) Long Term Employee Benefits:

The obligation for long term benefits such as long term compensated absences are recognised in the same manner as in the case of defined benefit plans as in (b) (ii) above.

- d) Termination benefits:

The termination benefits such as voluntary retirement scheme are payable, the same is being charged to Statement of Profit and Loss account

1.6 Tangible fixed Assets

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

Administrative and other general overhead expenses that is 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.

Assets acquired under Leases where the Company has substantially transferred 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.

Fixed Assets that have been retired from active use and are held for disposal are stated at lower of their net book value or net realisable value.

1.7 Intangible Assets

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. 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 acquisition of intangible assets are allocated and capitalized as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of the Balance sheet are disclosed as "Intangible assets under development".

1.8 Depreciation and amortization

Depreciation is provided on written down value method on assets existing as on September 30, 1986 and on straight line method on assets added thereafter at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation for additions to / deductions from assets is calculated pro rata from / to the date of additions / deductions. Extra shift depreciation is provided on location basis

Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

Assets acquired under finance leases are depreciated on a straight line method over the lease term or useful life whichever is shorter.

Technical knowhow is amortized over a period of six years.

1.9 Impairment of tangible 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 recognised in previous period, if any,

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

Recoverable amount is determined

- In the case of individual asset, at the higher of the net selling price and the value in use; and
- In the 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

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

1.10 Investments

Investments which are readily realisable and are intended to be held for not more than one year from the date of acquisition are classified as current investments. All other investments are classified as long term investments.

Long term investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature.

Current investments are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

1.11 Inventories

Inventories are valued as under, after providing for obsolescence:

- a) Raw materials, components, stores, spares and tools at lower of weighted average cost and net realisable value
- b) Work-in-progress at lower of cost of material including related overheads and net realisable value.
- c) Finished Goods at lower of cost of material including related overheads and net realisable value

1.12 Cash and cash equivalents

Cash and cash equivalents for the purposes of Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

1.13 Borrowing Costs

Borrowing costs include interest, commitment charges, and amortisation of ancillary costs, amortisation of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowing to the extent they are regarded as adjustment to interest costs.

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 takes 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.

1.14 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. Non-monetary items, carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences on account of acquisition of Fixed Assets and other exchange differences are adjusted in the Profit and Loss Account.
- 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 Foreign Exchange Rates". Exchange differences arising on such contracts are recognised in the period in which they arise.

Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.

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 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 Statement of Profit and Loss or Balance Sheet as the case may be after applying the test of hedge effectiveness. Where the hedge in respect of off-Balance Sheet items is effective, the gains or losses are recognised in the "hedging reserve" which forms part of "reserves and surplus" in the Balance Sheet. The amount recognised in the "hedging reserve" is transferred to the Statement of Profit and Loss in the period in which the underlying hedged item affects the Statement of Profit and Loss. Gains or losses in respect of ineffective hedges are recognised in the Statement of Profit and Loss in the period in which such gains or losses are incurred.

The premium paid/received on a foreign currency forward contract is accounted as expense/income over the life of the contract.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

1.15 Segment accounting

Segment accounting policies are in line with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. 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 including inter-segment revenue.
- Expenses that are directly identifiable with / allocable to segments are considered for determining the Segment Result. The expenses, which relate to the Company as a whole and not allocable to segments, are included under "Other unallocable expenditure".
- Income which relates to the Company as a whole and not allocable to segments is included in "Unallocable income".
- Segment assets and liabilities include those directly identifiable with the respective segments.

1.16 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 recognised on timing differences between the income accounted in financial statements 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 / 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.

1.17 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 the 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 recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance sheet date.

1.18 Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

	As at 31.03.2014		As at 31.03.2013	
	Number of Shares	₹ Lakhs	Number of Shares	₹ Lakhs
2 SHARE CAPITAL				
a) Authorised, issued, subscribed and paid up capital				
Authorised Shares				
Equity shares of ₹ 100 each	1,800,000	1,800.00	1,800,000	1,800.00
Issued , subscribed and fully paid up shares				
Equity shares of ₹ 100 each	1,563,260	1,563.26	1,563,260	1,563.26

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- b) There is no movement in equity shares during current year and previous year
- c) Terms / rights / restrictions attached to equity shares
- The Company has only one class of equity shares having a par value of ₹ 100 per share. Each holder of equity share is entitled to one vote per share
 - All shares issued carry equal rights for dividend declared by the Company. There are no restrictions attached to any specific shareholder.
 - The Company has not issued any securities during the year with right / option to convert the same into equity shares at a later date
- d) Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:

	As at 31.03.2014	As at 31.03.2013
	Nos	Nos
Equity Shares bought back by the Company in 2009-10	2,36,740	2,36,740

The Company has not issued shares for consideration other than cash or issued bonus shares during the five years immediately preceding the date of Balance Sheet.

- e) Details of equity shares held by the Holding Company

	As at 31.03.2014		As at 31.03.2013	
	Nos.	₹ Lakhs	Nos.	₹ Lakhs
Larsen & Toubro Limited - (Holding company)	1,563,260	1,563.26	1,563,260	1,563.26

- f) Details of shareholders holding more than 5% share capital as at the end of the year

	As at 31.03.2014		As at 31.03.2013	
	Nos.	%	Nos.	%
Larsen & Toubro Limited & its nominees	1,563,260	100%	1,563,260	100%

- g) The Company has not reserved any shares for issue under options and contracts / commitments for the sale of shares / disinvestment.

	As at 31.03.2014		As at 31.03.2013	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
3 RESERVES AND SURPLUS				
a) Capital Redemption Reserve:		236.74		236.74
Hedge Reserve opening balance				
As per the last Balance sheet	-			
Add : On purchase of undertaking	(6,746.96)			
Add : Additions during the year	978.20			
		(5,768.76)		-
General Reserve:				
As per the last Balance sheet	17,979.02		17,581.04	
Add: Transferred from Statement of Profit and Loss	971.19		397.98	
		18,950.21		17,979.02
Surplus in Statement of Profit and Loss				
As per the last Balance sheet	3,772.19		11,818.27	
Add: Profit for the year	9,711.90		3,979.80	
	13,484.09		15,798.07	
Less: Transferred to General Reserve	971.19		397.98	
Dividend paid for the year	6,487.53		10,004.86	
Tax on equity dividend	1,102.56		1,623.04	
		4,922.81		3,772.19
TOTAL		18,341.00		21,987.95

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- b) The Directors in the meeting held on December 30, 2013 declared an interim dividend of ₹ 85 per equity share having face value of ₹ 100/- each on 1,563,260 shares outstanding. Further, on March 28, 2013 the Directors declared a second interim dividend of ₹ 330 per equity share having face value of ₹ 100/- each on 1,563,260 shares outstanding. The amount of interim dividend distributed to equity shareholders during the year is ₹ 6,487.53 lakhs (Previous year ₹ 10,004.86 lakhs)

	As at 31.03.2014 ₹ Lakhs	As at 31.03.2013 ₹ Lakhs
4 LONG TERM BORROWINGS		
Secured		
Loan from banks [Refer note (a) below]	393.58	330.80
TOTAL	393.58	330.80

- a) During the year 2012-13, the Company has availed Buyers credit of EURO 476,000 from Bank of Baroda, repayable on July 14, 2015. The loan carries interest at LIBOR + 2 basis points and is secured by hypothecation of stock of raw materials, components, work-in-progress, finished goods and book debts, both present and future.

	As at 31.03.2014		As at 31.03.2013	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
5 DEFERRED TAX LIABILITIES (NET)				
Major components of deferred tax liabilities and deferred tax assets				
Difference between book and tax depreciation		1,044.52		972.60
Provision for doubtful debts and advances	-		63.22	
Unpaid statutory liabilities	13.01		11.73	
Provision for Compensated absences	251.69		337.18	
Provision for Employee pension scheme	-		-	
Provision for Post - retirement medical benefit plan	120.87		56.41	
TOTAL	385.57	1,044.52	468.54	972.60
Net deferred tax liabilities		658.95		504.06
Net increase /(decrease) in deferred tax liability charged / (credited) to the Statement of Profit & Loss		154.89		35.41

	As at 31.03.2014 ₹ Lakhs	As at 31.03.2013 ₹ Lakhs
6 LONG TERM PROVISIONS		
Provision for Employee Benefits:		
Post - retirement medical benefit plan (Refer note 29)	355.62	165.95
TOTAL	355.62	165.95
7 SHORT TERM BORROWINGS		
Secured		
Loans repayable on demand from banks [Refer note (a) below]	364.56	45.67
Unsecured		
Inter Corporate Borrowings		
Loan from holding company [Refer note (b) below]	6,000.00	-
TOTAL	6,364.56	45.67

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- a) Cash Credit facilities from banks are secured by hypothecation of stock of raw materials, components, work-in-progress, finished goods and book debts, both present and future.
- b) Loan from holding company carries interest at 9% p.a. and is repayable on demand.

	As at 31.03.2014		As at 31.03.2013		
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs	
8 TRADE PAYABLES					
Due to:					
Micro and Small Enterprises		-		-	
Others		34,862.53		14,488.79	
TOTAL		34,862.53		14,488.79	
Disclosure Pursuant to The Micro Small and Medium Enterprises Development Act, (MSMED) 2006.					
Particulars		2013-14		2012-13	
Principal amount due to Suppliers under MSMED Act, 2006		-		-	
Interest accrued due to Suppliers under MSMED Act on the above amount, unpaid		-		-	
Payment made to Suppliers (other than interest) beyond the appointed day during the year		46.79		-	
Interest paid to Suppliers under MSMED Act (other than Section 16)		-		-	
Interest paid to Suppliers under MSMED Act (Section 16)		2.94		-	
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 the MSMED Act		-		-	
		As at 31.03.2014		As at 31.03.2013	
		₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
9 OTHER CURRENT LIABILITIES					
Interest accrued but not due on borrowings					
Intercorporate borrowing - Holding company		5.33		-	
Loan from bank		4.04		3.16	
		9.37		3.16	
Advance from customers		13,065.33		3.48	
Due to Related Parties		94.49		0.76	
Statutory liabilities		2,388.91		1,249.68	
Other liabilities		7,599.24		1,207.18	
TOTAL		23,157.34		2,464.26	
10 SHORT TERM PROVISIONS					
Provision for Employee Benefits					
Compensated absences		745.18		996.72	
Bonus		38.27		34.51	
		783.45		1,031.23	
Other Provisions					
Current Taxes		4,186.33		2,074.73	
Dividend Taxes		-		1,623.04	
Other provisions (AS 29 related) (Refer Note no 31)		5,705.42		4,044.93	
		9,891.75		7,742.70	
TOTAL		10,675.20		8,773.93	

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

11 FIXED ASSETS

a. Tangible assets

₹ Lakhs

Class of Assets	Cost				Depreciation				Book value		
	As at 01.04.2013	Purchase of undertaking	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land											
Owned	24.53	-	-	-	24.53	-	-	-	-	24.53	24.53
Leased	6.32	-	-	-	6.32	-	-	-	-	6.32	6.32
Building	3,574.30	-	56.41	-	3,630.71	1,207.41	103.72	-	1,311.13	2,319.58	2,366.89
Plant and equipment	6,572.39	2,810.42	277.07	90.39	9,569.49	4,311.97	456.95	88.06	4,680.86	4,888.63	2,260.42
Computers	500.53	65.26	276.86	153.66	688.99	343.64	95.48	150.57	288.55	400.44	156.89
Office Equipments	102.03	27.97	19.46	9.71	139.75	43.52	7.71	7.49	43.74	96.01	58.51
Furniture and Fixtures	335.33	109.47	23.49	-	468.29	138.48	26.38	-	164.86	303.43	196.85
Vehicles	96.29	2.52	-	25.27	73.54	38.40	8.35	12.17	34.58	38.96	57.89
TOTAL	11,211.72	3,015.64	653.29	279.03	14,601.62	6,083.42	698.59	258.29	6,523.72	8,077.90	
<i>Previous year</i>	16,343.08	-	879.79	6,011.15	11,211.72	8,561.28	736.45	3,214.31	6,083.42		5,128.30

b. Intangible assets

₹ Lakhs

Class of Assets	Cost				Amortization				Book value		
	As at 01.04.2013	Purchase of undertaking	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Technical know how	-	670.40	-	-	670.40	-	83.94	-	83.94	586.46	-
TOTAL	-	670.40	-	-	670.40	-	83.94	-	83.94	586.46	-
<i>Previous year</i>	-	-	-	-	-	-	-	-	-	-	-

c. Impairment of Assets

The Company has reviewed the future cash flows on the basis of value in use of its assets and is satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision for impairment loss is required to be made in the accounts.

- d. The Company has given 4.85 acres of land at Manapakkam, Chennai vide lease agreement dated November 8, 2006 to Larsen & Toubro Ltd for a period of 99 years. Annual lease rental of ₹ 4.32 lakhs (*previous year* ₹ 4.32 lakhs) has been accounted in other income.
- e. Additions on account of purchase of undertaking represents Fixed assets of Valves business unit (Chennai) and Valve manufacturing unit (Coimbatore) acquired from Larsen & Toubro Limited vide Business transfer agreement dated 01.07.2013 [Refer note 26(b)]

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
12 LONG TERM LOANS & ADVANCES				
Unsecured, considered good				
Security deposit		55.41		38.58
Capital Advance		196.69		4.92
Others		27.79		0.08
Unsecured, considered doubtful				
Capital advance	1.18		186.01	
Less: Allowance for doubtful advances	1.18		186.01	
		-		-
TOTAL		279.89		43.58
13 INVENTORIES				
Raw materials and components				
In stock	16,143.87		7,885.57	
In transit	851.16		635.23	
		16,995.03		8,520.80
Work-in-progress		2,910.59		2,068.12
Finished goods		7,732.92		2,577.33
Loose tools		605.90		109.17
		28,244.44		13,275.42
Refer note 1.11 for method of valuation				
14 TRADE RECEIVABLES				
Unsecured, considered good				
Debts Outstanding for more than six months				
Considered good		8,091.73		344.41
Considered doubtful		485.35		-
		8,577.08		344.41
Other debts				
Considered good		38,665.50		14,996.03
Considered doubtful		-		-
		47,242.58		15,340.44
Less : Allowance for doubtful debts		485.35		-
		46,757.23		15,340.44
15 CASH & BANK BALANCES				
Cash and cash equivalents				
Cash on hand	0.39		0.66	
Balances with banks	9.11		9.06	
Fixed deposits with Banks - (Maturity less than 3 months)	-		2,674.20	
		9.50		2,683.92
Other Bank balances:				
Fixed deposits with Banks [including interest accrued thereon (Maturity between 3 - 12 months)]		-		5,202.16
		9.50		7,886.08

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
16 SHORT- TERM LOANS AND ADVANCES				
Unsecured, considered good				
Due from Related parties		31.85		1.59
Security Deposits		59.93		8.49
Income tax receivable		4,807.42		3,058.93
Balance with Central excise		6,126.29		4,618.54
Balance with Sales tax		406.91		365.19
Other loans and advances		912.77		505.23
TOTAL		12,345.17		8,557.97
<p>Loans and advances include ₹ 225 .00 lakhs (<i>previous year ₹ 225 lakhs</i>), representing income tax paid under protest in respect of transfer pricing assessment orders for the assessment years 2004-05 and 2005-06. As the Company has received a favourable order for Assessment years 2002-03, 2004-05 and 2006-07 regarding similar Transfer pricing issues, the management is confident of winning the case for the Assessment year 2005-06. Hence no provision is considered necessary.</p>				
	As at 31.03.2014		As at 31.03.2013	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
17 OTHER CURRENT ASSETS				
Unsecured, Considered good				
Fixed assets held for sale (At lower of net book value and estimated net realisable value)		2.46		0.12
		2.46		0.12
18 CONTINGENT LIABILITIES AND COMMITMENTS				
(i) Contingent Liabilities				
(a) Claims against the Company not acknowledged as debts		34.97		34.97
(b) Sales-Tax liability that may arise in respect of matters in appeal		64.67		14.48
(c) Excise duty/ Service tax liability that may arise in respect of matters in appeal		256.13		275.69
(ii) Commitments				
Estimated amount of contracts remaining to be executed on capital account		4,610.04		246.48
	2013-14		2012-13	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
19 REVENUE FROM OPERATIONS				
Sale of products		96,094.91		67,102.66
Sale of traded goods		134.81		-
Sale of services		37.68		-
		96,267.40		67,102.66
Sale of products includes;				
Inspection charges		39.58		42.05
Testing & development charges		1,059.77		714.44
Documentation charges		931.62		252.37
Exchang loss on forward contracts		4,215.78		-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	2013-14		2012-13	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
20 OTHER INCOME				
Interest Income		174.33		1,238.80
Dividend income from investments		35.72		6.93
Profit on sale of fixed asset (net)		-		6.77
Premium income on forward contracts		1,136.15		-
Sale of miscellaneous scrap		28.13		42.01
Provision no longer required		184.94		783.81
Write back of liabilities		615.42		0.99
Duty drawback		85.15		208.09
Miscellaneous income		192.58		270.36
TOTAL		2,452.42		2,557.76

a. Dividend income represents dividend from mutual funds purchased and sold during the year.

21 MANUFACTURING AND OPERATING EXPENSES

a. Cost of materials consumed

Opening stock	8,520.80		8,642.91	
Add: Purchases	73,260.83		45,824.16	
	81,781.63		54,467.07	
Less: Closing stock	16,995.03		8,520.80	
		64,786.60		45,946.27
Less: Scrap sales		144.69		124.90
TOTAL		64,641.91		45,821.37

	2013-14		2012-13	
	Tonnes	₹ Lakhs	Tonnes	₹ Lakhs
Raw materials and components consumed				
Ferrous bars, castings and forgings	14,143.30	27,337.99	13,043.70	27,845.33
Others		37,448.61		18,100.94
TOTAL		64,786.60		45,946.27

	2013-14		2012-13	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
b. Changes in inventories				
Closing stock				
Finished goods (Refer note 38)	7,732.92		2,577.33	
Work-in-progress - Industrial valves	2,910.59		2,068.12	
		10,643.51		4,645.45
Opening stock				
Finished goods (Refer note 38)	2,577.33		1,818.16	
Work-in-progress - Industrial valves	2,068.12		2,852.68	
		4,645.45		4,670.84
TOTAL		(5,998.06)		25.39

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	2013-14		2012-13	
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
c. Other manufacturing and operating expenses				
Direct expenses		234.91		182.91
Stores, spares and tools		1,747.95		1,918.07
Power and fuel		722.41		824.44
Packing charges		1,853.36		1,331.89
Repairs to Buildings		148.97		117.95
Repairs to Plant and machinery		896.31		815.04
TOTAL		5,603.91		5,190.30
22 EMPLOYEE BENEFITS EXPENSES				
Salaries, wages and bonus		5,463.94		4,360.19
Cost of services - deputation charges		273.42		1,079.94
Contribution to provident and other funds				
Provident fund	247.43		151.76	
Gratuity	65.54		38.22	
		312.97		189.98
Staff and workmen welfare expenses		1,056.20		865.42
TOTAL		7,106.53		6,495.53
23 SELLING, ADMINISTRATION AND OTHER EXPENSES				
Forwarding charges (net)		1,263.23		226.91
Professional Charges		1,604.09		1,030.14
Insurance		128.93		66.76
Rent		157.27		22.61
Rates and taxes		336.07		597.47
Travelling and conveyance		889.44		327.31
Repairs & Maintenance - Others		417.41		245.18
Advertising and publicity		41.04		4.03
Loss on Sale of fixed assets		8.94		-
Exchange Loss (net)		356.34		165.91
Selling commision		634.04		-
Miscellaneous expenses		1,494.60		537.87
TOTAL		7,331.40		3,224.19
24 FINANCE COST				
Interest on Loan from banks		26.90		32.02
Other Borrowing Costs		31.50		20.71
Exchange difference (net)		45.20		-
TOTAL		103.60		52.73

25 Borrowing cost capitalised during the period under review ₹ Nil (*previous year Nil*)

- 26** a. During the year the Company has changed its name from Audco India Limited to L&T Valves Limited with effect from April 29, 2013.
b. On July 1, 2013, the Company has acquired from Larsen & Toubro Limited the Valves Business Unit located at Chennai and the Valves Manufacturing Unit located at Coimbatore for a total value of ₹ 149.60 crores vide the Business Transfer Agreement dated July 1, 2013.

27 SEGMENT REPORTING

The Primary segment reporting of the Company has been determined to be the business segments. The Company has only one business segment as defined in Accounting Standard (AS 17) on Segment Reporting, which is manufacture and sale of Industrial Valves. The amounts appearing in these financial statements relate to this primary business segment and therefore no separate business segment disclosure has been given.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

The details in respect of the geographical segments which is considered as secondary segment as defined in the said standard are given below

(₹ Lakhs)

	India		Outside India		TOTAL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Secondary Segments						
Segment Revenue	67,530.11	53,162.23	23,740.88	11,909.85	91,270.99	65,072.08

The Company's assets are entirely located in India.

28 DISCLOSURE OF RELATED PARTIES / RELATED PARTY TRANSACTIONS :

a. Related Party where control exists

Sl. No	Name of the Related Party	Relationship
1	Larsen & Toubro Limited (L&T Ltd.)	Holding Company

b. Related Parties with whom transactions were carried out during the year

Sl. No	Name of the Related Party	Relationship
1	Larsen & Toubro Limited	Holding Company
2	Larsen & Toubro Infotech Limited	Fellow subsidiary
3	L & T Construction Equipment Limited (formerly L&T Komatsu Limited)	Fellow subsidiary
4	L&T Cutting Tools Limited	Fellow subsidiary
5	L&T Kobelco Machinery Private Limited	Associate of L & T Ltd.
6	L&T General Insurance Company	Fellow subsidiary
7	L&T MHI Boiler Pvt. Ltd.	Fellow subsidiary
8	Larsen & Toubro Saudi Arabia LLC	Fellow subsidiary
9	L&T Electrical & Automation FZE	Fellow subsidiary
10	Mr. N. V. Venkatasubramanian	Chief Executive / Manager

Disclosure of related parties / related party transactions :

c. Disclosure of Related party transactions:

Sl. No	Nature of transaction	2013-14		2012-13	
		₹ Lakhs		₹ Lakhs	
1	Sale of Goods [Inclusive of Excise duty & Sales tax]	45,522.38		67,812.73	
	Larsen & Toubro Limited		45,411.49		55,873.85
	L&T - MHI Boiler Pvt. Ltd.		110.90		
	L&T Construction Equipment Ltd				0.90
	Flowserve (GB) Ltd.				8,594.50
	Flowserve - Sulphur Springs, USA				3,074.48
	Flowserve Sa (Pty) Ltd				31.01
	Flowserve Flow Control GMBH, Germany				35.90
	Flowserve Inc. Canada				184.66
	Flowserve Flow Control Pty.Ltd, Australia				17.42
	Flowserve Flow Control Benelux Bv, Netherland				0.02
2	Purchase of Goods [Inclusive of Excise duty & Sales tax]	233.85		534.09	
	Larsen & Toubro Limited		188.88		211.11
	L&T Cutting Tools Limited		44.97		
	L&T Kobelco Machinery Private Ltd				1.14
	Flowserve (USA)				51.19
	Flowserve Flow Control (UK) Ltd				102.89
	Flowserve Limatorque				0.79
	Flowserve India Controls Private Ltd				166.97
3	Dividend payments	6487.53		10,004.86	
	Larsen & Toubro Limited		6487.53		10,004.86
4	Lease Rental Expenditure	87.88		-	
	Larsen & Toubro Limited		87.88		-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

Sl. No	Nature of transaction	2013-14		2012-13	
		₹ Lakhs		₹ Lakhs	
5	Services received	219.62		121.05	
	Larsen & Toubro Limited		126.74		58.79
	L&T General Insurance Company		2.46		1.69
	Larsen & Toubro Infotech Limited		90.42		60.57
6	Services Rendered	2.87			
	Larsen & Toubro Limited		2.87		
7	Reimbursement to related parties (Inclusive of Service tax)	8532.65		3,626.12	
	Larsen & Toubro Limited		8471.70		3,626.12
	Larsen & Toubro Saudi Arabia LLC		7.73		
	L&T Electrical & Automation FZE		51.96		
	L&T Construction Equipment Limited		1.26		
8	Reimbursement from related parties (Inclusive of Service tax)	150.27		65.55	
	Larsen & Toubro Limited		150.27		65.55
9	Lease Income (Inclusive of Service Tax)	17.08		53.76	
	Larsen & Toubro Limited		17.08		53.76
10	Purchase of fixed assets [Inclusive of Excise duty & Sales tax]	-		9.11	
	Larsen & Toubro Limited		-		9.11
11	Purchase of undertaking	15195.62		-	
	Larsen & Toubro Limited		15195.62		-
12	Sale of Undertaking	-		5,500.00	
	Flowserve India Controls Pvt Ltd.		-		5,500.00

d. (Due to)/ Due from related parties

Sl. No	Related party	As at 31.03.2014 ₹ Lakhs	As at 31.03.2013 ₹ Lakhs
1	Larsen & Toubro Limited	9,967.08	15,185.00
2	L&T Cutting Tools Limited	(27.77)	-
3	L&T - Komatsu Limited	(1.00)	-
4	L&T Infotech Limited	(15.38)	-
5	L&T MHI Boiler Pvt. Ltd.	572.26	-
6	Larsen & Toubro Limited Llc USA	81.65	-
7	Larsen & Toubro (Qingdao) Rubber Machinery Company Limited	2.84	-

e. Transactions with Key Management personnel

Sl. No	Particulars	2013-14 ₹ Lakhs	2012-13 ₹ Lakhs
1	Remuneration to Manager / Chief executive	48.67	40.37

f. No amount due to or due from related parties has been written back or written off during the year.

29 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 15 (REVISED):

i Defined Contribution Plans:

Amount of ₹ 284.96 Lakhs (*Previous Year ₹ 257.06 lakhs*) is recognised as an expense and included in "Employee benefit expenses" (Note No: 22) in the Statement of Profit and Loss

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

ii **Defined Benefit Plans**

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

₹ Lakhs

		Post - retirement Medical Benefit Plan		Gratuity Plan		Trust managed Provident fund plan	
		As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
A.	Present Value of Defined Benefit Obligation						
	- Wholly funded	-	-	1,445.20	1,765.23	2,683.11	2,828.41
	- Wholly Unfunded	355.62	165.95	-	-	37.34	26.96
		355.62	165.95	1,445.20	1,765.23	2,720.45	2,855.37
	Less: Fair value of Plan Assets	-	-	2,070.43	2,118.57	2,918.59	2,977.53
	Unrecognised Past Service Costs	-	-	-	-	-	-
	Amount to be recognised as (liability) or asset	(355.62)	(165.95)	625.23	353.34	198.14	122.16
B.	Amounts reflected in the Balance Sheet						
	Liabilities	355.62	165.95	-	-	-	-
	Assets	-	-	625.23	353.34	198.14	122.16
	Net (liability)	355.62	165.95	-	-	(198.14)	(122.16)

b) **The amounts recognised in the Statement of Profit and Loss are as follows :**

₹ Lakhs

		Post - retirement Medical Benefit Plan		Gratuity Plan		Trust managed Provident fund plan	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Current Service Cost	-	-	38.01	107.77	175.60	146.91
2	Interest Cost	12.45	10.31	141.22	151.90	313.97	171.95
3	Expected Return on Plan Assets	-	-	(179.01)	(159.87)	(313.97)	(171.95)
4	Actuarial Losses/(gains)	151.98	38.78	(421.96)	356.96	(90.44)	(23.78)
5	Past Service Cost	-	-	-	-	-	-
6	Prepaid Expenses			332.18			
7	Effect of any curtailment or settlement		(20.68)	-	(615.75)		
8	Actuarial Gain not recognised in books	-	-	-	-	90.44	23.78
	Total recognized in Statement of Profit and Loss	164.43	28.41	(89.56)	(158.99)	175.60	146.91
	Break up of amount recognized in Statement of Profit and Loss						
	a. Miscellaneous income			(155.10)	(197.20)		
	b. Employee benefit expenses			65.54	38.21	175.60	146.91
	Actual Return on Plan Assets	-	-	179.01	172.14	351.37	201.93

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

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

₹ Lakhs

	Post - retirement Medical Benefit Plan		Gratuity Plan		Trust managed Provident fund plan	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Balance of the present value of Defined Benefit Obligation as at the beginning of the year	165.95	137.54	1,765.23	2,288.86	2,828.41	2,527.38
Add: Current Service Cost	-	-	38.01	107.77	175.60	146.91
Add: Interest Cost	12.45	10.31	141.22	151.90	313.97	171.95
Add: Contribution by plan participants						
i) Employer	-	-	-	-	-	-
ii) Employee	-	-			398.90	282.04
Add/(less): Actuarial losses / (gains)	151.98	38.78	(272.11)	369.23	-	
Less: Benefits paid	(27.28)	(20.68)	(77.30)	(66.78)	(996.43)	(299.87)
Add: Transfer of funds on account of Purchase of undertaking	52.52		182.33			
Less: Transfer of funds on account of sale of undertaking			(332.18)	(470.00)		
Less: Curtailments/ Settlement Cost				(615.75)		
Add: Past service cost	-	-			-	
Add: Liabilities assumed on amalgamation	-	-			-	
Balance of the present value of Defined Benefit Obligation as at the end of the year	355.62	165.95	1,445.20	1,765.23	2,720.45	2,828.41

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

₹ Lakhs

Particulars	Gratuity Plan		Trust Managed Provident Fund plan	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Opening balance of the fair value of the plan assets as at the beginning of the year	2,118.57	2,310.02	2,977.53	2,666.37
Add: Expected Return on plan assets	179.01	159.87	313.97	171.95
Add/(less) : Actuarial gains/(losses)	-	12.27	90.44	23.78
Add: Contribution by the employer		173.19	176.18	140.83
Add: Contribution by plan participants			356.90	274.47
Add: Funds received on account of Purchase of Undertaking	182.33			
Less : Benefits paid	(77.30)	(66.78)	(996.43)	(299.87)
Less : Transfer of funds on account of sale of undertaking	(332.18)	(470.00)		
Less : Settlements				
Closing balance of the plan assets as at the end of the year	2,070.43	2,118.57	2,918.59	2,977.53

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

- e) The broad categories of plan assets as a percentage of total plan assets as at 31.03.2014, are as follows:

Particulars	Gratuity Plan		Trust-managed provident fund plan	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
1 Government of India Securities	29.85%	33.54%	30.00%	26.00%
2 State Government Securities	22.53%	26.07%	21.00%	18.00%
3 Public Sector Unit Bonds	47.62%	40.39%	36.00%	35.50%
4 Others	-	-	13.00%	20.50%

The Trust formed by the Company manages the investments of Gratuity Fund. Expected return on plan assets 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 increment to the plan assets during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

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

		2013-14	2012-13
1	Discount rate as at Year end	8.00%	7.50%
2	Expected return on plan assets as at year end	8.00%	7.50%
3	Annual increase in healthcare costs(See Note 8 Below)	5.00%	3.00%
4	Salary growth rate:		
	a) Gratuity Scheme	7.50%	10.50%
5	Attrition rate for Gratuity scheme	3.00%	3.00%

- 6 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.
- 7 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.
- 8 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:

₹ Lakhs

Particulars	Effect of 1% increase		Effect of 1% decrease	
	2013-14 ₹ Lakhs	2012-13 ₹ Lakhs	2013-14 ₹ Lakhs	2012-13 ₹ Lakhs
Effect on defined benefit obligation	28.68	13.38	25.59	11.94

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

₹ Lakhs

	Particulars	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	Post- Retirement Medical Benefit Plan (Unfunded)					
	Defined Benefit Obligation	355.62	165.95	137.54	102.18	94.23
2	Gratuity Plan					
	Defined Benefit Obligation	1,445.20	1,765.23	2,288.86	2,112.33	1,925.51
	Plan Assets	2,070.43	2,118.57	2,310.62	2,114.41	1,930.25
	Surplus /(deficit)	625.23	353.34	21.76	2.08	4.74
3	Company Pension Plan (Unfunded)					
	Defined Benefit Obligation	-	-	66.49	244.72	265.54

- 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 favourable compared to the obligation under Payment of Gratuity Act, 1972.

- 2 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 employees at the time of retirement.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

3 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 payable at the time of separation from service or retirement, whichever is earlier. The benefit under this plan vest immediately on rendering of service.

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 Statement of Profit and Loss as actuarial loss. Any loss arising out of the investment risk and actuarial risk associated with the plan is also recognised as expense in the period in which such loss occurs.

30 DISCLOSURE ON OPERATING LEASES PURSUANT TO AS 19 - "LEASES"

- The Company has not taken any assets on Finance Lease.
- The Company has taken machinery, office equipment and buildings on cancellable operating leases. These leases are normally renewed on expiry. Lease rental expenses charged to statement of Profit & Loss Account is ₹ 199.55 lakhs (*Previous year ₹ 52.63 lakhs*).

31 DISCLOSURE WITH RESPECT TO PROVISIONS MADE AS PER AS 29 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS":

- Movement in provisions

₹ Lakhs

Particulars of Disclosure	Product warranties		Liquidity damages		Back work charges	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
At the beginning of the year	262.77	331.28	256.66	1,061.49	3,525.50	4,323.48
Additional provision during the year	328.25	202.62	1,957.20	572.61		505.00
Provision used during the year	109.81	132.18	329.12	1,040.69	156.33	744.09
Provision reversed during the year	-	27.18	905.81	336.75	1,819.20	558.89
Provision transferred on account of Sale of undertaking	-	111.77	-	-	-	-
Provision transferred on account of Purchase of undertaking	-	-	1,777.39	-	917.92	-
At the end of the year	481.21	262.77	2,756.32	256.66	2,467.89	3,525.50

- Nature of provision

Product warranties : The Company gives warranties for a period of two years on all products and services, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Closing provision 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 two years.

Liquidity damages and back work charges represent the estimated cost of Company is likely to incur due to delay in delivery and defect in functioning, respectively as per its contract obligations and accrued on the basis of advice from Distributors/Customers.

- 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 forward contracts; besides the natural hedges:

The Company has adopted the principles of hedge accounting as per the Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" in respect of those derivative transactions which are not covered by the existing Accounting Standard (AS) 11. This treatment has resulted in a net loss of ₹ 1,932.27 lakhs arising out of fair valuation of outstanding derivative contracts which has been recognised in the Statement of Profit and Loss.

- The particulars of Derivative contracts entered into for hedging purposes outstanding as at March 31, 2014 are as follows:

₹ Lakhs

Category of Derivative Instruments	Amount of Exposures hedged	
	As at 31.03.2014	As at 31.03.2013
For hedging Currency risks:		
a) Forward Contracts for receivables including firm commitments and highly probable forecasted transactions	4943.22	-
b) Forward Contracts for Payables including firm commitments and highly probable forecasted transactions	233.86	-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

b) Unhedged foreign currency exposures as at March 31, 2014 are as under:

₹ Lakhs

Unhedged foreign currency exposures	Amount of Exposures hedged	
	As at 31.03.2014	As at 31.03.2013
i) Receivables, including firm commitments and highly probable forecasted transactions	14383.62	–
ii) Payables, including firm commitments and highly probable forecasted transactions	233.86	–

33 EARNINGS PER SHARE (EPS)

₹ Lakhs

Particulars		Before extraordinary items		After extraordinary items	
		2013-14	2012-13	2013-14	2012-13
Basic and Diluted					
Profit after tax as per Statement of Profit and Loss (₹ Lakhs)	A	9,711.90	3,985.86	9,711.90	3,979.80
Weighted average number of shares outstanding	B	1,563,260	1,563,260	1,563,260	1,563,260
Basic and diluted Earnings per share (₹)	A/B	621.26	254.20	621.26	254.58
Face value per equity share (₹)		100	100	100	100

34 AUDITORS REMUNERATION AND EXPENSES CHARGED TO THE STATEMENT OF PROFIT AND LOSS (EXCLUDING SERVICE TAX)

₹ Lakhs

Particulars	2013-14	2012-13
As Auditor	8.00	6.60
For Taxation Matters	4.00	3.25
For Other Services	2.53	6.03
For Certification	0.90	0.71
For reimbursement of expenses	0.83	0.08
TOTAL	16.26	16.67

35 VALUE OF IMPORTS CALCULATED ON CIF BASIS

₹ Lakhs

Particulars	2013-14	2012-13
Raw materials	12,178.09	1,818.52
Components, spares parts and others	3,532.98	5,658.24
Capital goods	103.42	382.47
Trading Goods	106.03	–
TOTAL	15,920.52	7,859.23

36 EXPENDITURE IN FOREIGN CURRENCY

₹ Lakhs

Particulars	2013-14	2012-13
Foreign travel	69.47	6.96
Export Promotion expenses	78.27	9.65
Professional charges	27.97	33.03
Consultancy charges	–	14.00
Annual maintenance contract	–	24.35
Inspection charges	–	2.81
Warranty, Repair & Rework	63.58	–
Selling Commission	31.10	–
Employee Salary & Reimbursements	297.85	–
Expenditure in Foreign Currency	–	26.83
TOTAL	568.24	117.63

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

37 IMPORTED AND INDIGENOUS RAW MATERIALS, COMPONENTS AND SPARES

Particulars	2013-14		2012-13	
	% of Total Consumption	₹ Lakhs	% of Total Consumption	₹ Lakhs
Raw materials				
Imported	24.4%	15,817.10	15.8%	7,268.69
Indigenous	75.6%	48,969.50	84.2%	38,677.58
TOTAL	100.0%	64,786.60	100.0%	45,946.27

38 DETAILS OF FINISHED GOODS

₹ Lakhs

Particulars	2013-14	2012-13
Industrial Valves	7,674.20	2,577.33
Others	58.72	–
TOTAL	7,732.92	2,577.33

39 The expenditure on Research and Development activities is ₹ 781.24 lakhs (*previous year ₹ 689.29 lakhs*), including ₹ 23.78 lakhs depreciation on R&D assets, ₹ 0.55 lakhs repairs and maintenance to buildings and ₹ 17.80 lakhs foreign consultancy charges.

Capital Expenditure on Research and development during the year is ₹ 75.57 lakhs (*Previous year ₹ Nil*)

40 Earnings in foreign currency on account of Export of Goods on FOB basis is ₹ 23,740.88 lakhs (*previous year ₹ 11,909.85 Lakhs*)

41 Deemed export of goods for the year is ₹ 1,141.06 lakhs (*Previous year ₹ 289.70 lakhs*)

42 Figures for the year 2012-13 include financial results of the manufacturing facility located at Maraimalai Nagar which was sold on March 27, 2013. Figures for the year 2013-14 include the financial results, assets and liabilities of Valves Business Unit and Valves Manufacturing Unit acquired from Larsen & Toubro Limited [Refer note 26(b) above]. Hence the figures of 2013-14 are not comparable with that of 2012-13.

43 Figures for the previous years have been regrouped / reclassified wherever necessary.

As per our report attached
SHARP & TANNAN
Chartered Accountants
(Firm Registration No: 003792S)
By the hand of

J. P. NAYAK
Director

S. RAGHAVAN
Director

S. R. SUBRAMANIAN
Director

V. VISWANATHAN
Partner
Membership No.215565
Place : Chennai
Date : May 8, 2014

N. V. VENKATASUBRAMANIAN
Manager
Place : Coimbatore
Date : April 19, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the audited financial statements of the Company for the year ended December 31, 2013.

FINANCIAL RESULTS

	31.12.2013		31.12.2012	
	USD	₹ Lakhs	USD	₹ Lakhs
Total Revenue	892,557	525.18	1,049,550	571.06
Profit Before Tax	37,371	21.99	36,225	19.71
Taxes	7,453	4.39	4,128	2.25
Profit after tax	29,918	17.60	32,097	17.46

REVIEW OF OPERATIONS

During the financial year 2013, the Company recorded total revenue of USD 0.89Mn, in comparison with USD 1.05 Mn for the financial year 2012. The profit after tax amounted to USD 0.030 Mn as against a profit of USD 0.032 Mn for the corresponding previous year.

DIVIDEND

In order to conserve the resources for future business growth, the Directors do not recommend dividend for the current year.

DIRECTORS

During the year under review, there were no changes in the Board of Directors of the Company.

AUDITORS

M/s. KNAV P.A., Certified Public Accountants, are the Statutory Auditors of the Company.

M/s. Sharp & Tannan are the Auditors of the Company, for the financial statements under Indian GAAP.

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 applicable and hence have not been furnished.

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 applicable and hence have not been furnished.

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, 2013;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the applicable 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; and
- (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: Mumbai
Date: April 30, 2014

DR. MUKESH AGHI
Director

MR. VIVEK CHOPRA
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LARSEN & TOUBRO LLC

Report on the financial statements

The financial statements of **LARSEN & TOUBRO LLC** for the year ended December 31, 2013, being the Company registered in United States of America are audited by KNAV P.A. and we have been furnished with their audit report dated April 7, 2014.

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 accompanying financial statements of Larsen & Toubro LLC ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 United States of America.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
By the hand of

Place : Mumbai
Date : April 30, 2014

FIRDOSH D. BUCHIA
Partner
Membership number 38332

ANNEXURE TO THE AUDITORS' REPORT

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

- 1 The Company has no fixed assets and hence reporting under paragraphs 4(i)(a), (b) and (c) is not applicable.
- 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 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 in United States of America.
- 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 United States of America 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 any deposits in terms of provisions of Section 58A and 58AA of the Companies Act, 1956. Accordingly, paragraph 4(vi)of the Order is not applicable.
- 7 The Company's internal audit is carried out by the internal audit department of the holding company. In our opinion, the Company has internal audit system commensurate with the size and nature of the business. However, no internal audit has been carried out for the Company during the year.
- 8 The Company is not required to maintain cost records under Section 209(1)(d) of the Companies Act, 1956. Accordingly, paragraph 4(viii)of the Order is not applicable.
- 9 (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authority and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31, 2013.
(b) According to the information and explanation given to us, there are no dues towards income tax, services tax, custom duty, excise duty and wealth tax that were under disputes as at December 31, 2013.
- 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 not defaulted in repayment of any dues payable to any financial institution or bank as on 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 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 In our opinion and information and explanation 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 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 The Company has not made any preferential allotment of shares during the year.
- 19 The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue 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

Firm's registration no. 109982W

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership number 38332

*Place : Mumbai
Date : April 30, 2014*

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31-12-2013		As at 31-12-2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	B		2,438,475		2,438,475
Reserves and surplus	C		16,249,222		12,484,857
Total equity			18,687,697		14,923,332
Current liabilities					
Trade payables	D(i)	18,239,698		27,359,214	
Other current liabilities	D(ii)	463,575		–	
Short term provisions	E	108,724		425,531	
			18,811,997		27,784,745
TOTAL EQUITY AND LIABILITIES			37,499,694		42,708,077
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets			–		–
Current assets					
Trade receivable	F	7,357,615		10,557,859	
Cash and bank balances	G	29,999,174		32,150,218	
Other Current Assets	H	142,905		–	
			37,499,694		42,708,077
TOTAL ASSETS			37,499,694		42,708,077
CONTINGENT LIABILITIES					
COMMITMENTS (CAPITAL AND OTHERS)					
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS					
	K				
	L				
	A-T				

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No: 38332

DR. MUKESH AGHI
Director

VIVEK CHOPRA
Director

Place: Mumbai
Date : April 30, 2014

Date : April 30, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations	I		52,518,054		57,106,016
Other income			–		–
Total Revenue			52,518,054		57,106,016
EXPENSES:					
Operating expenses	J (i)	49,582,291		47,125,317	
Sales, administration and other expenses	J (ii)		736,853		7,960,020
			50,319,144		55,085,337
OPERATING PROFIT			2,198,910		2,020,679
Depreciation on tangible assets			–		49,676
PROFIT BEFORE TAX			2,198,910		1,971,002
Current tax			438,535		224,604
PROFIT AFTER TAX			1,760,375		1,746,398
Earning per Equity Share	M				
Basic & diluted			33.53		33.26
Face value per equity share (USD)			1		1
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	A-T				

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No: 38332

DR. MUKESH AGHI
Director

VIVEK CHOPRA
Director

Place: Mumbai
Date : April 30, 2014

Date : April 30, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A Cash flow from operating activities :		
Net profit before tax	2,198,910	1,971,002
Adjustments for :		
Depreciation and ammortisation	-	49,676
(Profit)/loss on sale of fixed assets	-	66,108
Unrealised foreign exchange loss/(gain)	2,003,990	411,645
Operating (loss)/profit before working capital changes	4,202,900	2,498,431
Changes in working capital		
(Increase)/decrease in trade receivables	3,200,244	30,021,317
(Increase)/decrease in other receivables	(142,905)	2,670,650
Increase/(decrease) in trade payables	(8,655,940)	(39,760,514)
(Increase)/decrease in working capital	(5,598,601)	(7,068,547)
Cash generated from operations	(1,395,702)	(4,570,116)
Direct taxes (paid)	(755,343)	200,928
Net cash flow from operating activities	(2,151,045)	(4,369,188)
Net increase in cash and cash equivalents	(2,151,045)	(4,369,188)
Cash and cash equivalents at the beginning of the year	32,150,218	36,519,406
Cash and cash equivalents at the end of the year	29,999,174	32,150,218

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.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No: 38332

DR. MUKESH AGHI
Director

VIVEK CHOPRA
Director

Place: Mumbai
Date : April 30, 2014

Date : April 30, 2014

NOTES FORMING PART OF ACCOUNTS

A-1. LEGAL STATUS

Larsen & Toubro LLC is a Company registered in the United States of America and is engaged in the business of software development services. The Company is a Limited Liability Company. The limited members are Larsen & Toubro Limited with 95% and L&T Cutting Tools Limited (formerly known as Tractor Engineers Limited) with 5%.

A-2. 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 Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated April 4, 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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 service is recognized on completion of the service. 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. Fixed assets and depreciation

Fixed assets are capitalized at acquisition cost. When any asset is sold or otherwise disposed off, the asset accounts and related accumulated depreciation accounts are relieved and any gain/loss is included in operations. Depreciation is computed using straight line method over the estimated useful life of the asset which range from 5-7 years. This rate is higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

d. Foreign currency transactions

The accounts 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 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.
- The Company is considered non-integral operation of Larsen & Toubro 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.

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 provisions of US Income Tax Laws and based on expected outcome of assessments / appeals.

	As at 31.12.2013	As at 31.12.2012
	(₹)	(₹)
B SHARE CAPITAL		
(i) Share capital authorized, issued, subscribed and paid up:		
Authorised :		
52,500 equity share of USD 1 each	<u>2,438,475</u>	<u>2,438,475</u>
Issued, paid up and subscribed		
52,500 equity share of USD 1 each	<u>2,438,475</u>	<u>2,438,475</u>
	<u>2,438,475</u>	<u>2,438,475</u>
(ii) The Company has only one class of equity shares having par value USD 1 per share.		

NOTES FORMING PART OF ACCOUNTS (Contd.)**(iii) Shareholders holding more than 5% of equity shares as at the end of the year:**

Name of shareholder	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Shareholding%	Number of shares	Shareholding%
Larsen & Toubro Ltd.	50000	95%	50000	95%

(iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended December 31, 2013 are Nil (previous period of five years ended December 31, 2012 Nil)

(v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended December 31, 2013 - Nil (previous period of five years ended December 31, 2012 -NIL)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
C. RESERVES AND SURPLUS				
Statement of profit & loss				
Opening balance	9,194,300		7,447,902	
Add: Profit for the year	1,760,375		1,746,398	
Closing balance		10,954,675		9,194,300
Foreign currency translation reserve				
Opening balance	3,290,557		2,876,134	
Add: Profit for the year	2,003,990		414,423	
Closing balance		5,294,547		3,290,557
TOTAL		16,249,222		12,484,857
D(i) TRADE PAYABLES				
Due to holding company		13,553,079		13,427,674
Due to other related parties		4,686,619		13,931,540
TOTAL		18,239,698		27,359,214
D(ii) OTHER CURRENT LIABILITIES				
Other payables		463,575		—
TOTAL		463,575		—
E. SHORT TERM PROVISIONS				
Provision for tax (net of advances)		108,724		425,531
TOTAL		108,724		425,531
F. TRADE RECEIVABLES				
Unsecured				
Debts outstanding for a period exceeding six months				
Considered good		380,750		337,445
Considered doubtful				
Others debts				
Considered good		6,976,865		10,220,414
TOTAL		7,357,615		10,557,859
G. CASH AND BANK BALANCES				
Balances with bank				
- in current accounts		29,999,174		32,150,218
TOTAL		29,999,174		32,150,218

NOTES FORMING PART OF ACCOUNTS

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
H. OTHER CURRENT ASSETS				
Prepaid taxes		142,905		—
TOTAL		142,905		—
	2013		2012	
	₹	₹	₹	₹
I. REVENUE FROM OPERATIONS				
Service income		52,518,054		57,106,016
TOTAL		52,518,054		57,106,016
J(i) OPERATING EXPENSES				
Cost of services		49,582,291		47,125,317
		49,582,291		47,125,317
J(ii) SALES, ADMINISTRATION AND OTHER EXPENSES				
Professional fees		—		1,084,717
Office expenses		—		9,631
Bank charges		—		17,683
Rates and taxes		—		211,873
Expenses reimbursed to related party		—		5,985,100
License fees		132,272		—
Subscriptions		—		149,628
Audit fees		604,581		435,280
Loss on sale of fixed asset		—		66,108
		736,853		7,960,020

K. Contingencies :

There are no contingent liabilities as at December 31, 2013. (Previous year: NIL)

L. Commitments :

There are no capital commitments as on December 31, 2013

M. Basic and diluted earnings per share (EPS)

Basic and diluted	2013	2012
Profit after tax as per accounts (₹)	1,760,375	1,746,398
Weighted average number of shares outstanding	52,500	52,500
Basic EPS (₹)	33.53	33.26

N. Related parties

The related parties over who exercise the control:

Name	Relationship
Larsen & Toubro Limited	Holding company
Larsen & Toubro Infotech Limited	Fellow Subsidiary company

NOTES FORMING PART OF ACCOUNTS (Contd.)

The related parties with whom the Company had transactions during the year are:

Name	Relationship
Larsen & Toubro Limited	Holding company
Larsen & Toubro Infotech Limited	Fellow Subsidiary company

Transactions with related parties during the year:-

(₹)

Particulars	Holding Company	Fellow Subsidiary
Purchase of services	23,055,336	26,526,955
	(19,875,538)	(40,346,484)
Payable	13,553,079	4,686,619
	(13,427,674)	(13,931,540)

- O.** The Company has not taken any asset on operating / finance lease.
- P.** Borrowing cost capitalised during the year: Nil
- Q.** 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.
- R.** Auditor's remuneration charged to the accounts amounted to 604,581/- (Previous year ₹ 435,280/-)
- S. Segmental reporting**
The Company is wholly involved in software development services and operates only in USA & hence segmental reporting is not required.
- T.** Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report attached
SHARP & TANNAN
 Chartered Accountants
 Firm's Registration No. 109982W
 By the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
 Partner
 Membership No: 38332

DR. MUKESH AGHI
 Director

VIVEK CHOPRA
 Director

Place: Mumbai
 Date : April 30, 2014

Date : April 30, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth Annual Report along with Accounts for the year ended March 31, 2014.

PERFORMANCE OF THE COMPANY

The Company is currently participating in a couple of real estate development projects by participating in Limited Liability Partnerships (LLP) formed for the same. The Company is providing project management and advisory as well as business support services in this area. Apart from this operating income, the Company has also earned income on the inter-corporate deposits placed with subsidiaries as well as income on investment of temporary surplus funds in liquid instruments.

The transaction for sale of land at Vizag is pending receipt of regulatory approvals.

FINANCIAL RESULTS

Particulars	2013-14 ₹ in Lakhs	2012-13 ₹ in Lakhs
Revenue from operations	170.57	556.83
Other income	14,111.76	11,700.45
Total Income	14,282.33	12,257.28
Less: Changes in project work-in-progress	265.02	1,155.67
Administrative expenses	258.30	1,424.85
Finance Cost	11,687.97	8,818.70
Total Expenses	12,211.29	11,399.22
Profit / (Loss) before exceptional items, depreciation and tax	2,071.04	858.06
Less: Depreciation & amortization	20.77	26.12
Profit / (Loss) before exceptional items and tax	2,050.27	831.94
Less : Exceptional items	7,781.99	14,962.61
Profit / (Loss) before Tax	(5,731.72)	(14,130.67)
Less: Tax Expense	91.61	(84.88)
Profit / (Loss) after Tax	(5,823.33)	(14,045.79)

DIVIDEND

The Directors do not recommend any dividend for the current year.

CAPITAL EXPENDITURE

The Net fixed assets stood at ₹ 2,662.01 Lakhs as at March 31, 2014 after charging off depreciation and amortization to an extent of ₹ 20.77 Lakhs for the year ended on March 31, 2014.

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

As the Company is involved in the development of real estate, the particulars to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 does not apply.

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 seven subsidiary companies. Out of them, two are wholly owned 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 all the subsidiary companies are enclosed.

Subsequent to receipt of approval from Special Economic Zone Board, the Company has concluded the sale of its stake in L&T Chennai Projects Private Limited to M/s Zoho Corporation in October 2013.

During the year, the Company has also sold its stake in L&T Bangalore Airport Hotel Limited to M/s. Bangalore International Airport Limited in January 2014.

The Company is in the process of divesting its stake in L&T Tech Park Limited and L&T Tejomaya Limited and discussions are in progress with prospective buyers. The transaction is expected to be concluded in the first quarter of 2014-15.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed to the extent applicable;
- ii) the selected accounting policies were applied consistently and judgments and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profits of the Company for the year ended on that date;
- iii) 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) the annual accounts have been prepared on a going concern basis; and
- v) proper systems are in place to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS

Mr. A. M. Naik, Mr. R. Shankar Raman and Mr. Shrikant Joshi are the current Directors of the Company.

Mr. Shailendra Roy resigned from the Board of Directors with effect from May 22, 2013. The Board places on record its appreciation of the services rendered by Mr. Shailendra Roy during his tenure as Director of the Company. Mr. R. Shankar Raman has been appointed as a director to fill up the casual vacancy with effect from May 22, 2013.

Mr. R. N. Mukhija resigned as a Director of the Company w.e.f. April 30, 2014 pursuant to his retirement from the services of the parent company Larsen & Toubro Limited. The Board places on record its appreciation of the services rendered by Mr. Mukhija during his tenure as Director of the Company.

Mr. Shrikant Joshi, who was appointed in the casual vacancy caused by the resignation of Mr. D. B. Raju, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. R. Shankar Raman, who was appointed in the casual vacancy caused by the resignation of Mr. Shailendra Roy, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

AUDIT COMMITTEE

The Audit Committee has been re-constituted due to the changes in the composition of the Board. The Committee currently comprises of Mr. A. M. Naik, Mr. R. Shankar Raman and Mr. Shrikant Joshi with Mr. A. M. Naik as the Chairman.

The Audit Committee reviews the quarterly and annual financial statements before their submission to the Board besides discharging the functions stipulated by Section 292A of the Companies Act, 1956.

NOMINATION & REMUNERATION COMMITTEE (EARLIER KNOWN AS REMUNERATION COMMITTEE)

The Nomination & Remuneration Committee has been re-constituted due to the changes in the composition of the Board. The Committee currently comprises of Mr. A. M. Naik, Mr. R. Shankar Raman and Mr. Shrikant Joshi with Mr. A. M. Naik as the Chairman.

AUDITORS

The Auditors of the Company, M/s. Sharp & Tannan, will retire at the conclusion of the ensuing Annual General Meeting. As per the provisions of Section 139 of the Companies Act, 2013 ('Act'), an audit firm can be appointed for maximum two terms of five consecutive years and the existing tenure of the auditor will be reckoned for this purpose. The Act also provides for a time frame of 3 years for companies to comply with this provision. The Company has received a certificate from M/s Sharp & Tannan to the effect that their re-appointment, if made, would be in accordance with Section 141 of the Companies Act, 2013.

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 26, 2014

R. SHANKAR RAMAN
Director

SHRIKANT JOSHI
Director

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L&T REALTY LIMITED

Report on the financial statements

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

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to note O (ix) of the financial statements regarding scheme of amalgamation between L&T Urban Infrastructure Limited (Transferor Company) and L&T Realty Limited (Transferee Company). Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN

*Chartered Accountants
Firm's registration no. 109982W
by the hand of*

FIRDOSH D. BUCHIA

*Partner
Membership No. 38332*

*Place : Mumbai
Date : May 26, 2014*

ANNEXURE TO THE INDEPENDENT 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) 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 has been carried out by management during the year 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.
- (2) During the year, the Company has written off its inventories representing construction related expenditure incurred on its residential / commercial project and accordingly paragraph 4(ii) (a), (b) and (c) of the Order 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, to 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 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 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, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956; accordingly paragraph 4 (v) (a) and (b) of the Order are not applicable.
- (6) The Company has not accepted deposits from the public 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. Accordingly paragraph 4 (vi) of the Order is not applicable.
- (7) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- (8) We are informed by management that 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, service tax, provident fund, excise duty, sales tax/ value added tax and other material statutory dues with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, service tax, provident fund, excise duty, sales tax/ value added tax and other statutory dues outstanding as at 31 March 2014 for a period of more than six months from the date they became payable.
- (b) According to information and explanations given to us, particulars of statutory liabilities as at 31 March 2014 which have not been deposited on account of a dispute pending is as under:

Name of statute	Nature of dispute	Amount ₹	Period to which the amount relates	Forum where disputes are pending
Income-tax Act, 1961	Dispute regarding disallowance	8,17,240	Financial year 2008-09	Commissioner of Income Tax (Appeals)
		1,01,06,570	Financial year 2009-10	

There are no dues in respect of customs duty, excise duty and sales tax / value added taxes which have not been deposited on account of any dispute.

- (10) The accumulated losses of the Company as at the end of the financial year are more than fifty per cent of its net worth. The Company has incurred cash losses in the current financial year.
- (11) According to the information and explanations given to us, the Company has neither availed any loans from banks or financial institutions, nor has it issued any debentures. Accordingly, paragraph 4 (xi) of the Order is not applicable.
- (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) 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.
- (15) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

L&T REALTY LIMITED

- (16) The Company has not availed term loans and accordingly paragraph 4 (xvi) of the Order is not applicable.
- (17) According to the information and explanations 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.
- (18) The Company has not made any preferential allotment of shares during the year under audit and accordingly paragraph 4 (xviii) of the Order is not applicable.
- (19) The Company has not issued any 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 year.
- (21) 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 period, nor have we been informed of such cases by management.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : May 26, 2014

BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	B	471,607,000		471,607,000	
(b) Reserves and Surplus	C	(2,287,688,418)		(1,705,355,643)	
			(1,816,081,418)		(1,233,748,643)
Advance towards equity commitment	B(iii)		6,990,000,000		6,990,000,000
Current liabilities					
(a) Short-term borrowings	D (i)	7,630,634,264		7,712,034,264	
(b) Trade payables	D (ii)	13,880,079		10,346,010	
(c) Other current liabilities	D (iii)	1,192,091,828		569,321,887	
(d) Short-term provisions	D (iv)	-		4,874,525	
			8,836,606,171		8,296,576,686
TOTAL			14,010,524,753		14,052,828,043
ASSETS					
Non - current assets					
(a) Fixed assets					
(i) Tangible assets	E (i)	252,538,535		254,496,718	
(ii) Intangible assets	E (ii)	5,055,033		3,503,796	
(iii) Intangible assets under development	E(ii)	8,607,500		-	
			266,201,068		258,000,514
(b) Non - current investments	F	2,641,949,817		3,041,099,817	
(c) Deferred tax assets (net)	O(v)	-		12,060,735	
(d) Long term loans and advances	G	1,641,678,117		6,475,033,006	
			4,283,627,934		9,528,193,558
Current assets					
(a) Current investments	H(i)	199,243,296		13,127,149	
(b) Inventories	H(ii)	-		26,485,243	
(c) Trade receivables	H(iii)	-		12,012,649	
(d) Cash and Bank Balances	H(iv)	13,586,658		345,401,108	
(e) Short term loans and advances	H(v)	9,247,865,797		3,869,607,822	
			9,460,695,751		4,266,633,971
TOTAL			14,010,524,753		14,052,828,043
SIGNIFICANT ACCOUNTING POLICIES	A				
CONTINGENT LIABILITIES AND COMMITMENTS	I				
OTHER NOTES FORMING PART OF ACCOUNTS	O				

The accompanying notes form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
(Firm's Registration No. 109982W)
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

Place : Mumbai
Date : May 26, 2014

S. N. SETH
Manager

Place : Mumbai
Date : May 26, 2014

R. SHANKAR RAMAN
Director

SHRIKANT JOSHI
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Note No.	2013-14	2012-13
		₹	₹
REVENUE FROM OPERATIONS	J (i)	17,056,632	55,682,789
Other income	J (ii)	1,411,176,249	1,170,044,963
TOTAL		1,428,232,881	1,225,727,752
EXPENSES			
Changes in project work-in-progress(written off during the year)	H(ii)	26,502,451	115,566,511
Employee benefits expense	K	17,339,812	64,565,586
Administration and other expenses	L	8,490,165	77,919,487
Finance costs	M	1,168,796,635	881,869,609
Depreciation and amortisation	E(i)(b)	2,076,691	2,612,472
TOTAL		1,223,205,754	1,142,533,665
Profit / (loss) before exceptional items and tax		205,027,127	83,194,087
Exceptional items	N	(778,199,167)	(1,496,261,317)
Profit / (loss) before tax		(573,172,040)	(1,413,067,230)
Tax Expense			
Current tax		-	2,900,000
Deferred tax	O(v)	12,060,735	(10,354,776)
Provision for Income tax- earlier years		(2,900,000)	(1,033,458)
Profit / (loss) after tax for the year		(582,332,775)	(1,404,578,996)
Earnings per equity share			
Basic		(12.35)	(29.78)
Diluted		(12.35)	(29.78)
Face value per equity share		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	A		
OTHER NOTES FORMING PART OF ACCOUNTS	O		

The accompanying notes form an integral part of financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(Firm's Registration No. 109982W)

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : May 26, 2014

S. N. SETH

Manager

Place : Mumbai

Date : May 26, 2014

R. SHANKAR RAMAN

Director

SHRIKANT JOSHI

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	2013-14 ₹	2012-13 ₹
A. Cash flow from operating activities		
Profit/ (Loss) before tax (Excluding exceptional items)	205,027,127	83,194,087
Adjustments for:		
Depreciation and amortisation	2,076,691	2,612,472
Provision for doubtful advances	(30,380,000)	30,380,000
(Profit)/ Loss on sale of fixed assets	-	789,555
Interest income	(1,328,402,730)	(1,052,126,818)
Interest expenditure	1,168,796,635	881,869,609
(Profit)/loss on sale of investments in mutual funds (net)	(10,766,319)	(30,821,176)
Dividend income	(72,007,200)	(86,408,640)
Operating profit before working capital changes	(65,655,796)	(170,510,911)
Adjustments for:		
(Increase) / decrease in trade receivables	12,012,649	5,285,855
(Increase) / decrease in inventories	26,502,452	109,970,820
(Increase) / decrease in loans and advances	(940,701,582)	(1,449,590,733)
Increase / (decrease) in liabilities and provisions	11,035,017	2,583,050
Cash generated from operations	(956,807,260)	(1,502,261,919)
Direct taxes paid	(164,010,671)	(123,274,447)
Net cash generated from/(used in) operating activities (A)	(1,120,817,931)	(1,625,536,366)
B. Cash flow from investing activities		
Purchase of fixed assets	(11,471,871)	(4,866,389)
Sale of Fixed Assets (including advance received)	1,177,417	111,751,384
Loans/Deposits made with subsidiaries, associates companies and third parties (net)	-	(2,131,396,014)
Investment in subsidiaries, associates and joint ventures (net)	24,796,704	(99,990)
Purchase / sale of Mutual funds	13,893,468	27,694,027
Advance received for sale of investments	-	250,000,000
Excess advance over sale consideration returned on disposal of investments	-	(49,150,349)
Dividend received	72,007,200	86,408,640
Interest received	1,328,402,730	771,328,020
Net cash generated from / (used in) investing activities (B)	1,428,805,648	(938,330,671)
C. Cash flow from financing activities		
Receipt/(Repayment) of advance towards equity commitment	-	(70,000,000)
Proceeds from short term borrowings	1,683,600,000	7,122,910,000
Repayment of short term borrowings	(1,765,000,000)	(4,060,875,736)
Interest paid	(558,402,167)	(710,930,889)
Net cash from / (used in) financing activities (C)	(639,802,167)	2,281,103,375
Net increase/(decrease) in cash & cash equivalents (A+B+C)	(331,814,450)	(282,763,662)
Cash and cash equivalents at the beginning of the year	345,401,108	51,274,669
Cash and cash equivalents taken over on Amalgamation [See note N(xi)(d)]	-	576,890,101
Cash and cash equivalents at the end of the year	13,586,658	345,401,108

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 & cash equivalent represent fixed deposits, cash and bank balances.
- Previous year's figures have been regrouped / reclassified wherever necessary.

As per our report attached

SHARP & TANNAN

Chartered Accountants

(Firm's Registration No. 109982W)

by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

S. N. SETH

Manager

R. SHANKAR RAMAN

Director

SHRIKANT JOSHI

Director

Place : Mumbai

Date : May 26, 2014

Place : Mumbai

Date : May 26, 2014

NOTES FORMING PART OF ACCOUNTS

A. 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. Further the guidance notes/announcements issued by ICAI are also considered, wherever applicable.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make 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 on the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, allowance 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 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3 Revenue recognition:

Revenue from operations

- (i) Income from project management and advisory services is accounted on time proportionate basis / proportionate completion method based on the agreements / arrangements with customers. However, certain claims, which are not ascertainable/acknowledged by customers, are not taken into account.
- (ii) Other operating revenue, other than Dividend income, is accounted under proportionate completion method based on the agreements / arrangements with customers.
- (iii) Dividend income is accounted when the right to receive the same is established.

Other income

- (i) Interest income is accrued at applicable interest rate on time proportionate basis.
- (ii) Other items of income are accounted as and when the right to receive arises.

4 Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such. On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

5 Tangible Fixed assets

Tangible fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation and accumulated 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 capitalised as a part of the cost of the fixed assets.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress".

(Also refer to policy on impairment of assets and borrowing costs).

6 Depreciation

Depreciation on assets has been provided on straight-line basis at the rates specified in the Schedule XIV of the Companies Act, 1956. However, in respect of the following asset categories depreciation is provided at rates higher than the rates specified in Schedule XIV in line with their estimated useful lives.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Category of Asset	Depreciation Rate (p.a)
Computers	
Desktops, Servers and Computer networking	16.67%
Laptops	25.00%
Office equipments	25.00%
Furniture and fixtures	10.00%
Motor cars	14.29%
Air conditioners	8.33%

Depreciation on additions (including assets costing less than ₹ 5,000/-) / deductions 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.

7 Intangible assets and amortisation

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortization and cumulative impairment. 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 amortized over their useful life as follows:

Specialized software is amortized over useful life on straight line basis from the month in which the addition is made.

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalized as a part of the cost of the intangible assets. Amortization on impaired assets is provided by adjusting the amortization charges in the remaining periods so as to allocate the assets' revised carrying amount over its remaining useful life.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

8 Impairment of assets

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

- the provision for impairment loss, if any; and
- the reversal of impairment loss recognised in previous periods, if any,

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

Recoverable amount is determined:

- In the case of individual asset, at higher of the net selling price and value in use.
- In the case of a cash generating asset, (a group of assets that generates identifiable 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 the estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.)

9 Employee benefits

The following are the accounting policies of the Company with respect to Employee benefits:

Short term employee benefits: [Refer note O(ix)(d)]

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 the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

10 Investments

Trade investments comprise investments in subsidiary companies, associate companies and entities in which the Company has strategic business interest.

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long term investments including trade investments are carried at cost, after providing for diminution in value, if such diminution is other than temporary in nature.

Current Investments are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

11 Inventories

Inventories representing project related work-in-progress, are valued after providing for obsolescence, at lower of cost or net realisable value.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

12 Foreign currency transactions

- (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. 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 on the date of the transaction.
- (iii) 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 expense in the period in which they arise.

13 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of such assets, till such time as the asset is ready for its intended use or sale. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for intended use or sale.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

14 Taxes on income

Tax 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 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 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.

15 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 are charged to the statement of Profit and loss on accrual basis.

16 Cash and Bank Balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

17 Provisions, contingent liabilities and contingent assets

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.

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 :

- 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, arising from the past events when no reliable estimate is possible; and
- iii) 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.

18 Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified as and disclosed as follows:

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for.
- ii) Uncalled liability on shares and other investments partly paid.
- iii) Funding related commitment to Subsidiary, Associate and Joint Venture Companies.
- iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**19 Operating cycle for current/non-current classification:**

Operating cycle for the business activities of the Company covers the duration of the specific project / contract / service including the defect liability period, wherever applicable and extends up to the realization of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

20 Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments; and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of balance sheet are also included under this category with a specific disclosure.

	As at 31.03.2014	As at 31.03.2013
	₹	₹
B. SHARE CAPITAL		
(i) Authorised, issued and subscribed		
Authorised :		
80,00,00,000 equity shares of ₹ 10 each	8,000,000,000	8,000,000,000
40,00,00,000 preference shares of ₹ 10 each	4,000,000,000	4,000,000,000
Issued :		
4,71,60,700 equity shares of ₹ 10 each	471,607,000	471,607,000
Subscribed :		
4,71,60,700 equity shares of ₹ 10 each	471,607,000	471,607,000
TOTAL	471,607,000	471,607,000

Name of the shareholder	As at 31.03.2014		As at 31.03.2013	
	Number of shares	Shareholding %	Number of shares	Shareholding %
B(ii) Shareholders holding more than 5% of Equity shares as at the end of the Year				
Larsen & Toubro Limited	47,160,700	100	47,160,700	100

B(iii) The capital structure of L&T Realty Limited is under periodical review by the Board of Directors considering the various projects under execution as well as expected divestments of some of the investments. Accordingly, the decision to convert the existing share application money into share capital has been deferred.

B(iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended March 31, 2014 are Nil (*previous period of five years ended March 31, 2013: Nil*).

B(v) Terms/rights attached to equity shares :

The Company has only one class of equity shares having par value of ₹ 10/- per share. Each share is entitled to one vote per share.

B(vi) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on March 31, 2014 – Nil (*previous period of five years ended March 31, 2013: Nil*).

B(vii) The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

B(viii) The Company has not declared dividend during the year.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C. RESERVES AND SURPLUS				
Securities premium account				
As per last Balance Sheet	402,153,697		–	
Addition due to Amalgamation [See note O(ix)]	–		402,153,697	
		402,153,697		402,153,697
Surplus / (deficit) in the statement of Profit and Loss				
As per last Balance Sheet	(2,107,509,340)		(26,801,877)	
Addition due to Amalgamation [See note O(ix)]	–		605,750,283	
Loss on Amalgamation [See note O(ix)]	–		(1,281,878,750)	
Profit/(Loss) for the year	(582,332,775)		(1,404,578,996)	
		(2,689,842,115)		(2,107,509,340)
TOTAL		(2,287,688,418)		(1,705,355,643)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
D (i) SHORT TERM BORROWINGS		
Unsecured		
Inter-corporate borrowings from related parties Holding Company	7,630,634,264	7,712,034,264
TOTAL	7,630,634,264	7,712,034,264

Terms of Short Term Borrowings (Unsecured) as at 31.03.2014

Sr. No.	Nature	As at 31.03.2014	As at 31.03.2013	Terms of Repayment
		₹	₹	
1	Inter-corporate Borrowings	1,711,682,769	2,461,682,769	Repayment due on April 30, 2015*
2		5,531,052,945	4,892,552,945	Repayment due on April 30, 2015*
3		387,898,550	357,798,550	Repayment due on April 30, 2015#
	Total	7,630,634,264	7,712,034,264	

* The lender and borrower reserve the right to call back or repay the same prior to maturity date by giving notice of 3 working days. Applicable interest rate : RBI Base Rate + Predetermined spread

The lender and borrower reserve the right to call back or repay the same prior to maturity date by giving notice of 4 working days. Applicable interest rate : RBI Base Rate + Predetermined spread

	As at 31.03.2014	As at 31.03.2013
	₹	₹
D(II) TRADE PAYABLES		
Due to:		
Related parties		
Holding company	6,231,584	–
Fellow subsidiaries	2,991,627	2,857,630
Others	4,656,868	7,488,380
TOTAL	13,880,079	10,346,010

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(III) OTHER CURRENT LIABILITIES				
Due to related parties				
Ultimate Holding Company				
Interest Accrued but not due on Inter-corporate borrowings	50,945,579		10,481,046	
Interest Accrued and due on Inter-corporate borrowings	730,387,609		160,457,674	
Others	-		4,600,751	
		781,333,188		175,539,471
Advance received against sale of investments (Refer note G(ii))		5,000,000		250,000,000
Other payables (Refer note N(ii)(b))		405,758,640		143,782,416
TOTAL		1,192,091,828		569,321,887

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(IV) SHORT TERM PROVISIONS				
Provisions for :				
Employee benefits- (Refer note O(ix)(d))				
Compensated absences			-	4,874,525
TOTAL			-	4,874,525

E(I) ASSET-WISE DETAILS OF TANGIBLE ASSETS

	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.20123	Additions	Deductions	As at 31.03.2014	Upto 01.04.20123	For the Year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Freehold Land (Refer note E(i)(a) below)	325,255	-	-	325,255	-	-	-	-	325,255	325,255
Buildings	2,971,732	-	-	2,971,732	201,829	48,440	-	250,269	2,721,463	2,769,903
Plant and Equipment	-	-	-	-	-	-	-	-	-	-
Computers	2,475,203	-	-	2,475,203	1,728,436	396,047	-	2,124,483	350,720	746,767
Office Equipments	1,856,656	262,681	-	2,119,337	1,399,615	82,309	-	1,481,924	637,413	457,041
Photographic Equipments	43,600	-	-	43,600	43,596	-	-	43,596	4	4
Furniture and Fixtures	1,176,994	-	-	1,176,994	779,661	58,809	-	838,470	338,524	397,333
Air conditioner	27,950	-	-	27,950	7,554	2,329	-	9,883	18,067	20,396
Vehicles	3,981,949	-	1,792,802	2,189,147	915,004	455,439	615,385	755,058	1,434,089	3,066,945
Total	12,859,339	262,681	1,792,802	11,329,218	5,075,695	1,043,373	615,385	5,503,683	5,825,535	7,783,644
Previous Year #	266,788,116	1,889,710	255,818,487	12,859,339	9,493,681	2,146,561	6,564,547	5,075,695	7,783,644	-
Add: Asset held for sale									246,713,000	246,713,000
Grand Total									252,538,535	254,496,644

NOTES FORMING PART OF ACCOUNTS (CONTD.)**E (II) ASSET-WISE DETAILS OF INTANGIBLE ASSETS**

	COST				AMORTISATION				BOOK VALUE	
	As at 01.04.20123	Additions	Deductions	As at 31.03.2014	Upto 31.03.20123	For the Year	Deductions	Upto 31.03.20134	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Computer software	8,047,553	2,601,690	-	10,649,243	4,543,684	1,050,526	-	5,594,210	5,055,032	3,503,869
Total	8,047,553	2,601,690	-	10,649,243	4,543,684	1,050,526	-	5,594,210	5,055,032	3,503,869
Previous year #	4,106,202	3,941,351	-	8,047,553	4,043,357	500,327	-	4,543,684		
Add: Intangible assets under development									8,607,500	-
Grand Total									13,662,532	3,503,869

Notes :

E(i) (a) Land represents 855 sq. ft. of undivided portion of land pertaining to the apartment owned by the Company at Green Park Apartments, Coimbatore.

E(i) (b) Depreciation charged to the Statement of Profit and Loss

	2013-14 ₹	2012-13 ₹
Depreciation for the year	1,043,373	2,209,332
Less: Transferred to Project work in Progress (Also refer Note H(ii)(a))	17,209	34,416
Depreciation charged to Statement of Profit and Loss (A)	1,026,164	2,174,916
Amortisation for the period (B)	1,050,526	437,556
Total charged to Statement of Profit and Loss (A+B)	2,076,691	2,612,472

Previous year's figures have been regrouped wherever necessary.

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
F. NON- CURRENT INVESTMENTS		
Trade Investments		
Investment in equity instruments:		
Subsidiary Companies (unquoted)		
Fully paid equity shares	2,641,799,827	3,317,739,827
Less: Provision for diminution in value (Refer note F(i) below)	-	332,890,000
Investment in preference shares:		
Subsidiary Companies (unquoted)		
Fully paid preference shares	-	56,100,000
Other Subsidiaries :		
Investment in LLP		
Capital contribution to :		
L&T Asian Realty Project LLP	50,000	50,000
L&T Parel Project LLP	99,990	99,990
	149,990	149,990
TOTAL	2,641,949,817	3,041,099,817
Notes		
Aggregate amount of unquoted investments	2,641,949,817	3,041,099,817

NOTES FORMING PART OF ACCOUNTS (CONTD.)**Details of Investments in equity and preference shares (At cost unless otherwise specified)**

Particulars	Face Value	Number of shares					As at 31.03.2014	As at 31.03.2013
		As at 01.04.2013	Purchased / Subscribed during the year	Sold during the year	Adjustments	As at 31.03.2014	₹	₹
Trade Investments								
Subsidiary Companies (unquoted)								
Fully paid equity instruments :								
Chennai Vision Developers Private Limited	10	10,000	-	-	-	10,000	100,000	100,000
L&T Realty FZE, Sharjah, UAE	1610040	60	-	-	-	60	96,602,400	96,602,400
L&T Tech Park Limited (Refer Note F(ii))	10	13,323,750	-	-	13,323,750	-	-	142,800,000
L&T South City Projects Limited	10	28,802,880	-	-	-	28,802,880	705,281,825	705,281,825
L&T Bangalore Airport Hotel Limited (Refer Note F(i))	10	53,280,000	-	53,280,000	-	-	-	532,800,000
L&T Vision Ventures Limited (Refer Note F(ii) and F(ii))	10	34,000	-	-	34,000	-	-	340,000
CSJ Infrastructure Private Limited (Refer Note F(iii))	10	37,629,800	-	-	-	37,629,800	1,839,815,602	1,839,815,602
Less: Provision for diminution in value			-	-	-	-	-	(332,890,000)
Sub-total							2,641,799,827	2,984,849,827
Fully paid preference shares :								
L&T Tech Park Limited (Refer Note F(ii))	10	2,805,000	-	-	2,805,000	-	-	56,100,000
Sub-total								56,100,000
TOTAL							2,641,799,827	3,040,949,827

Investment in L&T Asian Realty Project LLP

Name of the partners & share in profits (%)	As at 31.03.2014	As at 31.03.2013
	₹	₹
L&T Realty Limited (55%)	50,000	50,000
PCS Housing LLP (45%)	50,000	50,000
TOTAL CAPITAL OF THE LLP	100,000	100,000

Investment in L&T Parel Project LLP

Name of the partners & share in profits (%)	As at 31.03.2014	As at 31.03.2013
	₹	₹
L&T Realty Limited (99.99%)	99,990	99,990
Chennai Vision Developers Private Limited (0.01%)	10	10
TOTAL CAPITAL OF THE LLP	100,000	100,000

F(i) The Company has sold its investments in L&T Bangalore Airport Hotel Limited to Bangalore International Airport Limited vide agreement dated December 20, 2013. The transaction resulted into a loss of ₹. 51.80 crores.

F(ii) Adjustment in respect of investments in L&T Tech Park Limited and L&T Vision Ventures Limited represents reclassification from non-current investments to current investments during the year.

F(iii) The Company has given an undertaking to the lenders of its subsidiary, CSJ Infrastructure Private Limited("CSJIPL"), that it shall make arrangements satisfactory to the lenders and when called upon by the lenders to provide such additional funds to CSJIPL in case of any cost overrun as set out in the Common Loan Agreement and Amending Common Loan Agreement between CSJIPL and its lenders.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
G. LONG TERM LOANS AND ADVANCES				
Loans and advances to related parties				
Secured, considered good:				
Loans		–		4,912,400,000
Unsecured, considered good:				
Loans including interest accrued (Refer note G(i) below)	1,641,565,991		1,526,036,720	
Subsidiary Current Account Balances	–			
Advance towards equity commitment (Refer note G(ii) below)	–		33,984,160	
		1,641,565,991		1,560,020,880
Unsecured, considered doubtful:				
Advance towards equity commitment (Refer note G(ii) below)	–		30,380,000	
Less: Allowance for doubtful advances	–		30,380,000	–
Other loans and advances				
Unsecured, considered good:				
Security deposits	87,126		87,126	
Sales tax deposit	25,000		25,000	
Advances recoverable in cash or kind	–		2,500,000	
		112,126		2,612,126
TOTAL		1,641,678,117		6,475,033,006

G(i) Loans to subsidiaries represent, shareholders' loan of ₹ 1,64,15,65,991/- with interest (RBI Base rate + predetermined spread) given to CSJ Infrastructure Private Limited, Chandigarh, to enable the subsidiary meet its initial project expenditure and to maintain the Debt Equity Ratio as mentioned in the Common Loan Agreement between the said subsidiary and its lenders. The said loan and interest accrued thereon is receivable after the discharge of all secured obligations by the subsidiary, as per the Common Loan Agreement dated September 30, 2009 between the subsidiary and its lenders.

The amount includes ₹ 29,03,46,341/- (Previous year ₹ 17,48,17,070/-) in respect of interest accrued from the date of loan till March 31, 2014.

G(ii) In earlier years, the erstwhile L&T Urban Infrastructure Limited had paid ₹ 6,43,64,160/- as advance towards equity commitment to L&T Vision Ventures Limited and had also made a provision of ₹ 3,03,80,000/- against the said advance. In the current year, the Company has entered into an agreement with Vision Brindavan Technocrafts Private Limited for sale of its stake in L&T Vision Ventures Limited and the advance of ₹ 6,43,64,160/- is recoverable by the Company. Accordingly, this amount is disclosed under advances recoverable in cash or kind (note H(v)) and the provision is reversed to the Statement of Profit and Loss.

The Company has received ₹ 50,00,000/- as advance from the purchaser which is disclosed in other current liabilities (note D(iii)).

The Company's investment in L&T Vision Ventures Limited is disclosed as current investment in the current year.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
H(i) CURRENT INVESTMENTS (AT LOWER OF COST OR FAIR VALUE)				
Investment in equity instruments:				
Subsidiary companies (unquoted):				
Fully paid equity shares	143,143,296		809,180,825	
Less: Provision for diminution in value	–		799,180,825	
		143,143,296		10,000,000
Fully paid preference shares	56,100,000			–
Investment in Mutual funds (unquoted):				
L&T Liquid Fund Growth		–		3,127,149
TOTAL		199,243,296		13,127,149

NOTES FORMING PART OF ACCOUNTS (CONTD.)**Details of Investments in equity instruments**

Particulars	Face Value ₹	Number of shares					As at 31.03.2014	As at 31.03.2013
		As at 01-04-2013	Purchased / Subscribed during the year	Adjustments	Sold during the year	As at March 31, 2014	₹	₹
L&T Tech Park Limited (Refer Note H(i)(a))	10	13,323,750	–	(12,813,750)	–	510,000	5,100,000	–
L&T Chennai Projects Private Limited (Refer Note N)	10	18,367,347	–	–	18,367,347	–	–	809,180,825
L&T Tejomaya Limited (Refer Note H(i)(a))	10	–	–	13,408,010	–	13,408,010	137,703,296	–
L&T Vision Ventures Limited (Refer note G(ii))	10	34,000	–	–	–	34,000	340,000	–
Less: Provision for diminution in value (Refer Note N)		–	–	–	–	–	–	(799,180,825)
Fully paid preference shares								
L&T Tech Park Limited (Refer Note F(ii) and H(i)(a))	10	2,805,000	–	–	–	2,805,000	56,100,000	–
TOTAL						16,757,010	199,243,296	10,000,000

H(i) (a) During the year, according to the approval of the Honourable High Court of Judicature at Chennai for the Scheme of arrangement and demerger u/s 391 to 394 of the Companies Act, 1956 of L&T Tech Park Limited (the demerged Company) has been demerged into L&T Tejomaya Limited (the resulting Company).

Resultant to demerger, shares of L&T Tech Park Limited were split and shares amounting to ₹13,77,00,000 were allotted to L&T Tejomaya Limited. During the year, the Company has entered into an agreement for sale of its stake in L&T Tech Park Limited and L&T Tejomaya Limited and hence these investments have been classified as current.

H(ii) Inventories

Particulars	As at 31.03.2014	As at 31.03.2013
	₹	₹
Project Work-in-Progress (Refer note H (ii) (a) below)	–	26,485,243
TOTAL	–	26,485,243

H(ii) (a) The Management of the Company has reviewed the viability of the project at Sriperambudur and has decided to surrender its development rights for the project. Accordingly the expenses incurred for the project have been written off. The Company has entered into a MOU with City Lubricants Private Limited and XS Real Group in respect of surrender of its development rights. The advance of ₹ 9,00,00,000 given to City Lubricants Private Limited (Land owner) in earlier years will be recovered once the project is taken over by XS Real Group (Refer note H(v)). Accordingly, the expenses incurred for the project have been written off.

H(iii) Trade receivables

Particulars	As at 31.03.2014	As at 31.03.2013
	₹	₹
(i) Debts outstanding for a period exceeding six months		
Unsecured, considered good	–	807,061
(ii) Others		
Unsecured, considered good	–	11,205,588
TOTAL	–	12,012,649

H(iv) Cash and Bank Balances

Cash and Cash equivalents		
Cash on hand	17,598	21,412
Balances with banks:		
Current accounts	13,569,060	74,797,777
Bank Deposit (including interest thereon) with original maturity of less than 3 months	–	270,581,919
TOTAL	13,586,658	345,401,108

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31-03-2014		As at 31-03-2013	
	₹	₹	₹	₹
H(V) SHORT TERM LOANS AND ADVANCES				
Loans and advances to related parties				
Unsecured, considered good				
Holding Company:				
Advances recoverable in cash or kind	9,437,051		135,778,783	
Subsidiaries				
Intercompany deposits (including interest accrued thereon)	1,842,619,463		3,388,124,439	
Interest accrued but not due on inter corporate deposit	505,808		-	
Interest accrued and due on loans	680,417,447		99,381,619	
Advances recoverable in cash or kind	69,604,185		4,494,207	
Fellow Subsidiaries				
Advances recoverable in cash or kind	-		-	
		2,602,583,954		3,627,779,048
Others				
Secured, considered good				
Advance towards Development rights (Refer note H(ii)(a))		90,000,000		90,000,000
Other intercompany loans		5,692,800,000		-
Unsecured, considered good				
Income Tax prior years	143,206,033		-	
Advances recoverable in cash or kind (Refer Note N(ii)(b))	586,549,856		37,007,458	
Income tax recoverable of current year (net of provision of current year ₹ Nil/- , previous year ₹ 29,00,000/-)	132,166,575		114,261,937	
Gratuity fund	559,379		559,379	
		862,481,843		151,828,774
Unsecured, considered doubtful				
Advances recoverable in cash or kind	-		14,397	
Less: Allowance for doubtful advances	-		(14,397)	
		-		-
TOTAL		9,247,865,797		3,869,607,822

I(i) Contingent Liability

The Company has received a notice of demand under Section 156 of the Income Tax Act, 1961 for ₹35,90,290/- [Previous year ₹35,90,290/-] in respect of Assessment year 2010-11. The Company has filed an appeal with Commissioner of Income Tax (Appeals).

I(ii) Capital Commitment

Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2014 is ₹ 22,04,929/-, (previous year ₹ Nil)

J(I) REVENUE FROM OPERATIONS

Particulars	2013-14	2012-13
	₹	₹
Operating revenue:		
Project management and advisory services	16,620,545	54,387,000
Other operating revenue:		
Business support services	436,087	1,295,789
TOTAL	17,056,632	55,682,789

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	2013-14		2012-13	
	₹	₹	₹	₹
J(II) OTHER INCOME				
Interest income on:				
Bank Deposits		4,028,802		11,046,826
Subsidiaries				
On Intercompany deposits	1,195,779,752		569,189,188	
Less: Interest waived	—		50,279,092	
		1,195,779,752		518,910,096
On long term loans		128,365,861		478,130,865
		1,328,174,415		1,008,087,787
Loan to other companies		228,315		44,712,329
Dividend Income				
From long term investments :				
Subsidiary companies		72,007,200		86,408,640
Profit on sale of investments in Mutual Funds		10,766,319		30,821,176
Miscellaneous income		—		15,031
TOTAL		1,411,176,249		1,170,044,963
K EMPLOYEE BENEFITS EXPENSE:				
Salaries and wages	14,246,841		57,104,119	
Cost of services	—		1,415,590	
		14,246,841		58,519,709
Contribution to and provision for:				
Provident fund	810,137		2,319,471	
Gratuity	23,604		1,213,852	
Compensated absences	641,371		1,334,666	
		1,475,112		4,867,989
Medical and other insurance premium		842,956		—
Staff welfare expenses		774,903		1,177,888
TOTAL		17,339,812		64,565,586

NOTES FORMING PART OF ACCOUNTS (CONTD.)**L ADMINISTRATION AND OTHER EXPENSES**

Particulars	2013-14	2012-13
	₹	₹
Rent (Holding company)	2,240,002	1,950,000
Insurance	279,838	-
Rates and taxes	7,244,267	513,240
Professional fees	5,175,247	18,894,934
Repairs & maintenance		
- Buildings	4,381	14,761
- Others	1,945,200	2,640,739
Power and electricity	826,147	588,542
Postage and communication	468,021	847,468
Travelling expenses	3,100,654	4,429,687
Loss on sale of Fixed Assets	-	789,555
Auditor's remuneration	734,000	634,500
Security charges	548,400	239,151
Subscription and membership fees	1,936,333	1,803,598
Overheads Charged by Parent/Subsidiaries	1,992,469	5,539,352
Deputation Charges by Parent	9,319,540	5,823,079
Bank Charges	865,587	-
Bad debts and advances written off	2,514,397	-
Provision for doubtful advances	-	30,380,000
Allowances for doubtful debts and advances written back	(30,394,397)	-
Welfare & training	-	1,227,850
Miscellaneous expenses	(309,921)	1,603,031
TOTAL	8,490,165	77,919,487

M FINANCE COSTS

Interest expense on borrowings	1,168,796,610	881,192,845
Interest-Others	25	676,764
TOTAL	1,168,796,635	881,869,609

NOTES FORMING PART OF ACCOUNTS (CONTD.)**N EXCEPTIONAL ITEMS**

Particulars	2013-14	2012-13
	₹	₹
(i) Loss on sale of investments in L&T Bangalore Airport Hotel Limited (Refer note N(i))	518,000,000	–
(ii) Provision/ (Reversal of provision) for Diminution in value of Investments in - L&T Bangalore Airport Hotel Limited (Refer note and F(1) supra and N(iii) below)	(332,890,000)	332,890,000
(iii) Intercorporate deposits written off - L&T Bangalore Airport Hotel Limited (Refer note N(ii)(a) below)	421,491,550	–
(iv) Interest recoverable on inter corporate deposits written off (Refer Note N(ii)(a) below) - L&T Bangalore Airport Hotel Limited	48,655,167	–
(v) Funding of interest payable (Refer Note N(ii)(b)) - L&T Bangalore Airport Hotel Limited	122,942,450	–
Sub Total	778,199,167	332,890,000
(vi) Provision/ (Reversal of provision) for Diminution in value of Investments in - L&T Chennai Projects Private Limited	(799,180,825)	799,180,825
(vii) Loss on sale of investments in L&T Chennai Projects Private Limited	799,180,825	–
(viii) Intercorporate deposits written off - L&T Chennai Projects Private Limited	–	210,900,000
Sub Total	–	1,010,080,825
(ix) Loss on sale of investments in L&T Commercial Projects Private Limited	–	153,290,492
TOTAL	778,199,167	1,496,261,317

N(i) The Company has sold its stake in its subsidiary L&T Bangalore Airport Hotel Limited to Bangalore International Airport Limited vide settlement agreement dated June 27, 2013 and Share Purchase Agreement dated December 20, 2013.

N(ii) Pursuant to the settlement agreement, the Company has adjusted balances as follows :

- Inter-corporate deposit of ₹ 47,01,46,717/- (including interest thereon ₹ 4,86,55,167/-) is written off;
- L&T Bangalore Airport Hotel Limited had received a loan from a bank; the Company agreed to fund ₹ 36,88,27,350/- towards interest and loan processing fees on behalf of L&T Bangalore Airport Hotel Limited for a period of one year up to November, 2014. The interest for the period up to March 31, 2014 aggregating to ₹ 12,29,42,450 is charged to Statement of Profit and Loss account under exceptional items. The balance amount of ₹ 24,58,84,900/- is disclosed as a payable in note D(iii).
- The amount of interest payable up to March 31, 2014 aggregating to ₹ 12,29,42,450/- has been settled by the purchaser i.e. Bangalore International Airport Limited and, accordingly, this amount has been reduced from interest payable and inter-corporate deposit receivable.
- The balance amount of inter-corporate deposit amounting to ₹ 32,70,57,550/- and balance amount of unadjusted interest ₹ 24,58,84,900/- are disclosed under Note H(v).

N(iii) Pursuant to share purchase agreement, the Company sold its investment in L&T Bangalore Airport Hotel Limited to Bangalore International Airport Limited for a sum of ₹ 1,48,00,000/- and has written off the balance investment and also reversed the provision made in the earlier ₹ 33,28,90,000/-.

O(i) The Company has been formed to carry out construction, development, purchase, sale, leasing, financing, valuation and management of residential, commercial, industrial and retail property, and property management and project management.

O(ii) The Company operates in only one segment and from one geographical location i.e. India. Accordingly, no segment reporting is required.

O(iii) (a) Disclosure of related party/related parties transactions pursuant to Accounting Standard (AS 18) "Related Party Disclosures"

A. List of related parties where control exists and status of transactions entered during the year:

Sr No	Name of the Related Party	Relationship	Transaction entered during the Year (Yes/No)
1	Larsen & Toubro Limited	Holding Company *	Yes

* Larsen & Toubro Limited together with its nominees holds the full nominal value of the equity share capital of the Company

NOTES FORMING PART OF ACCOUNTS (CONTD.)

B. List of related parties where control exists and status of transactions entered during the year.

Sr No	Name of the related party	Relationship	Transaction entered during the Year (Yes/No)
1	L&T Asian Realty Project LLP	Subsidiary (management control)	Yes
2	L&T Parel Project LLP*	Wholly owned subsidiary	Yes
3	Chennai Vision Developers Private Limited	Wholly owned subsidiary	Yes
4	L&T Tech Park Limited	Subsidiary	Yes
5	L&T Tejomaya Limited	Subsidiary	Yes
6	L&T Vision Venture Limited	Subsidiary	Yes
7	L&T Bangalore Airport Hotel Limited	Subsidiary (Ceased to be a subsidiary w.e.f January 24, 2014)	Yes
8	L&T South City Projects Limited	Subsidiary	Yes
9	L&T Chennai Projects Private Limited (formerly L&T Arun Excello ITSEZ Private Limited) #	Subsidiary (Ceased to be a subsidiary w.e.f. October 3, 2013)	Yes
10	CSJ Infrastructure Private Limited	Subsidiary	Yes
11	L&T Commercial Projects Private Limited	Subsidiary	No
12	Hyderabad International Trade Expositions Limited	Fellow Subsidiary	Yes
13	L&T Infocity Limited	Fellow Subsidiary	Yes
14	L&T Infrastructure Development Projects Limited	Fellow Subsidiary	Yes
15	L&T Infotech Limited	Fellow Subsidiary	Yes
16	L&T Seawoods Private Limited	Fellow Subsidiary	Yes
17	L&T Hitech City Limited	Fellow Subsidiary	No
18	L&T Metro Rail (Hyderabad) Limited	Fellow Subsidiary	No
19	L&T Western India Tollbridge Limited	Fellow Subsidiary	No

* The Company along with its subsidiary Chennai Vision Developers Private Limited, holds 100% of the LLP.

Subsidiary (Ceased to be a subsidiary w.e.f October 3, 2013)

O(iii) (b) Disclosure of related party transactions (excluding service tax)

Particulars	2013-14	2012-13
	₹	₹
1 Holding Company		
Larsen & Toubro Limited		
– Receipts/(Repayment) of Advance Towards Equity Commitment	–	(70,000,000)
– Rent expense	2,240,002	1,710,000
– Deputation charges	9,319,540	1,415,590
– Payroll processing fees	60,000	180,000
– Business support services expense	–	42,940,887
– Business support services income	–	3,095,332
– Expenses incurred by L&T Realty Limited on behalf of	1,794,916	41,112,519
– Expenses incurred on behalf of L&T Realty Limited	5,294,195	10,388,825
– Overheads charged to L&T Realty Limited	118,217	–
– Overheads charged by L&T Realty Limited	2,717,719	–
– Project management and advisory service income	999,000	2,231,000
– Inter corporate deposit availed	1,683,600,000	7,122,910,000
– Inter corporate deposit repaid	1,765,000,000	4,060,875,736
– Interest expense on inter corporate deposit	1,168,796,610	881,192,845
– Transfer of Accumulated Project Expenses by the Company to	–	418,116,053

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Particulars	2013-14	2012-13
	₹	₹
2 Subsidiaries		
L&T Asian Realty Project LLP		
– Investment in Share capital	–	50,000
– Secured Loan given	780,400,000	1,262,400,000
– Interest income on secured loan	756,019,373	371,533,064
– Overheads charged to L&T Realty Limited	624,751	–
– Business support services income	–	1,050,530
– Expenses incurred by L&T Realty Limited on behalf of	2,714,705	21,932,949
L&T Parel Project LLP		
– Inter corporate deposit given	1,175,000,000	3,588,944,694
– Inter corporate deposit repayment received	1,976,400,000	1,174,800,000
– Investment in Share capital	–	99,990
– Interest income on inter corporate deposit	393,001,474	251,376,137
– Business support services income	4,142	1,190,985
– Project Management and advisory service income	603,999	995,000
– Overheads charged to L&T Realty Limited	624,751	–
– Expenses incurred by L&T Realty Limited on behalf of	1,279,557	3,350,281
– Expenses incurred on behalf of L&T Realty Limited	2,500	497,519
CSJ Infrastructure Private Limited		
– Project management and advisory service income	5,185,000	16,851,000
– Interest income on shareholders' loan	128,365,857	106,597,801
– Business support services income	320,477	831,649
– Shareholders' Loan	–	237,600,000
– Expenses incurred by L&T Realty Limited on behalf of	5,465	–
L&T Chennai Projects Private Limited		
– Inter Corporate deposit placed	60,000,000	79,800,000
– Subscription to equity shares	–	9,000,000
– Inter Corporate refunded from	–	–
– Inter Corporate deposit repaid	345,663,600	5,586,566
– ICD written off	–	210,900,000
– Diminution in the value of investment	–	(799,180,825)
– Business support services income	–	1,501
L&T Commercial Projects Private Limited		
– Subscription to equity shares	–	470,400
– Inter Corporate deposit placed	–	3,070,000
– Business Support services income	–	1,501
– Interest income on inter corporate deposit	–	3,226,029
L&T Bangalore Airport Hotel Limited		
– Inter Corporate deposit placed	338,800,000	3,344,900,000
– Inter corporate deposit repayment received	–	2,812,201,450
– Inter Corporate deposit written off	421,491,550	–
– Funding of interest payable [Note N(ii)(b)]	122,942,450	–
– Interest income on inter corporate deposit	34,743,889	257,759,609
– Interest income on inter corporate deposit waived off	48,655,167	–
– Expenses incurred by L&T Realty Limited on behalf of:	–	7,000
– Provision/ (Reversal of provision) for diminution in the value of investment	(332,890,000)	332,890,000

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Particulars	2013-14	2012-13
	₹	₹
L&T South City Projects Limited		
– Business Support services income	72,460	222,744
– Inter Corporate deposit placed	422,000,000	70,000,000
– Inter corporate deposit repayment received	327,000,000	–
– Interest income on intercorporate deposit	12,015,013	701,370
– Expenses incurred on behalf of L&T Realty Limited:	–	146,754
– Dividend from Subsidiary	72,007,200	86,408,640
– Project management and advisory service income	7,601,000	25,749,000
L&T Tech Park Limited		
– Subscription to Preference shares	–	56,100,000
– Inter Corporate deposit placed	–	6,000,000
– Interest income on inter corporate deposit	–	260,384
– Inter corporate deposit repayment received	–	6,000,000
– Project management and advisory service income	1,086,545	3,132,000
– Business Support Services income	–	41,105
– Expenses incurred by L&T Realty Limited on behalf of:	6,500	–
– Decrease in share capital pursuant to demerger [Refer Note H(i)(a)]	128,137,500	–
L&T Vision Ventures Limited		
– Expenses incurred by L&T Realty Limited on behalf of:	257,640	27,500
– Business support services income	–	–
– Provision/ (Reversal of Provision) for doubtful advances	(30,380,000)	30,380,000
Chennai Vision Developers Private Limited		
– Expenses incurred by L&T Realty Limited on behalf of:	45,331	500
– Expenses incurred on behalf of L&T Realty Limited:	–	20,675
L&T Tejomaya Limited		
– Premium on purchase of shares	3,296	–
– Subscription to equity share capital [Refer Mote H(i)(a)]	137,700,000	–
3 Fellow Subsidiaries		
Larsen & Toubro Infotech Limited		
– Purchase of Fixed Assets-Intangible	3,305,000	–
– Overheads charged by L&T Realty Limited	6,498,000	1,250,000
L&T Infrastructure Development Projects Limited		
– Advance paid	–	623,886
– Advance received	–	258,601
– Business Support Services income	–	2,782,463
– Purchase of fixed assets	–	49,192
– Sale of fixed assets	–	799,088
L&T Infocity Limited		
– Business Support Services expense	–	1,501,590
– Project management and advisory service income	–	575,000
– Expenses incurred on behalf of L&T Realty Limited:	–	159,746
– Expenses incurred by L&T Realty Limited on behalf of:	802,358	97,623
Hyderabad International Trade Expositions Limited		
– Business Support Services income	39,008	140,887
– Project management and advisory service income	1,145,000	3,780,000
– Expenses incurred on behalf of L&T Realty Limited:	–	81,590

NOTES FORMING PART OF ACCOUNTS (CONTD.)

Particulars	2013-14	2012-13
	₹	₹
L&T Seawoods Private Limited		
– Overheads charged to L&T Realty Limited	624,751	–
L&T Hitech City Limited		
– Project management and advisory service income	–	879,000
– Business Support Services income	–	5,921
L&T Metro Rail (Hyderabad) Limited		
– Project Management and advisory service income	–	195,000
L&T Western India Tollbridge Limited		
– Business support services income	–	53,483

O(iii) (c) Amount due to / due from related parties :

₹

Particulars	As at March 31, 2014		As at March 31, 2013	
	Due to	Due from	Due to	Due from
1 Holding company				
Larsen & Toubro Limited				
Advance towards Equity commitment [refer note A(II)]	6,990,000,000	–	6,990,000,000	–
Unsecured Inter-corporate Borrowings	7,630,634,264	–	7,712,034,264	–
Interest accrued and due on Unsecured Inter-corporate Borrowings	781,333,188	–	170,938,720	–
Accounts payable	6,231,584	–	1,746,367	–
Accounts receivable	–	9,437,051	–	135,778,734
2 Subsidiaries				
L&T Asian Realty Project LLP				
Secured Loan	–	5,692,800,000	–	4,912,400,000
Interest accrued and due on secured Loan	–	680,417,447	–	99,381,619
Accounts receivable	–	754,784	–	179,115
L&T Parel Project LLP				
Unsecured Inter-corporate Deposits	–	1,612,744,694	–	2,414,144,694
Accounts receivable	–	688,652	–	1,862,867
Interest accrued and due on Inter-corporate Deposit	–	64,874,769	–	70,951,769
CSJ Infrastructure Private Limited				
Secured Loan	–	1,351,219,650	–	1,351,219,650
Interest accrued and due on secured Loan	–	290,346,341	–	174,817,070
Accounts receivable	–	–	–	257,840
L&T Chennai Projects Private Limited				
Unsecured Inter-corporate Deposits	–	–	–	285,663,600
Interest accrued and due on Unsecured Inter-corporate Deposits	–	–	–	123,316
L&T Vision Ventures Limited				
Advance towards Equity commitment	–	64,364,160	–	64,364,160
Accounts receivable	–	3,720,967	–	3,463,327
L&T Bangalore Airport Hotel Limited				
Unsecured Inter-corporate Deposits	–	–	–	532,698,550
Interest accrued and due on Unsecured Inter-corporate Deposits	–	–	–	13,911,277

NOTES FORMING PART OF ACCOUNTS (CONTD.)

₹

Particulars	As at March 31, 2014		As at March 31, 2013	
	Due to	Due from	Due to	Due from
L&T Tech Park Limited				
Accounts receivable	-	-	-	2,185,001
L&T South City Projects Limited				
Unsecured Inter-corporate Deposits	-	165,000,000	-	70,000,000
Interest accrued and due on Unsecured Inter-corporate Deposits	-	-	-	631,232
Accounts receivable	-	-	-	6,273,512
Interest accrued and not due on Unsecured Inter-corporate Deposits	-	505,808	-	-
Chennai Vision Developers Private Limited				
Accounts receivable	-	75,622	-	29,117
3 Fellow Subsidiaries				
L&T Infrastructure Development Projects Limited				
Accounts Payable	-	-	1,772,442	-
Larsen & Toubro Infotech Limited				
Accounts Payable	2,991,627	-	606,744	-
L&T Infocity Limited				
Accounts Payable	-	-	478,444	-

O(iv) **Basic and diluted earnings per share [EPS] computed in accordance with pursuant to Accounting Standard (AS) 20 "Earnings per Share".**

Particulars		2013-14	2012-13
Basic			
Profit / (Loss) as per Profit and Loss Account (₹)	A	(582,332,775)	(1,404,578,996)
Weighted average number of equity shares outstanding	B	47,160,700	47,160,700
Basic EPS (₹)	A/B	(12.35)	(29.78)
Diluted			
Profit / (Loss) as per Profit and Loss Account (₹)	A	(582,332,775)	(1,404,578,996)
Weighted average number of equity shares outstanding	B	47,160,700	47,160,700
Weighted average number of equity shares to be allotted on conversion of share application money to equity	C	699,000,000	702,164,384
Weighted average number of equity shares outstanding after conversion	D= B+C	749,325,084	749,325,084
Diluted EPS (₹) **	A/D	(12.35)	(29.78)
Face value per share (₹)		10	10

** The diluted EPS has been kept same as basic EPS since, the inclusion of potential equity shares to be allotted on conversion of share application money into equity had an anti-dilutive effect.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**O(v) Major components of deferred tax liabilities and deferred tax assets, pursuant to Accounting Standard (AS 22) Accounting for taxes on Income.:**

	As at 31-03-2014	As at 31-03-2013
Particulars	₹	₹
Deferred Tax Assets (DTA)		
Compensated absences	–	1,355,212
Provision for Diminution in value of investment	–	10,326,162
Difference between book and tax WDV	616,760	379,361
Long term capital losses	564,200,832	–
Long term business losses and unabsorbed depreciation	107,425,466	–
Deferred Tax Assets	672,243,058	12,060,735
Deferred Tax Liabilities	–	–
Net deferred tax liability / (asset) *	(672,243,058)	(12,060,735)

* Company has not recognised the deferred tax in the current year on the grounds of prudence.

O(vi) Auditor's remuneration (excluding service tax) as follows:

Particulars	2013-14	2012-13
	₹	₹
a) As auditor	500,000	400,000
b) For taxation matters*	35,000	102,500
c) For Other services #	201,000	145,500
Total	736,000	648,000

#During the year, Certification fees for taxation matters of ₹ 2,000/- (Previous Year ₹ 13,500) relating to Powai Project, have been transferred to Larsen & Toubro Limited.

*Tax audit fees are net of provision of ₹ 60,000/- made by erstwhile L&T Urban Infrastructure Limited against which no services were provided

O(vii) Expenditure in Foreign Currency :

Particulars	2013-14	2012-13
	₹	₹
Professional/ Consultant Fees*	–	28,256,512
Travelling expenses -Professional/Consultant*	–	4,251,603
Subscription Fees	–	32,997
Software License	–	131,450

*Professional Fees & Travelling expenses of the consultant of ₹ Nil (Previous year ₹ 3,25,08,115/-), relating to Powai Project, have been transferred to Larsen & Toubro Limited.

O(viii) Earnings in foreign currency during the year ₹ Nil (previous year ₹ Nil).**O(ix) Scheme of amalgamation ('the scheme') between L&T Urban Infrastructure Limited (Transferor Company) and L&T Realty Limited (Transferee Company)**

- The Transferor Company and the Transferee Company are both in the business of construction, development, purchase, sale, leasing, financing, valuation and management of residential, commercial, industrial and retail property, and property management and project management.
- The scheme between the Transferor Company and the Transferee Company was approved by the Honourable High Courts of Bombay and Madras on January 18, 2013 and June 19, 2013 respectively and the amalgamation is effective from April 1, 2012 ('the Appointed Date'). The certified copy of the order sanctioning the scheme passed by the High Court of Judicature at Bombay and the High Court of Judicature at Madras were filed with the Registrar of Companies, Mumbai, Maharashtra on August 8, 2013 and Registrar of Companies, Chennai, Tamil Nadu on August 5, 2013 (August 5, 2013 being 'the Effective Date').
- The amalgamation has been accounted under the Pooling of Interest Method in accordance with Accounting Standard 14 – Accounting for Amalgamations.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- d) The scheme envisages the transfer of all assets, liabilities and reserves of the Transferor Company to the Transferee Company at their book values on the Appointed Date. Further, the authorised share capital of the Transferee Company is amended to ₹ 1200,00,00,000/- classified into ₹ 800,00,00,000/- divided into 80,00,00,000 equity shares of ₹ 10 each and ₹ 400,00,00,000/- divided into 40,00,00,000 preference shares of ₹ 10 each. Also, the employees of the Transferor Company are transferred to Larsen & Toubro Limited (the holding company of the Transferee Company) on the Effective Date. (Note: the Transferee Company does not have any employees on its payroll.)
- e) The Transferor Company is a wholly owned subsidiary of the Transferee Company and no shares were issued to effect the amalgamation.
- f) The investment in the Transferor Company in the books of the Transferee Company was eliminated on amalgamation and the excess of book value over the net assets aggregating to ₹ 1,28,18,78,750/- is adjusted against surplus in Profit and Loss Account.
- g) The financial statements for the year ended March 31,2013 were filed with the Registrar of Companies on October 17, 2013 and the effect of the scheme was considered in those financial statements. Accordingly, figures for the previous year are after giving effect to the scheme of amalgamation.
- O(x) 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 as per the information available with the management of the Company.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 109982W)
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

S. N. SETH
Manager

R. SHANKAR RAMAN
Director

SHRIKANT JOSHI
Director

Place : Mumbai
Date : May 26, 2014

Place : Mumbai
Date : May 26, 2014

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary	Chennai Vision Developers Private Limited *	L&T Realty FZE*	CSJ Infrastructure Private Limited	L&T Vision Venture Limited*
Financial year of the subsidiary company ended on	31-Mar-14	31-Dec-13	31-Mar-14	31-Mar-14
Number of Shares in the subsidiary company held by L&T Realty Limited at the above date				
- Equity shares	10,000	60	37,629,800	34,000
- Preference shares	-	-	-	-
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Realty Limited (Rupees in thousands)				
(i) Dealt with in the accounts of L&T Realty Limited amounted to				
(a) for the subsidiary's financial year ended 31st March,2014 and 31st December 2013	-	-	-	-
(b) for previous financial years of the subsidiary since it became subsidiary "of L&T Realty Limited	-	-	-	-
(ii) Not dealt with in the accounts of L&T Realty Limited amounted to:				
(a) for the subsidiary's financial year ended March 31, 2014 and December 31, 2013	(36)	3,332	(156,056)	(196)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Realty Limited	(177)	(989)	1,092,907	(31,221)
Changes in the interest of L&T Realty Limited between the end of the subsidiary's financial year and March 31, 2014				
Number of shares acquired	NA	-	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014				
(i) Fixed assets (net additions)	NA	-	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	-	NA	NA
(iii) Moneys lent by the subsidiary	NA	-	NA	NA
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	NA	-	NA	NA

Note: * Subsidiaries which are yet to commence operations.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES (CONTD.)**

Name of the subsidiary	L&T Tech Park Limited	L&T South City Projects Limited	L&T Tejomaya Limited	CSJ Hotels Private Limited
Financial year of the subsidiary company ended on	31-Mar-14	31-Mar-14	31-Mar-14	31-Mar-14
Number of Shares in the subsidiary company held by L&T Realty Limited at the above date				
- Equity shares	510,000	28,802,880	13,408,010	-
- Preference shares	2,805,000	-	-	-
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Realty Limited (Rupees in thousands)				
(i) Dealt with in the accounts of L&T Realty Limited amounted to				
(a) for the subsidiary's financial year ended 31st March, 2014 and 31st December 2013	-	86,409	-	-
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Realty Limited	-	-	-	-
(ii) Not dealt with in the accounts of L&T Realty Limited amounted to:				
(a) for the subsidiary's financial year ended March 31, 2014 and December 31, 2013	(1,854)	(121,430)	11,726	(35)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Realty Limited	37,556	516,673	7,516	(36)
Changes in the interest of L&T Realty Limited between the end of the subsidiary's financial year and March 31, 2014				
Number of shares acquired	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014				
(i) Fixed assets (net additions)	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	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: * Subsidiaries which are yet to commence operations.

For and on behalf of the Board

S. N. SETH
Manager

R. SHANKAR RAMAN
Director

SHRIKANT JOSHI
Director

Place : Mumbai
Date : May 26, 2014

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, 2013.

FINANCIAL RESULTS

	2013 (₹)	2012 (₹)
Total Income	39,84,808	9,157
Profit / (Loss) for the year	33,32,494	(9,89,391)

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.

CURRENT BUSINESS SCENARIO & FUTURE OUTLOOK

Financial Year 2013 started on an optimistic note with 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. Also recent award of EXPO2020 to UAE government will boost real estate business.

CAPITAL EXPENDITURE

No Capital Expenditure incurred during the period.

AUDITORS' REPORT

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

AUDITORS

The auditors M/s PKF continue to be the auditors of the Company for the year 2013.

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.

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. The Directors are updated about their role, responsibilities and liabilities.

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

Directors are regularly 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 system of risk assessment and compliance with statutory requirements are in place.

F) 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.

G) Internal Auditors

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to all its group companies.

L&T REALTY FZE

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.

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 the said audit.

PARTICULARS OF EMPLOYEES

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.

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.

MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET & 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.

DIVIDEND

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

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, 2012 and the profits 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 irregularities and
4. that the annual accounts have been prepared on a going concern basis.
5. that proper systems are in place to ensure compliance of all laws applicable to the Company.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers, L&T India and staff of the Company.

For and on behalf of the Board

V. A. K SHENOI

Director

SHRINATH RAO

Director

Place : Mumbai

Date : May 28, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T REALTY FZE

The financial statements of **L&T REALTY FZE** for the year ended December 31, 2013, 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 11, 2014.

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:

Report on the financial statements

We have audited the accompanying financial statements of L&T Realty FZE ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Income and Expenditure and the Cash Flow Statement during the pre-operational period from January 1, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the Statement of Income and Expenditure, of the excess of income over expenditure for the pre-operational period from January 1, 2013 to December 31, 2013; and
- c) in the case of the Cash Flow Statement, of the cash flows for the pre-operational period from January 1, 2013 to December 31, 2013.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Statement of Income and Expenditure 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 comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; 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

SHARP & TANNAN
Chartered Accountants
Firm's Registration no. 109982W)
By the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : May 28, 2014

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 period 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 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 The Company is incorporated in 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. 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 period.
- 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 applicable.
- 10 The accumulated losses of the Company as at the end of the year are less than fifty percent of its net worth. The Company has incurred cash losses in the current financial year as well as 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. Accordingly, paragraph 4 (xi) of the Order is not applicable.
- 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 period and accordingly 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 to any party during the period and accordingly paragraph 4 (xviii) of the Order is not applicable.
- 19 The Company has not issued debentures during the period 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 period, nor have we been informed of such case by management.

SHARP & TANNAN

Chartered Accountants

Firm's Registration no. 109982W)

By the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai
Date : May 28, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note no.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholder's funds					
Share capital	A	96,602,400		96,602,400	
Reserves and surplus	B	(7,170,166)		(20,146,448)	
Non-current liabilities					
Current liabilities					
Trade payables	C	294,481		262,063	
TOTAL		89,726,715		76,718,015	
ASSETS:					
Non-current assets					
Fixed assets					
Tangible assets	D	88,344,373		74,875,000	
Non-current investments		-		-	
Current assets					
Cash and bank balances	E	1,323,446		1,745,677	
Short term loans and advances	F	58,896		97,338	
		1,382,342		1,843,015	
TOTAL		89,726,715		76,718,015	
CONTINGENT LIABILITIES	H(10)				
COMMITMENTS	H(6)				
OTHER NOTES FORMING PART OF THE ACCOUNTS	H				
SIGNIFICANT ACCOUNTING POLICIES	I				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

V. A. K. SHENOI
Director

SHRINATH RAO
Director

Place : Mumbai
Date : May 28, 2014

Place : Mumbai
Date : May 28, 2014

STATEMENT OF INCOME AND EXPENDITURE DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	Note no.	2013 ₹	2012 ₹
INCOME:			
Reversal of impairment loss on property	H (9)	3,984,808	–
Interest on deposits		–	9,157
Total income		3,984,808	9,157
EXPENDITURE:			
Pre-operative expenses	G	821,269	998,546
Excess of income over expenditure / (expenditure over income) before prior period item		3,163,539	(989,391)
Prior period item	H (7)	168,955	–
Excess of income over expenditure / (expenditure over income) before tax		3,332,494	(989,391)
Provision for current taxes		–	–
Excess of income over expenditure / (expenditure over income) after tax		3,332,494	(989,391)
Earnings per equity share (Basic & Diluted)	H (8)	55,542	(16,490)
Face value per equity share AED 150,000			
OTHER NOTES FORMING PART OF THE ACCOUNTS	H		
SIGNIFICANT ACCOUNTING POLICIES	I		

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

V. A. K. SHENOI
Director

SHRINATH RAO
Director

Place : Mumbai
Date : May 28, 2014

Place : Mumbai
Date : May 28, 2014

CASH FLOW STATEMENT DURING THE PRE-OPERATIONAL PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities:		
Excess of expenditure over income before tax	3,332,494	(989,391)
Adjustments for:		
Impairment	(3,984,808)	-
Interest income	-	(9,157)
Unrealised foreign exchange difference - gain or loss in operating activities	(36,352)	(41,192)
Operating profit before working capital changes	(688,665)	(1,039,740)
Adjustments for:		
(Increase) / decrease in loans and advances	50,483	(44,865)
Net Cash (used in) / generated from operations (A)	(638,183)	(1,084,605)
B. Cash flow from investing Activities:		
Interest received	-	9,157
Net Cash (used in) / from investing activities (B)	-	9,157
C. Cash flow from financing activities:		
Net cash (used in) / from financing activities (C)	-	-
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(638,183)	(1,075,448)
Cash and cash equivalents at the beginning of the year	1,745,677	2,724,159
Foreign Exchange difference in cash and cash equivalents	215,951	96,966
Cash and cash equivalents at the end of the year	1,323,446	1,745,677

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's Registration No. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

V. A. K. SHENOI
Director

SHRINATH RAO
Director

Place : Mumbai
Date : May 28, 2014

Place : Mumbai
Date : May 28, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
NOTE [A]				
SHARE CAPITAL				
A(I) Share capital authorised, issued, subscribed and paid up:				
Authorised:				
Equity shares of AED 150,000 each	60	96,602,400	60	96,602,400
Issued, subscribed and fully paid-up:				
Equity Share of AED 150,000 each	60	96,602,400	60	96,602,400
A(II) Reconciliation of the number of equity shares and share capital:				
Issued, subscribed and fully paid up shares outstanding at the beginning of the year	60	96,602,400	60	96,602,400
Add: Issued during the year	-	-	-	-
Issued, subscribed and fully paid up shares outstanding at the end of the year	60	96,602,400	60	96,602,400
A(III) Terms/rights attached to equity shares:				
The Company has only one class of share capital, i.e. equity shares having face value of AED 150,000 per share.				
Each holder of equity share is entitled to one vote per share.				
A(IV) Shares held by holding company:				
L&T Realty Limited	60	96,602,400	60	96,602,400
Equity shares of AED 150,000 each				
Percentage	100%	100%	100%	100%

A(V) The Company has not reserved any shares for issue under options and contracts / commitments for the sale of shares / disinvestments.

A(VI) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended December 31, 2013 are Nil (previous period of five years ended December 31, 2012: Nil shares).

A(VII) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on December 31, 2013 – Nil (previous period of five years ended December 31, 2012: Nil shares).

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE [B]		
RESERVES AND SURPLUS		
Excess of income over expenditure / (expenditure over income) as per Statement of Income and Expenditure		
As per last Balance Sheet	(49,600,955)	(48,611,564)
Excess of income over expenditure / (expenditure over income) for the year	3,332,494	(989,391)
	(46,268,461)	(49,600,955)
Foreign currency translation reserve		
As per last Balance Sheet	29,454,507	26,830,882
Movement during the year	9,643,789	2,623,625
	39,098,295	29,454,507
TOTAL	(7,170,166)	(20,146,448)

NOTES FORMING PART OF ACCOUNTS (Contd.)**H(1) Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"****a) List of related parties who exercise control:**

Larsen & Toubro Limited	Ultimate Holding Company
L&T Realty Limited	Holding Company

b) There were no transactions with related parties during the year**c) Disclosure of transactions with related parties:**

Sr. No.	Related party	Nature of relationship	Nature of transaction	2013	2012
1	Larsen & Toubro International FZE	Fellow subsidiary company	Cost of services	NIL	₹ 1,74,415

d) Amount due to/from related parties

At the reporting date there were no outstanding balance with related parties. (Previous year - Nil).

H(2) 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.

H(3) There are no transactions with micro and small enterprises as defined in the Micro, Small & Medium Enterprises Development Act 2006, during the year.**H(4) 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.

H(5) Auditor's remuneration and expenses charged to the accounts:

Particulars	2013	2012
Audit fees	1,99,240	1,81,683

H(6) The estimated amount of contracts remaining to be executed on capital account (net of advances) is ₹Nil, (previous year ₹ Nil).**H(7) A deposit of AED 10,600 was erroneously written off to expenses during 2009 considering the same to be non-refundable. However, a refund for the same has been received in the current year. Accordingly, it has been written back in the current year and recorded as prior period item.****H(8) Basic and diluted earnings per share (EPS)**

Particulars	2013	2012
Excess of income over expenditure / (expenditure over income) as per Statement of Income and Expenditure during the pre-operational period from January 1, 2013 to December 31, 2013	33,32,494	(989,391)
Weighted average number of equity shares outstanding	60	60
Basic & Diluted EPS (₹)	55,542	(16,490)

H(9) Freehold plot of land purchased from Dubai Industrial City was registered in the Company's name with the land department, Government of Dubai on June 19, 2011. A valuation of the land was undertaken by professional external valuer on January 12, 2014 whose report dated January 13, 2014 established market value thereof at AED 5,250,000. Accordingly, impairment loss recognized earlier has been reversed.**H(10) The Company does not have any contingent liability as at December 31, 2013 (Previous year - Nil).****H(11) Figures for previous year have been regrouped/reclassified wherever necessary.**

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE [1] SIGNIFICANT ACCOUNTING POLICIES

1. Brief description of the Company

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 Company is a wholly owned subsidiary of L&T Realty Limited (formerly 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.

The Company is licensed for the development of real estate and related activities. There have been no commercial activities during the year.

2. 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. Difference, if any, between the actual result and estimates is recognised in the period in which the results are known.

b. Revenue recognition

Interest income is accrued at applicable interest rate.

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment.

d. Depreciation

Depreciation on assets carried at historical cost is 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 higher rates in line with their estimated lives.

Category of Asset	Rate of depreciation (% p.a.)
Computers	33.33

An assessment of depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

e. Impairment

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 recognised in previous periods.

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

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. Foreign currency translation

The reporting currency of the Company is United Arab Emirates Dirhams (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.

h. 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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 the 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.

i. **Extraordinary, Exceptional and Prior Period items**

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

Income or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods are recognised as prior period items. The nature and amount of prior period items is separately disclosed in the financial statement so that their impact on the current profit or loss can be perceived.

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

Place : Mumbai

Date : May 28, 2014

For and on behalf of the Board

V. A. K. SHENOI

Director

Place : Mumbai

Date : May 28, 2014

SHRINATH RAO

Director

DIRECTORS' REPORT

To Members,

Your Directors have pleasure in presenting their eighth Report and audited accounts for the year ended March 31, 2014.

1. FINANCIAL RESULTS:

PARTICULARS	2013-14 (₹)	2012-13 (₹)
Profit / (Loss) before Depreciation & Tax (PBDT)	(6,23,07,952)	4,45,13,863
Depreciation and obsolescence	(40,71,034)	(59,58,754)
Profit / (Loss) before tax (PBT)	(6,63,78,986)	3,85,55,109
Provision for taxes	(65,33,896)	(1,57,66,838)
Profit / (Loss) after tax (PAT)	(7,29,12,882)	2,27,88,271
Add : Balance brought forward from previous year	25,23,95,002	42,87,99,831
Less : Appropriations		
Interim Dividend	14,11,90,585	16,94,28,702
Tax on Distributed Profits	2,39,95,340	2,74,85,571
Transfer to General Reserves	-	22,78,827
Balance carried to Balance Sheet	1,42,96,195	25,23,95,002

2. APPROPRIATIONS:

The Directors wish to inform that there were no appropriations to General Reserves of the Company during the year 2013-14.

3. DIVIDEND:

During the year under review, the Company paid the interim dividend of ₹ 2.5 per share of the face value of ₹ 10/- each @ 25% on 56,476,234 no. of equity shares amounting to ₹ 14,11,90,585/-.

4. PERFORMANCE OF THE COMPANY:

During the year, your Company has handed over the balance 4 nos. of flats in Phase I.

The Directors wish to inform you that the Company is embarking upon next goal of developing 53 lakhs sq. ft. Multi story development comprising of 1 BHK, 2BHK and 3 BHK apartments in a phased manner over a period of 7 years. During the year the Company has obtained the plan approval from DTCP and Local panchayat for development of Eden Park Phase 2.

During the year under review, Your Company has launched sale of first phase of Phase 2 comprising of 712 flats and out of the above your Company has sold 208 flats equivalent to 2.51 lakhs sq. ft. Upon receipt of Consent for Establishment approval from Pollution Control Board, the Company would be geared up for construction activities of Phase 2.

5. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO:

- CONSERVATION OF ENERGY

As the Company is engaged in the business of development of residential/ Commercial Township, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

- TECHNOLOGY ABSORPTION

There was no Technology Absorption during the year.

- FOREIGN EXCHANGE EARNINGS AND OUTGO

(A) Expenditure incurred:

Particulars	2013-14 (In ₹)	2012-13 (In ₹)
Travel	3,31,798	Nil

(B) Dividends remitted:

Particulars	2013-14 (In ₹)	2012-13 (In ₹)
Interim Dividend for the year ended March 31, 2014 remitted to Pragnya Fund I.	3,45,91,692	4,15,10,031

6. CAPITAL EXPENDITURE:

The Directors wish to inform that your Company has added net fixed assets worth ₹ 76.84 Lakhs during the year. The Gross block of assets stood at ₹ 2619.64 Lakhs, while the assets were depreciated to an extent of ₹ 40.71 Lakhs, the Net block of assets stood at ₹ 2482.53 Lakhs as on 31st March 2014. The Capital Work in progress as on 31st March 2014 is ₹ 5 Lakhs.

L&T SOUTH CITY PROJECTS LIMITED

7. DEPOSITS:

The Company has not accepted any deposit from public under Section 58A of the Companies Act, 1956.

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 had been followed wherever applicable and there has been no material departures;
- 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, 2014 and of the profit of the Company for the year ended on that date;
- iii. That proper and sufficient care had been taken 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;
- iv. That the annual accounts had 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. 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.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141(3) (g) of the Companies Act, 2013.

11. AUDITOR'S REPORT:

The Auditors' report does not contain any qualifications. The notes to accounts referred in the Auditors' report are self-explanatory and do not call for any further comments of the Directors.

12. SUBSIDIARY COMPANIES:

L&T Siruseri Property Developers Limited, subsidiary of the Company, has applied on 24th March 2014 under the Fast Track Exit Mode (FTE) mode with Registrar of Companies.

13. DIRECTORS:

At present the Board comprises of Mr. Shrikant Joshi, Mr. U. C. Rath Mr. B.Ramkrishnan, Mr. T. Srinagesh and Mr. Apurva Muthalia.

Mr. T. Srinagesh and Mr. Uma Charan Rath, are Director(s) retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

14. AUDIT COMMITTEE:

The Audit Committee consists of four Directors. The present members of the Audit committee are as follows:

Mr. Shrikant Joshi
Mr. U. C. Rath
Mr. T. Srinagesh
Mr. Apurva Muthalia

15. REMUNERATION COMMITTEE:

The Remuneration Committee consists of four Directors. The present members of the committee are:

Mr. U. C. Rath
Mr. B. Ramkrishnan
Mr. T. Srinagesh
Mr. Apurva Muthalia

16. ACKNOWLEDGMENTS:

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, employees as well as management of the Parent Company.

For and on behalf of the Board

Place : Chennai
Date : June 4, 2014

T. SRINAGESH
Director

U. C. RATH
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T SOUTH CITY PROJECTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T SOUTH CITY PROJECTS LIMITED** ("the Company"), which comprises the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
by the hand of

V. R. LALITHA
Partner
Membership No.18284

Place: Chennai
Date: June 4, 2014

ANNEXURE TO THE AUDITOR'S REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the independent auditor's report to the members of L&T South City Projects Limited on the financial statements for the year ended 31 March 2014, we report that:

- (i) (a) The Company is maintaining proper records to show 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 substantial part of its fixed assets so as to affect the going concern assumption.
- (ii) As the Company is engaged in the business of development of residential/commercial township, reporting on clauses 4(ii)(a), (b) and (c) relating to inventory are not applicable.
- (iii) 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. 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 nature of its business, for the purchase of inventories, fixed assets and 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 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 hence reporting under this clause does not arise.
- (vi) The Company has not accepted deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions 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 have broadly reviewed the books of accounts and records maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us
- (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 including Provident Fund, Income tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities during the year. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, income tax, service tax and other material statutory dues outstanding as at March 31, 2014 for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, following disputed statutory liabilities are not paid in respect of income tax as at March 31, 2014.

Name of Statute	Name of Dues	Amount (₹)	Period to which the amount relates	Forum where disputes are pending
The Income Tax Act 1961	Disallowance of business expenditure	929,000	AY 2009-10	CIT (Appeals)

- (x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and not in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institution or bank or debenture holders, 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.
- (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 explanation given to us, on an overall basis, the term loan have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanation given to us and on an overall examination of 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 to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, reporting under clause 4(xviii) of the order does not arise.
- (xix) The Company has not issued debentures during the year. Hence, reporting under clause 4(xix) of the order does not arise.
- (xx) The Company has not raised any money by public issue during the year. Accordingly reporting under clause 4(xx) of the order does not arise.
- (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 fraud by the Company or any instances of material fraud on the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

V. R. LALITHA
Partner
Membership No.18284

Place: Chennai
Date: June 4, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	A	56,47,62,340		56,47,62,340	
Reserves and surplus	B	77,49,86,256		1,01,30,85,063	
			1,33,97,48,596		1,57,78,47,403
Non - current liabilities					
Long term borrowings	C		11,00,00,000		-
Current liabilities					
Short term borrowings	D(I)	76,50,00,000		27,00,00,000	
Trade payables	D(II)	4,65,80,816		4,90,69,729	
Other current liabilities	D(III)	16,40,99,317		18,50,18,579	
Short term provisions	D(IV)	2,45,82,321		7,11,418	
			1,00,02,62,454		50,47,99,726
TOTAL			2,45,00,11,050		2,08,26,47,129
ASSETS					
Non - current assets					
Fixed assets					
Tangible assets	E(I)	24,82,52,966		24,44,15,559	
Capital work in progress	E(II)	5,00,000		12,47,586	
		24,87,52,966		24,56,63,145	
Non current investments	F	-		5,00,000	
Deferred tax assets (Net)	Q(9)	69,07,179		1,34,41,075	
Long term loans and advances	G	3,04,840		22,35,640	
			25,59,64,985		26,18,39,860
Current Assets					
Inventories	H(I)	191,70,98,110		1,58,84,01,657	
Trade Receivables	H(II)	1,70,85,625		-	
Cash and bank balances	H(III)	19,82,47,108		18,07,12,290	
Short term loans and advances	H(IV)	6,16,15,222		5,16,93,322	
			2,19,40,46,065		1,82,08,07,269
TOTAL			2,45,00,11,050		2,08,26,47,129
CONTINGENT LIABILITIES AND COMMITMENTS					
SIGNIFICANT ACCOUNTING POLICIES					
OTHER NOTES FORMING PART OF ACCOUNTS					

As per our report attached

For and on behalf of the Board

For SHARP & TANNAN

Chartered Accountants

(Firm's Registration No. 003792S)

By the hand of

V. R. LALITHA

Partner

Membership No. 18284

J. PADMANABHAN

Manager

T. SRINAGESH

Director

U. C. RATH

Director

Place : Chennai

Date : June 4, 2014

Place : Chennai

Date : June 4, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14 ₹	2012-13 ₹
REVENUE			
Revenue from operations	J	2,79,16,569	33,16,36,689
Other income	K	1,44,17,682	1,33,48,367
TOTAL REVENUE		4,23,34,251	34,49,85,056
EXPENSES			
Construction and operating expenses	L	2,66,78,245	25,53,87,349
Employee benefits expense	M	37,13,724	50,29,860
Sales, Administration & Other Expenses	N	3,21,03,925	1,87,07,941
Finance costs	O	4,21,46,309	2,13,46,043
Depreciation and obsolescence	E	40,71,034	59,58,754
TOTAL EXPENSES		10,87,13,237	30,64,29,947
Profit / (Loss) before tax		(6,63,78,986)	3,85,55,109
Tax expense:			
Current tax		-	87,59,000
Deferred tax	Q(9)	65,33,896	70,07,838
Profit for the year		(7,29,12,882)	2,27,88,271
Basic and diluted earning per share	Q(8)	(1.29)	0.40
Face value per equity share		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	P		
OTHER NOTES FORMING PART OF ACCOUNTS	Q		

As per our report attached

For and on behalf of the Board

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

V. R. LALITHA
Partner
Membership No. 18284

J. PADMANABHAN
Manager

T. SRINAGESH
Director

U. C. RATH
Director

Place : Chennai
Date : June 4, 2014

Place : Chennai
Date : June 4, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	(66,378,986)	38,555,109
Adjustments for:		
Depreciation	4,071,034	5,958,754
Interest received	(10,000,686)	(12,672,582)
Interest paid	42,146,309	21,346,043
Loss on sale of Fixed Assets	147,133	158,588
Operating profit before working capital changes	(30,015,196)	53,345,912
Adjustments for:		
(Increase) / decrease in Loans and Advances	(6,558,161)	(71,284,626)
(Increase) / decrease in Trade Receivables	(17,085,625)	-
(Increase) / decrease in inventories	(328,696,453)	(11,828,666)
Increase / (decrease) in Current Liabilities / Provisions	(25,659,699)	(137,711,441)
Cash generated from/(used in) operations	(408,015,134)	(167,478,821)
Direct taxes paid (net of refund)	1,432,939	(56,054,521)
Net cash from /(used in) operating activities	(409,448,073)	(111,424,300)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress)	(7,341,187)	(17,058,093)
Sale of fixed assets	33,199	78,055
Interest received	10,000,686	12,672,582
Net cash from/(used in) investing activities	2,692,698	(4,307,456)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	805,000,000	270,000,000
Repayment of borrowings	(200,000,000)	-
Interest paid	(39,519,222)	(20,714,811)
Interim Dividend paid	(141,190,585)	(169,428,702)
Additional tax on Dividend	-	(27,485,571)
Cash (used in) / from financing activities	424,290,193	52,370,916
Net increase/(decrease) in cash and cash equivalents (A+B+C)	17,534,818	(63,360,840)
Cash and cash equivalents at beginning of the year	180,712,290	244,073,130
Cash and cash equivalents at end of the year	198,247,108	180,712,290

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 Companies (Accounting Standard) Rules, 2006"
- Cash and Cash equivalents represent bank balances.
- Previous year figures have been regrouped / reclassified wherever necessary.

As per our report attached

For and on behalf of the Board

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

V. R. LALITHA
Partner
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Director

U. C. RATH
Director

Place : Chennai
Date : June 4, 2014

Place : Chennai
Date : June 4, 2014

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

		As at 31.03.2014		As at 31.03.2013	
		Number of shares	₹	Number of shares	₹
A	SHARE CAPITAL				
A(I)	Details of authorised, issued, subscribed and paid-up capital				
	Authorised				
	Equity shares of ₹ 10/- each	6,00,00,000	60,00,00,000	6,00,00,000	60,00,00,000
	Issued				
	Equity shares of ₹ 10/- each	5,64,76,234	56,47,62,340	5,64,76,234	56,47,62,340
	Subscribed and fully paid up				
	Equity shares of ₹ 10/- each	5,64,76,234	56,47,62,340	5,64,76,234	56,47,62,340
	TOTAL	5,64,76,234	56,47,62,340	5,64,76,234	56,47,62,340
A(II)	Reconciliation of shares				
	Subscribed and fully paid up				
	Equity shares of ₹ 10/- each				
	At the beginning of the year	5,64,76,234	56,47,62,340	5,64,76,234	56,47,62,340
	Issued during the year	-	-	-	-
	At the end of the year	5,64,76,234	56,47,62,340	5,64,76,234	56,47,62,340
A(III)	Terms / rights attached to equity shares				
	The Company has issued only one class of equity shares and no securities have been issued with the right / option to convert the same into equity shares at a later date.				
	No shares have been reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.				
	The shares issued carry equal rights and voting power.				
	All the shares issued carry equal right of dividend declared by the Company and no restrictions are attached to any specific shareholder.				
A(IV)	Shareholders holding more than 5% of equity shares as at the end of the Quarter				
	Name of the equity shareholder	As at 31.03.2014		As at 31.03.2013	
		Number of shares	Shareholding %	Number of shares	Shareholding %
	L&T Realty Limited (alongwith its nominees)	2,88,02,880	51.00%	2,88,02,880	51.00%
	Pragnya Fund I	1,38,36,677	24.50%	1,38,36,677	24.50%
	"IL&FS Trust Company Limited A/c Aditya Birla Real Estate Fund"	1,38,36,677	24.50%	1,38,36,677	24.50%
A(V)	Shares held by Holding / Ultimate holding company and/or their subsidiaries/associates:				
	L&T Realty Limited, the holding company	2,88,02,880	51.00%	2,88,02,880	51.00%
A(VI)	The company has not issued any bonus shares or issued any shares for consideration other than cash or bought back any shares during the five years immediately preceding the date as at which the Balance Sheet is prepared.				
A(VII)	The company has not reserved any shares for issue under options and contracts/commitments for the sale of shares / disinvestments.				

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
B RESERVES AND SURPLUS				
Securities premium account		75,84,11,234		75,84,11,234
General reserve				
As per last Balance Sheet		22,78,827		–
Add: Transferred from surplus in Statement of Profit and Loss		–		22,78,827
		22,78,827		22,78,827
Surplus in Statement of Profit and Loss				
As per last Balance Sheet		25,23,95,002		42,87,99,831
Add : Profit/(Loss) for the year		(72,912,882)		22,788,271
		17,94,82,120		45,15,88,102
Less: Interim Dividend [Refer Note: B(a)]		14,11,90,585		16,94,28,702
Tax on Distributed profits		2,39,95,340		2,74,85,571
Transfer to General Reserve		–		22,78,827
		1,42,96,195		25,23,95,002
TOTAL		77,49,86,256		101,30,85,063

B(a) The Directors in the meeting held on March 25, 2014, declared an interim dividend of ₹ 2.5 per equity share, having face value of ₹ 10 on 5,64,76,234 shares outstanding. The amount of interim dividend distributed to equity shareholders during the year is ₹ 14,11,90,585 (previous year ₹ 16,94,28,702)

C NON - CURRENT LIABILITIES**C(I) Long term borrowings**

Secured borrowings :

Term Loan from banks

Term Loan from Bank (Refer Note : C(I)(a))

TOTAL

11,00,00,000

11,00,00,000

–

–

C(I)(A) Secured by a first mortgage by way of deposit of title deeds of project land admeasuring 45 acres. Charge is yet to be created.

	₹	Rate of interest	Terms of repayment
Details of borrowing :			
Vijaya Bank	11,00,00,000	Base rate plus applicable spread	Repayable in 4 unequal Quarterly installments starting from 29.06.2016

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D CURRENT LIABILITIES				
D(I) Short term borrowings				
Secured borrowings :				
Term Loan from banks				
Term Loan from Bank (Refer Note : D(I)(a))		200,00,000		20,00,00,000
Term Loan from Bank (Refer Note : D(I)(b))		400,00,000		–
		600,00,000		20,00,00,000
Unsecured :				
Inter corporate borrowings (holding company)		16,50,00,000		7,00,00,000
TOTAL		76,50,00,000		27,00,00,000

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

D(I)(a) Secured by a first mortgage by way of deposit of title deeds of Land of 3.559 acres along with school building and Vacant land admeasuring 3.42 acres

D(I)(b) Secured by a first mortgage by way of deposit of title deeds of land admeasuring 14.45 acres. Charge is to be modified.

	₹	Rate of interest	Terms of repayment
Details of borrowing :			
Catholic Syrian Bank	20,00,00,000	Base rate plus applicable spread	Repayable by bullet payment after 12 months from the date of disbursement i.e. 21.01.2015
Vijaya Bank	40,00,00,000	Base rate plus applicable spread	Repayable by bullet payment after 12 months from the date of disbursement i.e. 19.06.2014
	As at 31.03.2014		As at 31.03.2013
	₹	₹	₹ ₹
D(II) Trade payables			
Due to micro and small enterprises (Refer note D(II)(1))		-	-
Due to related parties			
ultimate holding company	32,890,019		15,539,170
holding company	455,671		6,273,512
Fellow subsidiary	505,620		-
		3,38,51,310	2,18,12,682
Due to others		1,27,29,506	2,72,57,047
TOTAL		4,65,80,816	4,90,69,729

D(II)(1) There has been no transaction 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

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(III) Other current liabilities				
Statutory liabilities		29,83,551		26,52,617
Advance from customers		15,35,61,916		2,90,51,990
Association fund - Payable		-		12,99,08,681
Interest accrued but not due		21,20,786		6,31,232
Others		54,33,064		2,27,74,059
TOTAL		16,40,99,317		18,50,18,579

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(IV) Short term provisions				
Provision for employee benefits:				
Gratuity	4,45,177		5,11,916	
Compensated absences	1,41,804		1,99,502	
		5,86,981		7,11,418
Others:				
Additional tax on dividend		2,39,95,340		-
TOTAL		2,45,82,321		7,11,418

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**E(I) FIXED ASSETS**

(Amount in ₹)

Particulars	COST				DEPRECIATION				BOOK VALUE	
	As at April 1, 2013	Additions	Deductions	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible Assets										
Land										
Leased	7,53,49,503			75,349,503				-	75,349,503	75,349,503
Subtotal Land	7,53,49,503	-	-	75,349,503	-	-	-	-	75,349,503	75,349,503
Buildings										
Leased out	16,67,03,329	6,363,147		173,066,476	2,801,135	2,890,605		5,691,740	167,374,736	163,902,194
Subtotal Building	16,67,03,329	6,363,147	-	173,066,476	2,801,135	2,890,605	-	5,691,740	167,374,736	163,902,194
Plant and equipments										
Owned	10,71,348	987,418		2,058,766	325,630	181,577		507,207	1,551,559	745,718
Leased	1,83,776	-		183,776	14,047	15,320		29,367	154,409	169,729
Subtotal Plant and equipments	12,55,124	987,418	-	2,242,542	339,677	196,897	-	536,574	1,705,968	915,447
Computers										
Owned	27,79,747	489,253		3,269,000	1,830,559	359,400		2,189,959	1,079,041	949,188
Leased Out	10,47,592	-		1,047,592	417,678	75,548		493,226	554,366	629,914
Subtotal Computers	38,27,339	489,253	-	4,316,592	2,248,237	434,948	-	2,683,185	1,633,407	1,579,102
Furniture and Fixtures										
Owned	12,25,067	28,776	328,576	925,267	571,429	129,022	148,245	552,206	373,062	653,638
Leased out	43,84,102	-		4,384,102	2,949,230	418,636		3,367,866	1,016,236	1,434,872
Subtotal Furniture and Fixtures	56,09,169	28,776	328,576	5,309,369	3,520,659	547,658	148,245	3,920,072	1,389,298	2,088,510
Office equipment										
Owned	9,55,919	220,179	76,100	1,099,998	694,960	(28,922)	76,099	589,939	510,059	260,959
Leased out	5,79,763	-		579,763	259,920	29,848		289,768	289,995	319,843
Subtotal Office Equipment	15,35,682	220,179	76,100	1,679,761	954,880	926	76,099	879,707	800,054	580,802
Total	25,42,80,146	8,088,773	404,676	261,964,244	9,864,588	4,071,034	224,344	13,711,278	248,252,966	244,415,558
Previous year	10,55,25,071	149,285,648	530,573	254,280,146	4,199,764	5,958,754	293,930	9,864,588	244,415,558	
E(II) Capital work in Progress									500,000	1,247,586

Note : Company has revised the useful life of Desktop - Computers & Office equipment during the year. Consequently the depreciation charged is lower by ₹ 2,60,738/- and net loss before tax is lower to that extent..

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
F NON-CURRENT INVESTMENTS		
Long term investment - Unquoted		
Investment in equity shares of subsidiary company L&T Siruseri property Developers Limited (50,000 shares of ₹ 10/- each fully paid up)	5,00,000	5,00,000
Less: Provision for diminution in value (Previous year Book value ₹ 5,00,000/-)	5,00,000	-
TOTAL	<u>-</u>	<u>500,000</u>
G LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Deposit	3,04,840	22,35,640
TOTAL	<u>304,840</u>	<u>22,35,640</u>

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
H CURRENT ASSETS		
H(I) Inventories		
Property development land and project expenses	1,917,098,110	1,567,705,996
Completed property	-	20,695,661
TOTAL	1,917,098,110	1,588,401,657
H(II) Trade Receivables		
Unsecured		
Debts outstanding for more than 6 months	-	-
Other debts		
Considered good	17,085,625	-
TOTAL	1,70,85,625	-
H(III) Cash and cash equivalents		
Cash in Hand	-	-
Balances with banks		
in current accounts	19,82,47,108	3,24,93,367
Other bank balances		
"Earmarked balances in deposit with bank (Refer note " H(III)(a))" (including interest accrued thereon ₹ -Nil- (previous year ₹ 36,22,737/-))	-	14,82,18,923
TOTAL	19,82,47,108	18,07,12,290
H(III) (a) Earmarked balances in deposit accounts with bank represents customer deposits towards Club and Corpus Fund with interest accrued thereon to be transferred to Eden Park Residence Welfare Association.		
H(IV) Short term loans and advances		
Unsecured, considered good		
Deposits	53,350	-
Advance tax net of provision for taxes (previous years)	47,43,979	40,54,220
Income tax receivable of current year [net of provision for tax ₹ Nil (previous year ₹ 87,59,000/-)]	14,32,939	15,83,575
CENVAT - Service tax	5,22,51,792	4,10,87,318
Mobilisation advance	11,00,080	22,42,120
Others	20,33,082	27,26,089
TOTAL	6,16,15,222	5,16,93,322
I CONTINGENT LIABILITIES AND COMMITMENTS		
A. Contingent liability		
Claims against the Company not acknowledged as debt	42,78,798	19,29,000
B. Commitments		
Estimated amount of contract remaining to be executed on capital account and not provided for	52,22,462	1,12,28,927
TOTAL	9,501,260	13,157,927

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	2013-14 ₹	2012-13 ₹
J REVENUE FROM OPERATIONS		
Sale of residential units	2,65,67,750	31,34,02,467
Other operating revenue	13,48,819	1,82,34,222
TOTAL	2,79,16,569	33,16,36,689
K OTHER INCOME:		
Interest on bank deposits	1,00,00,686	1,26,72,582
Cancellation charges	75,000	20,000
Miscellaneous income	43,41,996	6,55,785
TOTAL	1,44,17,682	1,33,48,367
L CONSTRUCTION AND OPERATING EXPENSES		
Employee benefits	5,736,563	5,051,883
Approval related expenses	160,944,450	100,000
Mock up apartment expenses	9,988,017	3,840,789
Professional and consultancy fees	54,294,305	52,838,885
Administration expenses	5,484,925	4,328,987
Borrowing cost	50,411,617	701,370
Development & Infrastructure expenditure	62,532,237	185,202,545
Expenses relating to Phase I	5,982,584	15,151,556
	355,374,698	267,216,015
Add: Opening stock		
Completed Property	20,695,661	260,931,454
Project work-in-progress	1,567,705,996	1,315,641,537
	1,943,776,355	1,843,789,006
Less: Closing stock		
Completed Property	-	20,695,661
Project work-in-progress	1,917,098,110	1,567,705,996
TOTAL	26,678,245	255,387,349
M EMPLOYEE BENEFIT EXPENSES:		
Salaries and wages	30,34,179	31,90,948
Contribution to / provision for		
Provident fund	1,36,614	1,69,465
Gratuity	(66,739)	2,02,305
Staff welfare expenses	6,09,670	14,67,142
TOTAL	3,713,724	50,29,860

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	2013-14 ₹	2012-13 ₹
N SALES, ADMINISTRATION & OTHER EXPENSES		
Power and fuel	19,59,782	24,49,380
Insurance charges	28,432	64,848
Rates and taxes	2,98,853	24,044
Professional charges (Refer note N(i))	62,45,770	17,50,689
General repairs and maintenance	13,09,343	26,33,242
Postage and telephone expenses	3,89,671	2,29,379
Travelling and conveyance	25,68,926	18,87,871
Marketing expenses	1,69,53,739	84,02,309
Printing and stationery	2,18,671	1,41,035
Bank charges	71,411	2,63,903
Loss on sale of fixed assets	1,47,133	1,58,588
Miscellaneous expenses	14,12,194	7,02,653
Provision for diminution in value of investments	5,00,000	-
TOTAL	3,21,03,925	1,87,07,941
N(i) Auditors' remuneration (excluding service tax)		
Audit fees	2,40,000	2,00,000
Tax matters	1,05,000	1,00,000
Limited Review	72,000	72,000
Certification work	42,500	93,000
Reimbursement of Expenses	7,102	-
O FINANCE COSTS:		
Interest on bank borrowings	2,41,28,152	34,52,055
Interest on Inter-corporate deposits	77,80,986	-
Other Interest Expenses [Refer note O(i)]	1,02,37,171	1,78,93,988
TOTAL	4,21,46,309	2,13,46,043

Note O(i)

Includes ₹ 1,00,83,784/- (previous year ₹ 1,26,72,982/-) paid for interest on customer deposits to Eden Park Residents Welfare Association.

P. SIGNIFICANT ACCOUNTING POLICIES**I. 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. 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.

II. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI (Revised) to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS 3) "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI (Revised) to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards and the Listing Agreement.

III. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**A. Revenue from operations****a) Sales and service**

- 1) Revenue from property development activity which are in substance similar to delivery of goods is recognized 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.
- 2) With effect from April 1, 2012, revenue from those property development activities which have the same economic substance as construction contract is recognised based on the 'Percentage of Completion method' (POC) when the outcome of a real estate project can be estimated reliably upon fulfilment of the following conditions:
 - i. All critical approvals necessary for commencement of the project have been obtained;
 - ii. When the stage of completion of the project reaches a reasonable level of development i.e., contract costs for work performed bears a reasonable proportion to the estimated total contract costs. For this purpose, a reasonable level of development is treated as achieved only if the cost incurred (excluding cost of land / developmental rights and borrowing cost) is at least 25% of the total of such cost;
 - iii. At least 25% of the saleable project area is secured by contracts or agreements with buyers;
 - iv. At least 10 % of the total revenue as per the agreements of sale or any other legally enforceable documents are realised at the reporting date in respect of each of the contracts and it is reasonable to expect that the parties to such contracts will comply with the payment terms as defined in the contracts.

The costs incurred on property development activities are carried as "Inventories" till such time the outcome of the project cannot be estimated reliably and all the aforesaid conditions are fulfilled. When the outcome of the project can be ascertained reliably and all the aforesaid conditions are fulfilled, revenue from property development activity is recognized at cost incurred plus proportionate margin, using percentage of completion method. Percentage of completion is determined based on the proportion of actual cost incurred to the total estimated cost of the project. For this purpose, actual cost includes cost of land and developmental rights but excludes borrowing cost.

Expected loss, if any, on the project is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.

- 3) Revenue from service related activities is recognised using the proportionate completion method.

b) Other operational revenue

Other operational revenue represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

B. Other Income

- a) Interest income is accrued at applicable interest rate.
- b) Dividend income is accounted in the period in which the right to receive the same is established.
- c) Other items of income are accounted as and when the right to receive arises.

IV. Employee Benefits**(i) 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.

(ii) Post-employment Benefits :

- a) **Defined Contribution Plan:** The Company's state governed provident fund scheme is the defined contribution plan. The contribution paid/payable is recognized in the period in which the employee renders the related service.
- b) **Defined Benefit Plans:** The employees' gratuity fund scheme is the 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.

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 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 Statement of Profit and Loss.

(iii) Long Term Employee Benefits

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

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**V. Tangible Fixed Assets**

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

VI. Depreciation

Depreciation is provided on straight-line basis at the rates provided in schedule XIV to the Companies Act, 1956 except for following asset categories which are depreciated based on their estimated useful life at the rates given below:

Category of Asset	Depreciation Rate(% per annum)
Furniture and Fixtures	10.00%
Office Equipment	
Multifunctional devices	25.00%
Others	6.67%
Computers	
Desktop, server & related components	16.67%
Laptops	25.00%
Air conditioners	8.33%

Depreciation for additions to /deductions from, owned assets is calculated pro-rata from/to the month of additions/deductions.

VII. 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 charged off to Statement of Profit and Loss on accrual basis.

VIII. Inventories

Inventories are valued after providing for obsolescence, as under:

Completed property / Work-in-progress (including land) of property development activity at lower of cost and net realisable value

IX. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits and earmarked balances with banks. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

X. Investments

Long term investments are carried at cost. Provision for diminution is made to recognize a decline, other than temporary in value of long term investments and is determined separately for each individual investment.

Current investments are stated at lower of cost or market value.

XI. Borrowing costs

Borrowing costs include interest, commitment charges, amortisation of ancillary costs, amortisation of discounts / premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange difference arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized / inventorised as part of such assets, till such time the asset is ready for its intended use or for 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.

XII. 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 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 difference that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date are recognised as income or expense in the period in which it arise.

XIII. Taxes on income

Taxes on income for the current year are 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 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.

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

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 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.

XIV. Provisions and contingent liabilities and contingent assets:

Provision 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 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 recognized, not disclosed

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

XV. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for
- Uncalled liability on shares and other investments partly paid
- Funding related commitment to subsidiary, associate and joint venture companies and
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

XVI. Operating cycle for current and non-current classification:

Operating cycle for the business activities of the Company covers the duration of the specific project/ contract/ service including the defect liability period, wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

XVII. Cash Flow Statements

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- Transactions of a non-cash nature
- Any deferrals or accruals of past or future operating cash receipts or payments and
- Items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

Q (1) Revenue recognised during the year is from the sale of completed property (phase I) under AS 9.

Q (2) (A) Disclosure pursuant to Guidance Note on accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India, adopted by the Company with effect from April, 2012:

(B) Critical approvals necessary for commencement of the project for phase II have not been obtained and hence no margin is recognised on Percentage of Completion method.

		2013-14	2012-13
		₹	₹
1	Aggregate amount of costs incurred and profits recognised (less recognised losses) to date	191,70,98,110	156,77,05,996
2	Amount of project revenue recognised in reporting period	Nil	Nil
3	Amount of advances received *	15,35,61,916	-
4	Amount of Work in progress and the value of inventories	191,70,98,110	156,77,05,996
5	Excess of revenue recognised over actual bills raised	-	-

*Excludes advance received against completed property as at 31.03.2013 in SI no. 3.

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**Q(3) Disclosure pursuant to Accounting Standard 15 (revised) on Employee benefits:**

(A) Defined contribution plan:

An amount of ₹ 2,94,260/- (previous year ₹ 4,35,614/-), being the contribution to provident fund is recognised as employees benefit expense under Statement of Profit and Loss account.

(B) Defined benefit plan:

a. The actuarial assumptions under which the provisions for Gratuity and leave encashment made are as under:

i. The amounts recognized in Statement of Profit and Loss are as follows:-

Particulars	Gratuity Plan	
	As at March 31,2014	As at March 31,2013
	₹	₹
1. Current Service Cost	22,276	43,045
2. Interest Cost on benefit obligation	40,953	29,333
3. Actuarial losses / (gains)	(1,29,968)	72,881
Total	(66,739)	1,45,259

ii. The change in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Gratuity Plan	
	As at March 31,2014	As at March 31,2013
	₹	₹
Opening balance of the present value of defined benefit obligation	5,11,916	3,66,657
Add: Current service cost	22,276	43,045
Add: Interest cost	40,953	29,333
Add/ (Less): Actuarial Losses/ (gains)	(1,29,968)	72,881
Closing balance of the present value of defined benefit obligation	4,45,177	5,11,916

iii. The amounts recognized in Statement of Profit and Loss are as follows:

Particulars	Leave Encashment	
	As at March 31,2014	As at March 31,2013
	₹	₹
1. Current Service Cost	17,194	21,356
2. Interest Cost on benefit obligation	15,960	10,227
3. Actuarial losses / (gains)	1,85,250	40,081
Total	2,18,404	71,664

iv. The change in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Leave Encashment	
	As at March 31, 2014	As at March 31, 2013
	₹	₹
Opening balance of the present value of defined benefit obligation	1,99,502	127,838
Add: Current service cost	17,194	21,356
Add: Interest cost	15,960	10,227
Less: Benefits Paid	(2,76,102)	—
Add/ (Less): Actuarial Losses/ (gains)	1,85,250	40,081
Closing balance of the present value of defined benefit obligation	1,41,804	199,502

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

v. Summary of actuarial assumptions

A	Assumptions	
1	Discount Rate per unit per annum	8%
2	Salary escalation rate per unit per annum	6%
3	Mortality Table	LIC 94-96
4	Attrition	5%

Q (4) Borrowing cost capitalised during the year is ₹ Nil (Previous year ₹ Nil)

Q (5) Segment reporting:

a) Primary segment : (Business segment)

The Company operates in single segment of development of residential flats in India. Hence there are no reportable segments as defined in the Accounting Standard - 17 on Segment Reporting prescribed under the Companies (Accounting Standards) Rules, 2006.

b) Secondary segment : (Geographical segment)

The Company operates only in India, hence separate segment information for geographical locations are not disclosed.

Q (6) Disclosure of related parties / related party transactions:

(A) List of related parties

Holding company	L&T Urban Infrastructure Limited (Merged with L&T Realty Limited w.e.f. 01.04.2012) L&T Realty Limited Larsen and Toubro Limited (Ultimate holding company)
Fellow Subsidiaries	L&T Infrastructure Development Projects Limited L&T Infocity Limited L&T General Insurance Limited L&T Infotech Limited
Subsidiary Company	L&T Siruseri Property Developers Limited#

#The Company is under liquidation

(B) Related parties with whom the transactions were carried out during the year:

Sl. No	Nature of Transaction	Amount of Transaction	Amount Due to	Amount Due from
		₹	₹	₹
1	L&T Urban Infrastructure Limited / L&T Realty Limited			
	i) Project Advisory & Management Services Fee (PAMS) paid (incl. service tax)	8,540,483 (28,931,576)	Nil (6,199,912)	
	ii) Business Support Services paid (incl. service tax)	81,416 (250,275)	Nil (73,600)	
	iii) Reimbursement of Expenses paid	Nil (146,754)	Nil (Nil)	
	iv) Inter Corporate Deposit availed	422,000,000 (70,000,000)	165,000,000 (70,000,000)	
	v) Inter Corporate Deposit repaid	327,000,000 (Nil)	Nil (Nil)	
	vi) Interest on Inter Corporate Deposit paid	12,015,504 (701,370)	506,301 (631,232)	Nil (Nil)
2	Larsen & Toubro Limited			
	i) Construction Cost	Nil (Nil)	70,13,412 (15,293,604)	
	ii) Advance paid and adjusted	5,669,346 (6,438,526)	Nil (Nil)	

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Sl. No	Nature of Transaction	Amount of Transaction	Amount Due to	Amount Due from
		₹	₹	₹
	iii) Reimbursement of Expenses paid / received	384,636 (765,577)	988 (19,372)	
	iv) Services received (incl. service tax)	202,848 (202,848)	Nil (15,169)	
	v) Cost of services received (incl. service tax)	183,780 (383,725)	Nil (Nil)	Nil (126,879)
	vi) PAMS and consultancy services (incl. service tax)	29,560,235 (269,915)	25,875,618 (211,025)	
3	L&T Infrastructure Development Projects Ltd			
	i) Reimbursement of expenses paid	Nil (27,118)	Nil (Nil)	NIL (Nil)
4	L&T Infocity Limited			
	i) Cost of services paid	Nil (449,310)	Nil (Nil)	NIL (Nil)
	ii) Purchase of fixed assets	Nil (24,045)	Nil (Nil)	NIL (Nil)
5	L&T Siruseri Property Developers Limited			
	i) Professional & Consultancy Charges received	Nil (340,309)	Nil (Nil)	NIL (Nil)
6	L&T General Insurance Company Ltd.,			
	i) Insurance Charges paid	26,681 (79,529)	Nil (Nil)	NIL (Nil)
7	Larsen & Toubro Infotech Limited			
	i) Purchase of Intangible asset	561,800 (Nil)	505,620 (Nil)	NIL (Nil)

(C) No amounts pertaining to the related parties have been written off or written back during the year. (Previous year ₹ Nil).

Q (7) Leases**(A) Assets given on operating lease**

- The Company has given certain assets on operating lease. The gross value of assets, accumulated depreciation and net carrying value of such assets are given in note E(i).
- Contingent rent recognised in the Statement of Profit and Loss is ₹ Nil during the year. (Previous year ₹ Nil).
- The Company has given buildings and other infrastructure facilities to Padma Seshadri Bala Bhavan School and land to Tamil Nadu Electricity Board on operating lease. As per the agreement the lease can be terminated by either party and hence treated as cancellable in nature.

(B) Assets taken on operating lease

The Company has taken an office premises on cancellable operating lease. Lease rental paid / provided for the year is ₹ 14,93,250/- (Previous year ₹ 25,18,500/-) and grouped under note L.

Q (8) Basic and Diluted Earnings per Share [EPS] computed in accordance with Accounting Standard (AS) 20 "Earnings per share":

Particulars		2013-14	2012-13
Basic / Diluted EPS			
Profit after tax as per accounts (₹)	A	(7,29,12,882)	2,27,88,271
Weighted average number of shares outstanding	B	5,64,76,234	5,64,76,234
Basic/Diluted EPS (₹)	A / B	(1.29)	0.40
Face value per equity share(₹)		10.00	10.00

NOTES ACCOMPANYING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Q (9) As per Accounting Standard 22 on "Accounting for taxes on Income" - the Company has deferred tax asset as given below:

Particulars	As at March 31, 2014	As at March 31, 2013
	₹	₹
Deferred tax assets		
On account of difference between book and tax depreciation	(67,07,664)	(1,32,10,256)
Preliminary expenses deductible u/s. 35D	-	-
Unpaid statutory liabilities debited to Profit & Loss A/c		
Provision for Gratuity	(1,51,316)	(1,66,091)
Provision for compensated absences	(48,199)	(64,728)
Net Deferred Tax Assets	(69,07,179)	(1,34,41,075)
Debit / (Credit) to Statement of Profit and Loss	65,33,896	70,07,838

Q (10) Impairment of assets

The Company has reviewed the future cash flows on the basis of value in use of its assets and has satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision for impairment loss is required to be made in these assets.

Q(11) a) Expenditure incurred in foreign currency:

Particulars	2013-14	2012-13
	₹	₹
Travel	3,31,798	Nil

b) Dividends remitted in foreign currency:

Particulars	2013-14	2012-13
	₹	₹
Interim Dividend for the year ended March 31, 2014 remitted to one non-resident shareholder on 1,38,36,677 shares on March 28, 2014	3,45,91,692	4,15,10,031

Q (12) Previous year figures

Previous year figures have been reclassified / regrouped wherever necessary.

As per our report attached

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

V. R. LALITHA
Partner
Membership No. 18284

Place : Chennai
Date : June 4, 2014

For and on behalf of the Board

J. PADMANABHAN
Manager

T. SRINAGESH
Director

U. C. RATH
Director

Place : Chennai
Date : June 4, 2014

DIRECTORS' REPORT

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2013.

FINANCIAL RESULTS

Financial Results	2013	2012
	(₹ Cr)	(₹ Cr)
Loss before tax	3.48	12.75
Taxes	-	0.34
Loss after tax	3.48	13.09

CAPITAL EXPENDITURE

As at December 31, 2013 the gross fixed assets stood at ₹18.52 Cr. and the net fixed assets at ₹ 1.51Cr.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i. That in 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, 2013 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 accounting records in accordance with the provisions of the Company 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; and
- v. That the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

During the financial year, the Directors of the Company are:

Mr. Anil M. Choudhari (Appointed on 3 July, 2012)

Mr. Umesh S. Bharadwaj (Appointed on 3 July, 2012)

Mr. Ramakrishnan Parameswaran (Appointed 5 December 2012)

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

PKF Malaysia were the auditors for the financial year 2013.

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: Selangor
Date: May 23, 2014

ANIL MADHUKAR CHOUDHARI
Director

UMESH SUBBARAO BHARADWAJ
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HENIKWON CORPORATION SDN BHD

Report on the financial statements

The financial statements of Henikwon corporation sdn bhd for the year ended 31 December 2013, being the Company registered in Malaysia, are audited by PKF and we have been furnished with their audit report dated 28 March 2014.

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 accompanying financial statements of Henikwon corporation sdn bhd ("the Company"), which comprise the Balance Sheet as at 31 December 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 Malaysia.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

EDWIN P. AUGUSTINE
Partner
Membership no. 43385

Place: Mumbai
Date: May 23, 2014

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 during the Year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed substantial part of fixed assets so as to affect its going concern status.
- 2 (a) As explained to us, inventories have been physically verified by the management at reasonable intervals. In our opinion the frequency of such verification is reasonable
- (b) As per the information and explanation 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 the 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.
- 3 The Company is incorporated in the Malaysia 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 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 Malaysia 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 The there under are not applicable.
- 7 In our opinion the Company does not have 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 Malaysia accordingly paragraph 4(viii) of the Order is not applicable .
- 9 (a) According to the information and explanations given to us, the Company is regular is depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a year exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The accumulated losses of the Company are more than the net worth as at 31 December 2013. The Company has incurred cash losses in the current 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 any financial institution or bank as at the Balance Sheet date.
- 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 In our opinion and information and explanations given to us, The Company is not a dealer or trader in securities.
- 15 In our opinion and according to the information and explanations given to us, the terms and condition of the guarantees given by the Company for loan taken by subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- 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
Firm's registration no.109982W
by the hand of

EDWIN P. AUGUSTINE
Partner
Membership no. 43385

Place: Mumbai
Date: May 23, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
SOURCES OF FUNDS:					
Shareholder's funds :					
Share capital	A	112,591,200		112,591,200	
Reserves and surplus	B	(251,472,258)		(211,272,592)	
			(138,881,058)		(98,681,392)
Non Current Liabilities					
Long term borrowing	C		105,761,003		86,420,407
Current liabilities					
Trade payables	D (i)	100,357,589		124,461,865	
Other current liabilities	D (ii)	30,197,667		5,815,540	
Current maturities of long term borrowings	D (iii)	171,199,681		68,683,960	
Short term provisions	D (iv)	111,614		2,024,535	
			301,866,552		200,985,900
TOTAL			268,746,497		188,724,915
ASSETS					
Non current assets					
Fixed assets					
Tangible assets	E		15,198,306		17,979,083
Current assets					
Inventories	F (i)	159,546,237		79,237,594	
Trade receivables	F (ii)	14,782,131		44,177,527	
Cash and bank balances	F (iii)	64,291,283		32,716,496	
Short term loans and advances	F (iv)	14,928,540		14,614,216	
			253,548,191		170,745,832
TOTAL			268,746,497		188,724,915
SIGNIFICANT ACCOUNTING POLICIES	M				
COMMITMENTS(CAPITAL AND OTHERS)	N				
CONTINGENT LIABILITIES	O				
OTHER NOTES FORMING PART OF ACCOUNTS	P				

As per our report attached

For and on behalf of the board

SHARP & TANNANChartered Accountants
Firm Registration No. 109982W
by the hand of**EDWIN AUGUSTINE**Partner
Membership No: 43385Place: Mumbai
Date : May 23, 2014**ANIL MADHUKAR CHOUDHARI**

Director

Place : Selangor
Date : May 23, 2014**UMESH SUBBARAO BHARADWAJ**

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations (gross)	G	634,290,647		319,087,594	
Less: Excise duty		—		—	
Revenue from operations (net)			634,290,647		319,087,594
Other income	H		27,314,434		48,153,648
Total revenue			661,605,081		367,241,242
EXPENSES:					
Manufacturing and operating expenses					
Cost of raw materials, components consumed	I	483,734,966		277,542,321	
Other manufacturing and operating expenses		49,908,178		58,210,273	
			533,643,144		335,752,594
Employee benefits expense	J		98,472,036		78,966,833
Sales, administration and other expenses	K		48,938,598		72,311,697
Finance costs	L		10,635,987		2,120,341
Depreciation and obsolescence			4,685,629		5,603,670
Total expenses			696,375,395		494,755,135
Profit / (Loss) before tax			(34,770,313)		(127,513,893)
Tax expenses					
Current tax			—		3,433,055
Profit / (Loss) for the year			(34,770,313)		(130,946,948)
Basic and diluted earning per equity share	P5		(5.39)		(20.30)
Face value per equity share (MYR)			1.00		1.00
SIGNIFICANT ACCOUNTING POLICIES	M				
OTHER NOTES FORMING PART OF ACCOUNTS	P				

As per our report attached

For and on behalf of the board

SHARP & TANNAN

Chartered Accountants

Firm Registration No. 109982W

by the hand of

EDWIN AUGUSTINE

Partner

Membership No: 43385

Place: Mumbai

Date : May 23, 2014

ANIL MADHUKAR CHOUDHARI

Director

Place : Selangor

Date : May 23, 2014

UMESH SUBBARAO BHARADWAJ

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	01.01.2013 to 31.12.2013 ₹	01.01.2012 to 31.12.2012 ₹
A. Cash flow from operating activities		
Profit before tax	(34,770,313)	(127,469,071)
Foreign currency translation reserve	(5,429,352)	(2,620,746)
Depreciation (including obsolescence) and amortisation	4,685,629	5,603,670
Interest paid	10,635,987	2,120,341
Interest received	(54,428)	(477,467)
Contribution to and provision for employee entitlements	236,789	192,856
Operating profit before working capital changes	(24,695,689)	(122,650,418)
Adjustments for:		
(Increase) / decrease in inventories	(80,308,644)	47,180,574
(Increase) / decrease in receivables and loans	29,081,072	127,851,177
Increase / (decrease) in current liabilities	119,984,459	(47,839,045)
Cash (used in) / generated from operations	44,061,198	4,542,289
Direct Taxes refund/(paid) (net)	-	(3,433,055)
Net cash from operating activities	44,061,198	1,109,233
B. Cash flow from investing activities		
Purchase of fixed assets	(1,127,851)	(449,139)
Fluctuation on account of exchange difference	(777,002)	(1,595,012)
Interest received	54,428	477,467
Sales of fixed assets	-	3,130,811
Net cash (used in) / from investing activities	(1,850,424)	1,564,127
C. Cash flow from financing activities		
Interest paid	(10,635,987)	(2,120,341)
Net cash (used in) / from financing activities	(10,635,987)	(2,120,341)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	31,574,787	553,019
Cash and Cash Equivalents at the beginning of the period	32,716,496	32,163,477
Cash and Cash Equivalents at the end of the period	64,291,283	32,716,496

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 report attached

For and on behalf of the board

SHARP & TANNAN

Chartered Accountants
Firm Registration No. 109982W
by the hand of

EDWIN AUGUSTINE

Partner
Membership No: 43385

Place: Mumbai
Date : May 23, 2014

ANIL MADHUKAR CHOUDHARI

Director

Place : Selangor
Date : May 23, 2014

UMESH SUBBARAO BHARADWAJ

Director

NOTES FORMING PART OF FINANCIAL STATEMENTS**NOTE A: SHARE CAPITAL****A (i) share capital authorised, issued, subscribed and paid up**

	As at 31.12.2013	As at 31.12.2012
	₹	₹
Authorised:		
10,000,000 equity shares of RM 1.00 each	<u>174,560,000</u>	<u>174,560,000</u>
Issued,Subscribed and paid up:		
6,450,000 equity shares of RM 1.00 each	<u>112,591,200</u>	<u>112,591,200</u>
	112,591,200	112,591,200

A (ii) Term / right attached to equity shares

The Company has one class of share capital, i.e. equity shares having face value of RM1 each. Share holder entitled to one vote per share.

A (iii) Share holder holding more than 5% of equity share

The entity is a wholly owned subsidiary of Tamco Switchgear (Malaysia) Sdn Bhd. The ultimate parent Company is Larsen & Toubro Limited, a Company incorporated in India.

A (iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 NIL).**A (v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 NIL).**

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE B : RESERVES AND SURPLUS				
Foreign currency translation reserve:				
As per last Balance Sheet	(9,064,089)		(6,443,343)	
Addition/(deduction) during the year	(5,429,352)		(2,620,746)	
		(14,493,441)		(9,064,089)
Surplus/ (Deficit) in statement of Profit & Loss				
As per last Balance Sheet	(202,208,503)		(71,306,376)	
Profit for the year	(34,770,313)		(130,902,127)	
		(236,978,816)		(202,208,503)
TOTAL		(251,472,258)		(211,272,592)

NOTE C : LONG TERM BORROWINGS

Long term borrowing		
From holding Company	105,761,003	86,420,407
TOTAL	105,761,003	86,420,407

NOTE D (i) : TRADE PAYABLE

Due to others	100,357,589	124,461,865
TOTAL	100,357,589	124,461,865

NOTE D (II) : OTHER CURRENT LIABILITY

Due to others	30,197,667	5,815,540
TOTAL	30,197,667	5,815,540

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE D (III) : CURRENT MATURITIES OF LONG TERM BORROWINGS		
Current maturities of long term borrowings	171,199,681	68,683,960
TOTAL	<u>171,199,681</u>	<u>68,683,960</u>
NOTE D (IV) : SHORT TERM PROVISIONS		
Provision for employee benefits	111,614	2,024,535
TOTAL	<u>111,614</u>	<u>2,024,535</u>

NOTE E : TANGIBLE ASSETS

Particulars	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 1-Jan-2013	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31-Dec-2013	As at 1-Jan-2013	Exchange Difference included in Translation Reserve	Additions	Deductions	As at 31-Dec-2013	As at 31-Dec- 2013	As at 31-Dec- 2012
OWNED ASSETS :												
Building	7,522,928	362,858			7,885,785	702,134	36,845	154,736		893,716	6,992,069	6,820,793
Plant & Machinery	119,907,254	5,783,675			125,690,929	118,397,341	5,733,810	1,192,306		125,323,457	367,471	1,509,913
Plant & Equipment	5,747,233	277,216	545,610		6,570,059	3,641,279	182,635	363,657		4,187,570	2,382,488	2,105,954
Computer	16,538,412	797,718	552,114		17,888,245	14,060,367	706,460	1,467,631		16,234,458	1,653,787	2,478,045
Office Equipment	10,779,669	519,961	13,178		11,312,808	7,867,466	393,236	714,503		8,975,205	2,337,603	2,912,203
Furniture and fixtures	5,273,975	254,390	16,948		5,545,314	3,789,062	190,819	418,480		4,398,361	1,146,953	1,484,914
Vehicles	9,868,352	476,008			10,344,359	9,201,090	451,018	374,316		10,026,424	317,936	667,261
Owned Assets	175,637,823	8,471,825	1,127,851	-	185,237,499	157,658,740	7,694,823	4,685,629	-	170,039,192	15,198,306	17,979,083
<i>Previous year</i>	<i>168,669,564</i>	<i>12,101,699</i>	<i>449,139</i>	<i>(5,582,580)</i>	<i>175,637,823</i>	<i>144,000,151</i>	<i>10,506,688</i>	<i>5,603,670</i>	<i>(2,451,769)</i>	<i>157,658,740</i>		

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE F (I) : INVENTORIES		
(at cost or net realisable value whichever is lower)		
Inventories :		
Raw materials	87,391,562	54,432,736
Finished goods	42,289,079	12,809,654
Work-in-progress	29,865,596	11,995,204
TOTAL	<u>159,546,237</u>	<u>79,237,594</u>

NOTE F (II) : TRADE RECEIVABLE

Trade receivables		
Unsecured:		
Debts outstanding for more than 6 months		
Consider good	-	
Consider doubtful	-	
Other debts:		
Considered good	14,782,131	44,177,527
	<u>14,782,131</u>	<u>44,177,527</u>
Less : Provision for doubtful debts	-	-
TOTAL	<u>14,782,131</u>	<u>44,177,527</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE F(III) : CASH AND BANK BALANCES				
Cash and cash equivalent				
Cash on hand	14,132		20,089	
Balances with non-scheduled banks				
on current accounts	64,277,151		27,513,057	
on deposit accounts			5,183,349	
TOTAL		64,291,283		32,716,496
NOTE F (IV) : SHORT TERM LOANS AND ADVANCES				
Considered good :				
Prepaid expenses		361,756		378,368
Deposits paid		14,266,520		13,410,120
Others		300,264		825,728
TOTAL		14,928,540		14,614,216
	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE G : REVENUE FROM OPERATIONS				
Sales and service:				
Manufacturing activity		634,290,647		319,087,594
TOTAL		634,290,647		319,087,594
NOTE H : OTHER INCOME				
Interest income		54,428		477,467
Reversal of loss on impairment of subsidiary		-		40,616,713
Miscellaneous income (Net of expenses)		27,260,006		7,059,468
TOTAL		27,314,434		48,153,648
NOTE I : MANUFACTURING AND OPERATING EXPENSES				
Cost of raw materials, components consumed		483,734,966		277,542,321
Power and fuel		1,981,636		3,431,204
Insurance		-		428,094
Rent		36,339,645		38,998,188
Rates and taxes		10,920		44,822
General repairs and maintenance		7,575,604		12,056,155
Other expenses		4,000,374		3,251,812
TOTAL		533,643,144		335,752,595
NOTE J : EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		92,536,813		73,049,184
Contribution to and provision for employee benefits				
Provident fund and pension fund	3,194,929		2,716,526	
Social security employer contribution	236,789		192,856	
		3,431,719		2,909,382
Welfare and other expenses		2,503,504		3,008,267
TOTAL		98,472,036		78,966,833

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE K : SALES, ADMINISTRATION AND OTHER EXPENSES				
Utility		2,917,601		781,045
Forwarding and transportation		9,733,071		6,438,277
Rent		8,870,303		1,790,285
Rates and taxes		1,880,081		442,198
Travelling and conveyance		4,281,522		4,325,377
Telephone, postage and telegrams		2,660,432		1,947,750
Advertising and publicity		623,698		237,314
Stationery and printing		3,795,001		2,039,489
Commission		496,577		616,450
Insurance		712,764		1,082,755
Bank charges		509,735		103,368
General repairs and maintenance		3,647,192		2,473,293
Professional fees		946,151		4,567,329
Loss on disposal of subsidiary				40,616,713
Exchange loss		(5,903,956)		156,721
Miscellaneous expenses		13,768,427		1,680,791
TOTAL		48,938,598		72,311,697
NOTE L : FINANCE COST				
Interest expense		10,635,987		2,120,341
TOTAL		10,635,987		2,120,341

NOTE M - SIGNIFICANT ACCOUNTING POLICIES**LEGAL STATUS**

Henikwon Corporation SDN. BHD. is a private limited Company registered under the Malaysian Companies' Act 1965. In July 2012, Tamco Switchgear (Malaysia) Sdn.Bhd acquired the 100% equity interest in the Company from Dato Kwon Beang Ha and Datin Lee Myung Soon. The penultimate holding Company is Larsen and Toubro International FZE, a Company incorporated in Hamriyah Free Zone, Sharjah and the ultimate holding Company is Larsen and Toubro Limited, a Company incorporated in India and listed on the National Stock Exchange of India Ltd. and BSE Ltd.

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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

Sales of Goods

Revenue from sale of goods is recognized up on transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or possible return of goods.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**Sales of Services**

Revenue from services will be recognized upon services rendered.

3. 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. The depreciation rates are as follows :

	Rate
Commercial building	2%
Worker's hostel	2%
Computer	20%
Factory Equipment	10%
Furniture and Fittings	10%
Tools and machinery	20%
Motor Vehicle	20%
Office Equipment	10%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories

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 realizable 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 realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

6. EMPLOYEE BENEFITS**Short term benefits :**

Salaries, wages, allowances, bonus and social security contributions are recognized as an expense in the financial year in which the services are rendered by the employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employee that increases their entitlements to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognized when absence occurs. Non-monitory medical benefits such as medical care and other staff related expenses are charged to Profit and Loss Account as and when incurred.

7. 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.

8. 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 substantively enacted as on Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

NOTE N: COMMITMENTS

Commitments as at 31 December, 2013 are ₹ Nil. (Previous year ₹Nil)

NOTE O: CONTINGENT LIABILITY

Contingent liability with respect to guarantees given to licensed banks as at December 31, 2013 is ₹ Nil (Previous year ₹Nil).

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**NOTE P: OTHER NOTES:-****1. Related party disclosures;**

A. Related parties where control exists:	Relationship
• Larsen & Toubro Limited Company	Ultimate Holding
• Larsen & Toubro International FZE	Penultimate Holding Company
• Tamco Switchgear (Malaysia) Sdn.Bhd	Holding Company

B. Names of key management personnel and their relatives with whom transactions were carried out during the year:

	Status
• Anil Madhukar Choudhari	Director

Disclosure of transaction with director

Related party	Transaction	2013 (₹)	2012 (₹)
Anil Madhukar Choudhari	Remuneration	45,64,195	54,20,678

Disclosure of balance with related party

Related party	Transaction	2013 (₹)	2012 (₹)
Tamco Switchgear (Malaysia) Sdn.Bhd	Loan	105,761,003	86,420,407

2. Borrowing cost capitalised during the period is ₹ Nil (*previous year ₹ Nil*).
3. There are no transactions with micro small and medium enterprises during the year.
4. Auditor's remuneration charged to the accounts are :

Particulars	2013 (₹)	2012 (₹)
For Statutory audit	453,160	259,590

5. Earnings per share (basic & diluted)

Particulars	For the year 2013 (₹)	For the year 2012 (₹)
Profit/ (Loss) after tax	(34,770,313)	(130,946,948)
Weighted no. of equity shares	6,450,000	6,450,000
Earnings per share	(5.39)	(20.30)

6. Foreign currency exposure

Particulars	As at 31 Dec, 2013 (₹)	As at 31 Dec, 2012 (₹)
Receivable	3,260,615	43,074,938
Payables	10,748,300	35,812,883

7. Investment in subsidiary

Particulars	As at 31 Dec, 2013 (₹)	As at 31 Dec, 2012 (₹)
Unquoted shares, at cost	-	42,210,795
Less : Impairment loss	-	-
At 1 January	-	(42,210,795)
Reversal of impairment loss	-	42,210,795
At 31 December	-	-
Less : Disposal during the year	-	(42,210,795)

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

8. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits". Defined contribution plans: [accounting policy no. P (6)] Amount of ₹ 3,431,719 (*previous year ₹ 2,909,382*) is recognized as an expense and included in "employee benefits expense" (note no. J) in the Statement of Profit and Loss.
9. **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.

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm Registration No. 109982W

by the hand of

EDWIN AUGUSTINE

Partner

Membership No: 43385

Place: Mumbai

Date : May 23, 2014

For and on behalf of the board

ANIL MADHUKAR CHOUDHARI

Director

Place : Selangor

Date : May 23, 2014

UMESH SUBBARAO BHARADWAJ

Director

DIRECTORS' REPORT

The Directors have great pleasure to present to you the Annual Report and Audited Accounts of Kana General Trading & Contracting WLL for the year ended 31st December '13. 49% of the Company's shares were acquired by L&T Electrical & Automation FZE (LTEAFZE) on 10th September 2013.

FINANCIAL RESULTS

	2013 KWD / Mn	2013 Rs. Lakhs	2012 KWD / Mn	2012 Rs. lakhs
Total Income	0.386	794.09	0.926	1,778.88
Operating Profit / (loss)	(0.054)	(111.01)	(0.069)	(133.20)

DIVIDEND

Due to the loss during the year, the Directors has recommended no dividend for the year ended 31st December 2013.

YEAR IN RETROSPECT:

During the year the Company continued its operations in Kuwait which includes providing Instrumentation, Automation and Electric Power solutions. It bagged the first major order from Saudi First Company for Manufacturing Insulation Materials and Steel Buildings LLC for USD 2.70 Mn (KWD 0.756 Mn)

The Company was able to secure order inflows of KWD 0.886 Mn during the period and sales were KWD 0.386 Mn. The Directors do not recommend any dividend for the year in view of the accumulated losses.

FINANCE

During the year 2013, the Company had taken all initiatives in controlling the working capital and overhead expenses.

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 new and brown field projects.

FUTURE OUTLOOK:

• Industry

Major investments are happening in Energy and Infrastructure domain in Kuwait with several multi-billion dollar contracts already having been finalised and some more in the pipeline. The market is upbeat about the governments' firm commitment to proceed with the upgradation of the old refineries and revival of plan to build the new refinery. Also, the concerted focus on improving infrastructure by way of adding new hospitals, university campus, court and cultural complexes, port, airport and highway projects support the expected 5% growth in GDP in 2014.

• Company

Kana Controls has been working in Kuwait over the last two decades offering Instrumentation Control & Automation (ICA) products, systems and services. Kana Controls has worked with different esteemed clients in Kuwait including Oil & Gas upstream & downstream companies and Ministries viz. KOC, JO, PIC, Equate, MEW, MPW, MOI, MOD for a variety of applications. While continuing to focus on the existing portfolio, Kana Controls is also trying to broaden their scope of offerings in the Telecom domain to capitalize on increased scope of ELV, Security & Surveillance and Networking requirements in the above industrial investments.

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 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, 2013 and of the profit 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; and
- that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

KANA CONTROLS GENERAL TRADING & CONTRACTING COMPANY WLL, KUWAIT

DIRECTORS

After the acquisition of the shares by L&T Electrical & Automation FZE, Mr. Mudit Goel and Mr. P. Ramakrishnan were appointed as the Directors of the Company.

AUDITORS

The auditors, M/s PKF Boursesli & Co., Chartered Accountants continue to be the statutory auditors of the Company for 2014.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended by the Government authorities in Kuwait and takes this opportunity to thank them for the same. 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 28, 2014*

MUDIT GOEL
Director

P. RAMAKRISHNAN
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KANA CONTROLS GENERAL TRADING AND CONTRACTING COMPANY W.L.L

Report on the financial statements

The financial statements of **KANA CONTROLS GENERAL TRADING AND CONTRACTING COMPANY W.L.L** for the year ended December 31, 2013, being the Company registered in Kuwait are audited by PKF L.L.C. and we have been furnished with their audit report dated 4 May 2014.

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 accompanying financial statements of Kana Controls General Trading and Contracting Company W.L.L ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of Directors 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 Kuwait.

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of

EDWIN P. AUGUSTINE

Partner
Membership no. 43385

Place : Mumbai
Date : May 28, 2014

ANNEXURE TO THE INDEPENDENT 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 substantial part of fixed assets during the year so as to affect its going concern.
- 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 discrepancies noticed on verification between the physical stock and the book records were not material.
- 3 The Company is incorporated in the 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 is 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 inventories, fixed assets and for the 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 we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Kuwait and accordingly, maintenance of record under section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4 (v)(a) and (b) of the Order is not applicable.
- 6 The Company has not accepted any deposits in terms of provisions of section 58A and 58AA of the Companies Act, 1956. Accordingly, paragraph 4(vi)of the Order is not applicable.
- 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 records under section 209(1) (d) of the Companies Act, 1956. Accordingly, paragraph 4(viii)of the Order are not applicable.
- 9 (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authority and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31, 2013.
- (b) According to the information and explanation given to us, there are no dues towards income tax, services tax, custom duty, excise duty and wealth tax that were under disputes as at December 31, 2013.
- 10 The Company's accumulated losses are more than fifty percent of its net worth as at the end of the financial year..Company incurred cash losses in the current 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 repayments of dues to any financial institution or bank as on 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 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 In our opinion and information and explanation 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 In our opinion and according to information and explanation given to us, on over all basis the term loan have been applied 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 during the year.
- 19 The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue 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
Firm's registration no.109982W
by the hand of

EDWIN P. AUGUSTINE

Partner
Membership no. 43385

Place : Mumbai
Date : May 28, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	19,400,100		19,400,100	
Reserves and surplus	B	(5,051,337)		3,835,400	
			14,348,763		23,235,500
Non-current liabilities					
Long-term borrowings	C(I)	-		97,777	
Long-term provisions	C(II)	16,538,334		12,771,668	
			16,538,334		12,869,445
Current liabilities					
Short-term borrowings	D(I)	1,715,055		402,552	
Trade payables	D(II)	29,269,081		27,783,659	
Other current liabilities	D(III)	11,616,652		29,542,666	
			42,600,787		57,728,877
TOTAL			73,487,884		93,833,822
ASSETS:					
Non-current assets					
Fixed Assets	E				
Tangible assets Gross Block		2,244,303		2,849,875	
			2,244,303		2,849,875
Current assets					
Inventories	F(I)	6,836,493		6,624,940	
Trade receivables	F(II)	51,375,207		65,911,258	
Cash and bank balances	F(III)	13,018,797		10,156,534	
Short term loans and advances	F(IV)	13,084		8,291,215	
			71,243,581		90,983,947
TOTAL			73,487,884		93,833,822
			-		-
CONTINGENT LIABILITIES	M				
COMMITMENTS (Capital and others)	N				
OTHER NOTES FORMING PART OF THE ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's registration No. 109982W
By the hand of

EDWIN P AUGUSTINE

Partner
Membership No. 43385

Place : Mumbai
Date : May 28, 2014

P. RAMAKRISHNAN

Director

Place : Mumbai
Date : May 28, 2014

MUDIT GOEL

Director

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations (gross)	G	79,409,516		177,888,766	
Less: Excise duty		—		—	
Revenue from operations (net)		79,409,516		177,888,766	
Other income	H	896,182		1,919,067	
Total revenue		80,305,698		179,807,832	
EXPENSES:					
Manufacturing and operating expenses:	I				
Cost of raw materials, components consumed		65,390,034		160,095,012	
Employee benefits expense	J	16,715,020		8,148,128	
Sales, administration and other expenses	K	8,285,522		23,872,703	
Finance costs	L	99,964		130,681	
Depreciation amortisation and obsolescence		915,928		881,430	
Total expenses		91,406,468		193,127,954	
Profit before exceptional and extraordinary items and tax		(11,100,770)		(13,320,122)	
Exceptional items		—		—	
Profit before extraordinary items and tax		(11,100,770)		(13,320,122)	
Extraordinary items		—		—	
Profit before tax		(11,100,770)		(13,320,122)	
Tax expenses					
Current tax		—		—	
Deferred tax		—		—	
		—		—	
Profit after tax carried to Balance Sheet		(11,100,770)		(13,320,122)	
Basic earnings per equity share		(111,008)		(133,201)	
Diluted earnings per equity share		(111,008)		(133,201)	
Face value per equity share (KWD)		1,000		1,000	
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's registration No. 109982W

By the hand of

EDWIN P AUGUSTINE

Partner

Membership No. 43385

P. RAMAKRISHNAN

Director

MUDIT GOEL

Director

Place : Mumbai

Date : May 28, 2014

Place : Mumbai

Date : May 28, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	31-12-2013	31-12-2012
	₹	₹
A. Cash Flow from operating activities		
Profit before tax	(11,100,770)	(13,320,122)
Adjustments for:		
Interest Income	49,365	43,243
Translation reserve & other reserves	2,214,034	3,512,968
Depreciation	915,928	881,430
Finance charge	99,964	130,681
Unrealised foreign exchange difference - net (gain/loss)	2,326,952	(2,948,812)
Provisions for end of service indemnity	2,182,593	2,931,355
Operating profit before working capital changes	(3,311,934)	(8,769,258)
Adjustments for:		
(Increase) / decrease in inventories	(211,553)	4,715,776
(Increase) / decrease in receivables and loans	22,814,182	(13,621,974)
Increase / (decrease) in current liabilities	(15,225,866)	22,825,770
Cash (used in)/generated from operations	4,064,828	5,150,314
B. Cash flow from investing activities:		
Purchase of fixed assets	(98,319)	(100,011)
Interest income	(49,365)	(43,243)
Exchange difference in opening value of fixed assets	(954,917)	187,225
Cash (used in)/from investing activities	(1,102,601)	43,971
C. Cash flow from financing activities		
Finance charge	(99,964)	(130,681)
Net cash (used in)/from financing activities	(99,964)	(130,681)
Net (decrease)/increase in cash and cash equivalents (A + B + C)	2,862,263	5,063,605
Cash and cash equivalents at beginning of the year	10,156,534	5,092,930
Cash and cash equivalents at end of the year	13,018,797	10,156,534

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 year figures are regrouped and reclassified where ever necessary.

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
Firm's registration No. 109982W
By the hand of

EDWIN P AUGUSTINE

Partner
Membership No. 43385

Place : Mumbai
Date : May 28, 2014

P. RAMAKRISHNAN

Director

Place : Mumbai
Date : May 28, 2014

MUDIT GOEL

Director

NOTES FORMING PART OF ACCOUNTS**NOTE [A]****A (I) Share capital****Share capital authorised, issued, subscribed and paid up:**

Particulars	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Authorised:				
Equity shares of KWD 1000 each	<u>100</u>	<u>19,400,100</u>	<u>100</u>	<u>19,400,100</u>
Issued, subscribed and fully paid up:				
Equity shares of KWD 1000 each	<u>100</u>	<u>19,400,100</u>	<u>100</u>	<u>19,400,100</u>

A(ii) Share holding more than 5% of equity shares as at the end of the year:

Particulars	As at 31.12.2013		As at 31.12.2012	
	Number of shares	Shareholding %	Number of shares	Shareholding %
L&T Electricals & Automation FZE {refer note no.[P (1) (d)]}	49	49%	-	-
Abdullah Jassem Al rujaib	50	50%	-	-
Jarrah Abdullah Jassem Al Rajaib	1	1%	35	35%
Ajazudin Shaeikh qamarudin	-	-	30	30%
Abdul qader saad saqer al jasser	-	-	35	35%

A (iii) Term/right attached to equity shares:

The Company has only one class of share capital, i.e. equity shares having face value of KWD 1000 each. Share holder entitled to one vote per share.

A (iv) The aggregate number of equity share allotted as fully paid up by way of bonus shares in immediately preceding five years ended December 31, 2013 are NIL.**A (v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding five years ended December 31, 2013 are NIL****NOTE [B]****Reserves and surplus**

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Reserves and surplus				
Foreign currency translation reserve [refer Note: O(1)]	(245,010)			
Add: Additions during the year	<u>2,214,034</u>		<u>(245,010)</u>	
		1,969,024		(245,010)
General Reserve [refer Note B(I)]		2,040,891		2,040,891
Statutory Reserve [refer Note B(II)]		4,140,757		4,140,757
Surplus Statement of Profit and Loss				
As per last Balance Sheet	(2,101,238)		11,218,884	
Profit and loss account	<u>(11,100,770)</u>		<u>(13,320,122)</u>	
		(13,202,008)		(2,101,238)
TOTAL		<u>(5,051,337)</u>		<u>3,835,400</u>

NOTE [B(I)]**General Reserve**

Persuent to Company's memorandum of association, 10% of net profit transferred to the voluntary reserve. This may be discontinued by a resolution of general assembly of partners. No transfer has been made to voluntary reserve during the current year due to loss.

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE [B(II)]

Statutory Reserve

In accordance with the Kuwait Commercial Laws and Company Articles of Association, 10% of net profit transferred to statutory reserve. The Company may resolve to discontinue such annual transfer when reserve reaches 50% of share capital. The reserve is not available for distribution except in cases stipulated by law and the Company's Memorandum of Association. No transfer has been made to the statutory reserve during the current year due to loss.

NOTE[C(I)]

Long-term borrowings

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Finance lease obligation		-		97,777
TOTAL		-		97,777

NOTE[C(II)]

Long-term provisions

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Provision for employee benefits				
Provisions for end of service indemnity		16,538,334		12,771,668
TOTAL		16,538,334		12,771,668

NOTE [D(I)]

Short term borrowings

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Finance lease obligation		35,108		402,552
Loan from related party (holding Company)*		1,679,946		
TOTAL		1,715,055		402,552

* The loan from L&T Electrical & Automation FZE (the holding Company is interest free)

NOTE [D(II)]

Trade payables

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Due to others		29,269,081		27,783,659
TOTAL		29,269,081		27,783,659

NOTE [D(III)]

Other current liabilities

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Advances from customers		90,496		17,637,601
Other payables		11,526,156		11,905,065
TOTAL		11,616,652		29,542,666

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE [E]****Tangible assets**

CLASS OF ASSETS	COST					DEPRECIATION					NET BLOCK		
	As at 01.01.2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31.12.2013	As at 01.01.2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Buildings													
Plant and machinery general	1,139,521	125,551	-	262,349	1,002,723	892,189	99,341	74,235	262,349	803,416	199,307	247,332	
Computers	901,172	117,465	94,616	-	1,113,254	752,924	95,792	40,007	-	888,723	224,531	148,249	
Office Equipments	1,111,147	138,039	3,702	-	1,252,888	959,171	128,121	65,162	(87,006)	1,239,460	13,427	151,976	
Aircondition and Refrigeration	210,544	26,114	-	-	236,658	107,856	15,045	27,723	-	150,625	86,034	102,688	
Canteen Equipments	-	-	-	-	-	-	-	-	-	-	-	-	
Furniture and fixtures	306,756	38,047	-	-	344,803	292,742	36,631	5,348	-	334,721	10,083	14,014	
Vehicles	5,161,591	596,707	-	722,787	5,035,511	2,975,975	367,948	703,453	722,787	3,324,588	1,710,922	2,185,615	
Total	8,830,732	1,041,923	98,319	985,136	8,985,838	5,980,857	742,878	915,928	898,130	6,741,533	2,244,304	2,849,875	
<i>Previous year</i>	<i>10,748,431</i>	<i>(34,637)</i>	<i>100,011</i>	<i>1,983,074</i>	<i>8,830,732</i>	<i>6,947,370</i>	<i>(17,457)</i>	<i>881,430</i>	<i>1,830,486</i>	<i>5,980,857</i>	<i>2,849,875</i>	<i>3,801,062</i>	

NOTE [F(I)]**Inventories (at cost or net realisable value whichever is lower)****Particulars****As at 31.12.2013****As at 31.12.2012**

	₹	₹	₹	₹
Inventory		6,836,493		6,624,940
[Includes goods in transit Nil and <i>previous year</i> ₹ 516,431]				
TOTAL		6,836,493		6,624,940

NOTE [F(II)]**Trade receivables****Particulars****As at 31.12.2013****As at 31.12.2012**

	₹	₹	₹	₹
Unsecured:				
Debts outstanding for more than 6 months				
Considered good		45,374,985		51,198,028
Considered doubtful		16,287,562		13,903,082
		61,662,547		65,101,110
Other debts:				
Considered good		6,000,222		14,713,230
		67,662,768		79,814,339
Less: Allowance for doubtful debts		16,287,562		13,903,082
		51,375,207		65,911,258
TOTAL		51,375,207		65,911,258

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE [F(III)]

Cash and bank balances

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Cash and cash equivalent				
Cash on hand		118,190		91,762
Balance with banks		12,900,607		6,960,756
Fixed deposit		-		3,104,016
TOTAL		13,018,797		10,156,534

NOTE [F(IV)]

Short term loans and advances

Particulars	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Others				
Considered good:				
Advances recoverable in cash or kind				
Prepaid expenses		13,084		4,361,724
Deposits paid		-		3,929,490
TOTAL		13,084		8,291,215

NOTE [G]

Revenue from operations

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Sales & service:				
Manufacturing & trading		79,372,081		176,346,121
Other operational revenue:				
Commission Income		37,435		1,542,645
TOTAL		79,409,516		177,888,766

NOTE [H]

Other income

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Interest Income		49,365		43,243
Net gain/(loss) on sale of fixed assets		102,638		(21,907)
Miscellaneous income		744,179		1,897,731
TOTAL		896,182		1,919,067

NOTE [I]

Manufacturing and operating expenses

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Raw materials and components		65,390,034		160,095,012
TOTAL		65,390,034		160,095,012

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE [J]

Employee benefits expense

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Salaries, wages and bonus		14,656,289		5,269,719
Contribution to and provision for:				
Provision for end of service indemnities		2,058,730		2,878,410
TOTAL		16,715,020		8,148,128

NOTE [K]

Sales, administration and other expenses

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Rent		3,949,208		3,657,542
Travelling and conveyance		495,091		350,324
Telephone postage and telegrams		691,934		473,004
Advertising and publicity		–		131,080
Stationary and printing		77,133		61,340
Bank charges		211,458		219,286
General repairs and maintenance		139,947		167,511
Audit fees		205,688		323,083
Visa & Legal charges		379,906		122,109
Insurance charges		174,711		215,782
Exchange (gain) / Loss		112,677		–
Provision for doubtful debts		622,617		10,091,007
Miscellaneous expenses		1,225,152		8,060,636
TOTAL		8,285,522		23,872,703

NOTE [L]

Finance costs

Particulars	01-01-2013 to 31-12-2013		01-01-2012 to 31-12-2012	
	₹	₹	₹	₹
Finance Charges:				
Finance charges for finance lease obligation		99,964		130,681
TOTAL		99,964		130,681

M. Contingent Liability as on December 31, 2013 ₹ NIL (previous year: ₹46,09,464)

N. Capital commitment:

Estimated amount of contracts remaining to be executed on capital account (net of advance is ₹ Nil (previous year ₹ NIL)

O. OTHER NOTES FORMING PART OF ACCOUNTS

1. 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.

2. The Company has no post-employment benefit plan or other long term benefit covered by Accounting Standard 15 (revised) issued by The Institute of Chartered Accountants of India. Short term employee benefits are charged to statement of profit and loss in the period when the employee renders the service.

3. Segment Reporting

The Company operates wholly in Kuwait and provides solutions for Instrumentation, Automation and Electrical Power. Hence segment reporting is not applicable.

NOTES FORMING PART OF ACCOUNTS (Contd.)

4. Related party disclosures

A. List of related parties who exercise control:

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
L&T Electrical & Automation FZE	Immediate Holding Company

B. List of related parties with whom transactions were carried out and description of relationship:

L&T Electrical & Automation FZE	Holding Company
---------------------------------	-----------------

Key management personnel:

1. Ajazudin Shaeikh Qamarudin
2. Saikat Sen

C. (i) Disclosure of transactions with related parties:

Nature of Transaction	01-01-2013 to 31-12-2013 (₹)	01-01-2012 to 31-12-2012 (₹)
Sale of Goods and services		
L&T Electrical & Automation FZE	23,79,192	-
Managerial remuneration		
1. Ajazudin Shaeikh Qamarudin	64,31,041	55,79,847
2. Saikat Sen	11,10,715	

(ii) Amount outstanding with related parties:

Nature of transaction	As at 31-12-2013 (₹)	As at 31-12-2012 (₹)
Short term advances		
L&T Electrical & Automation FZE	16,79,946	-

5. Operating lease

Where the Company is the lessor

Assets leased under operating leases other than investment property are included lease hold rights or property, plant and equipment in the consolidated statement of financial position. They are amortized or depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognized on a straight-line basis over the lease term.

6. Earnings per share:

Basic & Diluted earnings per share	01-01.2013 to 31-12-2013	01-01-2012 to 31-12-2012
Profit after tax as per accounts ₹	(1,11,00,770)	(1,33,20,122)
No. of shares outstanding	100	100
Face value of share (KWD)	1,000	1,000
EPS ₹	(1,11,007.70)	(1,33,201.22)

7. There are no transactions with small scale industries or micro Small and Medium Enterprises during the year.
8. Auditor's remuneration charged to the accounts amounting to ₹ 2,05,688 (KWD 1,000) during the year.
9. Previous year's figures are re-grouped wherever necessary.

NOTES FORMING PART OF ACCOUNTS (Contd.)

P. SIGNIFICANT ACCOUNTING POLICIES

1. LEGAL STATUS

- a. Kana Controls General Trading and Contracting Company (the "Company") was established in the State of Kuwait as a limited liability Company in accordance with memorandum of association authenticated under no. 10292 dated April 4, 1990. The Company was entered in the commercial register on 8 April 1990 under no. 40932. The Memorandum of Association was lastly amended on September 10, 2012 vide no. 5564.
- b. The Company's objectives are carrying on the business of general trading and contracting except owning properties & shares. The Company is located in Farwaniya, block No. 44, Building No.6, Office 14, 5th floor, Kuwait.
- c. On September 10, 2013, 49% of Equity Shares and full management control in the Company is acquired by L&T Electrical & Automation FZE, Jebel Ali, which is immediate holding Company. The ultimate parent Company is Larsen & Toubro Limited, a Company incorporated in India.

2. 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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.

3. FOREIGN CURRENCY TRANSACTIONS

Reporting currency used by the Company is Kuwaiti Dinar. 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

4. REVENUE RECOGNITION

Revenue from sale of goods is recognized when the substantial risks and rewards of ownership is transferred to the buyer.

5. 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%. This rate is higher than the rates specified under schedule XIV of the Companies Act, 1956.

6. 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.

7. 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.

8. EMPLOYEE BENEFITS

End-of-service indemnities, required by Kuwait labor law, are provided in the financial statements based on the employees' length of service and the Company policy.

9. BORROWING COSTS

Borrowing costs that are attributable to 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. All other borrowing costs are recognized as an expense in the period in which they are incurred.

10. TAXES ON INCOME

There is no income tax payable in Kuwait where the Company is registered and hence no provision for current tax/ deferred tax has been in these accounts.

NOTES FORMING PART OF ACCOUNTS (Contd.)

11. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using 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 obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to be 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 probable that an outflow of resources will be required to settle the obligation,
 - b) a possible obligation arising from past events, when no reliable estimate is possible;
- and
- c) a possible obligation arising from past events where probability of outflow of resources is not remote.

Contingent assets are neither recognized nor disclosed.

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

12. IMPAIRMENT

As at each Balance Sheet date, the Company reviews carrying amount of assets to determine whether there is any indication that those assets have suffered an impairment loss. Of any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of individual asset, the Company estimate the recoverable amount of the cash-generating unit to which this asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

As per our attached report on even date

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's registration No. 109982W

By the hand of

EDWIN P AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 28, 2014

P. RAMAKRISHNAN

Director

Place : Mumbai

Date : May 28, 2014

MUDIT GOEL

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 15 month period ended March 31, 2014.

OVERVIEW OF THE YEAR

During the year the Company strengthened its Telecom vertical and secured approvals in major Oil companies in Abu Dhabi. It has also made inroads into the Saudi Arabia market and bagged many projects.

During the year the Company increased its presence in infrastructure segment and bagged orders for ELV (Telecom) systems in Stadium and Hospital.

The Company invested in M/s Kana Control General Trading & Contracting Co W.L.L. Kuwait to strengthen its position in Kuwait. M/s Kana Controls is a registered Instrumentation & Control contractor with majority of end users in Kuwait.

To match with L&T's financial year, the Company has changed its year ending from 31st December to 31st March. Accordingly the current year financial accounts are drawn for 15 month period from January 1, 2013 to March 31, 2014.

YEAR IN RETROSPECT

The Company was able to secure order inflows of AED 244.50 Mn during the period and sales were AED 220.37 Mn. The Company made a net profit of AED 28.27 Mn during the period.

FINANCE

During the period 2013-14, the Company took initiatives to control the working capital and overhead expenses.

CAPITAL EXPENDITURE

At the year end, Gross Fixed Assets stood at AED 17.07 Mn and Net Fixed Assets at AED 10.43 Mn. During the year, the Company awarded contract for expansion of its Integration Center in Jebel Ali Dubai and it has spent AED 1.17 Mn till date. The expansion will be completed during FY 14-15.

CURRENT BUSINESS SCENARIO

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 by the respective governments. With major customer approvals in place, LTEAFZE is focusing as a Turnkey Automation, Telecommunication & Electrical Subcontractor with EPC players and with end users for new and brown field projects.

PERFORMANCE PARAMETERS

Particulars	Value in AED / Mn	
	2014	2012
	(15 Months)	
Order Booking	244.50	155.66
Sales	220.37	173.73
Order Backlog	109.15	127.80

PERSONNEL

There are 156 staff employed as on 31st March 2014

FUTURE OUTLOOK

- Industry**

Major investments are happening in infrastructure in KSA and Qatar and also in security and surveillance systems in UAE. This along with its focus on Korean and Turkish EPCs will help the Company to secure orders and create healthy order book for the next year.

- Company**

LTEAFZE remains competitive in high end turnkey Automation & 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 Utility & Infrastructure segments. The Telecom and Infrastructure competency are being strengthened and the Company aims to expand its business landscape and new geographies including Iraq and CIS through Turkish and Korean regional sales offices. The Company has also planned expansion in KSA to target significant business from the market.

For and on behalf of the Board

Place : Mumbai
Date : May 28, 2014

S C BHARGAVA
Director

MUDIT GOEL
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T ELECTRICAL & AUTOMATION FZE

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of **L&T Electrical & Automation FZE** for the period ended 31 March 2014 being the Company registered in Dubai, United Arab Emirates are audited by PKF L.L.C. and we have been furnished with their audit report dated 11 May 2014.

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 accompanying financial statements of L&T Electrical & Automation FZE ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the statement of profit and loss and the Cash Flow Statement for the period from 1 January 2013 to 31 March 2014, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the profit for the period from 1 January 2013 to 31 March 2014; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the period from 1 January 2013 to 31 March 2014.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, statement of profit and loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, statement of profit and loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of Directors 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 Dubai, United Arab Emirates.

SHARP & TANNAN
Chartered Accountants
Firm registration no. 109982W
By the hand of

EDWIN AUGUSTINE
Partner
Membership no.43885

Place : Mumbai
Date : May 28, 2014

ANNEXURE TO THE INDEPENDENT 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 substantial part of fixed assets during the year so as to affect its going concern.
- 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 discrepancies noticed on verification between the physical stock and the book records were not material.
- 3 The Company is incorporated in Dubai, 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 is 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 inventories, fixed assets and for the 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 we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Dubai, United Arab Emirates and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4 (v) (a) and (b) of the Order is not applicable.
- 6 The Company has not accepted any deposits in terms of provisions of Section 58A and 58AA of the Companies Act, 1956. Accordingly, paragraph 4(vi) of the Order is not applicable.
- 7 The Company 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 records under Section 209(1) (d) of the Companies Act, 1956. Accordingly, paragraph 4(viii) of the Order are not applicable.
- 9 (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authority and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 March 2014.
- (b) According to the information and explanation given to us, there are no dues towards income tax, services tax, custom duty, excise duty and wealth tax that were under disputes as at 31 March 2014.
- 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 period and in the immediately preceding financial year.
- 11 According to the information and explanations given to us, the Company has not defaulted in repayments of dues to any financial institution or bank as on 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 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 In our opinion and information and explanation 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 In our opinion and according to information and explanation given to us, on over all basis the term loan have been applied 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 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 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
Firm registration no. 109982W
By the hand of

EDWIN AUGUSTINE
Partner
Membership no.43885

Place : Mumbai
Date : May 28, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Schedule	As at 31.03.2014		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share capital	A	10,872,110		10,872,110	
Reserves and surplus	B	1,576,086,097		1,015,805,757	
			1,586,958,207		1,026,677,867
Non-current liabilities					
Long-term borrowings	C(I)	103,502,813		67,589,296	
Long-term provisions	C(II)	22,770,146		11,569,608	
			126,272,959		79,158,904
Current liabilities					
Short-term borrowings	D(I)	346,933,483		-	
Current maturities of long term borrowings	D(II)	22,598,718		27,525,750	
Trade payables	D(III)	1,242,721,306		860,841,444	
Other current liabilities	D(IV)	22,697,245		5,513,584	
Short-term provisions	D(V)	194,576,560		199,699,563	
			1,829,527,312		1,093,580,341
TOTAL			3,542,758,478		2,199,417,112
ASSETS					
Non-current assets					
Fixed Assets	E				
Tangible assetsGross Block		151,814,195		159,209,316	
Capital work-in-progress		18,345,201		576,356	
			170,159,396		159,785,671
Investments					
Investment in a subsidiary	F	42,186,947	42,186,947		
Current assets					
Inventories	G(I)	54,951,527		34,107,438	
Trade receivables	G(II)	3,135,612,289		1,676,561,795	
Cash and bank balances	G(III)	32,194,432		259,350,013	
Short term loans and advances	G(IV)	107,653,887		69,612,195	
			3,330,412,135		2,039,631,441
TOTAL			3,542,758,478		2,199,417,112
CONTINGENT LIABILITIES	N				
COMMITMENTS (Capital and others)	O				
OTHER NOTES FORMING PART OF THE ACCOUNTS	P				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm registration number 109982W
by the hand of

For and on behalf of the Board

EDWIN AUGUSTINE
Partner
Membership No.43885

Place : Mumbai
Date : May 28, 2014

SHARAT C BHARGAVA

Director

Place : Mumbai
Date : May 28, 2014

MUDIT GOEL

Director

STATEMENT OF PROFIT AND LOSS FOR THE 15 MONTHS PERIOD FROM JANUARY 1, 2013 TO MARCH 31, 2014

Schedule	01.01.2013 to 31.03.2014		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
REVENUE:				
Revenue from operations (gross)	H	3,546,449,578	2,524,335,768	
Less: Excise duty		—	—	
Revenue from operations (net)		3,546,449,578	2,524,335,768	
Other income	I	632,510	—	
Total revenue		3,547,082,088	2,524,335,768	
EXPENSES:				
Manufacturing and operating expenses:	J			
Cost of raw materials, components consumed		2,043,016,349	1,458,475,728	
Other manufacturing, construction and operating expenses		332,071,283	330,518,850	
		2,375,087,632	1,788,994,578	
Employee benefits expense	K	421,327,488	221,158,703	
Sales, administration and other expenses	L	238,362,516	142,518,202	
Finance costs	M	10,497,917	3,519,544	
Depreciation and obsolescence	E	35,882,925	26,825,054	
Less: Transfer from revaluation reserve		—	—	
		35,882,925	26,825,054	
Total expenses		3,081,158,478	2,183,016,081	
Profit before Tax		465,923,610	341,319,686	
Tax expenses				
Current tax		—	—	
Deferred tax		—	—	
		—	—	
Profit after tax carried to Balance Sheet		465,923,610	341,319,686	
Basic earnings per equity share (₹)		465,923,610	341,319,686	
Diluted earnings per equity share (₹)		465,923,610	341,319,686	
Face value per equity share (AED)		1,000,000	1,000,000	
OTHER NOTES FORMING PART OF ACCOUNTS	P			
SIGNIFICANT ACCOUNTING POLICIES	Q			

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm registration number 109982W
by the hand of

For and on behalf of the Board

EDWIN AUGUSTINE
Partner
Membership No.43885

SHARAT C BHARGAVA**MUDIT GOEL**

Place : Mumbai
Date : May 28, 2014

Director
Place : Mumbai
Date : May 28, 2014

Director

CASH FLOW STATEMENT FOR THE 15 MONTHS PERIOD FROM JANUARY 1, 2013 TO MARCH 31, 2014

	31-03-2014 ₹	31-12-2012 ₹
A. Cash Flow from operating activities		
Profit before tax	465,923,610	341,319,686
Adjustments for:		
Interest Income	4,876	-
Translation reserve & other reserves	94,356,730	32,849,780
Depreciation (including obsolescence)	35,882,925	26,825,054
Interest paid	10,497,917	3,519,544
Unrealised foreign exchange difference - net (gain/loss)	8,143,936	3,984,068
(Profit) / loss on sale of fixed assets (net)	(632,510)	-
Provision for Leave encashment & Gratuity	13,083,190	4,006,909
Operating profit before working capital changes	627,260,674	412,505,041
Adjustments for:		
(Increase) / decrease in inventories	(20,844,090)	(6,671,410)
(Increase) / decrease in receivables and loans	(1,497,092,186)	(404,318,206)
Increase / (decrease) in current liabilities	715,799,346	300,007,168
(Increase)/Decrease in Pre-operative Expenses	-	-
Cash generated from operations	(174,876,256)	301,522,594
Direct taxes refund / (paid) (net)	-	-
Cash (used in)/generated from operations	(174,876,256)	301,522,594
B. Cash flow from investing activities:		
Purchase of fixed assets	(14,814,851)	(8,594,299)
Purchase of property and equipment - Capital WIP	(17,717,577)	(576,356)
Sale of fixed assets	632,510	-
Interest income	(4,876)	-
Exchange difference in opening value of fixed assets	(20,189,703)	(7,569,520)
Investment in subsidiary	(42,186,947)	-
Cash (used in)/from investing activities	(94,281,444)	(16,740,174)
C. Cash flow from financing activities		
Receipt/(repayment) of term loan	(7,407,620)	(27,462,624)
Receipt/(repayment) of loan from shareholder	59,907,656	-
Exchange difference on translation of loan	-	1,909,833
Dividend paid	-	(1,453,000)
Interest paid	(10,497,917)	(3,519,544)
Net cash (used in)/from financing activities	42,002,118	(30,525,335)
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(227,155,582)	254,257,084
Cash and cash equivalents at beginning of the year	259,350,014	5,092,930
Cash and cash equivalents at end of the year	32,194,432	259,350,014

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 year figures are regrouped and reclassified where ever necessary.

As per our report attached

SHARP & TANNAN

Chartered Accountants
Firm registration number 109982W
by the hand of

For and on behalf of the Board

EDWIN AUGUSTINE

Partner
Membership No.43885

Place : Mumbai
Date : May 28, 2014

SHARAT C BHARGAVA

Director

Place : Mumbai
Date : May 28, 2014

MUDIT GOEL

Director

NOTES FORMING PART OF ACCOUNTS**NOTE [A]****A (i) Share capital****Share capital authorised, issued, subscribed and paid up:**

Particulars	As at 31.03.2014		As at 31.12.2012	
	No. of shares	₹	No. of shares	₹
Authorised:				
Equity shares of AED 1 Million each	1	10,872,110	1	10,872,110
Issued, subscribed and fully paid up:				
Equity shares of AED 1 Million each	1	10,872,110	1	10,872,110

A (ii) Shareholding more than 5% of equity shares at the end of the year:

The entity is a wholly owned subsidiary of Larsen & Toubro International FZE, an entity registered in Hamriyah Free Zone, Sharjah. The ultimate parent Company is Larsen & Toubro Limited, a Company incorporated in India.

A (iii) Term/right attached to equity shares:

The Company has only one class of share capital, i.e. equity shares having face value of AED 1 million each. Share holder entitled to one vote per share.

A (iv) The aggregate number of equity share allotted as fully paid up by way of bonus shares in immediately preceding five years ended March 2014 are NIL. (Previous year Nil)

A (v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding five years ended March 2014 are Nil (previous year Nil)

	As at 31.03.2014		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [B]				
RESERVES AND SURPLUS				
Reserves and surplus				
Foreign currency translation reserve (Refer Note: Q.10)				
As per last Balance Sheet	105,305,384		72,455,604	
Add: Additions during the year	94,356,730		32,849,780	
		199,662,114		105,305,384
Surplus Statement of profit & loss				
As per last Balance Sheet	910,500,373		570,633,687	
Add: Profit for the period	465,923,610		341,319,686	
Less: Dividends paid for previous year	-		(1,453,000)	
		1,376,423,983		910,500,373
TOTAL		1,576,086,097		1,015,805,757

NOTE[C(I)]**LONG-TERM BORROWINGS**

Secured Loan

Term loan (Axis Bank) (Refer Note C(I) 1 and 3)	-	27,555,246
Loan from Shareholders (Refer Note C(I) 2)	103,502,813	40,034,050
TOTAL	103,502,813	67,589,296

C (i) 1 The loan is secured by a corporate guarantee from a related party and is subject to certain financial covenants including total term debt to tangible net worth ratio, debt service coverage ratio and fixed assets coverage ratio.

C (i) 2 The loan from the share holder is interest free and is for the term of the entity.

C (i) 3 The loan is repayable in 12 quarterly installments of ₹ 6,881,438 each commencing from 9th March 2012, after an initial moratorium period of 12 months from the date of first utilisation on 9th Dec 2010. The installments are payable quarterly in arrears.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.12.2012	
	₹	₹	₹	₹
NOTE[C(II)]				
LONG-TERM PROVISIONS				
Provision for employee benefits				
Provisions for end of service indemnity		22,770,146		11,569,608
TOTAL		<u>22,770,146</u>		<u>11,569,608</u>

NOTE [D(I)]**SHORT TERM BORROWINGS**

Short term loans and advances from banks (Overdraft)		346,933,483		—
TOTAL		<u>346,933,483</u>		<u>—</u>

The bank facilities are secured by a letter of support from Larsen & Toubro Limited, India (Ultimate Parent Company) and a corporate guarantee provided by a related party.

	As at 31.03.2014		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [D(II)]				
CURRENT MATURITIES OF LONG TERM BORROWINGS				
Secured				
Current maturities of long term borrowings (Refer Note C(I) 1 and 3)		22,598,718		27,525,750
TOTAL		<u>22,598,718</u>		<u>27,525,750</u>

NOTE [D(III)]**TRADE PAYABLES**

Due to related parties:				
Due to fellow subsidiaries	115,153,755		36,092,033	
Due to parent	—		—	
		115,153,755		36,092,033
Due to others				
Liability for revenue goods	888,497,081		573,318,290	
Liability for other expenses (other accruals)	239,070,470		251,431,121	
		1,127,567,551		824,749,411
TOTAL		<u>1,242,721,306</u>		<u>860,841,444</u>

NOTE [D(IV)]**OTHER CURRENT LIABILITIES**

Advances from customers		20,547,519		4,306,795
Other payables		2,149,727		1,206,789
TOTAL		<u>22,697,245</u>		<u>5,513,584</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014	As at 31.12.2012
	₹	₹
NOTE [D(V)]		
SHORT TERM PROVISIONS		
Provisions for expenses (Warranty)	194,576,560	199,699,563
TOTAL	194,576,560	199,699,563
NOTE [E]		
INVESTMENT IN SUBSIDIARY		
Investment in Subsidiary	42,186,947	-
TOTAL	42,186,947	-

NOTE [E(I)]**TANGIBLE ASSETS**

Class of assets	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2013	Exchange difference included in translation reserve	Additions	Deductions	As on 31.03.2014	As at 01.01.2013	Exchange difference included in translation reserve	Additions	Deductions	As on 31.03.2014	As on 31.03.2014	As on 31.12.2012
Buildings	183,730,104	16,343,148	-	-	200,073,253	37,728,089	3,644,160	21,145,200	-	62,517,448	137,555,805	155,461,557
Plant and machinery general	1,279,786	113,839	571,908	-	1,965,534	777,117	76,513	542,016	-	1,395,646	569,888	675,224
Computers	10,620,034	944,673	5,947,818	-	17,512,524	5,303,100	537,841	4,851,665	-	10,692,606	6,819,918	3,975,690
Office Equipments	10,280,618	914,481	848,984	-	12,044,083	7,575,101	708,980	2,579,895	-	10,863,976	1,180,107	4,256,767
Aircondition and Refrigeration	3,405,314	302,909	499,541	-	4,207,763	2,878,422	263,714	562,980	-	3,705,116	502,648	435,795
Canteen Equipments	6,741	600	-	-	7,341	569	141	6,630	-	7,341	-	-
Furniture and fixtures	14,448,811	1,285,250	4,157,815	-	19,891,876	10,318,464	988,454	5,180,851	-	16,487,768	3,404,108	6,759,849
Vehicles	2,845,751	253,135	2,788,785	1,457,767	4,429,904	2,826,981	245,680	1,013,688	1,438,167	2,648,182	1,781,722	517,726
Total	226,617,159	20,158,035	14,814,851	1,457,767	260,132,278	67,407,843	6,465,482	35,882,925	1,438,167	108,318,083	151,814,195	172,082,608
CWIP											18,345,201	576,356
Previous year	210,490,026	7,569,520	8,594,299	36,686	226,617,159	38,407,418	2,212,057	26,825,054	36,686	67,407,843	172,082,608	159,209,316

E(II) Borrowing cost capitalized during the period is NIL. (previous year NIL)

	As at 31.03.2014	As at 31.12.2012
	₹	₹
NOTE [G(I)]		
INVENTORIES (at cost or net realisable value whichever is lower)		
Finished Goods	54,951,527	34,107,438
[Includes goods in transit ₹ 13,687,479 and previous year ₹ 2,623,657]		
TOTAL	54,951,527	34,107,438

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [G(II)]				
TRADE RECEIVABLES				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	1,528,347,814		713,187,044	
Considered doubtful	<u>1,520,521</u>		<u>1,396,316</u>	
	1,529,868,335		714,583,360	
Other debts: [Note no.J(III)(a)]				
Considered good	<u>1,607,264,475</u>		<u>963,374,750</u>	
	3,137,132,810		1,677,958,111	
Less: Allowance for doubtful debts	<u>1,520,521</u>		<u>1,396,316</u>	
	<u>3,135,612,289</u>		<u>1,676,561,795</u>	
TOTAL	<u><u>3,135,612,289</u></u>		<u><u>1,676,561,795</u></u>	
NOTE [G(III)]				
CASH AND BANK BALANCES				
Cash and cash equivalent				
Cash on hand	65,299		355,985	
Bank Balance in current account	<u>32,129,133</u>		<u>258,994,029</u>	
	<u>32,194,432</u>		<u>259,350,013</u>	
TOTAL	<u><u>32,194,432</u></u>		<u><u>259,350,013</u></u>	
NOTE [G(IV)]				
SHORT TERM LOANS AND ADVANCES				
Considered good:				
Advances recoverable in cash or kind				
Prepaid expenses	21,540,412		6,227,965	
Deposits paid	18,692,673		16,769,421	
Advances	<u>67,420,802</u>		<u>46,614,809</u>	
	<u>107,653,887</u>		<u>69,612,195</u>	
Balance with custom, port trust etc.	-		-	
TOTAL	<u><u>107,653,887</u></u>		<u><u>69,612,195</u></u>	
	01.01.2013 to 31.03.2014	01.01.2012 to 31.12.2012		
	₹	₹	₹	₹
NOTE [H]				
REVENUE FROM OPERATIONS				
Sales & service:				
Manufacturing & trading	<u>3,546,449,578</u>		<u>2,524,335,768</u>	
TOTAL	<u><u>3,546,449,578</u></u>		<u><u>2,524,335,768</u></u>	

NOTES FORMING PART OF ACCOUNTS (Contd.)

	01.01.2013 to 31.03.2014		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE [I]				
OTHER INCOME				
Scarp Sale		627,634		-
Interest Income		4,876		-
TOTAL		632,510		-
NOTE [J]				
MANUFACTURING AND OPERATING EXPENSES				
Material Consumed				
Components Opening Stock	34,107,438		27,436,028	
Purchases	2,063,860,438		1,465,147,138	
Closing Stock	(54,951,527)		(34,107,438)	
		2,043,016,349		1,458,475,728
Stores, spares and tools consumed		-		-
Other manufacturing, construction and operating expenses:				
Freight		31,413,286		18,149,176
Rent		11,271,661		12,861,070
Other Direct Cost		289,386,336		299,508,605
TOTAL		2,375,087,632		1,788,994,578
NOTE [K]				
EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus		408,244,298		217,151,794
Contribution to and provision for:				
Provision for end of service indemnities		13,083,190		4,006,909
TOTAL		421,327,488		221,158,703

NOTES FORMING PART OF ACCOUNTS (Contd.)

	01.01.2013 to 31.03.2014		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE [L]				
SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent		29,839,084		6,661,526
Travelling and conveyance		86,164,995		54,122,623
Power other than Manufacturing activity		4,939,270		2,498,898
Telephone postage and telegrams		3,006,077		4,768,673
Advertising and publicity		343,348		1,865,725
Stationary and printing		1,571,998		1,313,919
Commission		4,442,666		16,622,887
Bank charges		21,762,498		7,352,790
General repairs and maintenance		3,692,628		5,918,200
Audit fees		2,799,263		2,598,749
Packing & forwarding expenses		26,644,508		1,996,771
Visa & Legal charges		17,127,132		11,554,416
Insurance charges		5,109,809		7,144,270
Exchange (gain) / Loss		32,251		4,916,385
Provision for doubtful debts		-		1,354,370
Miscellaneous expenses		30,886,991		11,828,001
TOTAL		238,362,516		142,518,202

NOTE [M]**FINANCE COSTS**

Interest expenses				
Interest on loan		10,497,917		3,519,544
TOTAL		10,497,917		3,519,544

As at 31.03.2014

As at 31.12.2012

NOTE [N]**CONTINGENT LIABILITIES**

Banker's letters of guarantee		828,791,863		389,359,126
Unutilized balances of commercial letters of credit		344,791,538		70,273,996
TOTAL		1,173,583,401		459,633,123

NOTE [O]**COMMITMENTS (CAPITAL AND OTHERS)**

Capital Commitments		124,790,625		1,468,040
TOTAL		124,790,625		1,468,040

NOTES FORMING PART OF ACCOUNTS (Contd.)

P. SIGNIFICANT ACCOUNTING POLICIES

1. LEGAL STATUS

- a. L&T ELECTRICAL & AUTOMATION FZE (the "entity") was incorporated on 7 April 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, United Arab Emirates.
- 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 of Systems.

2. 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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.

3. CHANGE IN THE FINANCIAL YEAR

Effective 1 January 2013, the entity's accounting year-end has been changed from 31 December to 31 March to align with the accounting year followed by the ultimate parent Company.

4. 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.

5. REVENUE RECOGNITION

Revenue from sale of goods is recognized when the substantial risks and rewards of ownership is transferred to the buyer.

6. 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.

7. 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.

8. 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.

Q. OTHER NOTES FORMING PART OF ACCOUNTS

1. 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.
2. The Company has no post-employment benefit plan 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 statement of profit and loss in the period when the employee renders the service.
3. **Segmental reporting.**
The Company operates wholly in United Arab Emirates and manufactures industrial electronic control panels and accessories. Hence segment reporting is not applicable.

NOTES FORMING PART OF ACCOUNTS (Contd.)**4. 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 Electrical Saudi Arabia Company Limited	Fellow Subsidiary
Tamco Switchgear Malaysia (SDN)	Fellow Subsidiary
Kana Controls General Trading and Contracting WLL Subsidiary	
L&T Realities Limited	Fellow Subsidiary
L&T Valves Limited	Fellow Subsidiary
Larsen & Toubro ATCO Saudi LLC	Fellow Subsidiary

C. Disclosure of transactions with related parties:

Nature of Transaction / Relationship	01.01.2013 to 31.03.2014	01.01.2012 to 31.12.2012
	₹	₹
Purchase of Goods and services		
Larsen & Toubro Limited	41,39,656	50,94,683
Tamco Switchgear Malaysia (SDN)	6,87,46,391	3,36,28,305
Kana Controls General trading and Contracting Company WLL	1,36,52,812	-
Sale of Goods and Services		
Larsen & Toubro Limited	17,92,66,278	4,82,68,660
Larsen & Toubro Limited (Oman) LLC	1,59,95,928	53,96,122
Larsen & Toubro (Electromech) LLC	5,11,93,785	24,99,76,605
L&T Electrical Saudi Arabia Company Ltd	8,95,22,339	7,26,558
Kana Controls General trading and Contracting Company WLL	12,23,88,843	-
Interest paid / payable to		
Larsen & Toubro International FZE	4,64,721	-
Tamco Switchgear Malaysia (SDN)	75,925	-
Trade Receivable		
Larsen & Toubro Limited	11,07,45,399	11,63,09,004
Larsen & Toubro Limited (Oman) LLC	8,58,12,249	9,33,12,802
Larsen & Toubro (Electromech) LLC	16,13,69,074	20,80,51,857
L&T Electricals Saudi Arabia Company Ltd	9,25,76,265	7,49,060
Kana Controls General Trading and Contracting WLL	9,96,14,579	-
Trade Payable		
Tamco Switchgear Malaysia (SDN)	7,23,41,405	3,56,07,745
Loans and Advances Receivable		
L&T Reality Limited	10,44,392	-
L&T Valves Limited	73,83,152	-
Loans and Advances Payable		
Larsen & Toubro Atco Saudi LLC	12,92,401	4,84,288
Larsen & Toubro International FZE	10,39,73,867	4,00,34,050
Tamco Switchgear Malaysia (SDN)	3,54,66,144	-

NOTES FORMING PART OF ACCOUNTS (Contd.)**5. 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:

	As at 31 March 2014 ₹
Not later than one year	91,73,559
Between one and five years	4,58,67,797
Later than five years	1,83,47,119

6. Earnings per share:

Basic & Diluted earnings per share	01.01.2013 to 31.03.2014	01.01.2012 to 31.12.2012
	₹	₹
Profit after tax as per accounts ₹	46,59,23,610	34,13,19,686
No. of shares outstanding	1	1
EPS ₹	46,59,23,610	34,13,19,686
Face value of share (AED)	1,000,000	1,000,000

7. There is no income tax payable in UAE where the Company is registered and hence no provision for current tax/ deferred tax has been in these accounts.
8. The Company has entered into forward foreign exchange contracts to hedge its exposure to exchange rate movements on settlement of amounts payable in foreign currencies to suppliers. At the reporting date, the Company had entered into following contracts

In pound sterling	As at 31.03.2014		As at 31.12.2012	
	Average exchange rate	Amount to be paid in	Average exchange rate	Amount to be paid in
	₹	₹	₹	₹
3 months or less	-	-	87.48	9,58,32,033
Over 3 months	-	-	87.48	5,45,90,595
In Euro				
3 months or less	81.06	5,19,67,069	-	-

9. There are no transactions with small scale industries or micro small and medium enterprises during the period.
10. Auditor's remuneration charged to the accounts amounting to ₹ 12,67,087 (AED 78,750) during the period.
11. Previous year's figures are re-grouped wherever necessary.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm registration number 109982W
by the hand of

For and on behalf of the Board

EDWIN AUGUSTINE
Partner
Membership No.43885

Place : Mumbai
Date : May 28, 2014

SHARAT C BHARGAVA

Director

Place : Mumbai
Date : May 28, 2014

MUDIT GOEL

Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956,
RELATING TO SUBSIDIARY COMPANIES**

Name of subsidiary Company	Kana Controls Generat Trading and Contracting Company WLL
Financial year of the subsidiary Company ended on	31.12.2013
Num of shares in subsidiary Company held by L&T Electrical & Automation FZE at the above date	
- Equity Shares	49 of KWD 1000 each
- Preference Shares	Nil
The extend of interest in Subsidiary Companies of L&T Electrical & Automation FZE as at above date	100%
The net agregate of profits / (losses), of the subsidiary Company so far as it concerns the members of L&T Electrical & Automation FZE	
	Rs Crore
(i) Dealt with in the accounts of L&T Electrical & Automation FZE amounted to :	
(a) for the subsidiaries financial year ended 31st Dec 2013	(1.11)
(b) for previous financial year of subsidiariay since it became subsidiary of L&T Electrical & Automation FZE	Nil
(ii) Not dealt with in the accounts of L&T Electrical & Automation FZE amounted to :	
(a) for the subsidiaries financial year ended 31st Dec 2013	Nil
(b) for previous financial year of subsidiariay since it became subsidiary of L&T Electrical & Automation FZE	Nil
Changes in the interest of L&T Electrical & Automation FZE between the end of subsidiary's financial year and December 31, 2013	
Number of shares acquired	Nil
Material changes between the end of subsidiary's financial year and December 31, 2013	
(i) Fixed Assets (Net Additions)	Nil
(ii) Investments	Nil
(iii) Money's lent by subsidiary	Nil
(iv) Moneys borrowed by subsidiary Company other than for meeting current liabilities	Nil

For and on behalf of the Board

SHARAT C BHARGAVA

MUDIT GOEL

Director

Director

Place : Mumbai

Date : May 28, 2014

DIRECTORS' REPORT

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2013.

FINANCIAL RESULTS

Financial Results	2013 ₹ Lakhs	2012 ₹ Lakhs
Profit / Loss before Depreciation and Tax	415.29	184.21
Profit / Loss before Tax	370.69	168.02
Taxes	-	-
Profit / Loss after Tax	370.69	168.02

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 in view of the accumulated losses.

CAPITAL EXPENDITURE

As at December 31, 2013, the gross fixed assets stood at ₹ 2443 Lakhs and net fixed assets at ₹ 1974 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 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 31st December 2013;
- 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.

COMMISSIONER AND DIRECTORS

As on December 31, 2013, Mr. S. C. Bhargava is the Commissioner, Mr. Tinjani Rupinder Kumar is the President Director, Mr. Graham Johnson and Mr. Umesh Subbarao Bharadwaj are the Directors.

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. Hendrawinata Eddy & Siddhartha were the Auditors 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 / Selangor
Date : May 23, 2014

GRAHAM JOHNSON
Director

UMESH BHARADWAJ
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PT TAMCO INDONESIA

Report on the financial statements

The financial statements of **PT TAMCO INDONESIA** for the year ended 31 December 2013, being the Company registered in Indonesia are audited by KRESTON INTERNATIONAL and we have been furnished with their audit report dated 4 March 2014.

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 accompanying financial statements of PT TAMCO INDONESIA ("the Company"), which comprise the Balance Sheet as at 31 December 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 Indonesia.

SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W
By the hand of

EDWIN P. AUGUSTINE
Partner
Membership No. 43385

Place : Mumbai
Date : May 23, 2014

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) The Company not disposed off any substantial part of fixed assets during the year so as to affect its going concern.
- 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 discrepancies noticed on verification between the physical stock and the book records were not material.
- 3 The Company is incorporated in the Indonesia 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 is 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 inventories, fixed assets and for the 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 we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- 5 The Company is incorporated in Indonesia and accordingly, maintenance of record under Section 301 of the Companies Act, 1956 is not required. Accordingly, paragraphs 4 (v) (a) and (b) of the Order is not applicable.
- 6 The Company has not accepted any deposits in terms of provisions of Section 58A and 58AA of the Companies Act, 1956. Accordingly, paragraph 4(vi) of the Order is not applicable.
- 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 records under Section 209(1) (d) of the Companies Act, 1956. Accordingly, paragraph 4(viii) of the Order are not applicable.
- 9 (a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authority and there are no undisputed statutory dues outstanding for a period exceeding six months as at 31 December 2013.
- (b) According to the information and explanation given to us, there are no dues towards income tax, services tax, custom duty, excise duty and wealth tax that were under disputes as at 31 December 2013.
- 10 The accumulated losses of the Company are more than the net worth as at 31 December 2013. Company does not incurred cash losses in the current 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 repayments of dues to any financial institution or bank as on 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 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 In our opinion and information and explanation 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 In our opinion and according to information and explanation given to us, on over all basis the term loan have been applied 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 during the year.
- 19 The Company did not have any outstanding secured debentures during the year. Accordingly, no securities have been created.
- 20 The Company has not raised any money by public issue 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

Firm's Registration No.109982W

By the hand of

EDWIN P. AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai
Date : May 23, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Notes	As at 31-12-2013		As at 31-12-2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
SHAREHOLDERS' FUNDS:					
Share capital	A	2,211,000		2,211,000	
Advance towards equity commitment		129,039,488		144,931,050	
Reserves and surplus	B	(342,548,974)		(422,232,079)	
			(211,298,487)		(275,090,029)
Non Current Liabilities					
Long term borrowing	C(i)		-		324,896
Long term provision	C(ii)		16,034,207		18,003,088
Current liabilities					
Short term borrowings	D (i)	81,755,576		82,678,500	
Current maturity of long term borrowing			-	229,345	
Trade payables	D (ii)	573,858,375		583,343,192	
Other current liabilities	D (iii)	68,173,980		96,804,139	
Short term provisions	D (iv)	21,316,526		6,504,960	
			745,104,457		769,560,137
TOTAL			549,840,177		512,798,091
ASSETS					
Fixed assets					
Tangible assets	E (i)	129,904,923		156,779,993	
Intangible assets	E (ii)	597,973		-	
Capital work in progress	E (i)	66,929,752		-	
			197,432,648		156,779,993
Deferred Tax Asset	F		1,979,752		2,223,564
Current assets					
Inventories	G (i)	53,487,375		76,232,655	
Trade Receivables	G (ii)	121,466,226		177,066,216	
Cash and bank balances	G (iii)	91,426,631		10,496,035	
Short term loans and advances	G (iv)	84,047,543		89,999,627	
			350,427,776		353,794,534
TOTAL			549,840,177		512,798,091
COMMITMENTS (CAPITAL AND OTHERS)	P				
CONTINGENT LIABILITIES	Q				
SIGNIFICANT ACCOUNTING POLICIES	N				
OTHER NOTES TO ACCOUNTS	O				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

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

EDWIN AUGUSTINE

Partner
Membership No. 43385

Place : Mumbai
Date : May 23, 2014

GRAHAM JOHNSON

Director

Place : Mumbai / Selangor
Date : May 23, 2014

UMESH BHARADWAJ

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operations (gross)	H	606,433,807		452,725,557	
Less: Excise duty		—		—	
Revenue from operations (net)			606,433,807		452,725,557
Other income	I		588,052		741,072
TOTAL REVENUE			607,021,859		453,466,629
EXPENSES					
Manufacturing and operating expenses	J	450,968,529		321,940,636	
Stores, spares and tools		153,115		103,378	
Other manufacturing and operating expenses		15,089,238		16,107,598	
			466,210,882		338,151,611
Employee benefit expenses	K		61,009,182		57,416,129
Sales, administration and other expenses	L		36,548,701		35,396,865
Finance Costs	M		1,724,086		4,081,320
Depreciation and obsolescence of tangible assets			4,460,298		1,618,449
TOTAL EXPENSES			569,953,150		436,664,374
Profit before tax			37,068,709		16,802,255
Provision for current taxes			—		—
Profit after tax carried to Balance Sheet			37,068,709		16,802,255
Basic & diluted earning per equity share	Q5		148.27		67.21
Face value per equity share (IDR)			2,010		2,010
SIGNIFICANT ACCOUNTING POLICIES	N				
OTHER NOTES TO ACCOUNTS	O				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

EDWIN AUGUSTINE

Partner

Membership No. 43385

GRAHAM JOHNSON

Director

UMESH BHARADWAJ

Director

Place : Mumbai

Date : May 23, 2014

Place : Mumbai / Selangor

Date : May 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities:		
Profit before tax	37,068,709	16,802,255
Adjustments for :		
Depreciation (including obsolescence), amortisation and impairment	4,460,298	1,618,449
Unrealised foreign exchange loss/(gain) (net)	7,460,270	12,839,688
Foreign currency translation reserve	42,614,396	39,316,237
(Profit)/loss on sale of fixed assets (net)	(498,395)	(681,818)
Interest received	(89,657)	(59,254)
Operating profit before working capital changes	91,015,621	69,835,557
Adjustments for :		
(Increase)/ decrease in trade and other receivables	61,795,886	(153,919,426)
(Increase)/ decrease in inventories	22,745,280	6,485,704
Increase/ (decrease) in trade payables and customer advances	(33,884,830)	246,492,874
Cash generated from operations	141,671,957	168,894,709
Income taxes paid		
Development expenditure incurred		
Net cash (used in)/ from operating activities	141,671,957	168,894,709
B. Cash flow from investing activities:		
Purchase of fixed assets	(59,767,807)	(156,266,479)
Investment in Intangibles	(597,973)	-
Sale of fixed assets	498,395	681,818
Exchange difference in opening balance	15,252,825	107,989
Interest received	89,657	59,254
Cash (used in)/ from investing activities	(44,524,903)	(155,417,418)
C. Cash flow from financing activities:		
Proceeds from bank borrowings	-	-
Repayment of bank borrowings	(324,896)	-
Exchange difference due to translation	(15,891,563)	(13,348,911)
Net cash (used in)/ from financing activities	(16,216,458)	(13,348,911)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	80,930,595	128,381
Cash and cash equivalents at beginning of the period	10,496,036	10,367,655
Cash and cash equivalents at end of the period	91,426,631	10,496,036

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

EDWIN AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 23, 2014

GRAHAM JOHNSON

Director

UMESH BHARADWAJ

Director

Place : Mumbai / Selangor

Date : May 23, 2014

NOTES TO ACCOUNTS**NOTE A: SHARE CAPITAL****(i) Share capital authorised, issued, subscribed and paid up**

	As at 31-12-2013		As at 31-12-2012	
	₹	₹	₹	₹
SHARE CAPITAL				
Authorised:				
250,000 equity shares of IDR 2,010 each		2,211,000		2,211,000
Issued, Subscribed and paid up :				
250,000 equity shares of IDR 2,010 each		2,211,000		2,211,000
TOTAL		2,211,000		2,211,000

(ii) Share holder holding more than 5% of equity share

The entity is a owned subsidiary of Larsen & Toubro International FZE an entity registered in Hamriyah Free Zone, Sharjah with 99% shareholding and Tamco Switchgear (Malaysia) Sdn Bhd with 1% shareholding. The ultimate parent company is Larsen & Toubro Limited, a Company incorporated in India.

(iii) Term / right attached to equity shares

The Company has one class of share capital, i.e. equity shares having face value of IDR 2010 each. Share holder entitled to one vote per share

(iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five year ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 Nil)**(v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 Nil)****NOTE B : RESERVES AND SURPLUS**

	As at 31-12-2013		As at 31-12-2012	
	₹	₹	₹	₹
(i) Foreign currency translation reserve:				
As per last Balance Sheet	(77,915,119)		(117,231,356)	
Addition/(deduction) during the year	42,614,396		39,316,237	
		(35,300,723)		(77,915,119)
(ii) Surplus/ (Deficit) in statement of Profit & Loss				
As per last Balance Sheet	(344,316,960)		(361,119,215)	
Add : Profit for the year	37,068,709		16,802,255	
		(307,248,251)		(344,316,960)
TOTAL		(342,548,974)		(422,232,079)

NOTE C (i) : LONG TERM BORROWINGS

Finance lease obligation

Lease finance- due beyond 1 year

TOTAL

		324,896
	-	324,896

NOTE C (ii) : LONG TERM PROVISIONS

Provision for employee benefit

TOTAL

	16,034,207	18,003,088
	16,034,207	18,003,088

NOTES TO ACCOUNTS (Contd.)

As at 31-12-2013

As at 31-12-2012

₹ ₹ ₹ ₹

NOTE D (i) : SHORT TERM BORROWING

Secured loans:

Short term loan and advance from banks

81,755,576

82,678,500

TOTAL

81,755,576

82,678,500

NOTE D (ii) : TRADE PAYABLE

Due to : Associate company

440,087,821

499,258,813

Others

133,770,554

84,084,379

TOTAL

573,858,375

583,343,192

NOTE D (iii) : OTHER CURRENT LIABILITIES

Sundry creditors

27,179,756

49,240,892

Other accruals

7,165,931

2,938,193

Advances from customers

33,828,293

44,625,054

TOTAL

68,173,980

96,804,139

NOTE D (iv) : SHORT TERM PROVISION

Provisions for Employee benefits

16,808,251

6,137,607

Provisions for Current taxes

4,508,275

367,353

TOTAL

21,316,526

6,504,960

NOTE E (i) : TANGIBLE ASSETS

TANGIBLE ASSETS	COST / VALUATION					DEPRECIATION				BOOK VALUE		
	As at 01.01.2013	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2013	Upto 01.01.2013	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
OWNED ASSETS:												
Land	100,243,291	(10,991,589)	–	–	89,251,702	–	–	–	–	–	89,251,702	100,243,291
Building	28,067,743	(3,077,603)	1,521,490	–	26,511,630	350,396	(168,996)	1,406,832	–	1,588,232	24,923,398	27,717,347
Plant and machinery	28,557,030	(3,131,253)	1,376,363	486,356	26,315,784	17,316,584	(2,020,155)	1,308,042	486,356	16,118,115	10,197,669	11,240,446
Office Equipment	8,686,638	(952,482)	3,090,970	–	10,825,125	5,361,940	(804,985)	1,454,971	–	6,011,926	4,813,199	3,324,698
Vehicles	2,040,997	(223,794)	–	–	1,817,203	937,553	(129,760)	290,454	–	1,098,246	718,957	1,103,444
Owned assets	167,595,698	(18,376,721)	5,988,823	486,356	154,721,444	23,966,473	(3,123,896)	4,460,298	486,356	24,816,520	129,904,923	143,629,226
Previous year	29,009,960	(2,446,622)	143,115,711	2,083,350	167,595,698	26,770,008	(2,338,634)	1,618,449	2,083,350	23,966,473		
Add: Capital Work in progress											66,929,752	13,150,768
											196,834,675	156,779,994

NOTE E (ii) : INTANGIBLE ASSETS

TANGIBLE ASSETS	COST / VALUATION					DEPRECIATION				BOOK VALUE		
	As at 01.01.2013	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2013	Upto 01.01.2013	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Product Development Certification		–	597,973	–	597,973		–	–	–	–	597,973	–
Lumpsum fee for technical knowhow	24,829,605	(2,722,544)	–	–	22,107,060	24,829,605	(2,722,544)	–	–	22,107,060	0	–
Total	24,829,605	(2,722,544)	597,973	–	22,705,034	24,829,605	(2,722,544)	–	–	22,107,060	597,973	–
Previous year	–	–	–	–	–	–	–	–	–	–	–	–

NOTES TO ACCOUNTS (Contd.)

	As at 31-12-2013		As at 31-12-2012	
	₹	₹	₹	₹
NOTE F : DEFERRED TAX ASSET				
Deferred tax asset (net)		1,979,752		2,223,564
TOTAL		1,979,752		2,223,564
NOTE F (i) :				
		<i>Deferred tax asset as on 31.12.2012</i>	Charge/(credit) to Statement of Profit and Loss	<i>Deferred tax asset as on 31.12.2013</i>
		₹	₹	₹
Deferred tax asset		2,223,564		1,979,752
Other items			(243,812)	
Net Deferred Tax Asset		2,223,564	(243,812)	1,979,752
NOTE G (i) : INVENTORIES				
Raw materials		41,024,946		35,553,649
Work-in-progress		12,462,430		40,679,007
TOTAL		53,487,375		76,232,655
NOTE G (ii) : TRADE RECEIVABLES				
Trade receivable				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good		-		-
Considered doubtful		123,948,956		139,213,605
		123,948,956		139,213,605
Other debts:				
Considered good		121,466,226		177,066,216
		245,415,182		316,279,822
Less : Provision for doubtful debts		123,948,956		139,213,605
TOTAL		121,466,226		177,066,216
NOTE G (iii) : CASH AND BANK BALANCES				
Cash on hand		1,170,473		255,458
Balances with non-scheduled banks		90,256,159		10,240,577
TOTAL		91,426,631		10,496,035
NOTE G (iv) SHORT TERM LOANS AND ADVANCES				
Loans and advances:				
VAT in tax		54,851,132		74,468,308
Advance to supplier		683,531		8,641,025
Prepaid expenses		3,526,971		2,112,538
Rental deposit		224,972		99,750
Employee advance		3,546,275		3,107,163
Other payables		21,214,660		1,570,843
TOTAL		84,047,543		89,999,627

NOTES TO ACCOUNTS (Contd.)

	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE H : REVENUE FROM OPERATIONS				
Sales & service:				
Manufacturing		606,433,807		452,725,557
TOTAL		606,433,807		452,725,557
NOTE I : OTHER INCOME				
Profit/(loss) on sale of fixed assets (net)		498,395		681,818
Interest income		89,657		59,254
TOTAL		588,052		741,072
NOTE J : MANUFACTURING AND OPERATING EXPENSES				
Cost of raw materials, components consumed	450,968,529		321,940,636	
Stores, spares and tools	153,115		103,378	
		451,121,644		322,044,014
Power and fuel	2,692,667		2,873,912	
Hire charges - plant and machinery and others	-		151,142	
Rent	62,655		2,929,266	
Travelling and conveyance	8,442,524		6,224,549	
Repairs to plant and machinery	624,758		1,033,316	
Other expenses	3,266,633		2,895,413	
		15,089,238		16,107,598
TOTAL		466,210,882		338,151,611
NOTE K : EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		55,258,933		52,329,562
Contribution to and provision for:				
Employee benefits		4,740,864		3,949,698
Welfare and other expenses		1,009,385		1,136,869
TOTAL		61,009,182		57,416,129

NOTES TO ACCOUNTS (Contd.)

	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE L : SALES, ADMINISTRATION AND OTHER EXPENSES				
Packing and forwarding		3,085,312		143,509.06
Professional fees		1,064,228		756,816
Insurance		1,670,062		3,360,397
Rent		1,502,807		1,252,038
Travelling and conveyance		3,568,382		3,519,856
Telephone, postage and telegrams		1,345,779		1,078,412
Advertising and publicity		1,228,110		3,886,372
Stationery and printing		954,116		1,423,766
Commission:				
Distributors and agents		4,908,521		1,270,501
Employees and others		–		115,384
Bank charges		2,088,041		2,917,833
Entertainment Others		661,285		6,123
Security charges		2,475,521		–
Exchange loss		5,843,438		13,719,445
Miscellaneous expenses		6,153,100		1,946,413
TOTAL		36,548,701		35,396,865
NOTE M : FINANCE COST				
Interest		1,724,086		4,081,320
TOTAL		1,724,086		4,081,320

SCHEDULE N - SIGNIFICANT ACCOUNTING POLICIES**1. LEGAL STATUS**

PT Tamco Indonesia (hereinafter referred to as "the Company") is a Foreign Owned Enterprise. PT Tamco Indonesia was established on 27, March 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 (not more than 220 kilovolt), start-up machine, transformer and other related machines.

2. 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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.

3. 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.

NOTES TO ACCOUNTS (Contd.)

4. FIXED ASSETS & 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:

	Rate
Building	5%
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

5. 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.

6. EMPLOYEE SOCIAL SECURITY BENEFITS

The Company recognize defined benefit obligation for settlement of labour 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.

NOTE O. OTHER NOTES TO ACCOUNTS:

- Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits".
Defined contribution plans: [accounting policy no. P(6)] Amount of ₹ 47,40,864 (previous year: ₹ 39,49,698) is recognized as an expense and included in "Employee Benefits Expense" (note no. K) in the Statement of Profit and Loss.
- Borrowing cost capitalized during the period is Nil. (Previous year ₹ Nil)
- Company wholly operates in Indonesia, accordingly disclosure pursuant to Accounting Standard (AS) 17 "Segment Report" is not applicable.
- Disclosure of related parties/related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"

1. Related party disclosures:

A. Related parties exercise control :

	Relationship
Larsen & Toubro Limited Ultimate	Holding Company
Larsen & Toubro International FZE	Holding Company

B. Transactions with related parties during the year:

	Relationship
Larsen & Toubro International FZE	Holding Company
Tamco Electrical Industries Australia Pty Ltd.	Fellow Subsidiary Company
Tamco Switchgear (Malaysia) Sdn.Bhd	Fellow Subsidiary Company

C. Name of key management personnel and their relatives with whom transactions were carried out during the year

	Status
Mr. Tinjani Rupinder Kumar	President Director

NOTES TO ACCOUNTS (Contd.)**Disclosure of related parties transactions and balances:**

Related party	Nature of transaction	2013 (₹)	2012 (₹)
Tamco Electrical Industries Australia Pty Ltd.	Sale	-	2,311
Tamco Switchgear (Malaysia) Sdn.Bhd	Purchase	103,018,691	75,398,381
Larsen & Toubro Limited	Purchase	-	17,861,559
Tamco Electrical Industries Australia Pty Ltd.	Accounts payable	47,027,913	61,250,293
Tamco Switchgear (Malaysia) Sdn.Bhd	Accounts payable	393,059,908	438,008,520
Larsen & Toubro International FZE	Advance towards equity commitment	12,90,39,488	14,49,31,051

Disclosure of transaction with directors

Related party	Nature of transaction	2013 (₹)	2012 (₹)
Mr.Tinjani Rupinder Kumar	Salaries and allowances	5,427,522	5,128,300

5. Earnings per share (basic and diluted)

For the year	2013	2012
Profit/(loss) after tax (₹)	37,068,709	16,802,255
No. of shares	250,000	250,000
Earnings per share (₹)	148.27	67.21

6. Taxation on income:

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.

7. Unhedged foreign currency exposure as at December 2013

Unhedged foreign currency exposure	As at 31.12.2013	As at 31.12.2012
1. Receivable	86,611,585	127,921,645
2. Payables	387,630,671	551,299,657

8. There are no transactions with micro small and medium enterprises during the year.

9. Auditors' remuneration charged to the accounts amounting to ₹ 5,69,698 during the year under heading audit fees. (Previous year ₹ 2, 49,000)

10. Previous year's figures have been regrouped/reclassified wherever necessary.

NOTE P : COMMITMENTS

Estimated amount of contract remaining to be executed on capital account (net of advances) and not provided for ₹ Nil (previous year Nil).

NOTE Q : Contingent liability as at 31 December, 2012 is ₹ Nil. (previous year Nil)

As per our report attached

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

EDWIN AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 23, 2014

For and on behalf of the Board

GRAHAM JOHNSON

Director

UMESH BHARADWAJ

Director

Place : Mumbai / Selangor

Date : May 23, 2014

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 Servowatch Systems Limited for the year January 1st 2013 to December 31st 2013.

FINANCIAL RESULTS:

Particulars	Jan 2013 to Dec 2013		June 2012 to Dec 2012	
	GBP' 000	₹ Lakhs	GBP' 000	₹ Lakhs
Total Income	3371.57	3099.00	1,670.97	1,456.33
Profit/ (Loss) Before Tax	(1344.57)	(1235.87)	(774.01)	(674.59)
Tax	-	-	18.47	16.09
Profit/ (Loss) After Tax	(1344.57)	(1235.87)	(755.54)	(658.49)

Depressed sales over a realigned financial year and higher residual cost base resulted in the loss as compared to last year

OVERVIEW OF THE YEAR:

This has been a period of consolidation under the ownership of Larsen & Toubro with many initiatives to provide improved fiscal and operational management being introduced. It has also been a period for building an order book which will underpin future years trading.

The Group's principal activities during the financial year have shown a successful swing in focus towards naval and commercial ship automation systems. However, whilst sales opportunities have grown and major orders received, Servowatch faces a short period where existing products are not ideally suited to the increased demands of ship systems, or supporting new technologies. A conscious decision has been taken to enable integration of various third party products, steering away from in-house I/O modules.

Servowatch has embarked on an ambitious Research and Development programme in order to maintain its position in the market place. Two major requirements include a new Application Software, known initially as WinMon9, and for a flexible Data Processor and Interface Unit, known initially as B150.

The Company successfully completed Preliminary Design on the MARS project, releasing major variation orders. Other orders of note included a multi-ship supply programme through Caterpillar / Israel Shipyards, and HME in Korea for a series of commercial vessels. These orders identify the benefit of repeatable deliveries with well-defined timelines, allowing improved material and labour planning.

The Company shifted operations to new rented facilities in order to provide space for future growth plans, enhance its image with customers and suppliers, and more importantly, have access to a wider human resource catchment associated with the A12 corridor. Recruitment of high calibre and qualified staff is proving to be a continuous challenge.

YEAR IN RETROSPECT:

The Performance parameters of the Company are as under:

Particulars	Jan 2013 to Dec 2013		June 2012 to Dec 2012	
	GBP' 000	₹ Lakhs	GBP' 000	₹ Lakhs
Order Inflow	3742.00	3410.00	7,696.00	6,707.45
Sales	3371.57	3099.00	1,670.64	1,456.05
Order Backlog	8010.00	6800.00	7,640.00	6,658.64

- The Company achieved engineering design milestones for Daewoo Shipbuilding & Marine Engineering (DSME) MARS project and Consolidated supplier position with DSME
- First major order from Singapore Navy / ST Marine (4Cr)
- First commercial system sales into lucrative Korean market
- Going forward order book close to budget

FINANCE:

As part of financial and debt re-structuring, GBP 1.0m of loan capital was converted into Preference Shares in favour of TAMCO. In order to underpin the future demands in servicing the delivery schedules on the large contracts, the Company has successfully re-negotiated its banking facilities with HSBC.

CAPITAL EXPENDITURE:

During the year, the Company has added development cost of ₹338.40 Lakhs and other assets worth ₹301.54 Lakhs. The gross fixed asset stood at ₹1863.25 Lakhs (GBP 1.82 Mn) and net fixed asset at ₹1432.10 Lakhs (GBP 1.40 Mn) for the period ended 31st December 2013.

DISCLOSURE OF PARTICULARS:

The Company being registered outside India, the disclosures required to be made in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988, are not applicable and hence not been furnished.

SERVOWATCH SYSTEMS LIMITED

FUTURE OUTLOOK:

Shipbuilding in the Naval sector, particularly in the Far East, remains strong and the Company seeks to take advantage of its growing reputation in this sector. The Company expects significant order intake during CY2014.

High volume commercial shipping projects remain a target but the new product formats have to become technically settled before this can be successfully achieved. In-country partnerships are to be developed in key territories.

Technology developed for the Olympics is being presented to the Authorities in Rio de Janeiro and is well placed to make an impact during the event security planning stage. R&D has focussed on core Servowatch products resulting in limited marketing of the surveillance packages.

The Directors are pleased to advise that major contracts secured during the financial period have sustained a substantial forward order book which continues at record levels, providing a platform for increased turnover for coming years. The Ship Information & Management System (SIMS) technology has consolidated a position outside the original RNLI programme and future business is now forecast. Investment into new core products will underpin future growth opportunities with increased flexibility for modern applications.

Synergy with L&T in general proves challenging but the Company sees the opportunity for business growth develop existing through core products and services.

DIVIDEND:

In view of the loss during the reporting period as well as accumulated losses, the Board of Directors does not propose any dividend for the period.

AUDITORS REPORT:

The Auditors Report to 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.

PERSONNEL:

There are 51 staff employed as on 31st December 2013.

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 preparing the financial statement in accordance with the local law and regulations.

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, 2013 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 applicable Act 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:

The directors who served the Company during the year were as follows:

Mr. Martyn R. Dickinson

Mr. Graham Johnson

Mr. S. K. Mukherjee

Mr. R.S. Mahajan

Mr. R.S. Mahajan was appointed as a director on April 7, 2013

Mr. S. K. Mukherjee retired as a director on April 7, 2013. The Board places on record its appreciation of the services rendered by Mr. S. K. Mukherjee during his tenure as Director of the Company.

AUDITORS:

The Auditors, M/s Berke Fine Fussell Limited continue to be the Auditors of the Company for the financial year 2014.

ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the customers, bankers, employees of the Company and staff of ultimate holding company.

For and on behalf of the Board

Place: Tollesbury, Essex, UK

Date: May 20, 2014

MARTYN R. DICKINSON
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SERVOWATCH SYSTEMS LIMITED

Report on the financial statements

The financial statements of Servowatch Systems Limited for the year ended 31 December 2013, being the Company registered in United Kingdom, are audited by Berke Fine Fussell Limited and we have been furnished with their audit report dated 4 March 2014.

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 accompanying financial statements of Servowatch Systems Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 United Kingdom.

SHARP & TANNAN
Chartered Accountants
Firm registration no. 109982W
by the hand of

Place : Mumbai
Date : May 24, 2014

EDWIN P. AUGUSTINE
Partner
Membership no. 43385

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 during the Year and no material discrepancies were noticed on such verification.
(c) The Company has not disposed substantial part of fixed assets so as to affect its going concern status.
- 2 (a) As explained to us, inventories have been physically verified by the management at reasonable intervals. In our opinion the frequency of such verification is reasonable
(b) As per the information and explanation 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 the 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.
- 3 The Company is incorporated in the United Kingdom 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 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 United Kingdom 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 In our opinion the Company does not have 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 United Kingdom accordingly 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 with appropriate authorities and there are no undisputed statutory dues outstanding for a year exceeding six months as at 31 December 2013.
(b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The accumulated losses of the Company are more than the net worth as at 31 December 2013. The Company has incurred cash losses in the current 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 any financial institution or bank as at the Balance Sheet date.
- 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 In our opinion and information and explanations given to us, The Company is not a dealer or trader in securities.
- 15 In our opinion and according to the information and explanations given to us, the terms and condition of the guarantees given by the Company for loan taken by subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- 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
Firm registration no. 109982W
by the hand of

EDWIN P. AUGUSTINE
Partner
Membership no.43385

Place : Mumbai
Date : May 24, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31-12-2013		As at 31-12-2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	104,427,540		4,127,540	
Reserves and surplus	B	(187,861,050)		(46,121,030)	
			(83,433,510)		(41,993,490)
Current liabilities					
Short-term borrowings	C	147,921,235		13,282,852	
Trade payables	D	52,606,772		20,354,283	
Other current liabilities	E	151,435,772		201,397,224	
			351,963,779		235,034,359
TOTAL		268,530,269		193,040,869	
ASSETS:					
Non-current assets					
Fixed Assets					
Tangible assets	F (i)	35,221,243		7,088,592	
InTangible assets	F (ii)	107,989,456		67,884,599	
Capital work-in-progress			143,210,698		74,973,191
Current assets					
Inventories	G	67,201,860		58,467,524	
Trade receivables	H	44,816,217		46,966,612	
Cash and bank balances	I	40,270		48,871	
Short term loans and advances	J	13,261,224		12,584,670	
			125,319,571		118,067,678
TOTAL		268,530,269		193,040,869	
CONTINGENT LIABILITIES	Q				
COMMITMENTS (CAPITAL AND OTHERS)	R				
OTHER NOTES FORMING PART OF THE ACCOUNTS	R-Y				
SIGNIFICANT ACCOUNTING POLICIES	Z				

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W
By the hand of

EDWIN P. AUGUSTINE
Partner
Membership No. 43385

Place : Mumbai
Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON
Director

MARTYN R. DICKINSON
Director

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	Note No.	01.01.2013 to 31.12.2013		01.06.2012 to 31.12.2012	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations (gross)	K	309,900,294		145,604,978	
Less: Excise duty		-		-	
			309,900,294		145,604,978
Other income	L		-		28,325
TOTAL REVENUE			309,900,294		145,633,303
EXPENSES:					
Manufacturing and operating expenses:					
Cost of raw materials, components consumed		111,517,594		66,844,137	
Other manufacturing and operating expenses		22,338,627		4,938,551	
	M		133,856,221		71,782,688
Employee benefits expense	N		176,262,242		74,709,266
Sales, administration and other expenses	O		105,048,596		59,040,714
Finance costs	P		7,196,021		351,235
Depreciation amortisation and obsolescence	F		11,124,910		7,208,241
TOTAL EXPENSES			433,487,989		213,092,145
Profit / (Loss) before tax			(123,587,695)		(67,458,842)
Tax expenses					
Current tax		-		(1,609,491)	
Deferred tax		-		-	
			-		(1,609,491)
Profit/ (Loss) after tax carried to Balance Sheet			(123,587,695)		(65,849,350)
Basic & Diluted earnings per equity share (₹)	W		(2,472)		(1,317)
Face value per equity share (GBP)			1.00		1.00
OTHER NOTES FORMING PART OF ACCOUNTS	A-Y				
SIGNIFICANT ACCOUNTING POLICIES	Z				

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W
By the hand of

EDWIN P. AUGUSTINE
Partner
Membership No. 43385

Place : Mumbai
Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON
Director

MARTYN R. DICKINSON
Director

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	01.01.2013 to 31.12.2013 ₹	01.06.2012 to 31.12.2012 ₹
A. Cash Flow from operating activities		
Profit after tax	(123,587,695)	(65,849,350)
Adjustments for:		
Translation reserve & other reserves	(18,152,325)	(782,083)
Depreciation (including obsolescence)	11,124,910	7,208,241
Interest paid	7,196,021	351,235
Operating profit before working capital changes	(123,419,089)	(59,071,957)
Adjustments for:		
(Increase) / decrease in inventories	(8,734,336)	(8,568,011)
(Increase) / decrease in loans and receivables	1,473,841	(10,836,404)
Increase / (decrease) in current liabilities	(17,708,963)	88,756,213
Cash (used in)/generated from operations	(148,388,547)	10,279,842
B. Cash flow from investing activities:		
Purchase of fixed assets -intangible	(33,839,731)	(14,270,498)
Purchase of fixed assets -tangible	(30,154,008)	(2,047,097)
Sale of fixed assets	1,494,915	-
Exchange difference in opening value of fixed assets	(16,863,594)	(1,617,211)
Cash (used in)/from investing activities	(79,362,417)	(17,934,806)
C. Cash flow from financing activities		
Proceeds from Preference shares	100,300,000	-
Proceeds from loan / (Repayment) of loan	51,070,000	-
Short Term borrowings from Bank	83,568,383	8,007,232
Interest paid	(7,196,021)	(351,235)
Net cash (used in)/from financing activities	227,742,362	7,655,997
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(8,602)	1,033
Cash and cash equivalents at beginning of the year	48,871	47,838
Cash and cash equivalents at end of the year	40,269	48,871

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 year figures are regrouped and reclassified where ever necessary.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's registration number 109982W
By the hand of

EDWIN P. AUGUSTINE
Partner
Membership No. 43385

Place : Mumbai
Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON
Director

MARTYN R. DICKINSON
Director

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

NOTES FORMING PART OF THE ACCOUNTS**NOTE [A(I)] : SHARE CAPITAL****A(i) Share capital issued, subscribed and paid up:**

Particulars	As at 31.12.2013		As at 31.12.2012	
	Number of shares	₹	Number of shares	₹
Authorised:				
Equity shares of €GBP 1 each	50,000	4,127,540	50,000	4,127,540
Preference Shares of GBP 1 each	1,000,000	102,140,000	–	–
Issued, subscribed and fully paid up:				
Equity shares of €GBP 1 each	50,000	4,127,540	50,000	4,127,540
Preference Shares of €GBP 1 each	1,000,000	100,300,000	–	–
TOTAL	1,050,000	104,427,540	50,000	4,127,540

A(II) Terms/rights attached to shares:

- Equity shares having face value of GBP 1 per share carrying one voting rights per share.
- Preference shares having face value of GBP 1 per share, carrying no rights to fixed income and no voting rights. The shares are redeemable at the option of the Company and carry no special rights or restrictions.

A(III) Share holding more than 5% of equity shares at the end of the year

Particulars	As at 31.12.2013		As at 31.12.2012	
	No of Shares	%	No of Shares	%
Equity shares:				
Thalest Limited*	50,000	100%	50,000	100%
Preference Shares:**				
Tamco Switchgear SDN BHD	1,000,000	100%	–	–
* Thalest Limited is wholly owned subsidiary of Larsen & Toubro International FZE, which is a wholly own subsidiary of Larsen & Toubro Limited.				
** Tamco Switchgear SDN BHD (Malaysia) is wholly owned subsidiary of Larsen & Toubro International FZE, which is a wholly own subsidiary of Larsen & Toubro Limited.				

A(IV) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on December 31, 2013 – Nil (*previous period of five years ended December 31, 2012 Nil shares*).

A(V) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding last five years ended on December 31, 2013 – Nil (*previous period of five years ended December 31, 2012 Nil shares*).

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [B] : RESERVES AND SURPLUS				
Foreign currency translation resarve				
As per last Balance Sheet	3,198,935		3,981,018	
Add: Additions during the year	(18,152,325)		(782,083)	
		(14,953,390)		3,198,935
Surplus/ (deficit) in Statement of Profit and Loss				
As per last Balance Sheet	(49,319,965)		16,529,385	
Profit and loss for the year	(123,587,695)		(65,849,350)	
		(172,907,661)		(49,319,965)
TOTAL		(187,861,050)		(46,121,030)

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [C] : SHORT TERM BORROWINGS				
Short term loans and advances from bank		96,851,235		13,282,852
loan from related party		51,070,000		–
TOTAL		147,921,235		13,282,852

Loan guaranteed by directors ₹ Nil (previous year Nil)

C(I) The Company obtained short term borrowing facilities from HSBC @ 3.75 % per annum and secured by the letter of guarantee by ultimate parent company i.e. Larsen & Toubro Limited)

C(II) The Company obtained short term borrowing from Tamco Switchgear SDN BHD (Malaysia), a fellow subsidiary of the Company based on 6 months GBP LIBOR plus 200 basis points

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [D] : TRADE PAYABLES				
Due to related parties				
Due to Ultimate Holding company		14,401,640		
Due to fellow subsidiary company		3,138,861		
Due to Others		35,066,271		20,354,283
TOTAL		52,606,772		20,354,283

NOTE [E] : OTHER CURRENT LIABILITIES & PROVISIONS**Other current liabilities**

Due to Holding company- Thalest Limited	32,789,993	126,208,699
Sales Deposit	68,957,961	65,479,268

Provisions

Provision for employees benefits	11,678,389	8,217,489
Other provisions and accruals	38,009,429	1,491,769

TOTAL	151,435,772	201,397,224
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NOTE [F] : TANGIBLE FIXED ASSETS

Class of assets	Cost/Valuation					Depreciation					Book value	
	At 1st January 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	At 1st January 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	As at 31 Dec 2013	As at 31 Dec 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Plant & Machinery	14,782,445	1,023,503	414,907	10,975,455	5,245,400	10,694,819	516,126	1,318,161	10,975,455	1,553,652	3,691,748	4,087,626
Fixtures & Fittings	11,491,342	3,964,453	29,739,101	9,461,422	35,733,475	8,706,446	726,390	2,857,563	7,966,507	4,323,893	31,409,582	2,784,896
Motor Vehicles	5,552,364	369,043	–	4,104,950	1,816,458	5,336,295	349,754	115,446	4,104,950	1,696,545	119,912	216,070
Total	31,826,152	5,356,999	30,154,008	24,541,827	42,795,332	24,737,560	1,592,271	4,291,171	23,046,912	7,574,090	35,221,243	7,088,592
Previous year	29,088,842	690,213	2,047,097	–	31,826,152	23,080,262	537,443	1,119,855	–	24,737,560	7,088,592	6,008,580

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**NOTE [F] : INTANGIBLE FIXED ASSETS**

Class of assets	Cost/Valuation					Depreciation					Book value	
	At 1st January 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	At 1st January 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	As at 31 Dec 2013	As at 31 Dec 2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Development costs	113,658,617	18,199,983	33,839,731	22,167,831	143,530,499	45,774,018	5,101,117	6,833,739	22,167,831	35,541,043	107,989,456	67,884,599
Previous year	104,430,318	2,617,865	14,270,498	-	121,318,681	46,192,272	1,153,424	6,088,387	-	53,434,082	67,884,599	58,238,047

As at 31.12.2013

₹

₹

As at 31.12.2012

₹

₹

NOTE [G] : INVENTORIES (at lower of cost or net realisable value which ever is lower)

Raw materials	46,777,084	-	31,008,911
<i>(Includes goods in transit of - nil (previous year - nil)</i>			
Work in progress	20,424,775		27,458,613
TOTAL	67,201,860		58,467,524

NOTE [H] : TRADE RECEIVABLES

Unsecured:

Debts outstanding for more than 6 months

Considered good	7,415,260	6,455,320
Considered doubtful	-	-
	7,415,260	6,455,320

Other debts:

Considered good	37,400,957	40,511,292
	44,816,217	46,966,612

Less: Allowance for doubtful debts

TOTAL	44,816,217	46,966,612
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NOTE [I] : CASH AND BANK BALANCES

Cash and cash equivalent

Cash on hand	40,270	48,871
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TOTAL	40,270	48,871
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NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	01.01.2013 to 31.12.2013		01.06.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE [O] : SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent	24,580,999		7,617,521	
Travelling and conveyance	20,849,572		7,942,261	
Power other than Manufacturing activity	2,737,149		686,607	
Telephone postage and telegrams	3,245,340		1,349,334	
Advertising and publicity	9,840,615		2,938,518	
Stationary and printing	1,689,194		946,765	
Commission	238,857		129,164	
General repairs and maintenance	5,175,095		1,044,204	
Audit fees	1,257,858		867,192	
Business development	8,467,563		-	
Bank charges	964,237		-	
Accountancy fees	271,151		222,245	
Transportation charges	5,969,496		2,168,155	
Insurance charges	4,347,230		2,159,091	
Professional fees	3,469,396		962,627	
Loss on disposal of fixed assets	1,494,879		191,131	
Guarantee costs	5,980,857		14,109,174	
Miscellaneous expenses	2,178,268		675,538	
Bad debts written off	2,290,839		-	
Management charges	-		15,031,187	
TOTAL	105,048,596		59,040,714	
NOTE [P] : FINANCE COSTS				
Interest expenses				
Interest on loan	7,196,021		351,235	
TOTAL	7,196,021		351,235	

Q CONTINGENT LIABILITIES

Particulars	As at 31.12.2013 (₹)	As at 31.12.2012 (₹)
Bank guaranty	240,770,741	106,744,653

The company has given performance bank Guarantees to its customers from its banker HSBC bank.

R COMMITMENTS (CAPITAL AND OTHERS)**Capital commitment:**

Estimated amount of contracts remaining to be executed on capital account (net of advance is ₹ Nil (previous year ₹ Nil)

Other commitment-

At December 31, 2013 the company had aggregate annual commitments under non-cancellable operating lease as below.

Particulars	As at 31.12.2013 (₹)	As at 31.12.2012 (₹)
Operating leases which expires Within 2 to 5 years	9,805,440	NIL

S. DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 15 (REVISED) "EMPLOYEE BENEFITS".

The Company has no post-employment benefit plan 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 Statement of Profit and Loss in the period when the employee renders the service.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**T. DISCLOSURE OF RELATED PARTIES/RELATED PARTY TRANSACTIONS PURSUANT TO ACCOUNTING STANDARD (AS) 18 "RELATED PARTY DISCLOSURES".**

The disclosure regarding the related party transactions is as follows:

i. List of related parties who exercise control :

- Larsen & Toubro Limited Ultimate Holding Company
- Larsen & Toubro International FZE Immediate Holding Company
- Thalest Limited Holding Company

i. Related parties with whom Company have the transaction during the year

- Larsen & Toubro Limited Ultimate Holding Company
- Larsen & Toubro International FZE Immediate Holding Company
- Thalest Limited Holding Company
- Bond Instrumentation & Process Control Limited Fellow Subsidiary
- Tamco Switchgear SDN BHD Fellow Subsidiary

ii. Transactions and balances with related parties :

	2013 (₹)	2012 (₹)
1. Purchases of goods and services		
Larsen & Toubro Limited	12,672,049	1,729,591
Tamco Switchgear SDN BHD	1,266,123	-
2. Sale of goods and services		
Larsen & Toubro Limited	NIL	1,711,201
3. Interest paid		
Tamco Switchgear SDN BHD	1,872,738	NIL
4. Overheads charged by		
Thalest Limited	12,360,892	15,031,187
Overheads charged by Thalest Limited included in various expense head as follows:		
Rent	9,467,304	1,970,662
Power other than Manufacturing activity	295,304	686,607
Telephone postage and telegrams	244,074	649,566
Stationary and printing	-	751,712
General repairs and maintenance	15,800	280,465
Transportation charges	-	1,251,633
Insurance charges	-	2,063,918
Professional fees	222,895	46,541
Wages & Salaries	129,049	343,042
Rates	581,182	-
Consumables	91,334	-
Computer Costs	37,410	-
Bank Interest	1,111,383	-
Bank Charges	94,231	-
Miscellaneous expenses	70,926	338,684
TOTAL	12,360,892	8,382,829
5. Issue of Preference Share Capital		
Tamco Switchgear SDN BHD	100,300,000	-
6. Short term borrowings		
Tamco Switchgear SDN BHD	51,070,000	-
7. Trade payables		
Larsen & Toubro Limited	14,401,640	-
Tamco Switchgear SDN BHD	3,138,861	-
8. Other current liabilities		
Thalest Limited	(32,789,993)	(126,208,699)

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**U. DISCLOSURE IN RESPECT OF LEASES PURSUANT TO ACCOUNTING STANDARD (AS 19) "LEASES"****Where company is lessee:**

The Company has taken vehicles, premise for employee accommodation and equipment on cancellable operating lease. All leases except premise for employee accommodation are negotiated for an average term of three years and rentals are fixed over lease term. The leased premise for employee accommodation is negotiated for a period of 1 year.

V. Auditor's remuneration charged to the accounts during the period is ₹1,257,858 (previous year ₹867,192).

W. EARNINGS PER SHARE (BASIC & DILUTED)

Particulars	2013	2012
Profit / (Loss) After Tax (₹)	-123,587,695	-65,849,350
No. of Shares	50,000	50,000
Earnings per share (₹)	-2,472	-1,317

X. Based on the information and records available with the company, there are no amounts payable to Micro & Small Enterprises as defined in the Micro, Small and medium Enterprises Development Act, 2006.

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

Z. SIGNIFICANT ACCOUNTING POLICIES**LEGAL STATUS**

The Company is wholly owned subsidiary of the Thalest Limited, a company incorporated in the United Kingdom. Larsen & Toubro Limited a company incorporate in India is an ultimate holding company.

The group's principal activity during the year was that of production and installation of marine automation systems, navigation and communication systems for the shipping industry worldwide.

The most notable contract during the year has been the variation order for supply of systems to the UK MoD MARS programme. Major investment continued on the development of the core WINMON software, a product which will underpin all the product activities of the company for the next 10 years. Investing in personnel and expertise will enable the development of identified markets whilst synergy products from L&T will also provide a widened opportunity for products and services.

The Company shifted operations to new rented facilities in order to provide space for future growth plans, enhance its image with customers and suppliers, and more importantly, have access to a wider human resource catchment associated with the A12 corridor. The company shifted its registered office to Maldon, Essex, United Kingdom.

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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

2. REVENUE RECOGNITION

Revenue is recognised upon delivery of goods to the customers under the term of the contract. Revenue from services is recognized as and when services are rendered. Revenue in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

3. FOREIGN CURRENCY TRANSACTIONS

Reporting currency used by the company for UK GAAP Accounts is the pound sterling (GBP). The accounts are translated in Indian Rupees (₹) as follows:

- Share capital is translated / retained at rates prevailing on the date of acquisition.
- 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.

4. FIXED ASSET- INTANGIBLES (Research & Development)

Research and development expenditure is written off in the year in which it is incurred. Research expenditure is written off to the Profit and Loss Account in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

5. FIXED ASSETS -TANGIBLE & DEPRECIATION

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost or revaluation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Freehold Property - Straight line over fifty years
- Leasehold Property - Straight line over period of lease
- Plant & Machinery - 20% on written down value
- Fixtures & Fittings - 15% on written down value
- Motor Vehicles - 25% on written down value

This rate is higher than the rates specified under schedule XIV of the Companies Act, 1956.

6. LEASES

Leases are classified as finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group Profit and Loss Account on a straight line basis.

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. EMPLOYEE BENEFITS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the group Profit and Loss Account.

8. BORROWING COSTS

Borrowing costs that are attributable to 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. All other borrowing costs are recognized as an expense in the period in which they are incurred.

9. INVENTORIES

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

10. TAXES ON INCOME

The Company is subject to the Regulations of the Her Majesty's Revenue and Customs (HMRC) in the United Kingdom and income tax are provided on an accruals basis.

11. 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

Reimbursement expected in respect of expenditure required to be 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 probable that an outflow of resources will be required to settle the obligation,
- a possible obligation arising from past events, when no reliable estimate is possible; and
- a possible obligation arising from past events where probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

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

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm's registration number 109982W

For and on behalf of the Board

EDWIN P. AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 24, 2014

GRAHAM JOHNSON

Director

Place : Mumbai / Tollesbury, Essex

Date : May 20, 2014

MARTYN R. DICKINSON

Director

DIRECTORS' REPORT

The Directors present the Annual Report and the audited accounts of the Company for the year ended 31 December 2013

FINANCIAL RESULTS

PARTICULARS	31.12.2013	31.12.2012
	₹ Cr.	₹ Cr.
Total Income / (loss)	688.81	578.18
Profit before tax	64.20	74.08
Taxes	(16.84)	(5.89)
Profit after tax	47.36	68.19

DIVIDEND

The Directors do not recommend any dividend for the year.

CAPITAL EXPENDITURE

As at 31 December, 2013 the gross fixed assets stood at ₹ 177.09 Cr. and the net fixed assets at ₹ 75.98 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- That in 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 December 31, 2013 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 Company 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; and
- That the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

DIRECTORS

During the financial year, the Directors of the Company are:

Mr. S. C. Bhargava

Mr. Graham Johnson.

Mr. Ramakrishnan Parameswaran.

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 were the auditors for the financial year 2013.

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 23, 2014

S. C. BHARGAVA
Director

RAMAKRISHNAN PARAMESWARAN
Director

AUDITORS' REPORT

TO THE MEMBERS OF TAMCO SWITCHGEAR (MALAYSIA) SDN BHD

Report on the financial statements

The financial statements of **TAMCO SWITCHGEAR (MALAYSIA) SDN BHD** for the year ended December 31, 2013, being the Company registered in Malaysia, are audited by Ernst & Young and we have been furnished with their audit report dated April 28, 2014.

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 accompanying financial statements of Tamco switchgear (Malaysia) SDN BHD ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 Malaysia.

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

EDWIN P. AUGUSTINE
Partner
Membership no. 43385

Place : Mumbai
Date : May 23, 2014

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 during the Year and no material discrepancies were noticed on such verification.
(c) The Company has not disposed substantial part of fixed assets so as to affect its going concern status.
- 2 (a) As explained to us, inventories have been physically verified by the management at reasonable intervals. In our opinion the frequency of such verification is reasonable
(b) As per the information and explanation 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 the 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.
- 3 The Company is incorporated in the Malaysia 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 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 Malaysia 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 The there under are not applicable.
- 7 In our opinion the Company does not have 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 Malaysia accordingly paragraph 4(viii) of the Order is not applicable .
- 9 (a) According to the information and explanations given to us, the Company is regular is depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a year exceeding six months as at 31 December 2013.
(b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The has no accumulated losses as at 31 December 2013. The Company has not incurred cash losses in the current 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 any financial institution or bank as at the Balance Sheet date.
- 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 In our opinion and information and explanations given to us, The Company is not a dealer or trader in securities.
- 15 In our opinion and according to the information and explanations given to us, the terms and condition of the guarantees given by the Company for loan taken by subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- 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

EDWIN P. AUGUSTINE
Partner
Membership no. 43385

Place : Mumbai
Date : May 23, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholder's Fund					
Share capital	A	1,191,750,000		1,191,750,000	
Reserves and surplus	B	3,412,792,424		2,797,223,057	
			4,604,542,424		3,988,973,057
Non Current Liabilities					
Long term provisions	C (i)	10,497,072		7,549,420	
Long term borrowing	C (ii)	5,678,524		3,132,825	
			16,175,596		10,682,245
Deferred tax liabilities	C (iii)		63,909,975		49,638,600
Current liabilities					
Current maturity of long term borrowing	D (i)	3,400,652		3,032,577	
Trade payables	D (ii)	1,278,764,565		893,885,200	
Other current liabilities	D (iii)	331,926,485		140,851,686	
Short term provisions	D (iv)	1,442,168,440		1,383,444,207	
			3,056,260,142		2,421,213,670
TOTAL			7,740,888,137		6,470,507,572
ASSETS					
Non current assets					
Fixed assets					
Tangible assets	E (i)	759,835,440		701,740,582	
Intangible assets	E (ii)	131,729,525		111,540,146	
			891,564,965		813,280,729
Investments	F		293,029,403		187,162,647
Current assets					
Inventories	G (i)	2,762,571,090		1,616,734,148	
Trade receivables	G (ii)	2,340,397,499		1,385,005,413	
Cash and bank balances	G (iii)	202,694,087		980,725,630	
Loans and advances	G (iv)	1,250,631,093		1,487,599,006	
			6,556,293,769		5,470,064,197
TOTAL			7,740,888,137		6,470,507,572
COMMITMENTS (CAPITAL AND OTHERS)	O				
CONTINGENT LIABILITIES	P				
SIGINIFICANT ACCOUNTING POLICIES	N				
OTHER NOTES TO ACCOUNTS	Q				

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

EDWIN AUGUSTINE

Partner

Membership No: 43385

Place : Mumbai

Date : May 23, 2014

S. C. BHARGAVA

Director

Place : Mumbai

Date : May 23, 2014

RAMAKRISHNAN PARAMESWARAN

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operations (gross)		6,817,754,783		5,703,932,165	
Less: Excise duty		—		—	
Revenue from operations (net)	H	6,817,754,783		5,703,932,165	
Other income	I	70,387,253		77,863,155	
TOTAL REVENUE		6,888,142,036		5,781,795,321	
EXPENSES:					
Manufacturing and operating expenses					
Cost of raw materials, components consumed	J	3,629,501,568		3,050,212,302	
Sub-contracting charges		331,222,949		248,687,150	
Stores, spares and tools		228,528,183		186,488,287	
Other manufacturing and operating expenses		708,928,592		519,233,497	
Employee benefits expense	K	751,277,227		597,173,698	
Sales, administration and other expenses	L	439,520,343		317,834,637	
Finance Costs	M	13,238,131		850,234	
Depreciation and obsolescence of tangible assets		91,035,816		85,371,363	
Amortisation and impairment of intangible assets		52,937,468		35,141,659	
TOTAL EXPENSES		6,246,190,275		5,040,992,827	
Profit before tax		641,951,761		740,802,494	
Provision for current taxes		137,822,046		37,108,585	
Provision for deferred tax		30,555,964		21,805,308	
		168,378,010		58,913,893	
Profit after tax carried to Balance Sheet		473,573,751		681,888,601	
Basic earning per equity share	Q8	4.74		6.82	
Face value per equity share		MYR 1.00		MYR 1.00	
Significant Accounting Policies	N				
Notes to accounts	Q				

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

EDWIN AUGUSTINE

Partner

Membership No: 43385

S. C. BHARGAVA

Director

RAMAKRISHNAN PARAMESWARAN

Director

Place : Mumbai

Date : May 23, 2014

Place : Mumbai

Date : May 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities:		
Profit before tax	641,951,761	740,802,494
Adjustments for :		
Depreciation (including obsolescence), amortisation and impairment	143,973,283	120,513,022
Foreign currency translation reserve	201,501,387	7,431,630
Unrealised foreign exchange loss/(gain) (net)	(26,177,982)	(26,177,982)
Provision for doubtful debts	(3,518,504)	1,492,591
Interest expenses	13,238,131	850,234
Interest received	(20,248,117)	(28,184,641)
(Profit)/loss on sale of fixed assets (net)	(3,992,732)	(118,649)
Operating profit before working capital changes	946,727,227	816,608,699
Adjustments for :		
(Increase)/ decrease in trade and other receivables	(748,233,457)	(352,807,765)
(Increase)/ decrease in inventories	(1,145,836,942)	(288,405,306)
Increase/ (decrease) in trade payables and customer advances	652,265,499	819,257,051
Cash generated from operations	(295,077,673)	994,652,679
Income taxes paid	(168,378,010)	(58,913,893)
Net cash (used in)/ from operating activities	(463,455,683)	935,738,786
B. Cash flow from investing activities:		
Purchase of fixed assets	(117,884,683)	(39,745,993)
Investment in Intangibles	-	(69,880,843)
Sale of fixed assets	7,069,882	581,459
Interest received	20,248,117	28,184,641
Exchange difference in opening balance of investment	(105,866,756)	(187,018,860)
Exchange difference in opening balance	(107,449,986)	(52,534,222)
Cash (used in)/ from investing activities	(303,883,427)	(320,413,819)
C. Cash flow from financing activities:		
Repayment of borrowings	2,545,699	(252,194,657)
Dividend paid	-	(224,975,400)
Interest paid	(13,238,131)	(850,234)
Net cash (used in)/ from financing activities	(10,692,432)	(478,020,291)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(778,031,542)	137,304,677
Cash and cash equivalents at beginning of the period	980,725,630	843,420,953
Cash and cash equivalents at end of the period	202,694,087	980,725,630

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

EDWIN AUGUSTINE

Partner
Membership No: 43385

Place : Mumbai
Date : May 23, 2014

S. C. BHARGAVA

Director

Place : Mumbai
Date : May 23, 2014

RAMAKRISHNAN PARAMESWARAN

Director

NOTES FORMING PART OF ACCOUNTS**NOTE A: SHARE CAPITAL**

Particulars	As at 31.12.2013		As at 31.12.2012	
	Number of Shares	₹	Number of Shares	₹
A(i) Share Capital Authorised, issued, subscribed and paid up				
Share Capital :				
Authorised:				
100,000,000 equity shares of MYR 1.00 each		<u>1,191,750,000</u>		<u>1,191,750,000</u>
Issued, Subscribed and paid up:				
100,000,000 equity shares of MYR 1.00 each		<u>1,191,750,000</u>		<u>1,191,750,000</u>
TOTAL		<u>1,191,750,000</u>		<u>1,191,750,000</u>

A(ii) Share holder holding more than 5% of equity share

The entity is a wholly owned subsidiary of Larsen & Toubro International FZE, an entity registered in Humriya Free Zone, Sharjah. The ultimate parent company is Larsen & Toubro Limited, a Company incorporated in India.

A(iii) Term / right attached to equity shares

The Company has one class of share capital, i.e. equity shares having face value of RM1 each. Share holder entitled to one vote per share.

A(iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five year ended December 31, 2013 are Nil (*previous period of five years ended December 31, 2012 Nil*)

A(v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended December 31, 2013 are Nil (*previous period of five years ended December 31, 2012 Nil*)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE B : RESERVES AND SURPLUS				
B(i) Foreign currency translation reserve:				
As per last Balance Sheet	<u>785,822,406</u>		<u>778,390,777</u>	
Addition/(deduction) during the year	<u>201,501,387</u>		<u>7,431,629</u>	
		987,323,793		785,822,406
B(ii) Hedging reserve:				
As per last Balance Sheet	<u>499,821</u>		<u>19,449,585</u>	
Addition during the year	<u>(59,505,771)</u>		<u>(18,949,764)</u>	
		(59,005,950)		499,821
B(iii) Surplus/ (Deficit) in statement of Profit & Loss				
As per last Balance Sheet	<u>2,010,900,830</u>		<u>1,553,987,629</u>	
Add : Profit and Loss Account	<u>473,573,751</u>		<u>681,888,601</u>	
Less : Dividend paid (refer note no. Q10)			<u>(224,975,400)</u>	
Profit and Loss Account		<u>2,484,474,581</u>		<u>2,010,900,830</u>
TOTAL		<u>3,412,792,424</u>		<u>2,797,223,057</u>

NOTE C(I) : LONG TERM PROVISION

Provision for employee benefit	<u>10,497,072</u>	<u>7,549,420</u>
TOTAL	<u>10,497,072</u>	<u>7,549,420</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE C(II) : LONG TERM BORROWINGS**

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Long term borrowing				
Finance lease obligation				
Lease finance-due beyond 1 year		5,678,524		3,132,825
TOTAL		5,678,524		3,132,825

The Company has finance leases for certain items of motor vehicles.

NOTE C(III) : DEFERRED TAX LIABILITIES

Particulars	Deferred tax asset as on 31.12.2012	Charge/(credit) to Statement of Profit and Loss	Deferred tax asset as on 31.12.2013
Deferred tax liabilities			
Difference between depreciation rate and capital allowance rate	71,560,632	43,288,798	114,849,430
Other items	14,622,216	(1,859,074)	12,763,143
Total	86,182,848	41,429,725	127,612,573
Others	(36,544,848)	(27,157,750)	(63,702,598)
Total	(36,544,848)	(27,157,750)	(63,702,598)
Net Deferred tax liability	49,638,000	14,271,975	63,909,975

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE D(I) : MATURITY OF LONG TERM BORROWING				
Secured loans:				
Lease finance- due within 1 year		3,400,652		3,032,577
TOTAL		3,400,652		3,032,577

NOTE D(II) : TRADE PAYABLE

Trade Payables:				
Due to : Subsidiaries	3,171,424		11,665,682	
Others	1,275,593,141		882,219,518	
		1,278,764,565		893,885,200
TOTAL		1,278,764,565		893,885,200

NOTE D(III) : OTHER CURRENT LIABILITIES

Advances from customers		162,723,299		77,137,036
Other Payables				
Forward Contract Payable	118,769,958		15,225,651	
Liability for sales tax	50,433,228		48,488,999	
		169,203,186		63,714,650
TOTAL		331,926,485		140,851,686

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE D (IV) : SHORT TERM PROVISION		
Provisions for:		
Employee benefits	120,794,057	113,983,732
Other provisions	1,321,374,383	1,269,460,475
	1,442,168,440	1,383,444,207
TOTAL	1,442,168,440	1,383,444,207

NOTE E(I) : TANGIBLE ASSETS

TANGIBLE ASSETS	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2013	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2013	Up to 01.01.2013	Foreign Currency Fluctuation	For the year	Deductions	Up to 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
OWNED ASSETS:												
Land - freehold	82,795,386	3,993,606	–	–	86,788,992	–	–	–	–	–	86,788,992	82,795,386
Buildings	480,580,242	23,184,367	3,902,468	–	507,667,077	118,200,729	5,940,576	12,422,849	–	136,564,154	371,102,922	362,379,513
Plant and machinery	733,265,050	35,368,606	77,804,268	(2,582,793)	843,855,131	554,719,826	27,552,811	43,447,510	(2,533,999)	623,186,147	220,668,984	178,545,224
Furniture and fixtures	69,551,322	3,364,172	5,354,110	–	78,269,604	41,367,784	2,108,237	5,861,085	–	49,337,106	28,932,498	28,183,538
Computers	223,707,304	10,796,078	11,104,123	(108,119,088)	137,488,417	206,336,258	8,230,311	16,066,592	(105,521,655)	125,111,506	12,376,911	17,371,046
Office Equipment	73,385,185	3,536,974	11,990,190	(150,820)	88,761,529	49,073,206	2,538,141	9,133,348	(147,971)	60,596,724	28,164,805	24,311,979
Vehicles	26,049,708	1,265,190	7,729,525	(6,994,278)	28,050,145	17,895,812	815,777	4,104,432	(6,566,203)	16,249,818	11,800,327	8,153,895
TOTAL	1,689,334,197	81,508,992	117,884,683	(117,846,978)	1,770,880,894	987,593,615	47,185,852	91,035,816	(114,769,828)	1,011,045,454	759,835,440	701,740,582
Previous year	1,547,892,939	113,880,214	39,745,993	(12,184,948)	1,689,334,197	848,619,967	65,324,423	85,371,363	(11,722,138)	987,593,615	701,740,582	

NOTE E(II) : INTANGIBLE ASSETS

INTANGIBLE ASSETS	COST / VALUATION					DEPRECIATION			DEPRECIATION			BOOK VALUE	
	As at 01.01.2013	Foreign Currency Fluctuation	Additions	Deductions	As at 31.12.2013	Up to 01.01.2012	For the year	Up to 31.12.2013	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012		
	₹		₹		₹	₹	₹	₹	₹	₹	₹		
Development Expenditure incurred	154,098,699				76,198,973	230,297,672	42,558,553	52,937,468	3,072,127	98,568,147	131,729,525	111,540,146	
TOTAL	154,098,699				76,198,973	230,297,672	42,558,553	52,937,468	3,072,127	98,568,147	131,729,525	111,540,146	
Previous year	78,446,446		69,880,843		5,771,410	154,098,699	5,623,915	35,141,659	1,792,979	42,558,553	111,540,146		
Add: Capital work-in-progress											–	–	
											131,729,525	111,540,146	

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE F : NON-CURRENT INVESTMENT		
(at cost unless otherwise specified)		
Long Term Investments		
1. Investment in fully paid equity instrument		
PT Tamco Indonesia	161,811	154,365
2500 Shares of Indonesia Rupiah 2010 each		
Henikwon Corporation Sdn Bhd	197,762,216	187,008,282
6,450,000 Shares of Henikwon RM1.00 each		
2. Other investment		
Servowatch Systems Limited	95,105,376	–
(1000000 preference share of GBP1.00 each)		
TOTAL	293,029,403	187,162,647

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE G (I) : INVENTORIES				
(at cost or net realisable value whichever is lower)				
Raw materials	2,094,225,608		1,232,293,964	
Finished goods	496,119,770		328,745,747	
Work-in-progress	172,225,713		55,694,437	
		<u>2,762,571,090</u>		<u>1,616,734,148</u>
TOTAL		<u><u>2,762,571,090</u></u>		<u><u>1,616,734,148</u></u>
NOTE G(II) : TRADE RECEIVABLES				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	244,319,863		180,592,397	
Considered doubtful	44,597,696		49,452,419	
	<u>288,917,559</u>		<u>230,044,817</u>	
Other debts:				
Considered good	2,096,077,636		1,204,413,016	
	<u>2,384,995,196</u>		<u>1,434,457,833</u>	
Less : Provision for doubtful debts	<u>(44,597,696)</u>		<u>(49,452,419)</u>	
		<u>2,340,397,499</u>		<u>1,385,005,413</u>
TOTAL		<u><u>2,340,397,499</u></u>		<u><u>1,385,005,413</u></u>
NOTE G(III) : CASH AND BANK BALANCE				
Cash and cash equivalent				
Cash on hand	385,798		1,025,918	
Balances with bank	47,717,789		76,852,712	
Deposits with bank (maturity less than 3 months)	22,623,000		21,582,000	
Other fixed deposits with bank including interest accrued thereon	131,967,500		881,265,000	
		<u>202,694,087</u>		<u>980,725,630</u>
TOTAL		<u><u>202,694,087</u></u>		<u><u>980,725,630</u></u>
NOTE G(IV) : SHORT TERM LOANS AND ADVANCES				
Unsecured :				
Considered good :				
Fellow Subsidiary Companies:				
Advances recoverable	1,056,189,726		982,598,101	
Inter-Corporate deposits:				
Others	-		334,319,046	
Advances recoverable in cash or in kind	166,400,121		128,594,584	
Advance Tax	28,041,246		42,087,274	
		<u>1,250,631,093</u>		<u>1,487,599,006</u>
TOTAL		<u><u>1,250,631,093</u></u>		<u><u>1,487,599,006</u></u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE H : REVENUE FROM OPERATIONS				
Sales & service:				
Manufacturing activity		6,817,754,783		5,703,932,165
TOTAL		6,817,754,783		5,703,932,165
NOTE I : OTHER INCOME				
Interest received on inter-corporate deposits with				
associate companies, customers and others		20,248,117		28,184,641
Profit on sale of fixed assets (net)		3,992,732		118,649
Miscellaneous income		46,146,405		49,559,865
TOTAL		70,387,253		77,863,155
NOTE J : MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES				
Cost of raw materials, components consumed	3,629,501,568		3,050,212,302	
Sub-contracting charges	331,222,949		248,687,150	
Stores, spares and tools	228,528,183		186,488,287	
		4,189,252,700		3,485,387,739
Power and fuel	46,678,748		43,254,722	
Packing and forwarding	72,778,147		55,153,810	
Insurance	6,677,495		6,759,057	
Rent	39,248,377		18,880,628	
Travelling and conveyance	64,478,030		41,375,330	
Repairs to plant and machinery, buildings	32,757,269		41,903,122	
Other expenses	446,310,525		311,906,829	
		708,928,592		519,233,497
TOTAL		4,898,181,292		4,004,621,236
NOTE K : EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		605,367,394		495,990,025
Contribution to and provision for:				
Provident fund and pension fund	60,962,274		50,678,807	
Social security employer contribution	4,427,692		3,858,813	
		65,389,966		54,537,619
Leave encashment		37,733,896		17,009,144
Welfare and other expenses		42,785,970		29,636,909
TOTAL		751,277,227		597,173,698

NOTES FORMING PART OF ACCOUNTS (Contd.)

	01.01.2013 to 31.12.2013	01.01.2012 to 31.12.2012
	₹	₹
NOTE L : SALES, ADMINISTRATION AND OTHER EXPENSES		
Packing and forwarding	219,670,172	178,314,758
Professional fees	6,130,521	8,187,685
Insurance	200,130	235,220
Rates and taxes	7,185,128	5,548,534
Travelling and conveyance	27,633,441	16,915,900
General repairs and maintenance	10,070,743	14,650,312
Telephone, postage and telegrams	12,801,414	11,839,884
Advertising and publicity	4,192,530	1,860,374
Stationery and printing	10,200,402	6,932,963
Commission:		
Distributors and agents	41,828,839	37,033,668
Bank charges	17,084,668	17,395,427
Provision for doubtful debts & advances	(3,518,504)	1,492,591
Exchange gain	(4,419,720)	(12,216,182)
Miscellaneous expenses	90,460,580	29,643,503
TOTAL	439,520,343	317,834,637

NOTE M : FINANCE COST

Interest expense	13,238,131	850,234
TOTAL	13,238,131	850,234

NOTE N - SIGNIFICANT ACCOUNTING POLICIES**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 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

2. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

Sales of Goods

Revenue from sale of goods is recognised up on transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or possible return of goods.

Sales of Services

Revenue from services will be recognised upon services rendered.

3. INTANGIBLE ASSETS**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

NOTES FORMING PART OF ACCOUNTS (Contd.)

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 three 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. The depreciation rates are as follows :

Depreciation:

Building	2.5%
Plant & Machinery	7.5%
Office equipment	15.0%
Motor Vehicle	20.0%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act 1956 for the respective categories

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 labor 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. EMPLOYEE BENEFITS

A) Short term benefits

Salaries, wages, allowances, bonus and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employee that increases their entitlements to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when absence occurs. Non-monetary medical benefits such as medical care and other staff related expenses are charged to Profit and Loss Account as and when incurred.

B) Defined contribution plan

The Company participates in the national pension schemes as defined by the laws of the countries in which it operates. The Company makes contribution to Employees Provident Fund ("EPF") Malaysia, a defined contribution pension scheme. For the eligible employees who have completed five years of service, the Company additionally contributes specific percentage of their salaries to EPF. Contribution to defined contribution pension schemes is recognised as an expenses in the period in which the related service is performed.

7. LEASE

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

A) Finance Lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is considered as secured loan. In calculating present value of minimum lease payments, the discounting factor used is the interest rate implicit in the lease, where it is practicable to determine; otherwise Company's incremental borrowing rate is used.

Lease payments are apportioned between the interest cost and the reduction in outstanding liability. Interest cost, which represents difference between the total lease commitments and fair value of the asset acquired, are recognised as an expense in Profit and Loss Account over the term of relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

B) Operating Leases

Operating lease payments are recognised as expense in Profit and Loss Account on a straight line basis over the term of the relevant lease.

8. 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)**9. 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 substantively enacted as on Balance Sheet date.

Deferred tax

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

NOTE O:

Contingent liability as at 31 December, 2013 is ₹ Nil. (Previous year Nil)

NOTE P: COMMITMENTS

Estimated amount of contract remaining to be executed on capital account (net of advances) and not provided for are as follows:

Particulars	As at 31.12.2013 (₹)	As at 31.12.2012 (₹)
Estimated amount of contracts remaining to be executed on capital account	124,256,828	87,076,967

NOTE R:

Contingent liability as at December 31, 2013 is ₹ Nil. (Previous year ₹ Nil)

NOTE S: OTHER NOTES FORMING PART OF THE ACCOUNTS**1. Related party disclosures****A. Related parties where control exists:**

	Relationship
Larsen & Toubro Limited Company	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

B. Transaction with related parties during the year

	Relationship
Larsen & Toubro Limited Company	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company
Tamco Electrical Industries Australia Pty Ltd	Fellow Subsidiary Company
PT Tamco Indonesia Fellow	Subsidiary Company
Larsen & Toubro Electrical & Automation FZE	Fellow Subsidiary Company
L&T Electrical And Automation Saudi Arabia Company Limited LLC Fellow	Subsidiary Company
Larsen & Toubro Infotech Limited Fellow	Subsidiary Company
Larsen & Toubro East Asia SDN BHD	Fellow Subsidiary Company
Henikwon Corporation SdnBhd	Fellow Subsidiary Company
Servowatch Systems Limited	Fellow Subsidiary Company

C. Names of key management personnel and their relatives with whom transactions were carried out during the year:

	Status
1. Razali Bin Budin	Director
2. Yap KetLoong	Director

Particular	2013 (₹)	2012 (₹)
Salaries	69,842,203	58,112,876
Others	48,367,945	44,320,154

NOTES FORMING PART OF ACCOUNTS (Contd.)**D. Disclosure of transactions & balances with related parties:**

Related Party	Transaction	2013 (₹)	2012 (₹)
Larsen & Toubro Limited	Sales	118,157,963	213,533,095
	Purchase	1,737,231	6,976,687
	Services received	3,458,817	–
Tamco Electrical Industries Australia Pty Ltd	Sales	278,092,564	590,190,191
	Purchase	478,231	14,528,914
PT Tamco Indonesia	Sales	12,509,378	75,398,381
	Purchase	13,331,372	3,168,470
L&T Electrical and Automation Saudi Arabia Company Limited LLC	Sales	29,952,579	14,065,161
Larsen & Toubro Limited Sharjah	Sales	64,153,274	172,723,229
L&T Electrical & Automation FZE	Sales	25,392,833	15,365,661
Larsen & Toubro Limited Oman LLC	Sales	16,342,438	87,263,864
Larsen & Toubro International FZE	Interest received	2,201,065	6,536,783
Henikwon Corporation SdnBhd	Interest received	1,886,627	–
L&T Electrical and Automation Saudi Arabia Company Limited LLC	Interest received	924,817	–
Servowatch Systems Limited	Interest received	1,997,605	–
Larsen & Toubro Infotech Limited	Services received	–	2,477,722
Larsen & Toubro (East Asia) SDN BHD	Services rendered	1,387,226	–
Henikwon Corporation SdnBhd	Services rendered	795,343	–
Larsen & Toubro Limited	Accounts receivable	–	123,283,989
	Accounts payable	3,280,637	(5,904,543)
Henikwon Corporation SdnBhd	Accounts receivable	–	7,016,631
	Loan	96,430,538	79,403,775
Tamco Electrical Industries Australia Pty Ltd	Accounts receivable	37,069,576	122,286,828
	Accounts payable	2,157,028	(466,870)
	Loan	22,503,158	21,467,672
PT Tamco Indonesia	Accounts receivable	239,523,049	279,012,526
	Loan	212,801,409	190,232,498
	Investment	–	154,365
L&T Electrical and Automation Saudi Arabia Company Limited LLC	Accounts receivable	24,703,468	14,985,693
	Loan	58,612,423	–
Larsen & Toubro (East Asia) SDN BHD	Accounts payable	–	(644,967)
Servowatch Systems Limited	Loan	138,773,253	–
Henikwon Corporation SdnBhd	Loan	132,910,125	–
Larsen & Toubro Limited, ECC	Accounts payable	–	(261,762)
L&T Electrical & Automation FZE	Accounts payable	–	(585,679)
	Accounts receivable	17,533,937	15,968,532
Larsen & Toubro International FZE	Inter corporate deposit	–	334,319,046
Larsen & Toubro Infotech Limited	Accounts payable	–	(25,949)
Larsen & Toubro Limited Sharjah	Accounts receivable	137,090,365	142,396,091
Larsen & Toubro Limited Oman LLC	Accounts receivable	19,596,156	19,259,550

NOTES FORMING PART OF ACCOUNTS (Contd.)

2. Borrowing cost capitalised during the period is ₹ Nil (*previous year Nil*).
3. There are no transactions with micro small and medium enterprises during the year.
- 4 **Auditor's remuneration charged to the accounts are :**

Particulars	2013 (₹)	2012 (₹)
For Statutory audit	2,017,026	778,761
For Other matters	6,130,529	259,587
Total	8,147,555	1,038,348

6 **Disclosures required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets" :**

Particulars	Class of Provision - Product Warranties (₹)
Balance as at January 1, 2013	8,90,28,753
Effect of exchange variation	4,158,720
Balance as at December 31, 2013	93,187,474

7. **Earnings per share (basic & diluted) :**

Particulars	2013 (₹)	2012 (₹)
Profit after tax	473,573,751	681,888,601
Weighted no. of equity shares	10,00,00,000	10,00,00,000
Earnings per share (basic & diluted)	4.74	6.82

8. **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.

8. **Finance lease :**

Where Company is a lessee:

Company has acquired on finance lease certain items of motor vehicles. These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Particulars	Minimum lease payments		Present value of minimum lease payment	
	2013 (₹)	2012 (₹)	2013 (₹)	2012 (₹)
Payable not later than 1 year	38,83,615	34,65,740	33,93,450	30,32,577
Payable later than 1 year and not later than 5 years	63,90,998	36,18,213	56,74,603	31,32,825
Payable later than 5 years	-	-	-	-
Total	102,74,613	70,83,953	90,68,053	61,65,402
Less : Future finance charges	12,06,560	9,18,551	33,93,450	30,32,577
Present value of minimum lease payment	90,68,053	61,65,402	56,74,603	31,32,825

- 10 Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits". Defined contribution plans: [accounting policy no. P(6)] Amount of ₹ 10,705,500 (*previous year: ₹ 10,637,460*) is recognised as an expense and included in "employee benefits expense" (note no. K) in the Statement of Profit and Loss.

NOTES FORMING PART OF ACCOUNTS (Contd.)**11. Derivatives :**

- a) In line with Company's risk management policy, risk related to changes in the exchange rate is hedged by using forward foreign exchange contracts.

Category of derivative instrument	Amount of exposure hedged	
	2013 (₹)	2012 (₹)
For hedging foreign currency risk		
a) Forward contracts for receivables including firm commitments and highly probable forecasted transactions	4,713,011,885	1,537,861,380

- b) Unhedged foreign currency exposure.

Particulars	As at 31.12.2013 (₹)	As at 31.12.2012 (₹)
Receivable including firm commitments and highly probable forecasted transactions	1,570,393,650	10,843,354
Payables including firm commitments and highly probable forecasted transactions	143,275,134	48,820,211

12. Previous years figures are regrouped/ reclassified wherever necessary.

As per our report attached

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

EDWIN AUGUSTINE
Partner
Membership No: 43385

Place : Mumbai
Date : May 23, 2014

For and on behalf of the Board

S. C. BHARGAVA
Director

RAMAKRISHNAN PARAMESWARAN
Director

Place : Mumbai
Date : May 23, 2014

DIRECTORS' REPORT

The Directors present the Annual Report and the audited accounts of the Company for the year ended December 31, 2013.

FINANCIAL RESULTS

Financial Results	2013 ₹ Lakhs	2012 ₹ Lakhs
Total Income	8510	11,801
Profit / Loss before Depreciation and Tax	215	1,027
Profit / Loss before Tax	174	995
Taxes	-	-
Profit / Loss after Tax	174	995

DIVIDEND

The Directors do not recommend any dividend for the year in view of the accumulated losses.

CAPITAL EXPENDITURE

As at December 31, 2013, the gross fixed assets stood at ₹ 1,423 lakhs and net fixed assets at ₹ 112 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.

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. 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, 2013
- 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; and
- IV. that the annual accounts have been prepared on a going concern basis.

DIRECTORS

Mr. S. C. Bhargava, Mr. Claude Corso, Mr. Umesh Bharadwaj 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 were the auditors for financial year 2013

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 / Selangor

Date : May 23, 2014

S. C. BHARGAVA

Director

UMESH BHARADWAJ

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAMCO ELECTRICAL INDUSTRIES AUSTRALIA PTY LIMITED

Report on the financial statements

The financial statements of **TAMCO ELECTRICAL INDUSTRIES AUSTRALIA PTY LIMITED** for the year ended 31 December 2013, being the Company registered in Australia, are audited by KST Partners and we have been furnished with their audit report dated 3 April 2014.

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 accompanying financial statements of Tamco Electrical Industries Australia PTY Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 Australia.

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

EDWIN P. AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai
Date : May 23, 2014

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 during the Year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed substantial part of fixed assets so as to affect its going concern status.
- 2 (a) As explained to us, inventories have been physically verified by the management at reasonable intervals. In our opinion the frequency of such verification is reasonable
- (b) As per the information and explanation 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 the 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.
- 3 The Company is incorporated in the Australia 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 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 Australia 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 In our opinion the Company does not have 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 Australia accordingly 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 with appropriate authorities and there are no undisputed statutory dues outstanding for a year exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The Company have accumulated losses as at 31 December 2013. The Company has not incurred cash losses in the current 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 any financial institution or bank as at the Balance Sheet date.
- 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 In our opinion and information and explanations given to us, The Company is not a dealer or trader in securities.
- 15 In our opinion and according to the information and explanations given to us, the terms and condition of the guarantees given by the Company for loan taken by subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- 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 & TANNANChartered Accountants
ICAI Registration No. 109982W

By the hand of

EDWIN P. AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai
Date : May 23, 2013

BALANCE SHEET AS AT DECEMBER 31, 2013

	Notes	As at 31-12-2013		As at 31-12-2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders funds					
Share capital	A	451,980,000		451,980,000	
Reserves and surplus	B	(129,286,568)		(135,373,062)	
			322,693,432		316,606,938
Non current liabilities					
Long term provisions	C	15,306,723		14,251,178	
			15,306,723		14,251,178
Current liabilities and provisions:					
Trade payables	D (i)	78,524,091		353,201,281	
Other current liabilities	D (ii)	82,065,281		139,138,772	
Short term provisions	D (iii)	31,662,257		35,167,219	
			192,251,629		527,507,272
TOTAL			530,251,784		858,365,387
ASSETS					
Fixed assets					
Tangible assets	E		11,237,905		11,316,639
Current assets, loans and advances:					
Inventories	F (i)	71,041,171		118,628,556	
Trade receivables	F (ii)	178,078,497		215,248,408	
Cash and bank balances	F (iii)	264,324,699		242,420,690	
Short term loans and advances	F (iv)	5,569,512		270,751,094	
			519,013,879		847,048,748
TOTAL			530,251,784		858,365,387
SIGNIFICANT ACCOUNTING POLICIES	L				
COMMITMENTS (CAPITAL AND OTHERS)	M				
CONTINGENT LIABILITIES	N				
OTHER NOTES TO ACCOUNTS	O				

The notes 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

EDWIN AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 23, 2014

S. C. BHARGAVA

Director

UMESH BHARADWAJ

Director

Place : Mumbai / Selangor

Date : May 23, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operation (Gross)		843,677,890		1,175,879,202	
Less: Excise duty		—		—	
Revenue from operations (net)	G	843,677,890		1,175,879,202	
Other income	H	7,336,661		4,222,220	
Total Income		851,014,551		1,180,101,422	
EXPENDITURE:					
Manufacturing and operating expenses	I				
Cost of raw materials, components consumed		590,422,877		861,917,188	
Other manufacturing, construction and operating expenses		6,804,574		7,625,889	
		597,227,451		869,543,077	
Employee benefits expense	J	178,831,035		174,998,420	
Sales, administration and other expenses	K	53,479,463		32,828,919	
Depreciation and obsolescence of tangible assets		4,021,836		3,213,213	
Total expenses		833,559,786		1,080,583,629	
Profit before tax		17,454,766		99,517,793	
Provision for current taxes		—		—	
Profit after tax carried to Balance Sheet		17,454,766		99,517,793	
Basic and diluted earning per equity share		1.29		7.37	
Face value per equity share (AUD)		1.00		1.00	
SIGNIFICANT ACCOUNTING POLICIES	L				
OTHER NOTES TO ACCOUNTS	O				

The notes 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

EDWIN AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 23, 2014

S. C. BHARGAVA

Director

UMESH BHARADWAJ

Director

Place : Mumbai / Selangor

Date : May 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash flow from operating activities		
Profit before tax	17,454,766	99,517,793
Adjustments for:		
Foreign currency translation reserve	(11,368,271)	14,849,561
Depreciation (including obsolescence)	4,021,836	3,213,213
Interest received	(5,182,703)	(2,783,597)
Unrealised foreign exchange (gain) / loss	4,488,581	(12,378,294)
Operating profit before working capital changes	9,414,208	102,418,676
Adjustments for:		
(Increase) / decrease in inventories	47,587,385	(63,292,810)
(Increase) / decrease in receivables and loans	297,862,913	(229,172,795)
Increase / (decrease) in current liabilities	(334,200,098)	245,517,226
Cash (used in) / generated from operations	20,664,408	55,470,298
Direct Taxes refund/(paid) (net)	-	-
Net cash from operating activities	20,664,408	55,470,298
B. Cash flow from investing activities		
Purchase of fixed assets	(4,250,780)	(3,546,216)
Fluctuation on account of exchange difference	307,677	(508,919)
Interest received	5,182,703	2,783,597
Net cash (used in) / from investing activities	1,239,600	(1,271,538)
Net (decrease) / increase in cash and cash equivalents (A+B)	21,904,009	54,198,760
Cash and Cash Equivalents at the beginning of the period	242,420,691	188,221,931
Cash and Cash Equivalents at the end of the period	264,324,700	242,420,691

Notes:

- 1 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 .
- 2 Cash and Cash equivalents represent cash and bank balances.
- 3 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

EDWIN AUGUSTINE

Partner

Membership No. 43385

S. C. BHARGAVA

Director

UMESH BHARADWAJ

Director

Place : Mumbai

Date : May 23, 2014

Place : Mumbai / Selangor

Date : May 23, 2014

NOTES FORMING PART OF ACCOUNTS**NOTE A : SHARE CAPITAL**

	As at 31.12.2013		As at 31.12.2012	
	Number of Shares	₹	Number of Shares	₹
(i) Share capital authorised, issued, subscribed and paid up				
Share capital:				
Authorised:				
15,000,000 equity shares of AUD 1.00 each		<u>502,200,000</u>		<u>502,200,000</u>
Issued:				
13,500,000 equity shares of AUD 1.00 each		<u>451,980,000</u>		<u>451,980,000</u>
Subscribed and paid up:				
13,500,000 equity shares of AUD 1.00 each		<u>451,980,000</u>		<u>451,980,000</u>
		<u>451,980,000</u>		<u>451,980,000</u>
(ii) Share holder holding more than 5% of equity share				
The entity is a wholly owned subsidiary of Larsen & Toubro International FZE, an entity registered in Hamriyah Free Zone, Sharjah.				
The ultimate parent company is Larsen & Toubro Limited, a company incorporated in India.				
(iii) Term / right attached to equity shares				
The Company has one class of share capital, i.e. equity shares having face value of RM1 each. Share holder entitled to one vote per share.				
(iv) The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five year ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 Nil)				
(v) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended 31 December, 2013 are Nil (previous period of five years ended 31 December 2012 Nil)				

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE B : RESERVES AND SURPLUS				
(i) Securities premium account		<u>99,533,696</u>		<u>99,533,696</u>
(ii) Foreign currency translation reserve:				
As per last Balance Sheet	<u>51,754,853</u>		<u>36,905,292</u>	
Addition/(deduction) during the year	<u>(11,368,271)</u>		<u>14,849,561</u>	
		<u>40,386,582</u>		<u>51,754,853</u>
(iii) Surplus/ (Deficit) in statement of Profit & Loss				
As per last Balance Sheet	<u>(286,661,611)</u>		<u>(386,179,404)</u>	
Add: Profit for the year	<u>17,454,766</u>		<u>99,517,793</u>	
		<u>(269,206,846)</u>		<u>(286,661,611)</u>
TOTAL		<u>(129,286,568)</u>		<u>(135,373,062)</u>

NOTE C : LONG TERM PROVISIONS

Employee entitlement	<u>15,306,723</u>		<u>14,251,178</u>	
		<u>15,306,723</u>		<u>14,251,178</u>
TOTAL		<u>15,306,723</u>		<u>14,251,178</u>

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE D : CURRENT LIABILITIES AND PROVISIONS				
(i) TRADE PAYABLE				
Due to : Fellow subsidiary companies		60,868,382		320,529,660
Due to others		17,655,709		32,671,620
		78,524,091		353,201,280
TOTAL		78,524,091		353,201,280
(ii) OTHER CURRENT LIABILITIES				
Other Payables		54,498,725		44,010,843
Advances from customers		27,566,556		95,127,928
		82,065,281		139,138,772
TOTAL		82,065,281		139,138,772
(iii) SHORT TERM PROVISION				
Provision for employee entitlements		31,662,257		35,167,219
TOTAL		31,662,257		35,167,219

NOTE E : FIXED ASSETS**(i) TANGIBLE ASSETS**

FIXED ASSETS - TANGIBLE	COST / VALUATION				DEPRECIATION				BOOK VALUE		
	As at 01.01.2013	Exchange difference included in Translation Reserve	Additions	As at 31.12.2013	As at 01.01.2013	Exchange difference included in Translation Reserve	Additions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
OWNED ASSETS :											
Plant and machinery	68,983,591	(2,396,344)	305,614	66,892,861	62,874,076	(2,205,574)	1,008,400	61,676,901	5,215,960	6,109,515	
Office equipments	49,884,944	(1,732,925)	620,636	48,772,655	45,245,895	(1,624,626)	2,491,761	46,113,030	2,659,625	4,639,049	
Furniture and fixtures	19,081,754	(662,863)	–	18,418,891	18,528,917	(645,225)	71,253	17,954,944	463,947	552,837	
Vehicles	5,039,509	(175,062)	3,324,530	8,188,977	5,024,272	(184,091)	450,423	5,290,604	2,898,374	15,238	
Owned Assets	142,989,798	(4,967,194)	4,250,780	142,273,385	131,673,160	(4,659,516)	4,021,836	131,035,479	11,237,905	11,316,639	
<i>Previous year</i>	<i>131,783,538</i>	<i>7,660,044</i>	<i>3,546,216</i>	<i>142,989,798</i>	<i>121,308,821</i>	<i>7,151,125</i>	<i>3,213,213</i>	<i>131,673,160</i>	<i>11,316,639</i>	<i>10,474,717</i>	

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE F(I) : INVENTORIES				
Raw materials (including goods in transit)		56,880,653		54,379,663
Work-in-progress		14,160,517		64,248,892
		71,041,171		118,628,556
TOTAL		71,041,171		118,628,556

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE F (II) : TRADE RECEIVABLES				
Unsecured				
Debts outstanding for more than 6 months				
Considered good				
Considered doubtful		1,404,731		
Other debts:				
Considered good		178,078,497		215,248,408
Less : Provision for doubtful debts		1,404,731		
TOTAL		<u>178,078,497</u>		<u>215,248,408</u>
NOTE F(III) : CASH AND BANK BALANCE				
Cash and bank balances:				
Cash on hand	26,663		33,614	
Balances with banks	161,721,531		168,893,586	
Fixed deposit with banks (maturity less than 3 months)	102,576,506		73,493,490	
		<u>264,324,700</u>		<u>242,420,690</u>
TOTAL		<u>264,324,700</u>		<u>242,420,690</u>
NOTE F (IV) SHORT TERM LOANS AND ADVANCES				
Unsecured				
Considered good :				
Prepaid expenses	3,580,467		4,331,556	
Deposit paid	631,413		654,136	
Advance to employee	1,357,631		1,554,358	
		<u>5,569,512</u>		<u>6,540,050</u>
Loan to fellow subsidiary companies		-		<u>264,211,044</u>
TOTAL		<u>5,569,512</u>		<u>270,751,094</u>
	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE G : REVENUE FROM OPERATIONS				
Sales and service:				
Manufacturing		833,855,659		1,159,628,602
Trading		9,822,231		16,250,600
TOTAL		<u>843,677,890</u>		<u>1,175,879,202</u>
NOTE H : OTHER INCOME				
Interest income		5,182,703		2,783,597
Miscellaneous income		2,153,958		1,438,623
TOTAL		<u>7,336,661</u>		<u>4,222,220</u>

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	01.01.2013 to 31.12.2013		01.01.2012 to 31.12.2012	
	₹	₹	₹	₹
NOTE I : MANUFACTURING AND OPERATING EXPENSES				
Cost of raw materials, components consumed	590,422,877		861,917,188	
Stores, spares and tools	—		—	
		590,422,877		861,917,188
Demo stock	1,101,433		995,225	
Power and fuel	1,719,069		1,525,576	
Packing and forwarding	188,938		185,197	
Hire charges - plant and machinery and others	594,448		542,860	
Travelling and conveyance	1,757,397		3,254,393	
General repairs and maintenance	528,204		1,122,638	
Other expenses	915,085			
		6,804,574		7,625,889
TOTAL		597,227,451		869,543,077
NOTE J : EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		156,972,899		155,629,862
Contribution to and provision for employee benefits		19,894,579		18,463,884
Superannuation/ employee pension schemes	15,876,119		15,640,712	
Compensated absences/ leave encashment	4,018,459		2,823,171	
Welfare and other expenses		1,963,557		904,675
TOTAL		178,831,035		174,998,420
NOTE K : SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent		11,804,643		10,301,113
Rates and taxes		787,381		657,930
Travelling and conveyance		4,835,163		5,431,036
Telephone, postage and telegrams		2,504,593		2,589,046
Advertising and publicity		137,440		214,199
Stationery and printing		1,587,539		1,788,815
Insurance		4,178,356		3,633,587
Bank charges		2,723,586		2,747,011
General repairs and maintenance		3,397,334		4,396,070
Professional fees		12,092,862		10,721,043
Provision for doubtful debts and advances (net)		1,435,184		—
Exchange Loss / (gain)		4,488,581		(12,378,294)
Miscellaneous expenses		3,506,802		2,727,363
TOTAL		53,479,463		32,828,919

NOTES FORMING PART OF ACCOUNTS (CONTD.)

NOTE L

SIGNIFICANT ACCOUNTING POLICIES

LEGAL STATUS

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 & Toubro International FZE acquired 100% equity interest in the Company from Tamco Corporate Holdings Berhad.

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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

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

Revenue is recognised 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 recognised:

Sales of goods

Revenue from sale of goods is recognised when substantial risk and rewards of ownership are transferred to the buyer under the terms of contract.

Rendering of services

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.

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 costs 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 & 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:

	Rate
Leasehold improvements	33.33%
Motor vehicles	20%
Plant and equipment	7.52%

The above rates are higher than the rates specified under Schedule XIV of the Companies Act, 1956 for the respective categories.

5. LEASE

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risk and benefits incidental to ownership.

Operating lease

The minimum lease payments of operating leases, where lessor effectively retains substantially all of risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

6. INVENTORIES

Inventories are valued at the lower of average cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is accounted as follows:

NOTES FORMING PART OF ACCOUNTS (CONTD.)

- 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.

7. EMPLOYEE BENEFITS

Provision is made for employee entitlement benefits accumulated as a result of employee rendering services up to the reporting date. These benefits includes wages and salaries, accrued day off, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, accrued day off, annual leave and long service leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlements liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employee up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities that have terms to maturity approximating the terms of the related liability are used.

8. FOREIGN CURRENCY TRANSACTIONS

Reporting currency used by the Company is "Australian Dollars". The financial statements are translated in Indian ₹ as follows:

- Share capital, share premium are 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

9. TAXATION

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in financial statements and when items are taken into account determining taxable income, the net related tax benefit and liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

NOTE M : COMMITMENTS:

Estimated amount of contract remaining to be executed on capital account (net of advances) and not provided for ₹ Nil (previous year Nil).

NOTE N :

Contingent liability as at 31 December, 2013 is ₹ Nil. (Previous year Nil)

NOTE O : OTHER NOTES TO ACCOUNTS:**1. Related party disclosures****A. Related parties where control exists: Relationship**

Name	Relationship
• 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
• Tamco Switchgear (Malaysia) Sdn.Bhd	Fellow Subsidiary Company
• PT Tamco Indonesia	Fellow Subsidiary Company

C. Name of key management personnel and their relatives with whom transactions were carried out during the year

• Mr.Claude Corso	Director
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2. Disclosure of related parties transactions and balances:

Related party	Nature of transaction	2013 (₹)	2012 (₹)
Tamco Switchgear (Malaysia) Sdn.Bhd	Purchase	279,573,532	592,054,860
Larsen & Toubro Limited	Purchase	4,406,634	-
Tamco Switchgear (Malaysia) Sdn.Bhd	Accounts payable	60,926,610	147,865,574
PT Tamco Indonesia	Loans & advances	-	91,546,957

NOTES FORMING PART OF ACCOUNTS (CONTD.)**3. Disclosure of transaction with directors**

Related Party	2013 (₹)	2012 (₹)
Salaries and allowances	15,769,522	13,714,910
Bonus	-	1,267,817

4. Auditors' remuneration charged to the accounts is :

Particulars	2013 (₹)	2012 (₹)
For statutory audit	1,080,609	1,062,695
For other matters	270,152	515,241

5. Earnings per share (basic and diluted)

Particulars	2013 (₹)	2012 (₹)
Profit/(loss) after tax (₹)	17,454,766	99,517,793
No. of shares	13,500,000	13,500,000
Earnings per share (₹)	1.29	7.37

6. There are no transactions with small scale industries or micro small and medium enterprises during the period.

7. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits". Defined contribution plans: [accounting policy no. P (7)] Amount of ₹ 19,894,579 (previous year ₹ 18,463,884) is recognised as an expense and included in "Employee Benefits Expense" (note no. J) in the Statement of Profit and Loss.

8. Unhedged foreign currency exposure as at December 2013.

Unhedged foreign currency exposure	2013 (₹)	2012 (₹)
Receivable	448,051,432	723,146,297
Payables	159,228,830	484,944,221

9. Segments reporting:

The Company predominantly operates in utility, mining, oil and gas and electrical sectors. Geographical segments have been identified and considered as follows:

Particulars	2013 (₹)	2012 (₹)
Revenue by location of customers	448,051,432	723,146,297
Australia	816,579,915	1,066,008,665
Asia	-	121,400,575
Oceania	12,017,018	-
Africa	15,055,013	3,444,915
TOTAL	843,651,946	1,190,854,155
Carrying amount of segment asset by location		
Australia	650,009,114	979,094,803

10. Previous year's figures have been regrouped / reclassified where ever necessary.

As per our attached report

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 109982W

By the hand of

EDWIN AUGUSTINE

Partner

Membership No. 43385

Place : Mumbai

Date : May 23, 2014

S. C. BHARGAVA

Director

UMESH BHARADWAJ

Director

Place : Mumbai / Selangor

Date : May 23, 2014

DIRECTOR'S 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 Thalest Limited for the year January 1, 2013 to December 31, 2013.

This has been a period of consolidation under the ownership of Larsen & Toubro with many initiatives being introduced to provide improved fiscal and operational management. As part of the restructuring process, the Company had dissolved Servowatch Inc and Bond Instrumentation and Process Control Limited.

FINANCIAL RESULTS:

PARTICULARS	Jan 2013 to Dec 2013		June 2012 to Dec 2012	
	GBP' 000	₹ Lakhs	GBP' 000	₹ Lakhs
Total Income	103	94.67	494	431.15
Profit/ (Loss) Before Tax	61	56.31	334	291.38
Tax	-	-	-	-
Profit/ (Loss) After Tax	61	56.31	334	291.38

FINANCE:

During the current reporting period, the Company has taken all initiatives in controlling the working capital and overhead expenses.

CAPITAL EXPENDITURE:

The gross fixed asset of the Company stood at ₹ 620, 77 Lakhs (GBP 0.61 Mn) and net fixed asset at ₹ 551, 91 Lakhs (GBP 0.54 Mn) for the period ended 31st December 2013.

DISCLOSURE OF PARTICULARS:

The Company being registered outside India, the disclosures required to be made in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988, are not applicable and hence not been furnished.

DIVIDEND:

The Board of Directors does not propose any dividend for the period.

AUDITORS REPORT:

The Auditors Report to 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.

SUBSIDIARY COMPANIES:

The Company has one subsidiary viz Servowatch Systems Limited. The financial statements of Servowatch Systems Limited are attached as required under Section 212 of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT:

The Directors have determined that the entity is preparing the financial statement in accordance with the local law and regulations.

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, 2012 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 applicable Act 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:

The directors who served the Company during the year were as follows:

Mr. Martyn R. Dickinson

Mr. Graham Johnson

Mr. S. K. Mukherjee

Mr. R.S. Mahajan

Mr. R.S. Mahajan was appointed as a director on April 7, 2013

Mr. S. K. Mukherjee retired as a director on April 7, 2013. The Board places on record its appreciation of the services rendered by Mr. S. K. Mukherjee during his tenure as Director of the Company.

AUDITORS:

The Auditors, M/s Berke Fine Fussell Limited continues to be the Auditors of the Company for the financial year 2014.

ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the customers, bankers, employees of the Company and staff of ultimate holding company.

For and on behalf of the Board

Place : Mumbai / Tollesbury, Essex

Date : May 20, 2014

MARTYN R. DICKINSON
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THALEST LIMITED

Report on the financial statements

The financial statements of Thalest Limited for the year ended December 31, 2013, being the Company registered in United Kingdom, are audited by Berke Fine Fussell Limited and we have been furnished with their audit report dated March 4, 2014.

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 accompanying financial statements of Servowatch Systems Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report is in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e. as regards reporting on the disqualification of directors 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 United Kingdom.

SHARP & TANNAN
Chartered Accountants
Firm's Registration Number 109982W
by the hand of

Edwin P. Augustine
Partner
Membership no.43385

Place : Mumbai
Date : May 24, 2014

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 during the Year and no material discrepancies were noticed on such verification.
- (c) The Company had disposed off substantial part of fixed assets during the year so as to affect its going concern status.
- 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 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 United Kingdom.
- 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 United Kingdom 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 The there under are not applicable.
- 7 In our opinion the Company does not have 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 United Kingdom accordingly paragraph 4(viii) of the Order is not applicable .
- 9 (a) According to the information and explanations given to us, the Company is regular is depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a year exceeding six months as at 31 December 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at 31 December 2013.
- 10 The Company has no accumulated losses as at 31 December 2013. Company not incurred cash losses in the year ended on that date and not incurred the cash losses 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 any financial institution or bank as at the Balance Sheet date.
- 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 In our opinion and information and explanations given to us, The Company is not a dealer or trader in securities.
- 15 In our opinion and according to the information and explanations given to us, the terms and condition of the guarantees given by the Company for loan taken by subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- 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
Firm's Registration Number 109982W
by the hand of

Edwin P. Augustine
Partner
Membership no.43385

Place : Mumbai
Date : May 24, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31-12-2013		As at 31-12-2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	11,033,410		11,033,410	
Reserves and surplus	B	81,471,295		64,623,860	
			92,504,705		75,657,270
Current liabilities					
Short-term borrowings	C	-		106,744,635	
Trade payables	D	-		2,061,424	
Other current liabilities	E	-		2,339,508	
			-		111,145,568
TOTAL			92,504,705		186,802,838
ASSETS:					
Non-current assets					
Fixed Assets- Tangible assets	F	55,191,043		51,250,713	
Investments	G	4,445,875		4,501,893	
Current assets					
Trade receivables	H	-		64,732	
Cash and bank balances	I	-		318,832	
Short term loans and advances	J	32,867,787		130,666,667	
			32,867,787		131,050,231
TOTAL			92,504,705		186,802,838
CONTINGENT LIABILITIES	O				
COMMITMENTS (Capital and others)	P				
OTHER NOTES FORMING PART OF THE ACCOUNTS	Q-V				
SIGNIFICANT ACCOUNTING POLICIES	W				

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm Registration no. 109982W
by the hand of

EDWIN P. AUGUSTINE
Partner
Membership No.43385

Place : Mumbai
Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON
Director

MARTYN R. DICKINSON
Director

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	Notes No.	01.01.2013 to 31.12.2013	01.06.2012 to 31.12.2012
		₹	₹
REVENUE:			
Other income	K	9,467,304	43,115,491
TOTAL REVENUE		9,467,304	43,115,491
EXPENSES:			
Employee benefits expense	L	-	343,042
Sales, administration and other expenses	M	1,552,849	8,614,052
Finance costs	N	-	3,560,369
Depreciation amortisation and obsolescence	F	2,282,999	1,459,933
TOTAL EXPENSES		3,835,848	13,977,396
Profit/(Loss) before tax		5,631,456	29,138,095
Tax expenses			
Current tax		-	-
Profit after tax carried to Balance Sheet		5,631,456	29,138,095
Basic & Diluted earnings per equity share (₹)	U	42	218
Face value per equity share		1.00	1.00
OTHER NOTES FORMING PART OF ACCOUNTS	Q-V		
SIGNIFICANT ACCOUNTING POLICIES	W		

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm Registration no. 109982W
by the hand of

For and on behalf of the Board

EDWIN P. AUGUSTINE
Partner
Membership No.43385

GRAHAM JOHNSON
Director

MARTYN R. DICKINSON
Director

Place : Mumbai
Date : May 24, 2014

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2013

	01.01.2013 to 31.12.2013 ₹	01.06.2012 to 31.12.2012 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax carried to Balance Sheet	5,631,456	29,138,095
Adjustments for:		
Translation reserve & other reserves	11,215,978	1,107,593
Depreciation (including obsolescence)	2,282,999	1,503,591
Interest paid	-	3,560,369
Unrealised foreign exchange difference - net (gain/loss)	-	(1,289,284)
Operating profit before working capital changes	19,130,433	34,020,364
Adjustments for:		
(Increase) / decrease in loans and receivables	97,863,612	(39,714,838)
Increase / (decrease) in current liabilities	(111,145,568)	(2,745,661)
Cash (used in)/generated from operations	5,848,478	(8,440,134)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	1,097,281
(Purchase) / Sale of Investments	56,018	(98,222)
Sale of fixed assets	1,029,454	-
Exchange difference in opening value of fixed assets	(7,252,783)	(1,123,395)
Cash (used in)/from investing activities	(6,167,310)	(124,336)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of shares classed as financial liabilities	-	(8,255,080)
Short Term borrowings from Bank	-	20,361,192
Interest paid	-	(3,560,369)
Net cash (used in)/from financing activities	-	8,545,743
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(318,833)	(18,727)
Cash and cash equivalents at beginning of the year	318,832	337,560
Cash and cash equivalents at end of the year	-	318,832

- Note :**
- 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 year figures are regrouped and reclassified where ever necessary.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm Registration no. 109982W
by the hand of

EDWIN P. AUGUSTINE
Partner
Membership No.43385

Place : Mumbai
Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON **MARTYN R. DICKINSON**
Director Director

Place : Mumbai / Tollesbury, Essex
Date : May 20, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31-12-2013		As at 31-12-2012	
	Number of shares	₹	Number of shares	₹
NOTE [A(I)] : SHARE CAPITAL				
Share capital Authorised, issued and paid up:				
Authorised:				
Equity shares of €GBP 1 each	500,000	41,275,400	500,000	41,275,400
Issued, subscribed and fully paid up:				
Equity shares of €GBP 1 each	133,656	11,033,410	133,656	11,033,410

NOTE [A(II)] : Terms/rights attached to shares:**Equity shares**

Equity shares having face value of GBP 1 per share carrying 1 vote per share

NOTE [A(III)] : Share holding more than 5% of equity shares at the end of the year

	As at 31-12-2013		As at 31-12-2012	
	Number of shares	%	Number of shares	%
Larsen & Toubro International FZE	133,656	100%	133,656	100%

Thalest Limited is wholly owned subsidiary of L & T International FZE, which is a wholly owned subsidiary of Larsen & Toubro Limited.

NOTE [A(IV)]

The aggregate number of equity shares allotted as fully paid up by way of bonus shares in immediately preceding five years ended December 31, 2013 are Nil (previous period of five years ended December 31, 2012: Nil shares)

NOTE [A(V)]

The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on December 31, 2013 – Nil (previous period of five years ended December 31, 2012 Nil shares)

	As at 31-12-2013		As at 31-12-2012	
	₹	₹	₹	₹
NOTE [B] : RESERVES AND SURPLUS				
Capital redemption reserve				
As per last Balance Sheet	11,593,920		2,878,420	
Add: Additions during the year	-		8,715,500	
		11,593,920		11,593,920
Revaluation reserve				
As per last Balance Sheet	8,045,581		9,393,433	
Less: Revaluation of fixed assets	-		(1,289,284)	
Add: Transfer to profit and loss	(38,237)		(58,568)	
		8,007,344		8,045,581
Share premium account				
		2,000,999		2,000,999
Foreign currency translation reserve				
As per last Balance Sheet	13,387,189		12,279,596	
Add: Additions during the year	11,215,978		1,107,593	
		24,603,167		13,387,189
Surplus Statement of Profit and Loss				
As per last Balance Sheet	29,596,171		9,115,008	
Profit and loss for the year	5,631,456		29,138,095	
Less: Redemption of preference shares	-		(8,715,500)	
Less: Transfer from revaluation reserve	38,237		58,568	
		35,265,864		29,596,171
TOTAL		81,471,294		64,623,860

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31-12-2013	As at 31-12-2012
	₹	₹
	_____	_____
NOTE [C] : SHORT TERM BORROWINGS		
Short term unsecured loans and advances		
From banks	-	106,744,635
TOATL	-	106,744,635
	=====	=====

The Company obtained short term borrowing facilities from HSBC @ 3.75 % per annum

NOTE [D] : TRADE PAYABLES**Trade Payable**

Trade payables	-	2,061,424
TOATL	-	2,061,424
	=====	=====

NOTE [E] : OTHER CURRENT LIABILITIES

Other provisions and accruals	-	2,339,508
TOATL	-	2,339,508
	=====	=====

NOTE [F] : FIXED ASSETS

Class of assets	COST/VALUATION (₹)					DEPRECIATION (₹)					BOOK VALUE (₹)		
	At 1 Jan 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	At 1 Jan 2013	Exchange difference included in translation reserve	Additions	Deductions	As at 31 Dec 2013	As at 31 Dec 2013	As at 31 Dec 2012	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Freehold Property	40,012,875	5,950,125	-	-	45,963,000	-	88,482	795,437	-	883,920	45,079,080	40,012,875	
Leasehold Property	14,028,425	2,086,101	-	-	16,114,526	4,169,964	741,470	1,091,130	-	6,002,564	10,111,962	9,858,461	
Plant & Machinery	284,981	9,609	-	294,589	-	104,834	3,535	30,424	138,793	-	-	180,147	
Fixtures & Fittings	5,160,861	174,011	-	5,334,872	-	4,245,811	143,158	131,439	4,520,408	-	-	915,050	
Motor Vehicles	3,597,246	121,290	-	3,718,537	-	3,313,066	111,708	234,569	3,659,343	-	-	284,180	
Total	63,084,388	8,341,136	-	9,347,998	62,077,526	11,833,674	1,088,353	2,282,999	8,318,544	6,886,483	55,191,043	51,250,713	
Previous year	65,069,433	1,383,234	266,694	3,634,974	63,084,388	12,384,900	259,839	1,459,933	2,270,998	11,833,674	51,250,713	52,684,533	

	As at 31-12-2013	As at 31-12-2012
	Number of shares	Number of shares
	₹	₹
	_____	_____

NOTE [G] : INVESTMENTS**Non-current investments**

Trade investments

Long term investment in wholly owned subsidiaries

Investment represents investment in Group Companies

Servowatch Systems Limited	50,000	4,445,875	50,000	4,445,875
Servowatch Inc.	-	-	628	55,840
Bond IPC	-	-	2	178
TOTAL	50,000	4,445,875	50,630	4,501,893
	=====	=====	=====	=====

Servowatch Inc. & Bond IPC was dissolved during the year 2013. The Company had written off its investment on the same

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE [H] : TRADE RECEIVABLES				
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	-		-	
Considered doubtful	-		-	
	-		-	
Other debts:				
Considered good	-		64,732	
		-		64,732
TOTAL		-		64,732
NOTE [I] : CASH AND BANK BALANCES				
Cash on hand		-		318,832
TOTAL		-		318,832
NOTE [J] : SHORT TERM LOANS AND ADVANCES				
Considered good:				
Other Receivables	77,794		4,458,323	
Amounts owed by group undertakings- Servowatch Systems Limited	32,789,993		126,208,344	
		32,867,787		130,666,667
TOTAL		32,867,787		130,666,667
NOTE [K] : OTHER INCOME				
Rent received		9,467,304		5,243,768
Management Charges		-		23,414,016
Miscellaneous income		-		14,457,707
TOTAL		9,467,304		43,115,491
NOTE [L] : EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus		-		343,042
TOTAL		-		343,042
01.01.2013 to 31.12.2013				
01.06.2012 to 31.12.2012				
	₹	₹	₹	₹

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	01.01.2013 to 31.12.2013	01.06.2012 to 31.12.2012
	₹	₹
NOTE [M] : SALES, ADMINISTRATION AND OTHER EXPENSES		
Rent	-	671,704
Travelling and conveyance	-	20,830
Rates and water	-	1,298,958
Light and heat	-	686,607
Telephone postage and telegrams	-	649,566
Stationary and printing	124,673	751,712
General repairs and maintenance	-	363,349
Audit fees	-	331,189
Accountancy fees	-	222,245
Transportation charges	238,878	1,251,633
Insurance charges	159,860	2,063,918
Professional fees	-	46,541
Loss on disposal of fixed assets	1,029,437	-
Miscellaneous expenses	-	255,800
TOTAL	1,552,848	8,614,052

NOTE [N] : FINANCE COSTS

Interest on other loan	-	253,970
Finance charges	-	152,521
Bank charges & interest	-	3,153,878
TOTAL	-	3,560,369

NOTE [O] : CAPITAL COMMITMENT:

Particulars	As at 31-12-2013	As at 31-12-2012
	₹	₹
Bank guaranty	NIL	13,282,898

The company had given performance bank Guarantees to its customers from its banker HSBC bank.

NOTE [P] : CAPITAL & OTHER COMMITMENT:

Estimated amount of contracts remaining to be executed on capital account (net of advance is Nil (*previous year Nil*)).

Other commitment-

At 31 December 2013 the company had aggregate annual commitments under non-cancellable operating lease as below.

Particulars	As at 31-12-2013	As at 31-12-2012
	₹	₹
Operating leases which expires		
After more than 5 years	2,042,800	1,778,350

NOTE [Q] : DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 15 (REVISED) "EMPLOYEE BENEFITS".

The Company has no post-employment benefit plan 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 Statement of Profit and Loss in the period when the employee renders the service.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**NOTE [R] : DISCLOSURE OF RELATED PARTIES/RELATED PARTY TRANSACTIONS PURSUANT TO ACCOUNTING STANDARD (AS) 18 “RELATED PARTY DISCLOSURES”.**

The disclosure regarding the related party transactions is as follows:

i. List of related parties who exercise control :

Larsen & Toubro Limited	Ultimate Holding Company
Larsen & Toubro International FZE	Holding Company

ii. Related parties with whom Company have the transaction during the year

Bond Instrumentation & Process Control Limited	Subsidiary Company
Servowatch Systems Limited	Subsidiary Company

iii. Disclosure of transaction and balances with related parties :

(Figures in ₹)

Nature of Transaction / Relationship	2013	2012
1. Overheads charged to Servowatch Systems Limited	9,467,304	23,414,016
2. Short term loans and advances Servowatch Systems Limited	32,789,993	126,208,344
Bond Instrumentation & Process Control Limited	-	165

NOTE [S] : DISCLOSURE IN RESPECT OF LEASES PURSUANT TO ACCOUNTING STANDARD (AS 19) “LEASES”

Where company is lessee:

The Company has taken a premise (leased land and warehouse), vehicles and equipment on cancellable operating lease. Except for the premise, all other leases are negotiated for an average term of three years and rentals are fixed over lease term. The leased premise is negotiated for a period of 12 years.

NOTE [T] :

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.

NOTE [U] : EARNINGS PER SHARE (BASIC & DILUTED)

Particulars	2013	2012
Profit / (Loss) After Tax (₹)	5,631,457	29,138,095
No. of Shares	133,656	133,656
Earnings per share (₹)	42	218

NOTE [V] :

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

NOTE [W] : SIGNIFICANT ACCOUNTING POLICIES**LEGAL STATUS**

The Company's immediate holding Company is Larsen & Toubro International FZE, which is a wholly own subsidiary of Larsen & Toubro Limited. During the year 2013, the Company had closed its operation.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 read with the General Circular No. 1/19/2013 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of the relevant provisions/schedules/rules of the Companies Act, 2013.

2. REVENUE RECOGNITION

Revenue is recognised upon delivery of goods to the customers under the term of the contract. Revenue from services is recognized as and when services are rendered. Revenue in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

3. FOREIGN CURRENCY TRANSACTIONS

Reporting currency used by the company for UK GAAP Accounts is the pound sterling (£GBP).

The accounts are translated in Indian Rupees (₹) as follows:

- Share capital is translated / retained at rates prevailing on the date of acquisition.
- 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.

4. DEPRECIATION

Fixed Assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost or revaluation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property -	Straight line over period of lease
Plant & machinery -	20% on written down value
Fixtures & fittings -	15% on written down value
Motor vehicles -	25% on written down value

This rate is higher than the rates specified under schedule XIV of the Companies Act, 1956.

5. LEASES

Leases are classified as finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group Profit and Loss Account on a straight line basis.

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.

6. EMPLOYEE BENEFITS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the group Profit and Loss Account.

7. BORROWING COSTS

Borrowing costs that are attributable to 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. All other borrowing costs are recognized as an expense in the period in which they are incurred.

8. INVENTORIES

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

9. TAXES ON INCOME

The Company is subject to the Regulations of the Her Majesty's Revenue and Customs (HMRC) in the United Kingdom and income tax are provided on an accruals basis.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**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

Reimbursement expected in respect of expenditure required to be 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 probable that an outflow of resources will be required to settle the obligation,
- b) a possible obligation arising from past events, when no reliable estimate is possible;
and
- c) a possible obligation arising from past events where probability of outflow of resources is not remote.

Contingent assets are neither recognised nor disclosed.

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

As per our report attached

SHARP & TANNAN

Chartered Accountants

Firm Registration no. 109982W

by the hand of

EDWIN P. AUGUSTINE

Partner

Membership No.43385

Place : Mumbai

Date : May 24, 2014

For and on behalf of the Board

GRAHAM JOHNSON

Director

MARTYN R. DICKINSON

Director

Place : Mumbai / Tollesbury, Essex

Date : May 20, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the Accounts for the Second Year ended March 31, 2014.

I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31, 2014 are submitted below:

Sl. No	Particulars	April 1, 2013 to March 31, 2014	April, 16 2012 to March 31, 2013
		₹ Lakhs	₹ Lakhs
1	Income for the year	0.00	0.03
2	Less: Expenditure	3.59	43.67
3	Profit Before Depreciation & Tax (PBDT)	(3.59)	(43.64)
4	Less: Depreciation	NIL	NIL
5	Profit / (Loss) before tax (PBT)	(3.59)	(43.64)
6	Less: Provision for tax	NIL	NIL
7	Profit / (Loss) after tax (PAT)	(3.59)	(43.64)
8	Balance brought forward from previous year	NIL	(43.64)
9	Balance carried to Balance Sheet	(47.23)	(43.64)

II. PERFORMANCE OF THE COMPANY

During the year, the Company carried out pre construction activities and utility shifting to facilitate construction. Appointed date could not be achieved during the year due to delay in land acquisition.

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.

V. CAPITAL EXPENDITURE

As at March 31, 2014, the Gross Fixed Assets (Land, Tangible and Intangible) stood at ₹ 71.16 Lakhs and the Net Fixed Assets are ₹ 54.20 Lakhs, the Capital Work in Progress and Pre-Operative expenses stood at ₹ 2353.52 lakhs.

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, 2014 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.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company

XII. DIRECTORS

Mr. T. S. Venkatesan, Director, who retires by rotation at this Annual General Meeting, being eligible, offer himself for re-appointment.

The Board of Directors as on 31.03.2014 is as follows:

- Mr. T. S. Venkatesan
- Mr. Karthikeyan T V
- Mr. R. Chandrasekaran

XIII. AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors. The present members of the Committee are:

- Mr. T. S. Venkatesan
- Mr. Karthikeyan T V
- Mr. R Chandrasekaran

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 held discussions with the auditors on internal control systems.

XIV. STATUTORY AUDITORS

M/s M.K. Dandeker & Co, 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 the Companies Act, 2013.

XV. INTERNAL AUDITORS

The Corporate Audit Services department of L&T Infrastructure Development Projects Limited provides internal audit services to the Company.

XVI. 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.

XVII. 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 2013–1014.

XVIII. MAINTENANCE OF COST RECORDS COMPLIANCE REPORT

Pursuant to the provisions of rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a Maintenance of Cost Records Compliance Report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

XIX. 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 12, 2014

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T EAST-WEST TOLLWAY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T EAST WEST TOLLWAY LTD**, which comprise the Balance Sheet as at March 31 2014, and the Statement of Profit and Loss and Cash Flow Statement as at March 31, 2014, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards referred to in sub Section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our auditing accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the 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 2014,
- b) in the case of the Statement of Profit and Loss, of the Loss for the period ended on that date; and
- c) in case of the Cash Flow Statement, of the cash flows for the period ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

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 and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Statement of Profit and Loss 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 2014, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For M. K. DANDEKER & CO.,
(ICAI Reg No 000679S)

S. POOSAIDURAI
Partner

Chartered Accountants
Membership No. 223754

Place : Chennai
Date : April 12, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of **L&T EAST-WEST TOLLWAY LTD.** on the accounts for the period ended March 31 2014, 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 period all its fixed assets and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any of its fixed assets so as to affect the going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence the clauses 4 (ii) (a), (b) & (c) of the Companies (Auditor's Report) Order 2003 relating to inventory are not applicable.
- (iii) According to the information & explanation 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) (b) 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 are adequate internal control systems commensurate with the size of the Company and 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 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 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 Section 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) In our Opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company is maintaining the cost records as prescribed by the Central Government 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 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 period with the appropriate authorities. As at March 31 2014, 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.
- (x) The Company has been registered for a period less than five years 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) The Company has not borrowed any loans from Banks / financial institution during the period and hence the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (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 clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures
- (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 (auditor's report) order 2003 does not arise.
- (xvii) According to the information and explanation given to us, the Company has not raised funds on short term basis. 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 period.
- (xix) The Company has not issued debentures during the period. Accordingly, no security or charge needs to be created.
- (xx) The Company has not raised any money by public issue during the period.
- (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.

For M. K. DANDEKER & CO.,
(ICAI Reg No 000679S)

S. POOSAIDURAI
Partner

Chartered Accountants
Membership No. 223754

Place : Chennai
Date : April 12, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	A	27,98,50,000		10,47,50,000	
Reserves and surplus	B	(47,22,501)		(43,63,909)	
			27,51,27,499		10,03,86,091
Share Application Money pending Allotment				4,67,00,000	4,67,00,000
Current liabilities					
Trade payables	C(I)	91,248		14,17,348	
Other current liabilities	C(II)	2,85,31,418		1,11,05,027	
Short-term provisions	C(III)	9,75,081		8,67,368	
			2,95,97,747		1,33,89,743
TOTAL			30,47,25,246		16,04,75,834
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	D(I)	54,15,611		65,46,682	
Intangible assets	D(II)	4,758		99,460	
Intangible assets under development	D(III)	23,53,52,215		14,92,38,699	
			24,07,72,584		15,58,84,841
Long-term loans and advances	E		5,00,00,000		-
Current assets					
Cash and bank balances	F(I)	4,30,955		2,78,113	
Short-term loans and advances	F(II)	1,35,21,707		43,12,880	
			1,39,52,662		45,90,993
TOTAL			30,47,25,246		16,04,75,834
CONTINGENT LIABILITIES	G				
COMMITMENTS	H				
OTHER NOTES FORMING PART OF ACCOUNTS	P				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

M. K. DANDEKER & CO.
Chartered Accountants
(Firm's Registration No. 000679S)
By the hand of

S. POOSAIDURAI
Partner
Membership No. 223754

Place : Chennai
Date : April 12, 2014

For and on behalf of the Board

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : April 12, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		From April 16, 2012 to March 31, 2013	
		₹	₹	₹	₹
REVENUE					
Other income	I		-		2,876
Total Revenue			-		2,876
EXPENSES					
Administration and other expenses	J		3,58,591		43,66,785
Total Expenses			3,58,591		43,66,785
Profit/(loss) before tax			(358,591)		(43,63,909)
Tax Expense:					
Current tax		-		-	
Excess provision written back - prior year		-		-	
Deferred tax		-		-	
			-		-
Profit/(loss) after tax for the year			(3,58,591)		(43,63,909)
Earnings per equity share (Basic and Diluted)			(0.02)		(3.13)
Face value per equity share			10.00		10.00
OTHER NOTES FORMING PART OF ACCOUNTS	P				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

M. K. DANDEKER & CO.
Chartered Accountants
(Firm's Registration No. 000679S)
By the hand of

S. POOSAIDURAI
Partner
Membership No. 223754

Place : Chennai
Date : April 12, 2014

For and on behalf of the Board

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : April 12, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Net profit / (loss) before tax and extraordinary items	(3,58,591)	(43,63,909)
Operating profit before working capital changes	(3,58,591)	(43,63,909)
Adjustments for:		
Increase / (Decrease) in trade payables	(13,26,100)	-
Increase / (Decrease) in other current liabilities	1,74,26,391	71,69,988
Increase / (Decrease) in short term provisions	1,07,713	62,19,755
(Increase) / Decrease in loan term loans and advances	(5,00,00,000)	-
(Increase) / Decrease in other current assets	(92,08,827)	(43,12,880)
Net Cash (used in)/generated from Operating Activities	(4,33,59,414)	47,12,954
B Cash flow from investing activities		
Purchase of fixed assets	(13,63,314)	(71,71,740)
Sale of fixed assets	1,237,771	-
Investment in intangible assets under development (net of depreciation)	(8,47,62,201)	(14,87,13,101)
Net cash (used in)/generated from investing activities	(8,48,87,744)	(15,58,84,841)
C Cash flow from financing activities		
Equity share capital	12,84,00,000	10,47,50,000
Share application money pending allotment	-	4,67,00,000
Net cash (used in)/generated from financing activities	12,84,00,000	15,14,50,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	1,52,842	2,78,113
Cash and cash equivalents as at the beginning of the year	2,78,113	-
Cash and cash equivalents as at the end of the year	4,30,955	2,78,113

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" as specified in the Companies (Accounting Standards) 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

M. K. DANDEKER & CO.
Chartered Accountants
(Firm's Registration No. 000679S)
By the hand of

S. POOSAI DURAI
Partner
Membership No. 223754

Place : Chennai
Date : April 12, 2014

For and on behalf of the Board

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : April 12, 2014

NOTES FORMING PART OF THE ACCOUNTS**NOTE A****SHARE CAPITAL**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
(i) Authorised, issued, subscribed and paid up				
Authorised:				
Equity shares of ₹ 10 each	7,50,00,000	75,00,00,000	7,50,00,000	75,00,00,000
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each	2,79,85,000	27,98,50,000	1,04,75,000	10,47,50,000
(ii) Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:				
At the beginning of the year	1,04,75,000	10,47,50,000	–	–
Issued during the year as fully paid	1,75,10,000	17,51,00,000	1,04,75,000	10,47,50,000
At the end of the year	2,79,85,000	27,98,50,000	1,04,75,000	10,47,50,000

(iii) Terms / rights attached to shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

Dividend declared during the year NIL

(iv) Details of Shares held by Holding Company/Ultimate Holding Company/its subsidiaries or associates:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Holding Company:				
L&T Infrastructure Development Projects Limited (including nominee holding)	2,79,85,000	27,98,50,000	1,04,75,000	10,47,50,000

(v) Details of Shareholders holding more than 5% shares in the Company:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	%	No. of Shares	%
L&T Infrastructure Development Projects Limited (including nominee holding) (Holding Company)	2,79,85,000	100.00	1,04,75,000	100.00

(vi) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL**(vii) Calls unpaid : NIL; Forfeited Shares : NIL**

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹

NOTE B**RESERVES AND SURPLUS****Surplus/(Deficit) as per Statement of Profit and loss:**

As per last Balance Sheet	(43,63,909)	–
Add: Profit/(Loss) for the year	(3,58,591)	(43,63,909)
	(47,22,500)	(43,63,909)

NOTES FORMING PART OF ACCOUNTS (Contd.)As at 31.03.2014
₹As at 31.03.2013
₹**NOTE C(I)****TRADE PAYABLES****Due to related parties :**

Larsen & Toubro Ltd (Ultimate Holding Company)

91,248

-

L&T Great Eastern Highway Ltd (Fellow Subsidiary Company)

-

14,17,348

TOTAL

91,248

14,17,348

Note

There have been no transactions during the year (*previous year: ₹ Nil*) with Micro and small enterprises covered under the Micro, Small and Medium enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.

NOTE C(II)**OTHER CURRENT LIABILITIES**

Statutory liabilities

6,36,174

7,52,966

Others

1,33,42,183

49,99,674

Liability for Expenses

1,45,53,061

53,52,387

TOTAL

2,85,31,418

1,11,05,027

NOTE C(III)**SHORT TERM PROVISIONS****Provision for employee benefits**

Gratuity (Refer note P(3)(ii))

2,66,587

3,69,516

Compensated absences (Refer note P(3)(ii))

7,08,494

4,97,852

9,75,081

8,67,368

TOTAL

9,75,081

8,67,368

D FIXED ASSETS**D(I) Tangible Assets:**

Particulars	Cost				Depreciation				Book Value	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Land (Refer note E(I)(a))	20,61,124	-	-	20,61,124					20,61,124	20,61,124
Building		-	-	-					-	-
Plant and Equipment		-	-	-					-	-
Furniture and fixtures	5,32,330	4,68,605	3,96,548	6,04,387	27,190	83,554	37,163	73,581	5,30,806	505,140
Vehicles		-	-	-					-	-
Office equipment	14,19,000	1,89,924	3,17,860	12,91,064	1,40,778	3,80,103	75,580	4,45,301	8,45,763	12,78,222
Electrical installations	79,280	1,38,375	86,105	1,31,550	4,474	47,228	18,560	33,142	98,408	74,806
Air conditioning and Refrigeration	65,600	5,56,110	5,56,210	65,500	3,435	38,454	33,472	8,417	57,083	62,165
Computers, laptops and printers	28,23,801	10,300	62,400	27,71,701	2,58,576	7,07,274	16,576	9,49,274	18,22,427	25,65,225
Total	69,81,135	13,63,314	14,19,123	69,25,326	4,34,453	12,56,613	1,81,351	15,09,715	54,15,611	65,46,682
<i>Previous year</i>	-	69,81,135	-	69,81,135	-	4,34,453	-	4,34,453	-	-

NOTES FORMING PART OF ACCOUNTS (Contd.)**D(II) Intangible Assets**

Particulars	Cost				Amortisation				Book Value	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Specialized Software	1,90,605	–	–	1,90,605	91,145	94,702	–	1,85,847	4,758	99,460
Toll collection rights (Refer notes below)	–	–	–	–	–	–	–	–	–	–
Total	1,90,605	–	–	1,90,605	91,145	94,702	–	1,85,847	4,758	99,460
<i>Previous year</i>		1,90,605		1,90,605		91,145		91,145	–	
GRAND TOTAL For 2013–14	71,71,740	13,63,314	14,19,123	71,15,931	5,25,598	13,51,315	1,81,351	16,95,562	54,20,369	66,46,142

As at 01.04.2013

For the year

As at 31.03.2014

₹

₹

₹

D(III) Intangible Assets under Development

Pre-operative expenses pending allocation

Salary and Wages	1,70,36,856	2,11,02,417	3,81,39,273
Contribution to & provision for:			
Provident Fund	6,20,135	12,58,487	18,78,622
Leave Encashment	4,97,852	2,10,642	7,08,494
Gratuity	3,69,516	(1,02,929)	2,66,587
Manpower hire cost	–	58,96,104	58,96,104
Business Support Services	55,96,463	–	55,96,463
Staff Welfare Expenses	14,30,300	29,50,770	43,81,070
Rent	27,23,697	26,74,651	53,98,348
Legal and Professional Fees	62,83,826	3,39,24,739	4,02,08,565
Electricity Charges	1,20,480	4,50,701	5,71,181
Repairs & Maintenance	6,36,487	6,98,381	13,34,868
Software Expenditure	–	11,96,579	11,96,579
Utility Shifting Expenditure	–	16,54,853	16,54,853
Less: Utility Shifting reimbursements	–	(16,54,853)	(16,54,853)
Tree Cutting and incidental expenses	20,32,085	–	20,32,085
Car hire charges	53,91,817	66,19,717	1,20,11,534
Travelling and Conveyance	9,18,444	15,22,686	24,41,130
Postage & Communication	3,32,056	5,16,909	8,48,965
Printing & Stationery	5,40,768	3,28,225	8,68,993
Miscellaneous Exp	7,46,090	5,22,224	12,68,314
Finance Charges	10,14,80,968	49,90,080	10,64,71,048
Bank Charges	19,55,261	1,818	19,57,079
Depreciation	5,25,598	13,51,315	18,76,913
Total	14,92,38,699	8,61,13,516	23,53,52,215
GRAND TOTAL	14,92,38,699	8,61,13,516	23,53,52,215

- (a) The Company has not entered into any finance lease. The Company has taken office premises and Guest house under cancellable operating lease. These agreements are normally renewed on expiry. Lease rental expenses in respect of operating leases for the year ₹ 26,74,651 (previous year: ₹ 27,23,697) has been included in Pre-operative expenses.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
NOTE E		
LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Mobilisation Advance-Larsen & Toubro Ltd.	5,00,00,000	—
TOTAL	5,00,00,000	—
NOTE F(I)		
CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
In current accounts	4,30,955	2,78,113
TOTAL	4,30,955	2,78,113
NOTE F(II)		
SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good		
Related parties:		
L&T Infrastructure Development Projects Limited (Holding Company)	3,233	—
L&T Devihalli Hassan Tollway Limited	44,606	—
L&T Sambhalpur Tollway Limited	14,54,491	—
Advances recoverable in cash or kind		
Security deposit	15,50,625	11,75,500
Prepaid Exp	29,68,664	30,86,130
Others	75,00,088	51,250
TOTAL	1,35,21,707	43,12,880
NOTE G		
Contingent liabilities in respect of bank guarantees issued as at march 31, 2014 ₹ 126,89,00,000/-		
NOTE H		
COMMITMENTS		
Estimated amount of contracts remaining to be executed on capital account (net of advance)	21,29,00,00,000	21,34,00,00,000
The project has been awarded vide concession agreement dated 6th June 2012 by NHAI, to the Company for a concession period of nineteen years. In terms of clause 26.2.1 of the CA, the Company is required to pay an estimated additional concession fees of ₹ upon commencement of commercial operations over the residual concession period	32,43,09,96,643	32,43,09,96,643
	2013-14 ₹	2012-13 ₹
NOTE I		
OTHER INCOME		
Interest income from:		
Bank deposits	—	2,876
TOTAL	—	2,876

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE J				
ADMINISTRATION AND OTHER EXPENSES				
Sales Promotion Expenditure		2,02,411		3,51,766
Professional fees (Refer note (a) below)		1,47,191		1,34,269
Professional fees-Actuary		8,989		7,865
Preliminary Expenditure		—		38,72,885
TOTAL		3,58,591		43,66,785
(a) Professional fees includes Auditors remuneration (including service tax) as follows:				
a) As auditor		1,12,360		1,12,360
c) For company law matters		28,090		13,482
d) For other services		6,741		8,427
TOTAL		1,47,191		1,34,269

NOTE P**(1) Corporate Information**

The Company has been awarded a Project to augment the existing road from KM 166.725 to KM 441.950 (approximately 275.225 km) on the Amravati Jalgaon Section of National Highway No.6 in the State of Maharashtra by four-Laning on BOT (Toll) Basis on Design, Build, Finance, Operate and Transfer (DBFOT) pattern, the project under Concession Agreement dated June 6th, 2012 with the National Highways Authority of India (NHAI). The Concession Agreement is for a period of 19 years from the Appointed Date as stated in clause 3.1.1 of Article-3 of the Concession Agreement i.e., June 6th, 2012. At the end of the Concession Period, the entire facility has to be transferred to NHAI, free and clear of all encumbrances, vide Article 38.1.1 of the Concession Agreement.

The statement of Profit and Loss has been drawn to comply with the provisions of Companies Act 1956. However the Company has not commenced Commercial Operation

(2) Corporate Information

The Company has not earned any income/incurred any expenditure in foreign currency during the year. (previous year: ₹ Nil)

(3) Disclosure pursuant to Accounting Standard (AS) 15 (revised) on "Employee benefits":**(i) Defined contribution plan:**

An amount of ₹ 12,58,487 (previous year : ₹ 6,20,135) being contribution made to recognised provident fund is recognised as expense and included under Employee benefit expense (Note M) in the Statement of Profit and loss.

(ii) Defined benefit plans:

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

	Gratuity plan		Compensated absences	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
– Wholly funded	NIL	<i>NIL</i>	NIL	<i>NIL</i>
– Wholly unfunded	2,66,587	3,69,516	7,08,494	4,97,852
	2,66,587	3,69,516	7,08,494	4,97,852
Less : Fair value of plan assets	—	—	—	—
Amount to be recognised as liability or (asset)	2,66,587	3,69,516	7,08,494	4,97,852
B) Amounts reflected in the Balance Sheet				
Liabilities	2,66,587	3,69,516	7,08,494	4,97,852
Assets	—	—	—	—
Net Liability / (asset)	2,66,587	3,69,516	7,08,494	4,97,852

NOTES FORMING PART OF ACCOUNTS (Contd.)

b) The amounts recognised in the Statement of Profit and Loss are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹
1 Current service cost	1,62,496	1,60,425	1,48,259	3,10,878
2 Interest on Defined benefit obligation	29,931	NIL	39,983	NIL
3 Expected return on plan assets		NA	-	NA
4 Actuarial losses/(gains)		NIL	30,857	NA
5 Past service cost	-	209,091	-	186,974
6 Actuarial gain/(loss) not recognised in books	(2,95,356)	NA	-	NIL
7 Adjustment for earlier years	-	-	-	-
Total (1 to 7)	(1,02,929)	3,69,516	2,19,099	4,97,852
I Amount included in "employee benefit expenses"	(1,02,929)	3,69,516	2,19,099	4,97,852
II Amount included as part of "finance costs"	-	-	-	-
Total (I + II)	(1,02,929)	3,69,516	2,19,099	4,97,852
Actual return on plan assets	-	NA	NA	NA

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances

Opening balance of the present value of defined benefit obligation	369,516	-	4,97,852	-
Add: Current service cost	1,62,496	1,60,425	1,48,259	3,10,878
Add: Interest cost	29,931	NIL	39,983	NIL
Add: Contribution by plan participants				
i) Employer	-	-	-	-
ii) Employee	-	-	-	-
Add/(less): Actuarial losses/(gains)	(2,95,356)	NIL	30,857	NIL
Less: Benefits paid	-		-	-
Add: Past service cost	-	2,09,091	-	1,86,974
Closing balance of the present value of defined benefit obligation	2,66,587	3,69,516	7,16,951	4,97,852

d) Principal actuarial assumptions at the Balance Sheet date:

	As at 31.03.2014	As at 31.03.2013
1) Discount rate	9.10%	8.10%
2) Salary growth rate	6.00%	6.00%
3) Attrition rate		

(4) Disclosure pursuant to Accounting Standard (AS) – 16 “Borrowing Costs”

Borrowing cost capitalised during the year ₹ Nil. (previous year : ₹ Nil)

(5) Segment Information

The Company is engaged in the business of construction, operation and maintenance of Toll road projects on a Build Operate Transfer basis in a single business segment. Hence reporting on primary segment does not arise. The Company does not have operations outside India. Hence, disclosure of secondary / geographical segment information does not arise.

(6) Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 “Related Party Disclosures”**a) List of related parties**

Holding Company :	L&T Infrastructure Development Projects Limited
Ultimate Holding Company :	Larsen & Toubro Limited
Fellow Subsidiaries :	L&T Great Eastern Highway Limited
	L&T Devihalli Hassan Tollway Limited
	L&T Sambalpur Rourkela Tollway Limited

NOTES FORMING PART OF ACCOUNTS (Contd.)**b) Disclosure of related party transactions:**

	2013-14	2012-13
	₹	₹
Holding Company		
L&T Infrastructure Development Projects Limited		
• Share Capital	12,84,00,060	10,47,49,940
• Advance Against Euity	–	4,67,00,000
• Business support services received	–	54,43,177
• Reimbursement of expenses from	7,08,878	1,25,184
• Reimbursement of expenses to	3,500	3,68,885
Ultimate holding Company		
Larsen & Toubro Limited		
• Payroll Processing Services received	2,69,664	1,51,686
• Reimbursement of expenses from (Infra IC)	19,53,955	6,20,618
• Payment of software subscription fees to (PAC)	14,30,511	3,76,200
• Payment Towards Mobilization Advance	5,00,00,000	–
Fellow Subsidiaries		
L&T Great Eastern Highway Limited		
• Reimbursement of expenses to	–	21,28,014
• Reimbursement of expenses from	–	7,10,666
L&T Devihalli Hassan Tollway Limited		
• Sale of Assets	44,606	–
• Reimbursement of expenses to	–	9,000
L&T Sambalpur Rourkela Tollway Limited		
• Sale of Assets	14,54,491	–

c) Amount due to and due from related parties (net):

	Amounts due (to)/from	
	As at 31.03.2014	As at 31.03.2013
	₹	₹
Holding Company		
L&T Infrastructure Development Projects Limited	3,233	(1,27,292)
Ultimate Holding Company		
Larsen & Toubro Limited		
1. Mobilisation Advance	5,00,00,000	
2. EIP Software Licence Charges	(11,95,679)	
3. Reimbursement of expenses	(91,248)	
Fellow Subsidiaries		
L&T Great Eastern Highway Limited	–	(14,17,348)
L&T Sambalpur Rourkela Tollway Limited	14,54,491	–
L&T Devihalli Hassan Tollway Limited	44,606	–

d) No amounts pertaining to related parties have been written off or written back during the year. (previous year: ₹ Nil)

P(7) Disclosure pursuant to Accounting Standard (AS) 19 “Leases”

The Company has not acquired any assets either under Finance lease or under Operating lease. Hence disclosures pertaining to Accounting Standard (AS) 19 - “Leases” are not applicable.

NOTES FORMING PART OF ACCOUNTS (Contd.)**P(8) Disclosure pursuant to Accounting Standard (AS) 20 “Earnings per share”**

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) “Earnings per share”.

Particulars		2013-14	2012-13
Basic and Diluted			
Profit after tax as per accounts (₹)	A	(3,58,591)	<i>(43,63,909)</i>
Weighted average number of shares outstanding	B	2,18,37,740	<i>13,94,198</i>
Basic and Diluted EPS (₹)	A / B	(0.02)	<i>(3.13)</i>
Face value per equity share (₹)		10.00	<i>10.00</i>

P(9) Disclosure pursuant to Accounting Standard (AS) 28 “Impairment of Assets”

Based on a review of the future discounted cash flows of the project facility, the recoverable amount is higher than the carrying amount and hence no provision for impairment is made for the year.

P(10) Previous period figures:

The Company has reclassified/ regrouped the previous period figures wherever necessary.

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”), 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, 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 year, 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, allowance 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 (“the Act”). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 “Cash Flow Statements”. The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3. Revenue recognition

Fee collections from users of facility are accounted for as and when amount is due and recovery is certain. Dividend income is recognized when the right to receive is established. Interest income is accrued at applicable rates. Licence fees for wayside amenities are accounted on accrual basis, based on contract. Other items of income are accounted as and when the right to receive arises.

4. Employee benefits

Short term employee benefits

a. All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits such as salaries, wages, short term compensated absences etc. and the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

b. Post employment benefits

(a) Defined contribution plans:

The Company’s superannuation scheme and State Governed Provident Fund linked with Employee Pension Scheme are Defined Contribution Plans. The contribution paid/ payable under the scheme is recognized during the period in which the employee renders the related service.

State Governed Provident Fund linked with Employee Pension Scheme is Defined Contribution Plans. The contribution paid/ payable under the scheme is recognized during the period in which the employee renders the related service.

NOTES FORMING PART OF ACCOUNTS (Contd.)

(b) Defined benefit plans:

The employees gratuity fund schemes and provident fund scheme managed by the trust of the holding company 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 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 Company's obligation towards gratuity is a defined benefit plan. The present value of the obligation under such Defined Benefit Plans is determined based on actuarial valuation using 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 Statement of profit and loss.

c. Long term employee benefits:

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

5. Tangible fixed assets

Tangible fixed assets are stated at original cost net of tax/duty availed, if any, less accumulated depreciation and cumulative 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.

6. Depreciation

Depreciation on assets have been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on additions/ deductions is calculated pro-rata from/ to the month of additions/ deductions.

The following asset categories are depreciated at higher rates in line with their estimated useful life.

Category of Asset	Rate of Depreciation (% p.a)
i Furniture and fixture	10%
ii Office equipment	25%
iii Computers - Desktops and laptops	25%
iv Electrical Installations	25%
v Printers	25%
x Air conditioners	8.33%

7. Intangible assets and amortisation

Intangible Asset is recognized when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Toll collection rights is obtained in consideration for rendering construction ,operation and maintenance services in relation to building and maintenance of the project on BOT basis. The cost of such carriageway comprises of construction cost, and other preoperative cost incurred during the construction phase.

Pre-operative expenses including administrative and other general overhead expenses, incurred up to the date of commencement of commercial operations, those which are specifically attributable to construction of the carriageway are capitalised as a part of the cost of the asset.

Specialized software is amortized over a period of two years on straight line basis.

8. Investments

Investments, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term 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 stated at lower of cost or market value. The determination of carrying amount of such investments is done on a weighted average cost of each individual investment.

NOTES FORMING PART OF ACCOUNTS (Contd.)

9. Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

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 at 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)

11. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposit, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

12. Borrowing costs

Borrowing cost that are attributable to the acquisition, construction or production of qualifying assets are capitalised as a part of the cost of such assets. 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 cost are recognised as an expense in the period in which they are incurred.

13. Taxes on income

Tax 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 the 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 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 realised.

15. Leases

Operating Leases

- (i) 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 are charged to Statement of Profit & Loss on accrual basis.
- (ii) Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

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

- (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.

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

- (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 and
- (iii) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

NOTES FORMING PART OF ACCOUNTS (Contd.)

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

17. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

18. Operating cycle for current/non-current classification

Pending commencement of commercial operations the classification is made based on the criteria for more than twelve months or less than twelve months for settlement from reporting date.

19. Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report attached

M. K. DANDEKER & CO.
Chartered Accountants
(Firm's Registration No. 000679S)
By the hand of

S. POOSAIDURAI
Partner
Membership No. 223754

Place : Chennai
Date : April 12, 2014

For and on behalf of the Board

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : April 12, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the Accounts for the Second Year ended March 31, 2014.

I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31, 2014 are submitted below:

Sl. No	Particulars	April 1, 2013 to March 31, 2014	April 12, 2012 to March 31, 2013
		₹ Lakhs	₹ Lakhs
1	Income for the year	685.86	0.00
2	Less: Expenditure	687.43	28.73
3	Profit Before Depreciation & Tax (PBDT)	(1.57)	(28.73)
4	Less: Depreciation	(0.00)	(0.00)
5	Profit / (Loss) before tax (PBT)	(1.57)	(28.73)
6	Less: Provision for tax	(0.00)	(0.00)
7	Profit / (Loss) after tax (PAT)	(1.57)	(28.73)
8	Balance brought forward from previous year	(28.73)	-
9	Balance carried to Balance Sheet	(30.30)	(28.73)

II. PERFORMANCE OF THE COMPANY

During the year, the Company carried out pre construction activities and utility shifting to facilitate construction. Appointed date could not be achieved during the year due to delay in land acquisition.

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 under review.

V. CAPITAL EXPENDITURE

As at March 31, 2014, the Gross Fixed Assets (Land, Tangible and Intangible) stood at ₹ 97.21Lakhs and the Net Fixed Assets are ₹ 74.68 Lakhs, the Capital Work In Progress and Pre-Operative Expenses stood at ₹ 1804.84 lakhs.

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, 2014 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;

4. That the annual accounts have been prepared on a going concern basis.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company

XII. DIRECTORS

Mr. T. S. Venkatesan, Director, who retires by rotation at this Annual General Meeting, being eligible, offer himself for re-appointment.

The Board of Directors as on 31.03.2014 is as follows:

- Mr. T. S. Venkatesan
- Mr. Karthikeyan T V
- Mr. R. Chandrasekaran

XIII. AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors. The present members of the Committee are:

- Mr. T. S. Venkatesan
- Mr. Karthikeyan T. V.
- Mr. R. Chandrasekaran

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 held discussions with the auditors on internal control systems.

XIV. STATUTORY AUDITORS

M/s Gianender and Associates, 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 the Companies Act, 2013.

XV. INTERNAL AUDITORS

The Corporate Audit Services department of L&T Infrastructure Development Projects Limited provides internal audit services to the Company.

XVI. 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.

XVII. 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 2013-1014.

XVIII. MAINTENANCE OF COST RECORDS COMPLIANCE REPORT

Pursuant to the provisions of rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a Maintenance of Cost Records Compliance Report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

XIX. 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

T. S. VENKATESAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : April 12, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T GREAT EASTERN HIGHWAY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T GREAT EASTERN HIGHWAY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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, 2014,
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the Order.
2. As required by section 227(3) of the Act, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.
 - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2014, from being appointed as a director in terms of Para (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **GIANENDER & ASSOCIATES**
Chartered Accountants
Firm Regn. No. 004661N

G. K. AGRAWAL
Partner
M No. 081603

Place : Chennai
Date : April 12, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT ON EVEN DATE

RE: L&T GREAT EASTERN HIGHWAY LIMITED

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) 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 the nature of its assets. No material discrepancies were noticed on such verification.
- c) According to the information and explanations given to us, during the year no substantial disposal of fixed assets of the Company has taken place which would have affected its going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence Para 4 (ii) (a), (b) and (c) of the companies (Auditor's report) Order 2003 relating to inventory 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 the provision of paragraph 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the provision of paragraph 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets. During the course of our audit, we have not observed any major weakness in internal control system. Further, the provision of Paragraph 4(iv) with respect to sale of goods and purchase of inventory are not applicable to the Company.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, there are no particulars of contracts or arrangement during the year which are required to be entered in the register maintained pursuant to section 301 of the Companies Act, 1956.
- (b) paragraph 4(ii)(b) of the said order is not applicable, as there are no such transactions during the year.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and relevant rules framed there under are not acceptable to the Company.
- (vii) The internal audit system has been carried out by group internal audit team and scope of audit commensurate with its size and nature of business.
- (viii) According to the information and explanations given to us, we are of the opinion that prima facie, cost records prescribed, pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956, are made and maintained.
- (ix) (a) The Company is generally regular in depositing all undisputed statutory dues relating to Income tax deducted at source, service tax and value added tax. We are informed that the provision of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Wealth Tax, Custom duty, Excise Duty, Cess is not applicable to the Company. As per records produced before us, there are no undisputed dues which were outstanding as on March 31, 2014 for a period over six month from the date of same become payable.
- (b) According to information and explanation given to us, there are no statutory dues pending in respect of income-tax, sales tax, Value Added Tax, service tax, custom duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company is in existence for a period less than five years; hence reporting requirements under Para 4(x) of the Companies (Auditor's report) Order 2003 are not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank.
- (xii) Based on our examination of the records and 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 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.
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. However, the surplus funds have been invested in mutual funds. Proper records have been maintained for the transaction and contacts for the investment in mutual funds and are updated on a timely basis. The investments have been held by the Company in its own name.

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT (Contd.)

- (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, and on the basis of books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that the term loan have been utilized for the purposes for which the loan were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) Based on the audit procedures performed and the information and explanations given to us by the management, 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 on the terms and conditions which are prejudicial to the interest of the Company.
- (xix) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.
- (xx) According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GIANENDER & ASSOCIATES**
Chartered Accountants
Firm Regn. No. 004661N

G. K. AGRAWAL
Partner
M No. 081603

Place : Chennai
Date : April 12, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at March 31, 2014		As at March 31, 2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	A	22,16,50,000		8,69,50,000	
Reserves and surplus	B	(30,30,505)		(28,72,885)	
			21,86,19,495		8,40,77,115
Share Application money pending allotment	C		-		3,58,00,000
Non Current Liabilities					
Long term Provisions	D		972,606		4,63,261
Current liabilities					
Trade payables	E(I)	1,65,84,956		-	
Other current liabilities	E(II)	2,79,52,271		66,57,136	
Short-term provisions	E(III)	29,64,510		32,68,591	
			4,75,01,737		99,25,727
TOTAL			26,70,93,838		13,02,66,103
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	F(I)	73,97,467		78,92,713	
Intangible assets	F(II)	70,612		1,51,531	
Intangibles under development	F(III)	18,04,83,839		11,48,37,431	
			18,79,51,918		12,28,81,675
Long-term loans and advances	G		5,00,00,000	-	
Current assets					
Trade receivables	H(I)	99,99,607			
Cash and bank balances	H(II)	5,29,545		15,52,040	
Short-term loans and advances	H(III)	1,53,93,269		44,15,040	
Other Current Assets	H(IV)	32,19,499		14,17,348	
			2,91,41,920		73,84,428
TOTAL			26,70,93,838		13,02,66,103
CONTINGENT LIABILITIES	I		-		-
COMMITMENTS	J				
OTHER NOTES FORMING PART OF ACCOUNTS	P				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

For and on behalf of the Board of Directors

For GIANENDER AND ASSOCIATESChartered Accountants
ICAI registration number: 04661N
by the hand of**G. K. AGRAWAL**Partner
Membership No: 081603Place : Chennai
Date : April 12, 2014**KARTHIKEYAN T. V.**

Director

Place : Chennai
Date : April 12, 2014**T. S. VENKATESAN**

Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013 -14		From April 12, 2012 to March 31, 2013	
		₹	₹	₹	₹
REVENUE					
Revenue from Operations	K-1		6,85,12,279		—
Other income	K-2		73,384		—
Total Revenue			6,85,85,663		—
EXPENSES					
Operating expenses	L		6,83,42,625		—
Administration and other expenses	M		4,00,658		28,72,885
Total Expenses			6,87,43,283		28,72,885
Profit/(loss) before tax			(1,57,620)		(28,72,885)
Tax Expense:					
Current tax			—		—
Excess provision written back - prior year			—		—
Deferred tax			—		—
			—		—
Profit/(loss) after tax for the year			(1,57,620)		(28,72,885)
Earnings per equity share (Basic and Diluted)	P(7)		(0.01)		(2.47)
Face value per equity share			10.00		10.00
OTHER NOTES FORMING PART OF ACCOUNTS	P				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

For GIANENDER AND ASSOCIATES

Chartered Accountants

ICAI registration number: 04661N

by the hand of

G. K. AGRAWAL

Partner

Membership No: 081603

Place : Chennai

Date : April 12, 2014

For and on behalf of the Board of Directors

KARTHIKEYAN T. V.

Director

T. S. VENKATESAN

Director

Place : Chennai

Date : April 12, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Net profit / (loss) before tax and extraordinary items	(1,57,620)	(28,72,885)
Adjustment for		
Depreciation and amortisation expense	-	-
Operating profit before working capital changes	(1,57,620)	(28,72,885)
Adjustments for:		
Increase / (Decrease) in other current liabilities	3,78,80,091	66,57,136
(Increase) / Decrease in other current assets	(1,18,01,758)	(14,17,348)
Net cash generated from/(used in) operating activities	2,59,20,713	23,66,903
Direct taxes paid (net of refunds)	-	-
Net Cash (used in)/generated from Operating Activities	2,59,20,713	23,66,903
B Cash flow from investing activities		
Purchase of fixed assets	5,76,165	(84,51,730)
Purchase of intangible assets	-	(2,03,805)
Investment in intangible asset under development (net of depreciation)	(6,56,46,408)	(11,42,26,140)
Increase in short term loans and advance	(1,09,78,229)	(44,15,040)
Increase / (Decrease) in short term provisions	(3,04,081)	32,68,591
Increase / (Decrease) in long term provisions	5,09,345	4,63,261
(Increase) / Decrease in loan term loans and advances	(5,00,00,000)	-
Interest received	-	-
Net cash (used in) / generated from investing activities	(12,58,43,208)	(12,35,64,863)
C Cash flow from financing activities		
Equity Share Capital	9,89,00,000	8,69,50,000
Advance against Equity Share Capital	-	3,58,00,000
Net cash (used in)/generated from financing activities	9,89,00,000	12,27,50,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(10,22,495)	15,52,040
Cash and cash equivalents as at the beginning of the year	15,52,040	-
Cash and cash equivalents as at the end of the year	5,29,545	15,52,040

Notes:

- Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash Flow Statement" as specified in the Companies (Accounting Standards) Rules 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous period's figures have been regrouped / reclassified wherever applicable.
- Components of Cash and cash equivalents

	₹	₹
Cash on Hand	-	-
Balance with Scheduled Banks - Current Accounts	5,29,545	15,52,040
Balance with Scheduled Banks in term deposits	-	-
Cash & Bank Balances	5,29,545	15,52,040

As per our report attached

For and on behalf of the Board

For GIANENDER AND ASSOCIATESChartered Accountants
ICAI registration number: 04661N

by the hand of

G. K. AGRAWAL

Partner

Membership No: 081603

Place : Chennai
Date : April 12, 2014**KARTHIKEYAN T. V.**

Director

T. S. VENKATESAN

Director

Place : Chennai
Date : April 12, 2014

NOTES FORMING PART OF ACCOUNTS

NOTE A

SHARE CAPITAL

Particulars	As at March 31, 2014		As at March 31, 2013	
	No of Shares	₹	No of Shares	₹
(i) Authorised, issued, subscribed and paid up				
Authorised:				
Equity shares of ₹ 10 each	5,50,00,000	5,50,00,000	5,50,00,000	55,00,00,000
Issued, subscribed and paid up				
Equity shares of ₹ 10 each fully paid up	2,21,65,000	22,16,50,000	86,95,000	8,69,50,000
(ii) Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:				
At the beginning of the year	86,95,000	8,69,50,000		–
Issued during the year as fully paid	1,34,70,000	13,47,00,000	86,95,000	8,69,50,000
At the end of the year	2,21,65,000	22,16,50,000	86,95,000	8,69,50,000

(iii) Terms / rights attached to shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

No Dividend is declared by the Board of Directors during the year. (Previous Year - Nil)

(iv) Details of Shares held by Holding Company / Ultimate Holding Company/its subsidiaries or associates:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No of Shares	₹	No of Shares	₹
Holding Company:				
L&T Infrastructure Development Projects Limited (including nominees' holding)	2,21,65,000	22,16,50,000	86,95,000	8,69,50,000
	2,21,65,000	22,16,50,000	86,95,000	8,69,50,000

(v) Details of Shareholders holding more than 5% shares in the Company:

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	%	No. of Shares	%
Holding Company:				
L&T Infrastructure Development Projects Limited (including nominees' holding)	2,21,65,000	100.00	86,95,000	100.00
	2,21,65,000	100.00	86,95,000	100.00

(vi) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date : NIL**(vii) Calls unpaid : NIL; Forfeited Shares : NIL**

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at March 31, 2014		As at March 31, 2013	
	₹	₹	₹	₹
NOTE B				
RESERVES AND SURPLUS				
Surplus / (Deficit) as per Statement of Profit and loss:				
As per last Balance Sheet	(28,72,885)		–	
Add: Profit/(Loss) for the year	(1,57,620)		(28,72,885)	
		(30,30,505)		(28,72,885)
		(30,30,505)		(28,72,885)

**NOTE C
SHARE APPLICATION MONEY PENDING ALLOTMENT**

Share application money pending allotment		–		3,58,00,000
		–		3,58,00,000

Disclosures pertaining to Share Application Money is as under :

Terms and Conditions

At Par, ranking pari-passu with the existing Equity Shares

The amount of Premium was ₹ NIL

The Company had sufficient authorised share capital to cover the share capital amount on allotment of shares out of share application money

	As at March 31, 2014		As at March 31, 2013	
	₹	₹	₹	₹
NOTE D				
LONG TERM PROVISIONS				
Provision for employee benefits				
Gratuity (Refer note P(3)(ii))	4,42,481		1,50,385	
Compensated absences (Refer note P(3)(ii))	5,30,125		3,12,876	
		9,72,606		4,63,261
TOTAL		9,72,606		4,63,261

**NOTE E(I)
TRADE PAYABLES**

Payable to subcontractor		1,65,84,956		–
		1,65,84,956		–

**NOTE E(II)
OTHER CURRENT LIABILITIES**

Due to Related Parties				–
Larsen and Toubro Limited (ultimate holding Company)	1,44,824			–
Statutory liabilities	55,09,711		11,62,157	
Retention Payable	31,44,713			–
Liability for Expenses	1,91,53,023		54,94,979	
		2,79,52,271		66,57,136
TOTAL		2,79,52,271		66,57,136

NOTE E(II)(a)

There have been no transactions during the year (*previous year: ₹ Nil*) with Micro and small enterprises covered under the Micro, Small and Medium enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at March 31, 2014		As at March 31, 2013	
	₹	₹	₹	₹
NOTE E(III)				
SHORT TERM PROVISIONS				
Provision for employee benefits				
Gratuity (Refer note P(3)(ii))		10,022		475
Compensated absences (Refer note P(3)(ii))		26,024		15,199
			36,046	15,674
Others :				
Provision for Expenses		29,28,464		32,52,917
TOTAL		29,64,510		32,68,591

NOTE F(I)**TANGIBLE ASSETS**

Particulars	Cost				Depreciation			Book Value		
	As at April 01, 2013	Additions	Deductions	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Land (Refer note E(I)(a))	19,60,000	–	–	19,60,000	–	–	–	–	19,60,000	19,60,000
Building	–	–	–	–	–	–	–	–	–	–
Plant and Equipment	5,17,038	–	–	5,17,038	14,008	62,590	–	76,598	4,40,440	5,03,030
Furniture and fixtures	15,61,199	2,96,185	–	18,57,384	93,809	2,60,637	–	3,54,446	15,02,938	14,67,390
Vehicles	–	–	–	–	–	–	–	–	–	–
Office equipment	18,94,834	(1,23,247)	–	17,71,587	1,84,775	4,53,388	–	6,38,163	11,33,424	17,10,059
Electrical installations	–	3,45,627	–	3,45,627	–	1,00,763	–	1,00,763	2,44,864	–
Air conditioning and Refrigeration	5,24,273	2,43,885	–	7,68,158	34,093	1,03,583	–	1,37,676	6,30,482	4,90,180
Computers, laptops and printers	19,94,386	3,03,195	–	22,97,581	2,32,332	5,79,930	–	8,12,262	14,85,319	17,62,054
TOTAL	84,51,730	10,65,645	–	95,17,375	5,59,017	15,60,891	–	21,19,908	73,97,467	78,92,713
<i>Previous year</i>		84,51,730		84,51,730		5,59,017		5,59,017		

NOTE F(II)**INTANGIBLE ASSETS**

Particulars	Cost				Amortisation			Book Value		
	As at April 01, 2013	Additions	Deductions	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Specialized Software	2,03,805	–	–	2,03,805	52,274	80,919	–	1,33,193	70,612	1,51,531
Toll collection rights (Refer notes below)	–	–	–	–	–	–	–	–	–	–
TOTAL	2,03,805	–	–	2,03,805	52,274	80,919	–	1,33,193	70,612	1,51,531
<i>Previous year</i>		2,03,805		2,03,805		52,274		52,274		

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE F(III)****INTANGIBLE ASSETS UNDER DEVELOPMENT**

	As at April 01, 2013	For the year	As at March 31, 2014
	₹	₹	₹
Pre-operative expenses pending allocation			
Security charges		4,91,086	4,91,086
Repairs and maintenance	17,88,983	20,97,027	38,86,010
Power and fuel	2,04,179	7,48,661	9,52,840
Depreciation and amortisation	6,11,291	17,32,528	23,43,819
Salaries and wages	1,11,95,010	1,76,86,132	2,88,81,142
Contribution and provisions for			
Provident fund	3,67,139	9,61,537	13,28,676
Gratuity	1,50,860	2,59,413	4,10,273
Compensated absences	3,28,075	2,45,046	5,73,121
Staff Welfare Expenses	4,32,349	10,74,022	15,06,371
Bank charges and bank guarantee charges	18,70,758	41,62,393	60,33,151
Finance Charges Others	7,93,37,452	-	7,93,37,452
Rent, rates and taxes	15,01,686	31,77,203	46,78,889
Professional fees	52,57,871	2,13,20,103	2,65,77,974
Business Support Service Charges	57,94,813	44,28,513	1,02,23,326
Postage and Communication expenses	2,35,238	6,96,903	9,32,141
Printing and Stationery	6,71,741	4,44,756	11,16,497
Car Hire Charges	31,20,889	43,14,747	74,35,636
Travelling and conveyance	43,5,304	8,41,948	12,77,252
Auditors Remuneration	1,12,360	-	1,12,360
Business Promotion Expenses	7,94,687	-	7,94,687
Computer Software License Charges	-	5,87,710	5,87,710
Actuary Charges	7,865	-	7,865
Miscellaneous expenses	6,21,374	3,76,680	9,98,054
Less:			
Interest income	2,493	-	2,493
TOTAL	11,48,37,431	6,56,46,408	18,04,83,839

The Company has not entered into any finance lease. The Company has taken office premises and Guest house under cancellable operating lease. These agreements are normally renewed on expiry. Lease rental expenses in respect of operating leases for the year ₹ 29,25,793 (*previous year*: ₹ 15,01,686) has been included in Pre-operative expenses.

	As at March 31, 2014	As at March 31, 2013
	₹	₹
NOTE G		
LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital Advance		
– Larsen and Toubro Limited (ultimate holding Company)	5,00,00,000	-
TOTAL	5,00,00,000	-

NOTE H(I)**TRADE RECEIVABLE**

Receivable dues from NHAI	99,99,607	-
TOTAL	99,99,607	-

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
NOTE H(II)		
CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks	5,29,545	15,52,040
Cash on hand	-	-
Other bank balances		
In deposit accounts with maturity more than three months	-	-
TOTAL	5,29,545	15,52,040
NOTE H(III)		
SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good		
Security Deposits	8,12,409	15,27,300
Advance to Subcontractor	46,99,593	-
Advance for insurance	20,00,000	20,00,000
Prepaid Expense	7,64,189	8,87,740
Cenvat Credit Receivable	23,40,648	-
Tax Deducted at Source	12,77,591	-
Work Contract Tax	34,98,839	-
TOTAL	1,53,93,269	44,15,040
NOTE H(IV)		
OTHER CURRENT ASSETS		
L&T East-West Tollway Ltd, Fellow Subsidiary	-	14,17,348
Retention Receivable from NHAI	31,75,637	-
Other Receivable	43,862	-
TOTAL	32,19,499	14,17,348
NOTE I		
CONTINGENT LIABILITIES as at March 31, 2014 ₹ Nil (previous year: ₹ Nil)		
NOTE J		
COMMITMENTS as at March 31, 2014 ₹ 5597,71,63,562 (previous year: ₹ 5602,71,63,562).		
	2013 – 2014	2012 – 2013
	₹	₹
NOTE K		
REVENUE		
K-1 Revenue from Operations		
Contract revenue (Refer note P(9))	6,85,12,279	-
TOTAL	6,85,12,279	-
K-2 Interest income from:		
Bank deposits	73,384	-
TOTAL	73,384	-

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013 – 2014		2012 – 2013	
	₹	₹	₹	₹
NOTE L				
OPERATING EXPENSES				
Contract cost (Refer note P(9))		6,83,42,625		
TOTAL		6,83,42,625		

NOTE M**ADMINISTRATION AND OTHER EXPENSES**

Professional fees (Audit Fees & ROC Fees)		1,31,158		
Sales / Business Promotion		2,69,500		
TOTAL		4,00,658		

(a) Professional fees includes Auditors remuneration (including service tax) as follows:

a) As auditor		1,12,360		1,12,360
b) For other services		34,270		
TOTAL		1,46,630		1,12,360

P(1) Corporate Information

The Company has been awarded a Project to augment the existing road from KM 441.950 to KM 650.794 (approximately 208.844 km) of Jalgaon-Maharashtra / Gujarat Border Section of National Highway No.6 in the State of Maharashtra by four-Laning on BOT (Toll) Basis on Design, Build, Finance, Operate and Transfer (DBFOT) pattern, the project under Concession Agreement dated June 6th, 2012 with the National Highways Authority of India (NHAI). The Concession Agreement is for a period of 20 years from the Appointed Date as stated in clause 3.1.1 of Article-3 of the Concession Agreement i.e., June 6th, 2012. At the end of the Concession Period, the entire facility has to be transferred to National Highway Authority of India (NHAI), free and clear of all encumbrances, vide Article 38.1.1 of the Concession Agreement. Appointed date is yet to be declared by National Highway Authority of India (NHAI).

P(2) The Company has not earned any income/incurred any expenditure in foreign currency during the year (*previous year: ₹ Nil*).

P(3) Disclosure pursuant to Accounting Standard (AS) 15 (revised) on "Employee benefits":**(i) Defined contribution plan:**

An amount of ₹ 11,18,066 (*previous year : ₹ 3,67,139*) being contribution made to Regional Provident Fund, Nagpur is recognised as expense and included under Employee benefit expense (Note M) in the Statement of Profit and loss and Preoperative Expenses.

(ii) Defined benefit plans:

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

	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
– Wholly funded	–	–	–	–
– Wholly unfunded	4,52,503	1,50,860	5,56,149	3,28,075
	4,52,503	1,50,860	5,56,149	3,28,075
Less : Fair value of plan assets	–	–	–	–
Amount to be recognised as liability or (asset)	4,52,503	1,50,860	5,56,149	3,28,075
B) Amounts reflected in the Balance Sheet				
Liabilities	4,52,503	1,50,860	5,56,149	3,28,075
Assets	–	–	–	–
Net Liability / (asset)	4,52,503	1,50,860	5,56,149	3,28,075

NOTES FORMING PART OF ACCOUNTS (Contd.)

b) The amounts recognised in the Statement of Profit and Loss are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
1 Current service cost	2,07,493	1,01,649	1,54,735	2,05,935
2 Interest Cost	12,220		24,271	
3 Expected return on plan assets				
4 Actuarial losses/(gains)	81,930		1,05,931	–
5 Past service cost	–	49,211	–	1,22,140
6 Actuarial gain/(loss) not recognised in books	–	–	–	–
7 Adjustment for earlier years	–	–	–	–
Total (1 to 7)	3,01,643	1,50,860	2,84,937	3,28,075
I Amount included in "employee benefit expenses"	3,01,643	1,50,860	2,84,937	3,28,075
II Amount included as part of "finance costs"	–	–	–	–
Total (I + II)	3,01,643	1,50,860	2,84,937	3,28,075
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:

Opening balance of the present value of defined benefit obligation	1,50,860	–	3,28,075	–
Add: Current service cost	2,07,493	1,01,649	1,54,735	2,05,935
Add: Interest cost	12,220	–	24,271	–
Add: Contribution by plan participants				
i) Employer	–	–	–	–
ii) Employee	–	–	–	–
Add/(less): Actuarial losses/(gains)	81,930	–	1,05,931	–
Less: Benefits paid	–		(56,863)	
Add: Past service cost	–	49,211	–	1,22,140
Closing balance of the present value of defined benefit obligation	4,52,503	1,50,860	5,56,149	3,28,075

d) Principal actuarial assumptions at the Balance Sheet date:

	As at March 31, 2014	As at March 31, 2013
1) Discount rate	9.10%	8.10%
2) Salary growth rate	6.00%	6.00%
3) Attrition rate	5.00%	5.00%

P(4) Disclosure pursuant to Accounting Standard (AS) – 16 “Borrowing Costs”

Borrowing cost capitalised during the year ₹ Nil. (previous year :₹ Nil)

P(5) Segment Information

The Company is engaged in the business of construction, operation and maintenance of Toll road projects on a Build Operate Transfer basis in a single business segment. Hence reporting on primary segment does not arise. The Company does not have operations outside India. Hence, disclosure of secondary / geographical segment information does not arise.

NOTES FORMING PART OF ACCOUNTS (Contd.)**P(6) Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"****a) List of related parties**

Holding Company	:	L&T Infrastructure Development Projects Limited
Ultimate Holding Company :	:	Larsen & Toubro Limited
Fellow Subsidiaries (With whom transactions entered during the year)	:	L&T East-West Tollway Ltd L&T Ahmedabad-Maliya Tollway Limited L&T Rajkot-Vadinar Tollway Limited

b) Disclosure of related party transactions:

	2013-14	2012-13
	₹	₹
Holding Company		
L&T Infrastructure Development Projects Limited		
• Share Capital	9,89,00,000	8,69,50,000
• Advance against Equity	-	3,58,00,000
• Business Support Services received	-	56,43,127
Purchase of goods and services		
• Reimbursement of expenses to	3,500	3,68,885
• Reimbursement of expenses from	70,759	4,35,450
Ultimate holding company		
Larsen & Toubro Limited		
• Payroll Processing Services	2,69,664	1,51,686
• Reimbursement of Expenses from (INFRA IC)	5,40,207	7,84,864
• Payment of EIP Implementation & License Charges	6,65,284	
• Payment of Software Subscription fees to (PAC)	1,87,866	3,34,400
• Payment towards Mobilisation Advance	5,00,00,000	
• Payment towards salary funding	1,75,20,428	
• Reimbursement of expenses to	33,09,268	
Fellow Subsidiaries		
L&T East-West Tollway Limited		
• Reimbursement of expenses from	-	21,28,014
• Reimbursement of expenses to	-	7,10,666
L&T Ahmedabad-Maliya Tollway Limited		
• Reimbursement of expenses to	93,082	2,05,460
L&T Rajkot-Vadinar Tollway Limited		
• Reimbursement of expenses to	8,900	2,52,311

c) Amount due to and due from related parties (net):**Holding Company**

L&T Infrastructure Development Projects Limited	-
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Ultimate Holding Company

Larsen & Toubro Limited	(1,44,824)
-------------------------	------------

Fellow Subsidiaries

L&T East-West Tollway Limited	-	14,17,348
L&T Ahmedabad-Maliya Tollway Limited	-	
L&T Rajkot-Vadinar Tollway Limited	-	

d) No amounts pertaining to related parties have been written off or written back during the year. (previous year: ₹ Nil).

NOTES FORMING PART OF ACCOUNTS (Contd.)**P(7) DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 20 "EARNINGS PER SHARE"**

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) "Earnings per share".

		2013-14	2012-13
		₹	₹
Basic and Diluted			
Profit after tax as per accounts (₹)	A	(1,57,620)	(28,72,885)
Weighted average number of shares outstanding	B	1,78,34,342	11,64,685
Basic and Diluted EPS (₹)	A / B	(0.01)	(2.47)
Face value per equity share (₹)		10.00	10.00

P(8) DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 28 "IMPAIRMENT OF ASSETS"

Based on a review of the future discounted cash flows of the project facility, the recoverable amount is higher than the carrying amount and hence no provision for impairment is made for the year.

P(9) DISCLOSURE PURSUANT TO AS 7

		2013-14	2012-13
		₹	₹
I) Contract revenue recognised for the financial year		6,85,12,279	-
II) Aggregate amount of contract costs incurred and recognised profits (less recognised losses) as at the end of financial year for all contracts in progress as at that date		6,83,42,625	-
III) Retention amounts		31,75,633	-

P(10) PREVIOUS YEAR FIGURES

The previous year figures have been regrouped/reclassified wherever considered necessary to confirm to this year's classification.

As per our report attached

For and on behalf of the Board

For GIANENDER AND ASSOCIATESChartered Accountants
ICAI registration number: 04661N
by the hand of**G. K. AGRAWAL**
Partner
Membership No: 081603Place : Chennai
Date : April 12, 2014**KARTHIKEYAN T. V.**
Director**T. S. VENKATESAN**
DirectorPlace : Chennai
Date : April 12, 2014

NOTES FORMING PART OF ACCOUNTS (Contd.)

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"), 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, 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 year, 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, allowance 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3. Revenue recognition

Revenue is recognized based on the nature of activity when consideration can be reasonable measured and there exists reasonable certainty of its recovery.

A. Revenue from Operations

A Contract Revenue

Fixed Price Contracts

Contract revenue is recognised only to the extent of cost incurred till such time the out come of the job can not be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognised at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to total estimated contract cost.

B. Other income

- a Interest income is accrued at applicable interest rate on time proportion basis.
- b Dividend income is accounted when the right to receive the same is established.
- c Other items of income are accounted for as and when the right to receive arises.

4. 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. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

B Post employment benefits

(a) Defined contribution plans:

The Company's obligation to employees provident fund is a defined contribution plan. The contribution paid/payable is recognized in the period in which the employee renders the related service.

(b) Defined benefit plans:

The Company's obligation towards gratuity is a 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 Statement of Profit and Loss and Preoperative expenses

NOTES FORMING PART OF ACCOUNTS (Contd.)**C Long term employee benefits:**

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

5. Tangible fixed assets

Tangible fixed assets are stated at original cost net of tax/duty availed, if any, less accumulated depreciation and cumulative impairment.

Assets acquired on hire purchase if any, basis are stated at their cash values. Specific know-how fees paid, if any, relating to plant and equipment is treated as part of cost thereof.

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.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress"

6. Depreciation

Tangible Assets are depreciated on straight-line-basis at the rates specified in Schedule XIV to the companies Act 1956. In respect of the following categories of fixed assets, depreciation is provided at higher rates in line with their estimated useful life.

Category of Asset	Rate of Depreciation (% p.a)
i Furniture and fixture	10%
ii Office equipment	25%
iii Computers - Desktops and laptops	25%
iv Plant and Equipment	11.11%
v Air conditioners	8.33%
vi Electrical Installations	25%

Depreciation on additions/deductions is calculated pro-rata from/to the month of additions/deductions. Depreciation on second hand/used assets acquired by the Company is provided in line with their balance estimated useful life.

Individual assets whose value is below 5,000 are fully depreciated at 100%.

7. Intangible assets and amortisation**a) Intangible assets**

Intangible Asset is recognized when it is probable that 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 directly attributable to acquisition of intangible assets are allocated and capitalized as part of cost of the Intangible assets.

b) Amortisation

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.

Specialized software is amortized over a period of three years on straight line basis from the month in which the addition is made.

8. Investments

Investments, if any, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long term investments, if any, to be carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature.

Current investments, if any, are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

9. Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

NOTES FORMING PART OF ACCOUNTS (Contd.)

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 at 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. Foreign Currency Transactions

- (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. 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) 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 expense in the period in which they arise.

11. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposit, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

12. 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 assets. 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. In compliance of As 16 "Borrowing Costs", income earned on investments, out of funds intermittently surplus but which are inextricably linked to the project will be deducted from the related borrowing costs incurred.

13. Taxes on income

Tax 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 the 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 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 realised.

14. 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.

- (i) Segment revenue includes sales directly identifiable with/allocable to the segment.
- (ii) Expenses that are directly identifiable with/allocable to the 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 corporate expenditure".
- (iii) Income which relate to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- (iv) Segments assets and liabilities include those directly identifiable with 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.

15. 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 off to Profit and Loss statement on accrual basis. Lease rentals specifically attributable to the project are accounted under pre-operative expenses pending allocation to fixed assets

NOTES FORMING PART OF ACCOUNTS (Contd.)

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

- (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.

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

- (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 arising from a past event 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.

17. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments made in the normal course of business are not disclosed to avoid excessive details.

18. Operating cycle for current/non-current classification:

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

19. Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report attached

For and on behalf of the Board

For GIANENDER AND ASSOCIATES

Chartered Accountants
ICAI registration number: 04661N
by the hand of

G. K. AGRAWAL

Partner
Membership No: 081603

Place : Chennai
Date : April 12, 2014

KARTHIKEYAN T. V.
Director

T. S. VENKATESAN
Director

Place : Chennai
Date : April 12, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourth Annual Report and the Audited Accounts of the Company for the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The Balance Sheet, Profit and Loss Account and the Cash Flow Statements of the Company for the Financial Year ended March 31, 2014 have been drawn to comply with the provisions of Companies Act, 1956. The highlights of the financial results are as under:

Particulars	March 31, 2014 (₹ in Lakhs)	March 31, 2013 (₹ in Lakhs)
Total Income	307.96	160.31
Total Expenditure	327.18	28.79
Profit / (Loss) before Tax	(19.21)	131.52
Provision for Tax	3.13	2.89
Net Profit / (Loss) after Tax	(22.34)	128.63
Balance carried to Balance Sheet	(22.34)	128.63
Net Worth	1,15,232.97	53,026.31
Non-Current Liabilities	2,57,517.80	1,23,756.91
Net Current Assets	(10,624.45)	(7,426.46)
Non-Current Assets	3,23,691.32	1,22,825.11

DIVIDEND

Your Directors have not recommended any dividend on equity shares for the year under review.

PERFORMANCE OF THE COMPANY

A. Income and Expenditure

The Directors wish to inform you that your Company has recorded an Income of ₹ 307.96 lakhs from interest on Fixed Deposits and Dividend from mutual funds, and the expenditure incurred during the year is ₹ 327.18 lakhs.

Your Company is yet to commence operations of Hyderabad Metro Rail Project.

B. Project Progress

Your Company is executing Hyderabad Metro Rail Project on a stretch of 71.16 kms in three different corridors as detailed hereunder:

Corridors	Corridor Details	Kilometers
Corridor I	Miyapur - LB Nagar	28.87
Corridor II	JBS - Falaknuma	14.78
Corridor III	Nagole - Shilparamam	27.51

Your Company has divided the entire stretch into 6 stages. The construction works on Corridor I and III are progressing at brisk pace. There are few hurdles on Corridor II which are expected to be resolved during the current financial year and the construction works on this stretch shall be taken up in full flow after the issues are resolved. Your Company is planning to commission initial 8 kms on Stage 1 by March, 2015.

Construction works on Nagole Depot has almost completed and the depot is ready for commissioning. 80% of Construction works has been completed at Miyapur Depot.

Your Company has taken up the development of Transit Orientation Development (TOD) at three prominent sites of Hyderabad Metro Rail Project.

C. Capital Expenditure

During the year under review, your Company has incurred an amount of ₹ 1996 crores towards the implementation of the project as against ₹ 1419 crores incurred during the previous financial year. The total expenditure incurred on the project as on March 31, 2014 is ₹ 3844 crores.

D. Share Capital

During the year under review, your Company has increased its subscribed and paid up capital from ₹ 529,99,96,060/- (Rupees Five Hundred Twenty Nine Core Ninety Nine Lakhs Ninety Six Thousand Sixty only) divided into 52,99,99,606 shares of ₹ 10/- each to ₹ 1155,39,76,060/- (Rupees One Thousand One Hundred Fifty Five Crores Thirty Nine Lakhs Seventy Six Thousand Sixty only) divided into 115,53,97,606 Equity Shares of ₹ 10/- each, by allotment of 62,53,980 shares of ₹ 10/- each to Larsen and Toubro Limited and 61,91,44,020 shares of ₹ 10/- each to L&T Infrastructure Development Projects Limited.

L&T METRO RAIL (HYDERABAD) LIMITED

E. Term Loans

During the year under review, your Company took the disbursements of ₹ 1335 Crores of Term Loans from Banks as against ₹ 1237 Crores of disbursement of Term Loans during the previous financial year taking the total term loans outstanding as on March 31, 2014 to ₹ 2572 crores, towards implementation of the Hyderabad Metro Rail Project. With the slowdown of Economy and the Inflation Rates in India the Monetary Policy of Reserve Bank of India has increased the cost of borrowings of your Company thereby resulting in escalation in Project Cost.

AUDIT COMMITTEE

Audit Committee of your Company has been constituted in terms of Section 292A of the Companies Act, 1956, under the Chairmanship of Mr. K. Venkatesh with Mrs. Sheela Bhide and Mr. Ajit Rangnekar as other members of the Committee.

SUBSIDIARY COMPANY

During the year under review, your Company doesn't have any subsidiary.

DEPOSITS

The Company has not accepted any deposits from the public.

DIRECTORS

The Board of Directors of your Company are comprised of eminent professionals from different sectors with rich experience in their respective fields and are leading your Company towards implementation of Hyderabad Metro Rail Project. A brief of the Board is furnished hereunder:

S.No.	Name of the Director	Designation	Profile
1.	Mr. Y. M. Deosthalee	Chairman	Mr. Deosthalee is a Chartered Accountant and also has a degree in law. He is acting as Chairman of the Board of Directors of the Company. He has 40 years of rich work experience in human resource functions, risk management, mergers and acquisitions and concessions business etc., in L&T Group.
2.	Mr. S. N. Talwar	Independent Director	Mr. S. N. Talwar is a Bachelor Degree holder in Commerce and Law and is acting as Independent Director on the Board of Directors of the Company. He has over 45 years of experience in the legal field and has served many industrial groups in the country and multi-national companies.
3.	Mr. V. B. Gadgil	Director	Mr. Vivek Bhaskar Gadgil, Chief Executive & Managing Director - L&T Metro Rail (Hyderabad) Limited, is a graduate in Civil Engineer, from Marathwada University and a gold medalist. He has over 40 years of rich and varied experience in the construction & related fields.
4.	Mr. K. Venkatesh	Director	Mr.K.Venkatesh is Chartered Accountant and a Cost Accountant and has over 35 years of experience in Corporate Finance and Accounts, Project Bidding, Structuring, Financial Closure, Project Management and Operations & Maintenance of Infrastructure projects.
5.	Mrs. Sheela Bhide	Independent Director	Mrs. Sheela Bhide is a retired IAS officer of 1973 and holds a doctorate in international trade from the Institute of International Studies, Geneva and also holds a masters degree in economics from George Mason University, United States of America, a masters in public policy from John F. Kennedy School of Government, Harvard University, United States of America.
6.	Mr. Ajit Rangnekar	Independent Director	Mr. Ajit Rangnekar is the Dean and Member of Governing Board of Indian School of Business and is acting as Independent Director on the Board of Directors of the Company. He holds a degree from the Indian Institute of Technology, Mumbai, and also a post graduate in Management from the Indian Institute of Management, Ahmedabad
7.	Mr. N V S Reddy	Government Nominee	Mr. N V S Reddy is currently acting as a Nominee Director on behalf of Government of Andhra Pradesh, on the Board of L&T Metro Rail (Hyderabad) Limited. He is IRAS officer and has over 30 years of managerial and administrative experience in Government of India, Government of AP and Public Sector Undertakings.

Mr. K. Venkatesh and Mr. Y. M. Deosthalee retire by rotation and being eligible, they have offered themselves for reappointment. The Board of Directors recommends their re-appointment.

AUDITORS

M/s M. K Dandekar & Co, Chartered Accountants, the existing statutory auditors holds the office until the conclusion of the Fourth Annual General Meeting and have shown their willingness to accept and hold the office till the conclusion of Sixth Annual General Meeting, if re-appointed, and have confirmed that their appointment will be within the limits of Section 141(3) of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit/loss of the Company for the said period;

- (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 for the financial year ended March 31, 2014 on a 'going concern' basis.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, there were no employees in your Company, exceeding the limits prescribed within the meaning of the above mentioned Section.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and Outgo are set out in Annexure I to the Directors' Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the continued support and co-operation of the shareholders, banks, various regulatory and government authorities and for the valuable contributions made by the employees of the Company.

On behalf of the Board of Directors
For L&T Metro Rail (Hyderabad) Limited

Place : Hyderabad
Date : April 16, 2014

V B GADGIL
Managing Director

K. VENKATESH
Director

ANNEXURE I TO DIRECTORS' REPORT

INFORMATION IN ACCORDANCE WITH THE PROVISIONS OF SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 REGARDING CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

CONSERVATION OF ENERGY

The activities / operations of the Company are yet to commence. The operations of the Company are not energy-intensive. However energy conservation is a priority area for the Company. Better controls are planned to achieve reduction in energy consumption. Various steps are being taken for reduction of energy on a continuous basis.

TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

There was no Technology Absorption during the year.

FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the foreign exchange earnings of your Company were ₹ Nil and the foreign exchange outgo was ₹ 7.63 Crores.

AUDITORS' REPORT

TO THE MEMBERS OF L&T METRO RAIL (HYDERABAD) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L & T METRO RAIL (HYDERABAD) LIMITED**, which comprise the Balance Sheet as at March 31, 2014, and the statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our auditing accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION:

In our opinion and to the best of our information and according to the explanations given to us, the said 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014,
- b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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 and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Statement of Profit and Loss 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, 2014, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

For M. K. DANDEKER & CO.
(Firm regn. No. 000679S)

K. J. DANDEKER
Partner

Chartered Accountants
Membership No. 018533

Place : Hyderabad
Date : April 16, 2014

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of L&T Metro Rail (Hyderabad) Limited on the accounts for the year ended March 31, 2014, 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 of any of its fixed assets so as to affect the going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence the clauses 4 (ii) (a), (b) & (c) of the Companies (Auditors' Report) Order 2003 relating to inventory are not applicable.
- (iii) According to the information & explanation 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)(b) 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 are adequate internal control systems commensurate with the size of the Company and 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 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 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 Section 58A, 58AA or any other relevant provisions of the Companies Act 1956. Hence Clause 4 (vi) of the Companies (Auditors' Report) Order 2003 is not applicable to the Company.
- (vii) The Company has an internal audit which is carried by an external firm of chartered accountants and the same is commensurate with the size of the Company and nature of its business.
- (viii) The Company is maintaining the cost records as prescribed by the Central Government 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 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, 2014, 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.
- (x) The Company has been registered for a period less than five years and hence reporting under clause 4(x) of the Companies (Auditors' Report) Order, 2003 regarding accumulated losses and cash losses do not arise.
- (xi) The Company has not defaulted in repayment of dues to any banks or 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) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures. However, the surplus funds have been invested in mutual funds. Proper records have been maintained for the transactions and contracts for the investment in mutual funds and are updated on a timely basis. The 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.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained by the Company.
- (xvii) In our opinion and according to the information and explanation given to us, the Company has raised funds on short term basis and applied the same for the purpose for which they were obtained.
- (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. 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 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

For M. K. DANDEKER & CO.
(Firm regn. No. 000679S)

K. J. DANDEKER
Partner

Chartered Accountants
Membership No. 018533

Place : Hyderabad
Date : April 16, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.3.2013	
		₹	₹	₹	₹
EQUITY & LIABILITIES:					
Shareholders' funds					
Share capital	A	1155,39,76,060		529,99,96,060	
Reserves and surplus	B	(3,06,78,978)		26,34,854	
			1152,32,97,082		530,26,30,914
Share Application Money pending allotment			-		-
Non- current liabilities					
Long term borrowings	C(I)	2571,67,99,996		1236,67,00,000	
Other long term liabilities	C(II)	3,49,80,153		89,90,688	
Current liabilities					
Trade payables	D(I)	101,82,67,811		97,71,22,893	
Other current liabilities	D(II)	44,03,60,747		19,59,09,150	
Short term provisions	D(III)	1,51,66,553		1,21,58,387	
			147,37,95,111		118,51,90,430
TOTAL			3874,88,72,342		1886,35,12,032
ASSETS:					
Non-current assets					
Fixed Assets					
Tangible assets	E(I)	4,67,50,451		6,14,14,542	
Intangible assets	E(I)	1,10,93,751		28,51,019	
Capital work in progress	E(II)	54,86,39,745		2,19,25,658	
Intangible assets under development	E(III)	3176,26,47,675		1219,63,20,030	
			3236,91,31,622		1228,25,11,249
Deferred tax assets	M(VII)	63,91,960		63,91,960	
Long term loans and advances	F	596,19,98,879		611,05,36,314	
Cash and bank balances	G		-	2,15,28,714	
Current assets					
Current Investments	H(I)	13,02,54,056		7,00,55,408	
Cash and Cash equivalents	H(II)	17,10,43,562		28,48,25,027	
Short term loans and advances	H(III)	11,00,52,263		8,76,63,360	
			41,13,49,881		44,25,43,795
TOTAL			3874,88,72,342		1886,35,12,032
Contingent Liabilities	I				
Commitments	J				
Other notes forming part of accounts	M				
Significant accounting policies	N				

The accompanying notes form an integral part of the Financial Statements.
As per our report attached

For and on behalf of the Board

For M. K. DANDEKER & CO.
Chartered Accountants
Firm registration number : 000679S
By the hand of

K. J. DANDEKER
Partner
Membership No : 018533

V.B.GADGIL
Chief Executive & Managing Director

K.VENKATESH
Director

ASHISH MALHOTRA
Company Secretary

Place : Hyderabad
Date : April 16, 2014

Place : Hyderabad
Date : April 16, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14		2012-13	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations			-		-
Other Income	K		3,07,96,437		1,60,31,522
Total Revenue			3,07,96,437		1,60,31,522
EXPENSES:					
Other expenses	L		3,27,17,714		28,79,171
Total Expenses			3,27,17,714		28,79,171
Profit/(Loss) before tax			(19,21,277)		1,31,52,351
Tax expenses					
Current tax		3,13,190		2,88,824	
Deferred tax		-		-	
			3,13,190		2,88,824
Profit after tax carried to Balance Sheet			(22,34,467)		1,28,63,527
Earnings per equity share:	M(VI)				
(a) Basic			-0.003		0.03
(b) Diluted			-0.003		0.03
(c) Face value			10.00		10.00
Other notes forming part of accounts	M				
Significant accounting policies	N				

The accompanying notes form an integral part of the Financial Statements.
As per our report attached

For and on behalf of the Board

For M. K. DANDEKER & CO.
Chartered Accountants
Firm registration number : 000679S
By the hand of

K. J. DANDEKER
Partner
Membership No : 018533

V.B.GADGIL
Chief Executive & Managing Director

K.VENKATESH
Director

ASHISH MALHOTRA
Company Secretary

Place : Hyderabad
Date : April 16, 2014

Place : Hyderabad
Date : April 16, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Cash flow from operating activities	-	-
B Cash flow from investing activities		
i) Net Profit before taxes from non operating activities	(19,21,277)	1,31,52,351
Adjustments for non operating items:		
Loss on sale of fixed Assets	14,189	39,000
Other non cash items	1,60,50,965	0
Short term capital Gain- Mutual Funds	0	(56,070)
Dividend on mutual fund received	(2,97,82,877)	(1,50,71,966)
Interest received	(8,59,100)	(7,57,805)
ii) Net profit from non operating activities	(1,64,98,100)	(26,94,490)
Adjustments for :		
(Increase) / Decrease in short term loans and advances	(2,26,03,985)	(2,47,92,617)
Increase/ (Decrease) in short term provisions	30,08,166	89,23,510
Increase/ (Decrease) in other current liabilities	23,84,66,184	1,04,27,51,185
(Increase) / Decrease in long term loans and advances	14,85,37,435	(440,53,91,328)
Increase/ (Decrease) in other long term liabilities	2,59,89,465	53,66,475
iii) Cash generated from/(used in) non operating activities	37,68,99,166	(337,58,37,265)
Direct taxes refund/ (paid)	(1,19,700)	(3,34,347)
iv) Net cash generated from /(used in) non operating activities	37,67,79,466	(337,61,71,612)
Purchase of fixed assets	(2008,66,20,373)	(963,43,50,426)
Sale of Fixed Assets	7,403	36,000
Investments	(6,01,98,648)	(7,00,55,408)
Short term capital Gain- Mutual Funds	-	56,070
Dividend on mutual fund received	2,97,82,877	1,50,71,966
Interest received	8,59,100	7,57,805
Cash generated from / (used in) investing activities	(1973,93,90,175)	(1306,46,55,606)
Extraordinary items	-	-
Net cash generated from / (used in) investing activities	(1973,93,90,175)	(1306,46,55,606)
C Cash flow from financing activities		
Equity share capital issued	625,39,80,000	93,00,00,000
Term Loan	1335,00,99,996	1236,67,00,000
Net cash generated from /(used in) financing activities	1960,40,79,996	1329,67,00,000
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(13,53,10,178)	23,20,44,394
Cash and cash equivalents as at the beginning	30,63,53,741	7,43,09,347
Cash and cash equivalents as at the end	17,10,43,562	30,63,53,741

- 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 Companies (Accounting Standards) Rules ,2006
- 2 Purchase of fixed assets includes movement of intangible assets under development and capital work in progress.
- 3 Cash and cash equivalents represent cash and bank balances .
- 4 Previous year's figures have been regrouped/reclassified wherever applicable

As per our report attached

For and on behalf of the Board

For M. K. DANDEKER & CO.

Chartered Accountants

Firm registration number : 000679S

By the hand of

K. J. DANDEKER

Partner

Membership No : 018533

V.B.GADGIL

Chief Executive & Managing Director

K.VENKATESH

Director

ASHISH MALHOTRA

Company Secretary

Place : Hyderabad
Date : April 16, 2014Place : Hyderabad
Date : April 16, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE - A				
SHARE CAPITAL				
A(I) Share capital authorised, issued, subscribed and paid up:				
Authorised shares				
243,90,00,000 (March 31, 2013: 243,90,00,000) equity shares of ₹ 10 each		2439,00,00,000		2439,00,00,000
Issued, subscribed and fully paid-up shares				
115,53,97,606 (March 31, 2013: 52,99,99,606) equity shares of ₹ 10 each		1155,39,76,060		529,99,96,060
TOTAL		1155,39,76,060		529,99,96,060
A(II) Reconciliation of the number of equity shares and share capital				
Issued, subscribed and fully paid up equity shares outstanding at beginning of the year	52,99,99,606	529,99,96,060	43,69,99,606	436,99,96,060
Shares issued during the year	62,53,98,000	625,39,80,000	9,30,00,000	93,00,00,000
Issued, subscribed and fully paid up equity shares outstanding at the end of the year	115,53,97,606	1155,39,76,060	52,99,99,606	529,99,96,060

A(iii) Terms/rights attached to equity shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific share holder.

The Company has allotted one non-transferable equity share (the Golden Share) to the Government of Andhra Pradesh (Government) having a par value of ₹ 10 in pursuance of the Shareholders' Agreement entered into with the Government and others. In terms of the said agreement, the Government shall be entitled to appoint a nominee director on the Board of Directors of the Company and so long as the Government holds the Golden Share, an affirmative vote of the Government or the director appointed by the Government shall be required for passing of, by the general meeting of the Company or the meeting of Board of Directors thereof, as the case may be, any resolution on all the reserved matters as specified in the said agreement.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
A(iv) Shares held by holding/ultimate holding company and/or their subsidiaries/associates				
L&T Infrastructure Development Projects Limited, the holding company				
114,38,43,620 (March 31, 2013: 52,46,99,600) equity shares of ₹ 10 each fully paid up		1143,84,36,200		524,69,96,000
Larsen & Toubro Limited, the ultimate holding company				
1,15,53,980 (March 31, 2013: 53,00,000) equity shares of ₹ 10 each fully paid up		11,55,39,800		5,30,00,000
A(v) Details of shareholders holding more than 5% shares in the Company				
Equity share of ₹ 10 each fully paid				
L&T Infrastructure Development Projects Limited, the holding company	114,38,43,620	99%	52,46,99,600	99%

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE - B				
RESERVES AND SURPLUS				
Hedging Reserve				
As per last Balance sheet	-		-	
Addition during the year	-3,10,79,366		-	
		-3,10,79,366		
Surplus/(deficit) in the Statement of Profit and Loss				
As per last Balance sheet	26,34,854		(1,02,28,673)	
Profit/(Loss) for the year	(22,34,467)		1,28,63,527	
		4,00,388		26,34,854
TOTAL		-3,06,78,978		26,34,854

NOTE - C (I)**LONG TERM BORROWINGS****Secured**

Term Loans from Banks including letters of credit availed as sub limit (Note no C(I)(i))	2571,67,99,996	1236,67,00,000
TOTAL	2571,67,99,996	1236,67,00,000

NOTE C(I)(i)

Particulars	Details
Interest Rate	Interest rate @ 225 basis points above the base rate of State Bank of India (floating)
Repayment	Repayable in 36 quarterly unequal instalments beginning from September 30, 2018 and ending on June 30,2027.
Security	
a)	Mortgage of non-agricultural land bearing plot no. 19 forming part of land in survey nos. 332A+334A+338A, mouje zaap, sudhagad taluka, Dist. Raigad, Maharashtra.
b)	Charge on all tangible movable assets (present and future), including all movable plant, machinery, spares, tools, fittings etc. as specified in Schedule II to Indenture of Mortgage, excluding project assets specified in concession agreement.
c)	Charge on rights, interest under/in respect of project documents, approvals, insurance contracts and escrow accounts to the extent permitted to the lenders under escrow agreement together with permitted investments etc. and
d)	Charge on right, interest etc. to/in respect of receivables, letter of credit, guarantee, performance bond, other amounts owing to/received by the Company, all intangible assets of the Company viz goodwill, trademark etc.

	As at 31.03.2014	As at 31.03.2013
	₹	₹
NOTE - C(II)		
OTHER LONG TERM LIABILITIES		
Deposits for car scheme	63,03,716	56,90,688
Retention monies	16,93,103	-
Security Deposit	2,69,83,334	33,00,000
TOTAL	3,49,80,153	89,90,688
NOTE - D(I)		
TRADE PAYABLES		
Due to related parties	67,29,00,828	10,41,43,486
Micro and small enterprises (Note no M (XII))	-	-
Others	34,53,66,982	87,29,79,408
TOTAL	101,82,67,811	97,71,22,893

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
NOTE - D(II)		
OTHER CURRENT LIABILITIES		
Interest accrued but not due	27,07,16,590	3,73,34,328
Forward contract payables	4,71,30,331	-
Other payables	12,25,13,826	15,85,74,822
TOTAL	44,03,60,747	19,59,09,150

NOTE - D(III)		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Gratuity	49,03,981	38,87,847
Compensated absences	1,02,62,572	82,70,540
TOTAL	1,51,66,553	1,21,58,387

NOTE E(I)
TANGIBLE & INTANGIBLE ASSETS

CLASS OF ASSETS	COST/ VALUATION				DEPRECIATION				BOOK VALUE	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the period	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets-Owned										
Freehold land	15,57,000	-	-	15,57,000	-	-	-	-	15,57,000	15,57,000
Computers	98,68,780	42,61,039	49,350	1,40,80,469	36,97,798	30,37,750	27,759	67,07,789	73,72,680	61,70,983
Furniture & Fixtures	2,77,65,438	6,62,756	-	2,84,28,194	1,45,34,197	72,22,825	-	2,17,57,022	66,71,172	1,32,31,241
Office Equipment	5,51,94,126	21,69,912	-	5,73,64,038	1,78,15,152	1,11,20,233	-	2,89,35,385	2,84,28,654	3,73,78,975
Vehicles	37,41,027	-	-	37,41,027	6,64,684	3,55,398	-	10,20,082	27,20,945	30,76,343
TOTAL	9,81,26,372	70,93,707	49,350	10,51,70,729	3,67,11,831	2,17,36,206	27,759	5,84,20,278	4,67,50,451	6,14,14,542
<i>Previous Year</i>	<i>7,94,78,070</i>	<i>1,87,68,302</i>	<i>1,20,000</i>	<i>9,81,26,372</i>	<i>1,70,73,588</i>	<i>1,96,83,242</i>	<i>45,000</i>	<i>3,67,11,831</i>	<i>6,14,14,542</i>	
Intangible Assets-Owned										
Specialised Software	60,27,100	1,53,81,180	-	2,14,08,280	31,76,081	71,38,448	-	10,314,529	1,10,93,751	28,51,019
TOTAL	60,27,100	1,53,81,180	-	2,14,08,280	31,76,081	71,38,448	-	10,314,529	1,10,93,751	28,51,019
<i>Previous Year</i>	<i>50,44,234</i>	<i>9,82,866</i>	<i>-</i>	<i>60,27,100</i>	<i>11,99,000</i>	<i>19,77,081</i>	<i>-</i>	<i>3,176,081</i>	<i>28,51,019</i>	

	As at 31.3.2013	April - March 2014	As at 31.03.2014
	₹	₹	₹

NOTE - E(II)			
CAPITAL WORK IN PROGRESS			
Transit oriented development			
Work in progress	-	34,79,86,142	34,79,86,142
Salaries and wages (Note no M (X))	1,04,67,791	1,72,18,251	2,76,86,042
Clearance and approval fees	61,67,135	1,68,38,995	2,30,06,130
Consultancy fees	31,87,579	9,30,20,802	9,62,08,381
Bank & finance charges	10,06,700	5,15,80,740	5,25,87,440
Other expenses	10,96,452	69,158	11,65,610
TOTAL	2,19,25,658	52,67,14,087	54,86,39,745

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.3.2013 ₹	April - March 2014 ₹	As at 31.03.2014 ₹
NOTE - E (III)			
INTANGIBLE ASSETS UNDER DEVELOPMENT			
Fare collection rights			
Construction work in progress	959,55,22,079	1638,35,20,512	2597,90,42,591
Salaries and wages (Note no M(X))	30,31,27,384	25,33,58,155	55,64,85,539
Compensation for employee stock option plan (ESOP) [Note M(XI)]	24,62,657	7,53,401	32,16,058
Staff welfare and other expenses	3,90,04,885	1,96,24,216	5,86,29,101
Lease rent	13,44,89,339	9,06,46,744	22,51,36,083
Concession fees	1	1	2
Travelling & conveyance	3,91,72,223	2,73,93,467	6,65,65,690
Facility management, communication and other expenses	12,05,21,120	4,18,81,193	16,24,02,313
Project insurance	13,39,96,274	8,49,03,311	21,88,99,585
Professional & consultancy	90,61,14,474	65,32,58,620	1,55,93,73,094
Bank & finance charges			
Interest expenses	39,82,24,680	1,94,38,75,674	2,34,21,00,354
Other borrowing costs	44,95,98,021	75,25,322	45,71,23,343
Depreciation/ amortization	3,99,32,911	2,88,74,655	6,88,07,566
Recruitment & training	70,34,633	31,94,076	1,02,28,709
Security service expenses	2,32,36,837	15,53,957	2,47,90,794
Asset management software	0	2,45,44,275	2,45,44,275
Other expenses	38,82,512	14,20,067	53,02,579
TOTAL	1219,63,20,030	1956,63,27,646	3176,26,47,675

As at 31.03.2014 ₹	As at 31.03.2013 ₹
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NOTE - F**LONG TERM LOANS AND ADVANCES**

Unsecured, considered good		
Capital advances		
- Related parties	346,79,66,382	445,69,93,129
- Others	246,15,32,261	162,18,15,205
	592,94,98,643	607,88,08,334
Other Loans and Advances		
Security Deposits		
- Related parties	3,59,250	94,64,316
- Others	3,21,40,986	2,22,63,664
	3,25,00,236	3,17,27,980
TOTAL	596,19,98,879	611,05,36,314

NOTE - G**CASH AND BANK BALANCES**

Fixed deposits with Banks with maturity more than 12 months (including interest accrued thereon)-Not available for immediate use being securities offered for guarantees issued by banks

TOTAL	-	2,15,28,714
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NOTES FORMING PART OF ACCOUNTS (Contd.)

	Book & Market value per unit ₹	No. of units	As at 31.03.2014 ₹	As at 31.03.2013 ₹
	₹		As at 31.03.2014 ₹	As at 31.03.2013 ₹
NOTE - H(I)				
CURRENT INVESTMENTS				
Mutual Funds (Quoted)				
SBI Mutual Fund -Daily Dividend	1,003	99,763.21	10,00,87,438	-
L&T Liquid Fund-Daily Dividend	1,012	29,819.67	3,01,66,618	7,00,55,408
TOTAL			13,02,54,056	7,00,55,408
NOTE - H(II)				
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents				
Cash in hand			-	-
Balances with Banks :				
On current accounts			1,09,56,090	96,41,847
Fixed deposits with banks with less than 3 months maturity (including interest accrued thereon)			16,00,87,472	27,51,83,180
TOTAL			17,10,43,562	28,48,25,027
NOTE - H(III)				
SHORT TERM LOANS AND ADVANCES				
Unsecured and considered good				
Loans and advances to related parties			94,30,687	1,29,366
Other loans and advances				
Prepaid expenses			9,59,84,472	8,52,81,534
Advance tax (Net of current taxes)			3,39,767	40,231
Advances recoverable in cash or in kind			42,97,337	22,12,229
TOTAL			11,00,52,263	8,76,63,360
NOTE - I				
CONTINGENT LIABILITIES				
Claims against the Company not acknowledged as debts			24,42,69,630	-
TOTAL			24,42,69,630	-
NOTE - J				
COMMITMENTS				
Estimated amounts of contracts remaining to be executed on capital account			8304,53,30,289	8186,43,59,524
TOTAL			8304,53,30,289	8186,43,59,524
			2013-14	2012-13
			₹	₹
NOTE - K				
OTHER INCOME				
Interest on short term deposits (TDS- ₹ 87,860 PY ₹ 76,279)			8,59,100	7,57,805
Dividend on current investments			2,97,82,877	1,50,71,966
Short term capital gain- mutual Funds			-	56,070
Other non-operating income			1,54,460	1,45,681
TOTAL			3,07,96,437	1,60,31,522

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE - L				
OTHER EXPENSES				
Audit fees		3,59,552		2,24,720
Cost Audit Fees		40,472		
Premia on Forward Contract		2,29,37,212		
Project awareness campaign expenses	3,71,18,527		23,96,848	
Less : Receipts towards the above	2,87,24,839		—	
		83,93,688		23,96,848
Corporate social responsibility expenses		7,34,825		—
Filing fees		4,880		44,982
Miscellaneous expenses		2,47,085		2,12,621
TOTAL		3,27,17,714		28,79,171

NOTE - M (I) : CORPORATE INFORMATION

L&T Metro Rail (Hyderabad) Limited was incorporated on August 24, 2010 as a Special Purpose Vehicle to undertake the business to construct, operate and maintain the Metro Rail System (including Transit Oriental Development) in Hyderabad under Public Private Partnership model.

The Company signed Concession Agreement with the Government of Andhra Pradesh on 04.09.2010 which granted the exclusive right, licence and authority to the Company to construct, operate and maintain the Metro Rail System (The 'Concession') on three elevated corridors from Miyapur to L.B.Nagar, Jubilee Bus Station to Falaknuma and from Nagole to Shilparamam in Hyderabad, covering a total distance of 71.16 Kms in accordance with the provisions of the Concession Agreement on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

In terms of Clause 3.1.1 and Schedule G of the Concession Agreement, the concession period of the project is for 35 years commencing from the Appointed Date including the construction period, which is extendable for a further period of 25 years subject to fulfilment of certain conditions by the Company.

The Company achieved financial closure on March 1, 2011 and satisfied all conditions precedent laid down in the concession agreement. The project cost shall be funded by promoters' share capital, viability gap grant and term loans from a consortium of banks with State Bank of India, as lead bank. The Company commenced debt drawl during the previous financial year and the construction of the project is in progress.

NOTE - M(II) : DISCLOSURE PURSUANT TO ACCOUNTING STANDARD 15 (REVISED)**Defined Contribution Plans:**

Amount of ₹ 79,11,969 (*previous year: ₹ 59,17,563*) towards Provident Fund contribution has been recognized in "Intangible assets under development [Note E(III)]"

Defined Benefit Plans:

The Company operates 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 fund is managed by LIC.

Amount recognised in the financial statements in respect of gratuity is as below:

a. The amounts recognised in the Balance Sheet on account of Gratuity Fund are as follows

Particulars	2013-14	2012-13
	₹	₹
Present value of defined benefit obligation		
– Wholly Funded	98,66,899	82,26,708
Less: Fair value of plan assets	(49,62,918)	(43,38,861)
Amount to be recognised as liability or (asset)	49,03,981	38,87,847
Unrecognized Past Service Cost	—	—
Net Asset/Liability recognized in Balance Sheet	49,03,981	38,87,847

NOTES FORMING PART OF ACCOUNTS (Contd.)**b. The amount recognised in the Intangible assets under development [Note E(III)] is as follows:**

Particulars	2013-14	2012-13
	₹	₹
Current service cost	10,36,046	8,09,771
Interest Cost on Benefit Obligation	6,58,137	2,44,090
Expected Return On Plan Assets	(63,190)	(1,80,047)
Net Actuarial Gain /Loss Recognized	4,22,177	41,75,997
Past Service Cost	-	-
Total expense recognized in Intangible under development	20,53,170	50,49,811
Actual Return on Plan Assets	(63,190)	(1,80,047)

c. Change in the present value of the defined benefit obligation is as follows:

Opening Defined Benefit Obligation	82,26,708	30,51,127
Interest Cost	6,58,137	2,44,090
Current Service Cost	10,36,046	8,09,771
Benefits Paid	(4,76,169)	(54,277)
Actuarial(gains)losses on obligation	4,22,177	41,75,997
Closing Defined Benefit obligation	98,66,899	82,26,708

d. Changes in the plan assets representing reconciliation of the opening and closing balances are as follows:

Opening Fair Value of Plan Assets	43,38,861	13,65,377
Expected Return	63,190	1,80,047
Contributions	10,37,036	28,47,714
Benefits Paid	(4,76,169)	(54,277)
Actuarial Gain/loss	-	-
Closing Fair value of Plan Assets	49,62,918	43,38,861

e. The actuarial assumptions under which the provision for gratuity made are as under:

(i) Valuation Method : Projected Unit Credit Method

(ii) Demographic Assumptions:

1	Number of Members	133
2	Retirement Age	58
3	Attrition rate	5%
4	Mortality table	LIC (1994-96)

(iii) Financial Assumptions:

1	Discount Rate	8%
2	Future Salary rise	10%

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.

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.

NOTE - M (III) : DISCLOSURE PURSUANT TO ACCOUNTING STANDARD AS -17 "SEGMENT REPORTING"

The Company is yet to commence its commercial operations. Hence reporting of primary business segments and secondary segments as required in Accounting Standard 17 "Segment Reporting" does not arise.

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE - M (IV)****DISCLOSURE OF RELATED PARTIES/ RELATED PARTY TRANSACTIONS PURSUANT TO ACCOUNTING STANDARD AS 18 "RELATED PARTY DISCLOSURES"****(i) List of related parties**

Holding Companies	Larsen & Toubro Limited (Ultimate holding company)
	L&T Infrastructure Development Projects Limited (Holding company)
Fellow Subsidiary Companies	L&T Infocity Limited
	L&T Urban Infrastructure Limited
	L&T Finance Holdings Limited
	L&T Transportation Infrastructure Limited
	L&T Gulf Private Limited
	L&T Infotech Limited
	Hyderabad International Trade Expositions Limited
	Narmada Infrastructure Construction Enterprise Limited
Associate Company	L&T-Ramboll consulting Engineers Ltd.

(ii) Transactions with related parties.

Particulars	FY 2013-14 ₹	FY 2012-13 ₹
HOLDING COMPANIES		
L&T Infrastructure Development Projects Limited		
Cost of Services	-	57,44,625
Equity Share capital money received	619,14,40,200	92,07,00,000
Fee paid for Advisory and debt arranging services	-	2,57,93,362
Inter Corporate Deposit received	-	16,00,00,000
Interest paid	-	54,36,712
Rent Payment	7,78,050	7,41,000
Purchase of fixed Assets	-	1,08,538
Larsen & Toubro Limited		
Pay roll & TEMS Processing fees	3,18,201	2,02,248
Cost of Services	3,92,69,951	4,41,66,972
Equity Share capital received	6,25,39,800	93,00,000
Mobilisation advance paid	30,37,50,000	1,45,69,93,128
Construction work in progress	1604,66,81,552	696,41,69,119
Overheads recovered by	1,63,69,302	2,28,13,480
Overheads charged to	1,26,76,496	64,36,549
FELLOW SUBSIDIARIES		
L&T Infocity Limited		
Lease Rentals paid	1,47,51,115	2,22,73,593
Facility management expenses	2,22,72,820	2,01,00,097
Reimbursement of expenses	1,27,67,167	1,58,62,922
Cost of Services	3,54,353	84,137
L&T Urban Infrastructure Limited		
Cost of services	-	2,19,102
L&T -GULF Private Limited		
Cost of services	6,72,112	5,34,819

NOTES FORMING PART OF ACCOUNTS (Contd.)

Particulars	FY 2013-14 ₹	FY 2012-13 ₹
Hyderabad International Trade Expositions Limited		
Cost of services	–	3,18,342
Reimbursement of expenses	18,534	13,685
Narmada Infrastructure Construction Enterprise Limited		
ICD received	–	10,00,00,000
Interest on ICD paid	–	11,15,068
Larsen & Toubro Infotech Limited		
Cost of Services to	10,78,896	–
Reimbursement of expenses	84,192	–
L&T Transportation Infrastructure Limited		
Reimbursement of Expenses	23,669	–
L&T Finance Holdings Limited		
Reimbursement of Expenses	2,54,967	–
ASSOCIATES		
L&T - Ramboll Consulting Engineers Limited		
Consultancy Services	–	16,85,400

(iii) Due to / from related parties

Name/Relationship	FY 2013-14 ₹		FY 2012-13 ₹	
	Due to	Due from	Due to	Due from
Larsen and Toubro Limited (Ultimate holding company)	67,12,17,792	83,35,828	9,71,12,607	–
L&T Infrastructure Development Projects Limited (Holding company)	–	1,80,000	13,77,137	–
Fellow Subsidiary				
L&T Infocity Limited	13,46,558	1,79,250	53,25,607	–
L&T-Gulf Private Limited	3,19,201	–	1,98,768	–
L&T Infotech Limited	–	9,81,604		

Note: No amount pertaining to the related parties have been written off / written back during the year

NOTE - M(V) : Disclosure pursuant to Accounting Standard AS -19 “Leases”

The Company has not entered into any finance lease. The Company has taken premises and vehicles under cancellable operating leases. These lease agreements are normally renewed on expiry. There are no exceptional/restrictive covenants in the lease agreements. The lease expenses in respect of these operating leases have been recognized as an expense (Current Year: ₹ 4,46,63,927 (Previous Year ₹ 7,70,82,043) and included in Intangible assets under development.

NOTE - M (VI) : Basic and diluted earnings per Share computed in accordance with Accounting Standard AS 20 “Earnings per share”

Particulars	FY 2013-14	FY 2012-13
Profit after Tax (₹)	(22,34,467)	1,28,63,527
Weighted average no. of Equity Shares (No.)	69,53,14,310	45,10,13,305
Earnings per share - Basic (₹)	(0.003)	0.03
Earnings per share - Diluted (₹)	(0.003)	0.03
Face Value Per Equity Share(₹)	10	10

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - M(VII) Major components of deferred tax assets and deferred tax liabilities pursuant to Accounting Standard AS 22 "Accounting for Taxes on Income"

Particulars	FY 2013-14 ₹		FY 2012-13 ₹	
	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
Tax effect on Account of :				
Preliminary and other expenses deductible u/s 35D.	63,91,960	–	63,91,960	–
TOTAL	63,91,960	–	63,91,960	–
Net Deferred tax asset		63,91,960		63,91,960
Net Deferred tax asset credited to Profit & Loss Account		–		–

NOTE - M (VIII)

In Line with the Company's risk management policy, the financial risk related to changes in exchange rates are hedged by entering into forward contracts.

Particulars of Forward Contracts entered for hedging purpose outstanding as at March 31, 2014 are as under

Particulars	Amount of exposure hedged	
	As at 31.03.2014	As at 31.03.2013
Forward Contracts for payables including firm commitments and highly probable forecasted transactions (₹)	331,02,40,705	–

Un-hedged foreign currency exposures as at March 31, 2014 are as under

Particulars	As at 31.03.2014	As at 31.03.2013
Payables including firm commitments and highly probable forecasted transactions (₹)	704,46,42,169	586,42,87,530

NOTE - M (IX) : Expenditure in Foreign Currency:

Particulars	FY 2013-14 ₹	FY 2012-13 ₹
On overseas contracts	6,52,85,252	141,56,88,095
Professional/Consultancy Fees	72,21,600	30,80,890
Travelling expenses	38,53,153	8,76,146
Others	–	1,40,844
TOTAL	7,63,60,005	141,97,85,975

NOTE - M (X) : Salaries and wages include

Particulars	As at 31.03.13 ₹	Apr-Mar 2014 ₹	As at 31.03.14 ₹
Contribution to and provision for			
Provident fund	97,65,993	79,11,969	1,76,77,962
Gratuity	81,15,938	20,53,170	1,01,69,108
Leave encashment	87,79,722	35,04,608	1,22,84,330
TOTAL	2,66,61,653	1,34,69,747	4,01,31,400

NOTE - M (XI)

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 ₹ 37,57,140. The same is being recovered from the Company over the period of vesting by the holding Company. Accordingly, cost of ₹ 32,16,057 (P.Y. ₹ 24,62,657) has been recovered by the holding Company upto current year, out of which, ₹ 7,53,400 (P.Y. ₹ 15,02,518) was recovered during the year. Balance of ₹ 5,41,083 will be recovered in future periods.

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE - M (XII)**

There are no amounts due to Micro, Small and Medium enterprises under the Micro, Small and Medium Enterprises Development (MSMED) Act 2006. Hence reporting details of principal and interest does not arise.

NOTE - M (XIII) : Auditors' remuneration (excluding service tax) and expenses charged to the accounts:

Particulars	FY 2013-14 ₹	FY 2012-13 ₹
Audit fees	2,15,000	2,00,000
Other services	1,55,000	1,00,000
Reimbursement of expenses	92,446	45,885
TOTAL	4,62,446	3,45,885

NOTE - M (XIV)

The Company does not have taxable wealth and hence no provision for wealth tax has been made as per the provisions for Wealth Tax Act, 1957.

NOTE - M (XV)

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

NOTE - M (XVI)

Figures have been rounded off to the nearest rupee.

NOTE - N**SIGNIFICANT ACCOUNTING POLICIES****(i) 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. Further, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also considered, wherever applicable, except to the extent where compliance with other statutory promulgations viz. SEBI guidelines override the same requiring a different treatment.

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, allowance 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.

(ii) Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

(iii) Revenue recognition

- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.
- Other items of income are accounted as and when the right to receive arises.

(iv) 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:**

The State Governed Provident Fund scheme, employee Pension Scheme and employee state insurance scheme are defined Contribution Plan. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service.

NOTES FORMING PART OF ACCOUNTS (Contd.)**Defined Benefit Plans:**

Employees' Gratuity fund scheme managed by the trust is the defined benefit plan. The present value of the obligation under defined benefit plan is determined based on actuarial valuation using Projected Unit Credit Method which recognizes each year 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 recognised immediately in the Statement of Profit and Loss. 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 a net basis. Gains or 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/leave encashment 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. Actuarial gains and losses are recognized immediately in the Profit & Loss Account or capitalised as the case may be.

(v) Tangible fixed assets

Tangible 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 the acquisition of tangible fixed assets or bringing the fixed assets to working condition are allocated and capitalized as a part of the cost of the tangible fixed assets.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress".

(vi) 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 accounted under intangible assets under development on accrual basis.

(vii) Depreciation

Depreciation on assets is provided on straight line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions/deductions is calculated pro-rata from/to the month of additions/deductions. However, in respect of the following asset categories, depreciation is provided at higher rates in line with their estimated useful life.

Category of Asset	Rate of Depreciation (% p.a.)
Furniture and Fixtures:	
– Retrofits	33.33
– Others	10
Computers	25
Office equipment	20

(viii) Intangible fixed assets and Amortization

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.

Fare collection rights obtained in consideration for rendering development and construction services represents the rights to collect fare revenue during the concession period in respect of design, build, finance, operate and transfer (DBFOT) project undertaken by the Company. Fare collection rights are capitalized as intangible asset upon completion of the project at the cumulative construction cost. Till the completion of the project the same is recognised as Intangible assets under development.

Pre-operative expenses including administrative and other general overhead expenses that are specifically attributable to the acquisition of intangible assets are allocated and capitalized as a part of the cost of the Intangible assets.

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortization.

Specialised Softwares are amortized on a straight line basis over a period of three years.

(ix) 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 recognised in previous periods, if any,

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

NOTES FORMING PART OF ACCOUNTS (Contd.)

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).

(x) Investments

Investments which are readily realizable and are intended to be held for not more than one year from the date of acquisition are classified as current investments. All other investments are classified as long term investments.

- (i) Investments are recorded at actual cost including costs incidental to acquisition.
- (ii) Investments are classified as long term or current at the time of making of such investments.
- (iii) Current investments are valued at the lower of cost and market value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

(xi) Borrowing Costs

Borrowing costs include interest, commitment charges, amortization of ancillary costs, amortization of discounts / premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest 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 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.

(xii) 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, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the 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 Foreign Exchange Rates". Exchange differences arising on such contracts are recognised in the period in which they arise.
- d. The 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 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 gain 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 statement of Profit and Loss or Balance Sheet as the case may be after applying the test of hedge effectiveness. Where the hedge in respect of off-Balance Sheet items is effective, the gains or losses are recognised in the "Hedging Reserve" which forms part of "Reserves and Surplus" in the Balance Sheet. The amount recognised in the "hedging reserve" is transferred to the Statement of Profit and Loss in the period in which the underlying hedged item affects the Statement of Profit and Loss. Gains or Losses in respect of ineffective hedges are recognised in the Statement of Profit and Loss in the period in which such gains or losses are incurred.

The premium paid on forward contract is accounted as expense over the life of the contract.

(xiii) Taxes on Income

- a. Taxes 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 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.
- 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 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

(xiv) 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 arising from past events, when no reliable estimate is possible.
- c. a possible obligation arising from past events, 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.

(xv) Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for
- b. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.
- c. Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details

(xvi) Cash Flow Statement

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- a. transactions of a non-cash nature
- b. any deferrals or accruals of past or future operating cash receipts or payments and
- c. items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

(xvii) Operating cycle for current and non-current classification.

An asset shall be classified as current when it satisfies any of the following criteria:

- a. it is expected to be realized within twelve months after the reporting date; or
- b. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.”

A liability shall be classified as current when it satisfies any of the following criteria:

- a. it is due to be settled within twelve months after the reporting date; or
- b. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

As per our report attached

For and on behalf of the Board

For M. K. DANDEKER & CO.

Chartered Accountants

Firm registration number : 000679S

By the hand of

K. J. DANDEKER

Partner

Membership No : 018533

V.B.GADGIL

Chief Executive & Managing Director

K.VENKATESH

Director

ASHISH MALHOTRA

Company Secretary

Place : Hyderabad

Date : April 16, 2014

Place : Hyderabad

Date : April 16, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended March 31, 2014.

I. FINANCIAL RESULTS

Sl. No	Particulars	2013-14	2012-13
		₹ Lakhs	₹ Lakhs
1	Income for the year	0.09	0.00
2	Less: Expenditure	2.62	31.47
3	Profit Before Depreciation & Tax (PBDT)	(2.53)	(31.47)
4	Less: Depreciation	0.00	0.00
5	Profit / (Loss) before tax (PBT)	(2.53)	(31.47)
6	Less: Provision for tax	0.00	0.00
7	Profit / (Loss) after tax (PAT)	(2.53)	(31.47)
8	Balance brought forward from <i>previous year</i>	(450.58)	(419.11)
9	Balance carried to Balance Sheet	(453.11)	(450.58)

II. PERFORMANCE OF THE COMPANY

Your Company had received a Letter of Intent (LOI) dated February 6, 2008, from Gujarat Maritime Board (GMB) for setting up a sea port at Sutrapada near Vadodara Jhala village, Junagadh District, Gujarat. The land for the sea port was required to be handed over by GMB within the validity period of the LOI which was 18 months. As GMB could not allocate the said land within the validity period, your Company had asked for an extension of the validity period and allocation of land at an alternate location. GMB had extended the validity of the LOI to August 2011 and approved to shift the location of site to Kachchigarh, Tal. Dwarka District, Gujarat from Sutrapada to develop the Greenfield seaport vide their letter dated July 15, 2010. The validity of the LOI had been further extended to August 2013 by GMB vide their letter dated December 24, 2012.

During the year, the validity period of LOI expired in August 2013 and your Company had communicated to GMB vide its letters dated September 6, 2013 and March 7, 2014 that pursuant to the marine surveys carried out at Kachchigarh, your Company has decided not to seek further extension of the validity period of the said LOI.

Since the current intention of the Management is not to pursue the development of the seaport in the present circumstances, the financial statements have not been prepared on the assumption of going concern.

Your Company is awaiting response from GMB.

III. APPROPRIATIONS

The Directors wish to inform that there were no appropriations to any kind of specific Reserves of the Company during the year.

IV. DIVIDEND

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year under review.

V. CAPITAL EXPENDITURE

The intention of the Management is not to pursue the development of the seaport in the present circumstances and thus Company has not incurred any Capital expenditure during the current year.

VI. AUDITORS' REPORT

A. Your Directors wish to clarify two matters mentioned by the Auditors in the Annexure to their Audit Report to the Members as follows:

- Point No. (ix)(a) of Annexure to the Auditors Report: Delayed remittance of TDS

Clarification: During the current year, there has been an inadvertent delay in remittance of tax deducted at source. However, the same was subsequently deposited with applicable interest. Management is taking steps to avoid such delays in future.

- Point No. (x) of Annexure to the Auditors Report: Accumulated Loss

Clarification: The accumulated loss of your Company has exceeded 50% of its net worth as at the end of the year because the Implementation / operations have not commenced and there were no earnings. Consequently, your Company has incurred cash losses during current financial year and in the immediately preceding financial year.

L&T PORT KACHCHIGARH LIMITED

- B. The Auditors, in their Report to the Members, have stated one "Emphasis of Matter" and the response of your directors on the same is as follows:
3. Note no. J (a): Financial Statements have not been prepared on Going Concern basis since the current intention of the Management is not to pursue the development of the seaport and in the present circumstances your Company has not sought renewal of the LOI issued by Gujarat Maritime Board.

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 companies under its purview.

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, 2014 and of the profit 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 not been prepared on a going concern basis as explained elsewhere in this report.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company.

XII. DIRECTORS

Mr. Karthikeyan T V, Director, who retire by rotation at this Annual General Meeting, being eligible, offer themselves for reappointment.

The present Directors are as follows:

- a) Mr. Karthikeyan. T.V.
- b) Mr. Sharad Goel
- c) Mr. R G Ramachandran

XIII. STATUTORY 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 the provisions of the Companies Act, 2013.

XIV. SECRETARIAL COMPLIANCE CERTIFICATE

The Secretarial Compliance Certificate for the year ended March 31, 2014 has been issued by Mr. R Thamizhvanan, Company Secretary in Practice in terms of the provisions of Section 383A of the Companies Act, 1956. The said Compliance Certificate forms part of this Report.

XV. INTERNAL AUDITORS

Internal Audit Department of L&T IDPL provides internal audit services to the Company.

XVI. 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.

XVII. 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

As the Company is engaged in developing, operating and maintaining a bypass road the provisions relating to conservation of energy does not apply.

- TECHNOLOGY ABSORPTION

There was no Technology absorption during the year 2013- 14.

- FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no usage or earning of any foreign currency in the course of transactions during the year 2013-14.

XVIII. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Bankers, employees of the Company and management staff of the parent Company.

For and on behalf of the Board

Place : Chennai

Date : May 6, 2014

KARTHIKEYAN T. V.

Director

R. G. RAMACHANDRAN

Director

R. THAMIZHVANAN A.C.S, A.C.A

Company Secretary in practice
COP No.: 3721

S-7, Krishna Arcade, II Floor
No.10, Rajabathar Street,
T. Nagar, Chennai-17.
Mobile : +91 9841183025
Phone : 044-28153115

COMPLIANCE CERTIFICATE

AUTHORISED CAPITAL: ₹ 100,000,000 PAIDUP CAPITAL: ₹ 41,600,000

REGISTRATION NO: 18-067551

To,
The Members
L&T Port Kachchigarh Limited
[previously L&T Port Sutrapada Ltd]
POST BOX NO.979, MOUNT POONAMALLEE HIGH ROAD,
MANAPAKKAM, CHENNAI –600 089

I have examined the registers, records, books and papers of **L&T PORT KACHCHIGARH LIMITED** (the Company) 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 31st March 2014. 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 registers as stated in Annexure `A' to this certificate, as per the provisions and the rules made there under 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 there under.
3. The company is a Public limited company with effect from 26.11.2008.
4. The Board of Directors duly met 4 times on 25.04.2013, 09.08.2013, 17.12.2013 and 25.02.2014 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 did not opt to close its Register of Members during the year.
6. The Annual general meeting for the financial year ended on 31.03.2013 was held on 04.09.2013 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 attracting the provisions of Sec.185 of the Companies Act, 2013 relating to loan to directors etc.
9. the management has confirmed that the company has not entered into any transactions attracting the provisions of Section 297 of the Act.
10. the company was not required to make any entry in the register maintained under section 301 of the Act during the year under scrutiny.
11. As there were no instances falling within the purview of sec 314 of the Act, the company has not obtained approvals from the Board of Directors, members or Central Government.
12. the company did not issue duplicate share certificates during the financial year.
13. the Company has:
 - i. duly dispatched shares certificates on transfer and there is no allotment / transmission of shares during the year.
 - ii. not deposited the amount of dividend in a separate Bank Account as no dividend was declared during the year.
 - iii. not been required to post dividend warrant as no dividend was declared during the year.
 - iv. not been required to transfer any amount to Investor Education and protection Fund as no amount lying in the Books of Accounts in respect of Unpaid Dividend, Application money due for refund, matured deposits, matured Debentures and the interest accrued thereon.
 - v. duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was no appointment of directors during the year.
15. the company has not appointed Managing Director during the year and hence not attracting the provisions of section 269 of the Act .
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 or such other authorities as may be prescribed under the various provisions of the Act.

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 there under, wherever applicable.
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. the company does not have preference share and question of redemption does not apply.
22. during the year there was no need for the company to keep in abeyance rights to dividend and the company has not issued any rights shares and bonus shares during the financial year.
23. the company has not invited/accepted any deposits including unsecured loans falling within the purview of sections 58A during the financial year.
24. there are no borrowings during the year hence the Company does not attract section Sec. 180(1)(c) of the Companies Act, 2013.
25. the company has not made any loans and investments 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 during the year under scrutiny and complied with provisions of the Act.
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 of the company during the year.
31. there was no prosecution initiated against or show cause notices received by 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 year under certification .
33. the section 418 of the Act regarding 'Deposit of contributions to Provident Fund with prescribed authorities' is not applicable.

R. THAMIZHVANAN
(COMPANY SECRETARY)
COP NO. 3721

Place: Chennai
Date: 04.04.2014

ANNEXURE A

Registers as maintained by the Company

1. Register of Members u/s. 150
2. Register of Directors, Managing Director u/s. 303.
3. Register of Director's Share Holding u/s. 307.
4. Minutes of Board & General Meeting u/s. 193.
5. Books of Accounts u/s. 209.
6. Register of Particular of Contracts in which director are interested u/s. 301.
7. Register of Share Transfer.
8. Register of documents sealed.
9. Register of Charges.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies or other authorities during the financial year ending on 31st March 2014.

For the period (01.04.2013 to 31.03.2014)

With REGISTRAR OF COMPANIES

Form No	Section	Description	Date of filing	Whether with in prescribed time
Form 20B-Sch V	159	Annual Return up to 04.09.2013	30.10.2013	Yes
Form 23AC & ACA-XBRL-Sch VI	220	Balance sheet as on 31.03.2013	03.10.2013	Yes
Form 66-C.Com	383A	Compliance certificate 2012-13	17.09.2013	Yes
Form 32	303	Regularisation of Ramchandran Iyer Ramagopal w.e.f 04.09.2013	20.09.2013	Yes

WITH OTHER AUTHORITIES

NIL

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T PORT KACHCHIGARH LIMITED REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T PORT KACHCHIGARH LIMITED** ("The Company"), which comprise the balance sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the companies act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

EMPHASIS OF MATTER

We draw attention to note. J(a) stating that the financial statements have not been prepared based on Going concern assumption. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the Order.
2. As required by Section 227 (3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub – section (3C) of Section 211 of the Act; and
 - e) on the basis of written representations received from the directors as on March 31, 2014. and taken on record by the Board of Directors, none of the director is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of sub – section (1) of Section 274 of the Act.

For SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

Place : Chennai
Date: May 26, 2014

P. RAJESH KUMAR
Partner
Membership No. 225366

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the independent auditor's report to the members of L&T Port Kachchigarh Limited on the financial Statement for the year ended March 31, 2014, we report that:

- (i) The Company does not have any fixed assets as on the reporting date and hence reporting under clauses 4(i) (a), (b) and (c) of the Order does not arise.
- (ii) The Company does not have any inventory in its books and hence reporting under clauses 4.(ii) (a), (b) and (c) of the Order does not arise.
- (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. Hence, reporting under clauses 4. (iii) (b), (c) and (d) of the Order does not arise.
(e) 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. Hence, reporting under clauses 4. (iii) (f) and (g) of the Order does not arise.
- (iv) The Company has not entered into any transaction for the purchase of inventory and fixed assets or for the sale of goods and services during the year. Hence, reporting under clause 4(iv) of the order does not arise.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts/ arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence reporting under clause 4. (v) of the Order 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 framed thereunder. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) In our opinion , the Company has an internal audit system commensurate with its size and nature of business
- (viii) In our opinion, and 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 the operations of 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 delayed the remittance of tax deducted at source during the year. However the same has been deposited with the necessary interest According to the information and explanation given to us, there were no disputed amount payable on account of income-tax, and other statutory dues as at March 31,2014 for period of more than six months from the date they become payable.
(b) According to the information and explanations given to us, there are no statutory liabilities in respect of sales tax, excise duty, service tax, cess and wealth tax, customs duty and income tax which have not been deposited on account of a dispute.
- (x) The accumulated loss of the Company has exceeded 50% of its net worth as at the end of the year. The Company has incurred cash losses during the current financial year and in the immediately preceding financial year.
- (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 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/society. Hence reporting under clause 4(xiii) of the Order does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer in or trader in shares, securities, debentures and other investments. Accordingly reporting under clause 4(xiv) of the Order does not arise.
- (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 and explanations given to us, the Company has not taken any term loans and hence reporting on their application under clause 4(xvi) of the Order does not arise.
- (xvii) According to the information and explanations given to us, the Company has not raised funds on short term basis during the year. Accordingly, reporting on their application under clause 4(xvii) of the Order does not arise.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year. Hence reporting under clause 4(xviii) of the Order does not arise. The Company has not issued any debentures during the year. Hence reporting under clause 4(xix) of the Order does not arise.
- (Xix) The Company has not issued any debentures during the year. Hence reporting under clause 4(xix) of the Order does not arise.
- (xx) The Company has not raised any money by way of public issue during the year. Hence reporting under clause 4(xx) of the Order does not arise.
- (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 fraud by the Company or material fraud on the Company,noticed or reported during the year, nor have we been informed of such cases by management.

For SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

P. RAJESH KUMAR
Partner
Membership No. 225366

Place : Chennai
Date: May 26, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share capital	A	41,600,000		41,600,000	
Reserves and surplus	B	(45,310,897)		(45,058,146)	
			(3,710,897)		(3,458,146)
Current liabilities					
Other current liabilities	C		3,752,056		3,499,305
			41,159		41,159
ASSETS					
Current assets					
Cash and bank balances	D	41,159		41,159	
		-		-	
			41,159		41,159
			41,159		41,159
CONTINGENT LIABILITIES AND COMMITMENTS	I(1)				
NOTES FORMING PART OF ACCOUNTS	I				
SIGNIFICANT ACCOUNTING POLICIES	J				

for and on behalf of the Board

for **SHARP & TANNAN**
Chartered Accountants
(Registration No. 003792S)

P RAJESH KUMAR
Partner
Membership No.: 225366

Place : Chennai
Date : May 26, 2014

KARTHIKEYAN T. V.
Director

SHARAD GOEL
Director

Place : Chennai
Date : May 6, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Note	2013-2014 ₹	2012-2013 ₹
Revenue			
Other Income	E	8,824	—
Total revenue		8,824	—
Expenses			
Administration and other expenses	F	95,414	117,265
Finance costs	G	206	4,588
Pre operative expenses written off	H	165,955	3,025,264
Total expenses		261,575	3,147,117
Profit/(Loss) before tax		(252,751)	(3,147,117)
Tax expense:			
Current tax		—	—
Profit/(Loss) after tax		(252,751)	(3,147,117)
Earnings per share			
Basic and diluted	I(3)	(0.06)	(0.76)
Nominal value of equity share		10.00	10.00
NOTES FORMING PART OF ACCOUNTS	I		
SIGNIFICANT ACCOUNTING POLICIES	J		

for and on behalf of the Board

for SHARP & TANNAN
Chartered Accountants
(Registration No. 003792S)

P RAJESH KUMAR
Partner
Membership No.: 225366

Place : Chennai
Date : May 26, 2014

KARTHIKEYAN T. V.
Director

SHARAD GOEL
Director

Place : Chennai
Date : May 6, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	2012-13
	₹	₹
A Cash Flow from operating activities		
Net Profit / (Loss) as per statement of Profit and Loss	(252,751)	(3,147,117)
Adjustments for :		
Pre operative expenses written off	165,955	3,025,264
Operating profit/ (loss) before working capital changes	(86,796)	(121,853)
Adjustments for working capital changes :		
Increase / (Decrease) in current liabilities	252,751	1,339,426
(Increase) / Decrease in loans and advances	-	30,076
Net cash (used in) / from operating activities (A)	165,955	1,247,649
B Cash flow from investing activities :		
Pre operative expenses written off	(165,955)	(1,236,623)
Net cash (used in) / from investing activities (B)	(165,955)	(1,236,623)
C Cash flow from financing activities		
Net cash (used in) / from financing activities (C)	-	-
Net (decrease) / increase in cash and cash equivalents (A+B+C)	-	11,026
Cash and cash equivalents as at beginning of the year	41,159	30,133
Cash and cash equivalents as at end of the year	41,159	41,159

NOTES

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard 3: "Cash Flow Statement" as per Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent bank balances as given in Note D.
- Previous year's figures have been regrouped/reclassified wherever necessary.

for and on behalf of the Board

for SHARP & TANNAN
Chartered Accountants
(Registration No. 003792S)

P RAJESH KUMAR
Partner
Membership No.: 225366

Place : Chennai
Date : May 26, 2014

KARTHIKEYAN T. V.
Director

SHARAD GOEL
Director

Place : Chennai
Date : May 6, 2014

NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**A SHARE CAPITAL**

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	₹	No of Shares	₹
Authorised				
Equity Shares of ₹ 10/- each	10,000,000	100,000,000	10,000,000	100,000,000
Issued, Subscribed and Paid up				
Equity Shares of ₹ 10/- each fully paid up	4,160,000	41,600,000	4,160,000	41,600,000

a. Reconciliation of the Shares outstanding at the beginning and at the end of the year:

	2013-14		2012-13	
	No of Shares	₹	No of Shares	₹
Equity Shares:				
At the beginning of the year	4,160,000	41,600,000	4,160,000	41,600,000
Issued during the year	-	-	-	-
At the end of the year	4,160,000	41,600,000	4,160,000	41,600,000

b. Terms, rights and restrictions attached to shares

- The Company has only one class of equity share having a par value of ₹ 10/- per share.
- Each holder of equity shares is entitled for one vote per share.
- The Company has not issued any securities with the right / option to convert the same into equity shares at a later date.
- The Company has not reserved any shares for issue under options and contracts / commitments for the sale of shares / disinvestment.
- The shares issued carry equal rights of dividend declared by the Company and no restrictions are attached to any specific shareholder.

c. Shares held by Holding / Ultimate holding Company and/or their subsidiaries/associates:

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	₹	No of Shares	₹
L&T Infrastructure Development Projects Limited, the Holding Company (including shares held along with its nominees)				
Equity shares of ₹10/- each fullypaid up	4,160,000	41,600,000	4,160,000	41,600,000

d. Details of Shareholders holding more than 5% shares in the Company:

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	₹	No of Shares	₹
L&T Infrastructure Development Projects Limited, the Holding Company (including shares held along with its nominees)				
Equity Shares of ₹10/- each fully paid	4,160,000	100.00%	4,160,000	100.00%

e. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL

f. Calls unpaid: NIL; Forfeited shares: NIL.

B. RESERVES AND SURPLUS

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
Deficit in the Statement of Profit and Loss				
Balance as per the last financial statement	(45,058,146)		(41,911,029)	
Add: Loss for the year	(252,751)		(3,147,117)	
		(45,310,897)		(45,058,146)
TOTAL		(45,310,897)		(45,058,146)

NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**C OTHER CURRENT LIABILITIES**

	As at 31.03.2014	As at 31.03.2013
	₹	₹
Trade payables		
Due to Micro and small enterprises (refer note (i) below)	-	-
Other current liabilities		
Due to Holding Company	3,522,875	3,145,873
Due to Ultimate holding Company	1,527	9,333
Due to fellow subsidiaries	125,470	118,410
Due to others	96,003	218,835
Statutory liabilities	6,181	6,854
TOTAL	3,752,056	3,499,305

Note (i): 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 paid / outstanding does not arise.

D CASH AND BANK BALANCES

	As at 31.03.2014	As at 31.03.2013
	₹	₹
Balances with banks		
on current account with scheduled banks	41,159	41,159
TOTAL	41,159	41,159

E OTHER INCOME

	2013-14	2012-13
	₹	₹
Unclaimed credit balance, written back	8,824	-
TOTAL	8,824	-

F ADMINISTRATION AND OTHER EXPENSES

	2013-14	2012-13
	₹	₹
Rates and taxes	5,518	8,000
Auditor's remuneration	61,797	68,540
Professional charges	28,099	39,212
Other expenses	-	1,513
TOTAL	95,414	117,265

Note (i) : Auditors' remuneration :

	2013-14	2012-13
	₹	₹
Audit fees	56,180	56,180
Company law matters	5,617	12,360
TOTAL	61,797	68,540

NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**G FINANCE COST**

	2013-14	2012-13
	₹	₹
Interest Others	206	4,588
TOTAL	206	4,588

H PRE OPERATIVE EXPENSES PENDING ALLOCATION (REFER NOTE NO I(6))

	As at 01.04.2013	Additions during the year	Written off during the year	As at 31.03.2014
	₹	₹	₹	₹
Feasibility survey cost	-	-	-	-
Land measurement fees & hire Charges	-	-	-	-
Performance bank guarantee commission	-	165,955	165,955	-
TOTAL	-	165,955	165,955	-
<i>Previous year</i>	<i>1,788,641</i>	<i>1,236,623</i>	<i>3,025,264</i>	<i>-</i>

I NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1. (a) Contingent liability as at March 31, 2014 is ₹ Nil (*Previous year – ₹ Nil*)
- (b) Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2014 is ₹ Nil (*Previous year – ₹ Nil*)

2. Disclosure of Related Parties / related party transactions:

- (a) List of Related Parties where control exists / with whom transaction have taken place during year

Holding Company	L&T Infrastructure Development Projects Limited
Ultimate holding Company	Larsen & Toubro Limited
Fellow Subsidiary	L&T Halol Shamlaji Tollway Limited

- (b) Transactions with Related Parties: (Figures in ₹)

Name of the Party	Relationship	Nature of transaction	Transaction during the year	Amount due to
Larsen & Toubro Ltd	Ultimate Holding Company	(i) Reimbursement of expenses charged from	1,018 (509)	1,527 (9,333)
L&T Infrastructure Development Projects Ltd	Holding Company	(i) Reimbursement of expenses charged from	3,77,002 (3,58,686)	35,31,699 (31,45,873)
L&T Halol Shamlaji Tollway Ltd	Fellow subsidiary	(i) Reimbursement of expenses	7,060 (1,18,410)	1,25,470 (1,18,410)

Note: Comparative *previous year* figures are given in brackets

- (c) Amount due to related parties written back during the year (
- Previous year ₹ Nil*
-) is as follows:

- Larsen & Toubro Limited - ₹ 8,824/-

- (d) No amounts due from related parties have been written off during the current year and
- previous year*
- .

3. Earnings Per Share (EPS) :

Basic and Diluted EPS computed in accordance with Accounting Standard (AS) 20 - 'Earnings per Share' is as follows:

Particulars		2013-14	2012-13
		₹	₹
Loss after tax (Rupees)	A	(2,52,751)	<i>(31,47,117)</i>
Weighted average number of shares outstanding	B	41,60,000	<i>41,60,000</i>
Basic EPS (Rupees)	A/B	(0.06)	<i>(0.76)</i>

NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

4. The Company was solely engaged in the business of developing a seaport in India and hence furnishing details of primary and secondary segment does not arise.
5. Deferred tax asset relating to unabsorbed depreciation/business losses /losses under the head 'capital gains' has not been recognized as a measure of prudence.
6. The Company had received a Letter of Intent (LOI) dated February 6, 2008, from Gujarat Maritime Board (GMB) for setting up a sea port at Sutrapada near Vadodara Jhala village, Junagadh District, Gujarat. The land for the sea port was required to be handed over by GMB within the validity period of the LOI which was 18 months. As GMB could not allocate the said land within the validity period, the Company had asked for an extension of the validity period and allocation of land at an alternate location. GMB had extended the validity of the LOI to August 2011 and approved to shift the location of site to Kachchigarh, Tal. Dwarka District, Gujarat from Sutrapada to develop the Greenfield seaportvide their letter dated July 15, 2010. The validity of the LOI had been further extended to August 2013 by GMB vide their letter dated December 24, 2012.

During the year, the validity period of LOI expired in August 2013 and the Company had communicated to GMB vide its letters dated September 6, 2013 and March 7, 2014 that based on the marine surveys carried out, environmental clearance cannot be obtained for development of port at Kachchigarh and therefore does not seek further extension for the validity period of LOI.

Since the intention of the Management is not to pursue the development of the seaport in the present circumstances, the financial statements have not been prepared on the assumption of going concern.

7. The figures of the *previous year* have been regrouped /reclassified wherever necessary.

J SIGNIFICANT ACCOUNTING POLICIES**a. Basis of preparation**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with the 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 accounts have not been prepared on the assumption of Going concern for reasons mentioned in note no. 6 accompanying the financial statements. Accordingly, all the assets are presented on net realizable value and all the liabilities are presented at settlement value.

b. Presentation of financial statements

The Balance sheet and the statement of profit and loss are prepared and presented on the format in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirement of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amount in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per Share data are presented in Indian Rupees to two decimals places.

c. Use of estimates

The preparation of the financial statements is in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported balances of the assets and liabilities as of the date of the financial statements. Examples of such estimates include useful life of fixed assets, provision for doubtful advances, etc. Difference between actual results and estimates is recognized in the period in which the results are known.

d. Cash and bank balances:

Cash and bank balance comprises cash on hand and demand deposit with bank, Short term and liquid investment being not free from more than insignificant risk of change in value , are not included as part of cash and bank balances.

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 of the provisions of the Income Tax, 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 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.

NOTES ACCOMPANYING FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

f. Provisions, contingent liabilities and contingent assets

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.

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

- 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; and
- iii) 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.

g. Cash Flow Statement:

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under indirect method, the net profit is adjusted for the effects of:

- i) Transactions of non-cash nature.
- ii) Any deferrals or accruals of past or future operating cash receipts or payments and
- iii) Items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement.

for and on behalf of the Board

for SHARP & TANNAN
Chartered Accountants
(Registration No. 003792S)

P RAJESH KUMAR
Partner
Membership No.: 225366

Place : Chennai
Date : May 26, 2014

KARTHIKEYAN T. V.
Director

SHARAD GOEL
Director

Place : Chennai
Date : May 6, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report and Accounts for the year ended March 31, 2014.

I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31, 2014 are submitted below:

Sl. No	Particulars	2013-14 ₹ in Lakhs	2012-13 ₹ in Lakhs
1	Income for the year	7,085.62	5,980.37
2	Less: Expenditure	12,680.88	11,091.35
3	Profit Before Depreciation & Tax (PBDT)	(5,595.25)	(5,110.98)
4	Less: Depreciation	(4,342.00)	6,234.73
5	Profit / (Loss) before tax (PBT)	(1,253.25)	(11,345.70)
6	Less: Provision for tax	0.00	0.00
7	Profit / (Loss) after tax (PAT)	(1,253.25)	(11,345.70)
8	Balance brought forward from previous year	(12,941.69)	(1,595.98)
9	Balance carried to Balance Sheet	(14,194.94)	(12,941.69)

II. PERFORMANCE OF THE COMPANY

The revenue of your Company rose to ₹ 7,085.62 lakhs for the year against ₹ 5,980.37 lakhs for the previous year 2012-13.

During the year, external rating of the Company has been raised from BBB- to BBB(CARE).

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. DIVIDEND

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year in the light of the losses incurred during the current financial period under review.

V. CAPITAL EXPENDITURE

Tangible Assets:

During the year, your Company has added fixed assets amounting to ₹. 40.45 lakhs. Consequently, the Gross fixed assets of the Company stood at ₹. 2,649.93 lakhs and assets sold/ written off during the year amounted to ₹.8.31 lakhs. The net fixed assets stood at ₹. 1,846.49 lakhs after charging off a depreciation to an extent of ₹. 803.43 lakhs as on March 31, 2014.

Intangible Assets:

During the year, your Company has added Intangible assets amounting to ₹. 29.33 lakhs. Consequently, the Gross Intangible assets of the Company stood at ₹. 102,885.80 lakhs and assets sold/ written off during the year amounted to ₹.157.33 lakhs. The net Intangible assets stood at ₹.100,843.49 lakhs after charging off a depreciation/amortization to an extent of ₹. 2,042.31 lakhs as on March 31, 2014.

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, 2014 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.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company.

XII. DIRECTORS:

Mr. T. S. Venkatesan, Director, who retires by rotation at this Annual General Meeting, being eligible, offer himself for reappointment.

The present Directors are as follows:

- a) Mr. T. S. Venkatesan
- b) Mr. B. Ramakrishnan
- c) Mr. Manoj Anilbhai Dave

XIII. AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors. The present members of the Committee are:

- a) Mr. T. S. Venkatesan
- b) Mr. B. Ramakrishnan
- c) Mr. Manoj Anilbhai Dave

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 held discussions with the auditors on internal control systems.

XIV. REMUNERATION COMMITTEE

The Remuneration Committee consists of three non-executive Directors. The present members of the Committee are:

- a) Mr. T. S. Venkatesan
- b) Mr. B. Ramakrishnan
- c) Mr. Manoj Anilbhai Dave

XV. STATUTORY AUDITORS:

M/s. Gianender & Co, 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 the provisions of the Companies Act, 2013.

XVI. INTERNAL AUDITORS

M/s. Price Waterhouse Coopers Private Limited was appointed to carry out the Internal Audit of the Company for the Financial year 2013-14 .

The Board recommended to appoint M/S Grant Thornton, Chartered Accountants as an Internal Auditor of the Company for the financial year 2014-15.

XVII. 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.

XVIII. 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 2013-14.

XIX. MAINTENANCE OF COST RECORDS COMPLIANCE REPORT

Pursuant to the provisions of rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a Maintenance of Cost Records Compliance Report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

XX. ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable 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 : May 6, 2014

T S VENKATESAN
Director

MANOJ DAVE
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T RAJKOT-VADINAR TOLLWAY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T RAJKOT-VADINAR TOLLWAY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, the statement of Profit and Loss and the cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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, 2014,
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in case of the Cash flow Statement, of the year ended on that date.

Emphasis of Matter

We draw attention to the Note No. E{II}a, regarding change in the policy of amortization of intangible assets from straight line method to amortization based on 'Revenue Model' (in terms of Notification dated April 17, 2012 issued by the Ministry of Corporate Affairs for Toll based assets) resulting in the charge for the year being lower by ₹ 57,57,21,645/-. Had the Company continued to charge amortization based on straight line method for such asset, the loss for the year would have been higher by ₹ 105,68,73,671/- and the value of Toll Collection Rights would have been lower by the same amount.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and Beliefs were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this reports are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2014, from being appointed as a director in terms of Para (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm Regn. No. 004661N)

G.K AGRAWAL
Partner
M. No. 081603

Place : Chennai
Date : May 6, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" of our report on even date

Re: L&T RAJKOT - VADINAR TOLLWAY LIMITED

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) 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 the nature of its assets. No material discrepancies were noticed on such verification.
- c) According to the information and explanations given to us, during the year no substantial disposal of fixed assets of the Company has taken place which would have affected its going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence Para 4 (ii) (a), (b) and (c) of the companies (Auditor's report) Order 2003 relating to inventory 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 the provision of paragraph 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the provision of paragraph 4(iii) (l) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for toll collection. During the course of Our audit, we have not observed any major weakness in internal control system. Further, the provision of Paragraph 4(iv) with respect to sale of goods and purchase of inventory are not applicable to the Company.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, there are no particulars of contracts or arrangements during the year which are required to be entered in the register maintained pursuant to Section 301 of the Companies Act, 1956.
- (b) paragraph 4(ii)(b) of the said order is not applicable, as there are no such transactions during the year.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and relevant rules framed there under are not acceptable to the Company.
- (vii) In our Opinion, the Company has an internal audit system commensurate with its size and nature of business.
- (viii) According to the information and explanations given to us, we are of the opinion that prima facie, cost records prescribed, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, are made and maintained.
- (ix) (a) The Company is generally regular in depositing all undisputed statutory dues relating to Income tax deducted at source, service tax and value added tax. We are informed that the provision of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Wealth Tax, Custom duty, Excise Duty, Cess is not applicable to the Company. As per records produced before us, there are no undisputed dues which were outstanding as on March 31, 2014 for a period over six month from the date of same become payable.
- (b) According to information and explanation given to us, there are no statutory dues pending in respect of income-tax, sales tax, Value Added Tax, service tax, custom duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has accumulated losses which are more than fifty percent of the net worth of the Company. Moreover the Company has incurred cash losses during the year as well as in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank.
- (xii) Based on our examination of the records and 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 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.
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. However, the surplus funds have been invested in mutual funds. Proper records have been maintained for the transaction and contacts for the investment in mutual funds and are updated on a timely basis. The investments 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 other from banks or financial institutions.

L&T RAJKOT - VADINAR TOLLWAY LIMITED

- (xvii) According to the information and explanations given to us, and on the basis of books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that the term loan have been utilized for the purposes for which the loan were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) Based on the audit procedures performed and the information and explanations given to us by the management, 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) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.
- (xx) According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm Regn. No. 004661N)

G.K AGRAWAL
Partner
M. No. 081603

Place : Chennai
Date : May 6, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note no.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	A	1,100,000,000		1,100,000,000	
Reserves and surplus	B	(1,419,494,502)		(1,294,169,359)	
			(319,494,502)		(194,169,359)
Non-current liabilities					
Long-term borrowings	C(I)	10,143,945,813		9,332,121,148	
Other Long-term liabilities	C(II)	41,594,997		5,758,185	
Long-term provisions	C(III)	60,308,700		1,001,432	
			10,245,849,510		9,338,880,765
Current liabilities					
Trade payables	D(I)	5,801,468		–	
Other current liabilities	D(II)	382,065,314		793,302,986	
Short-term provisions	D(III)	213,321		250,551	
			388,080,103		793,553,537
TOTAL			10,314,435,111		9,938,264,943
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	184,649,921		217,929,984	
Intangible assets	E(II)	10,084,349,016		9,626,167,010	
			10,268,998,937		9,844,096,994
Long-term loans and advances	F		1,181,597		1,192,597
Current assets					
Current investments	G(I)	1,000,000		–	
Cash and bank balances	G(II)	34,163,446		86,239,876	
Short-term loans and advances	G(III)	6,570,874		6,735,476	
Other Current Assets	G(IV)	2,520,257		–	
			44,254,577		92,975,352
TOTAL			10,314,435,111		9,938,264,943
CONTINGENT LIABILITIES					
COMMITMENTS					
OTHER NOTES FORMING PART OF ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached

For and on behalf of the Board

For **GIANENDER & ASSOCIATES**

Chartered Accountants

Firm Regn. No. 004661N

by the hand of

G. K. AGRAWAL

Partner

Membership No. 081603

Place : Chennai

Date : May 6, 2014

T. S. VENKATESAN

Director

MANOJ DAVE

Director

Place : Chennai

Date : May 6, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		2012-13	
		₹	₹	₹	₹
REVENUE					
Revenue from Operations	J	692,761,907		592,551,376	
Other income	K	15,800,350		5,486,402	
Total Revenue			708,562,257		598,037,778
EXPENSES					
Operating expenses	L	204,471,282		158,065,039	
Employee benefit expenses	M	18,713,038		20,486,269	
Finance costs	N	1,019,075,050		918,223,085	
Depreciation and amortisation	E	(434,200,055)		623,473,187	
Administration and other expenses	O	25,828,085		12,361,093	
Total Expenses			833,887,400		1,732,608,673
Profit/(loss) before tax			(125,325,143)		(1,134,570,895)
Profit/(loss) after tax for the year			(125,325,143)		(1,134,570,895)
Earnings per equity share (Basic and Diluted)	P(7)		(1.14)		(10.31)
Face value per equity share			10.00		10.00
Other notes forming part of accounts	P				
Significant accounting policies	Q				

As per our report attached

For and on behalf of the Board

For **GIANENDER & ASSOCIATES**

Chartered Accountants

Firm Regn. No. 004661N

by the hand of

G. K. AGRAWAL

Partner

Membership No. 081603

Place : Chennai

Date : May 6, 2014

T. S. VENKATESAN

Director

MANOJ DAVE

Director

Place : Chennai

Date : May 6, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	(125,325,143)	(1,134,570,895)
Adjustment for		
Depreciation and amortisation expense	(434,200,055)	623,473,187
Interest expense	1,019,075,050	916,000,386
Interest income	(273,261)	(3,471,432)
(Profit)/loss on sale of current investments(net)	(13,761,202)	(2,014,969)
(Profit)/loss on sale of fixed assets	-	-
Operating profit before working capital changes	445,515,389	399,416,276
Adjustments for:		
Increase / (Decrease) in long term provisions	59,307,268	-
Increase / (Decrease) in other non current liability	35,836,812	-
Increase / (Decrease) in trade payables	5,801,468	(3,333,040)
Increase / (Decrease) in other current liabilities	(411,378,480)	(1,715,336,317)
Increase / (Decrease) in short term provisions	(37,230)	(21,708)
(Increase) / Decrease in loans and advances	175,602	122,249
(Increase) / Decrease in other current assets	(2,520,257)	-
Net cash generated from/(used in) operating activities	132,700,572	(1,319,152,540)
Direct taxes paid (net of refunds)	-	-
Net Cash(used in)/generated from Operating Activities	132,700,572	(1,319,152,540)
B CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(6,979,255)	(948,840,515)
Sale of fixed assets	1,581,773	-
Purchase of current investments	(1,000,000)	2,014,969
Interest received	14,034,463	3,471,432
Net cash (used in)/generated from investing activities	7,636,981	(943,354,113)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loan term borrowings	827,537,115	3,244,676,444
Repayment of long term borrowings	(876,048)	-
Interest paid	(1,019,075,050)	(916,000,386)
Net cash (used in)/generated from financing activities	(192,413,983)	2,328,676,058
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(52,076,430)	66,169,405
Cash and cash equivalents as at the beginning of the year	86,239,876	20,070,471
Cash and cash equivalents as at the end of the year	34,163,446	86,239,876

- Notes:**
- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" 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.
 - Component of cash and cash equivalents :-

Particulars	₹	₹
Balances with banks:		
-on current account	3,410,196	5,086,029
-on Fixed Deposits with less than 3 months maturity	21,313,652	74,030,107
-Margin money deposit	120,943	131,264
Cash in hand and transit	9,318,655	6,992,476
	34,163,446	86,239,876

As per our report attached

For and on behalf of the Board

For **GIANENDER & ASSOCIATES**
Chartered Accountants
Firm Regn. No. 004661N
by the hand of

G. K. AGRAWAL
Partner
Membership No. 081603

Place : Chennai
Date : May 6, 2014

T. S. VENKATESAN
Director

MANOJ DAVE
Director

Place : Chennai
Date : May 6, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
NOTE A: SHARE CAPITAL				
A(i) Authorised, issued, subscribed and paid up				
Authorised:				
11,00,00,000 Equity Shares of ₹ 10/- each	110,000,000	1,100,000,000	110,000,000	1,100,000,000
Issued, subscribed and Paid up				
11,00,00,000 Equity Shares of ₹ 10/- each fully paid up	110,000,000	1,100,000,000	110,000,000	1,100,000,000
A(ii) Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:				
Equity Shares:				
At the beginning of the year	110,000,000	1,100,000,000	110,000,000	1,100,000,000
Issued during the year as fully paid	-	-	-	-
Outstanding at the end of the year	110,000,000	1,100,000,000	110,000,000	1,100,000,000

A(III) Terms / Rights attached to Equity Shares:

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

No dividend has been declared by the Board of Directors during the year ended March 31, 2014 (Previous Year ₹ Nil)

A(IV) Details of Shares held by Holding Company/Ultimate Holding Company/its Subsidiaries and/or their Associates:

Particulars	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Holding Company				
L&T Infrastructure Development Projects Limited (including nominees holding)	109,999,900	1,099,999,000	109,999,900	1,099,999,000
Ultimate Holding Company				
Larsen and Toubro Limited	100	1,000	100	1,000
	110,000,000	1,100,000,000	110,000,000	1,100,000,000

A(V) Details of Shareholders holding more than 5% shares in the Company:

Particulars	As at 31.03.2014		As at 31.03.2013	
	No of Shares	%	No of Shares	%
L&T Infrastructure Development Projects Limited (including nominees holding)	109,999,900	100	109,999,900	100

A(VI) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL

A(vii) Calls unpaid : NIL; Forfeited Shares : NIL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE B : RESERVES & SURPLUS				
Surplus/(Deficit) as per Statement of Profit and loss:				
As per last Balance Sheet	(1,294,169,359)		(159,598,464)	
Add: Profit/(Loss) for the year	(125,325,143)		(1,134,570,895)	
		(1,419,494,502)		(1,294,169,359)
TOTAL		(1,419,494,502)		(1,294,169,359)

NOTE C(I) : LONG TERM BORROWINGS

Secured term loans from banks (Refer notes C(I)(a))

a) Term loans				
– Secured Loan				
– From banks		8,252,245,813		7,950,421,148
b) Loans and advances from related parties				
– Unsecured Loan				
Mezannine Debt from L&T Infrastructure Development Projects Limited (Holding Company)		1,100,000,000		1,100,000,000
Loan from L&T Infrastructure Development Projects Limited (Holding Company)		791,700,000		281,700,000
TOTAL		10,143,945,813		9,332,121,148

C(I)(a) Details of term loans as at March 31, 2014:

Particulars	Rate of Interest As at 31.03.2014	Terms of Repayment
-Secured Loan	Base rate + Applicable Spread	Repayable in 141 unequal monthly instalments from December 2012 to August 2024 at specified amounts.
-Unsecured Loan	RBI Bank rate	
-Mezzanine debt	Interest free loan	

C(I)(b) Nature of Security

A *pari passu* first charge on all the immovable and movable properties of the Company relating to the Project, both present and future except Project Assets as defined in the Concession Agreement, and hypothecation of tangible movable properties both present and future including all bank accounts of the Company and all Authorized investments or other securities representing all amounts credited in the bank accounts, book debts, uncalled share capital, intangible assets etc.

51% of the shares of the Company held by L&T Infrastructure Development Projects Limited are pledged with Term lenders.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(I)(c) Presentation of term loans in the Balance sheet is as follows:				
(i) Long term borrowings		8,252,245,813		7,950,421,148
(ii) Current maturities of long term borrowings		15,712,450		876,048
TOTAL		8,267,958,263		7,951,297,196

NOTE C(II) Other long-term liabilities

Interest accrued but not due on borrowings		41,594,997		5,758,185
TOTAL		41,594,997		5,758,185

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE C(III) LONG-TERM PROVISIONS				
Provision for Major Maintenance (Refer note P(9))		59,374,000		–
Gratuity (Refer note P(3)(ii))		421,445		350,163
Compensated absences (Refer note P(3)(ii))		513,255		651,269
TOTAL		60,308,700		1,001,432
NOTE D(I) TRADE PAYABLES				
Due to related parties :				
Holding Company		591,089		–
Others		5,210,379		–
TOTAL		5,801,468		–
NOTE D(I)(A)				
There have been no claimed transactions during the year (<i>previous year: Nil</i>) with Micro and small enterprises covered under the Micro, Small and Medium enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.				
NOTE D(II) OTHER CURRENT LIABILITIES:				
Current maturities of long term debt (Refer note C(I)(c))		15,712,450		876,048
Interest accrued and due on borrowings		1,690,774		–
Statutory liabilities		11,265,128		1,405,447
Others				
Sundry Creditors	12,748,412		38,111,577	
Provision for expenses	326,726,217		743,172,192	
GSRDC Share payable	11,055,603		9,509,632	
Payable to ultimate holding company	2,866,730		228,090	
		353,396,962		791,021,491
TOTAL		382,065,314		793,302,986
NOTE D(III) SHORT TERM PROVISIONS:				
Provision for employee benefits				
Gratuity (Refer note P(3)(ii))	8,938		4,214	
Compensated absences (Refer note P(3)(ii))	35,622		39,842	
Bonus Provision	168,761		206,495	
		213,321		250,551
TOTAL		213,321		250,551

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**NOTE E(I) : TANGIBLE ASSETS**

Particulars	Cost				Depreciation				Book Value	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto March 31, 2013	For the year	Deductions / Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Plant and Equipment	40,867,493	15,173	–	40,882,666	5,792,414	5,269,456	–	11,061,870	29,820,796	35,075,079
Furniture and fixtures	10,063,374	–	–	10,063,374	1,271,519	980,596	–	2,252,115	7,811,259	8,791,855
Vehicles	18,040,981	–	738,747	17,302,234	3,359,821	2,471,748	140,714	5,690,855	11,611,379	14,681,160
Office equipment	1,853,461	36,960	–	1,890,421	1,000,442	373,913	–	1,374,355	516,066	853,019
Toll Collection System	188,636,043	3,672,445	–	192,308,488	31,335,808	27,111,338	–	58,447,146	133,861,342	157,300,235
Computers, laptops and printers	2,317,288	321,150	92,250	2,546,188	1,088,652	455,880	27,423	1,517,109	1,029,079	1,228,636
Total	261,778,640	4,045,728	830,997	264,993,371	43,848,656	36,662,931	168,137	80,343,450	184,649,921	217,929,984
<i>Previous year</i>	<i>238,229,667</i>	<i>24,603,361</i>	<i>1,054,388</i>	<i>261,778,640</i>	<i>7,631,001</i>	<i>36,718,654</i>	<i>500,999</i>	<i>43,848,656</i>	<i>217,929,984</i>	

NOTE E(II) : INTANGIBLE ASSETS

Particulars	Cost				Amortisation				Book Value	
	As at April 1, 2013	Additions	Deductions	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions / Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Toll collection rights (Refer Note E(II)(a))	10,301,379,932	2,933,527	15,733,036	10,288,580,423	675,212,922	104,740,130	575,721,645	204,231,407	10,084,349,016	9,626,167,010
Total	10,301,379,932	2,933,527	15,733,036	10,288,580,423	675,212,922	104,740,130	575,721,645	204,231,407	10,084,349,016	9,626,167,010
<i>Previous year</i>	<i>9,376,589,390</i>	<i>924,790,542</i>	<i>–</i>	<i>10,301,379,932</i>	<i>88,458,388</i>	<i>586,754,533</i>	<i>–</i>	<i>675,212,922</i>	<i>9,626,167,010</i>	

E(II)(A)

During the year ended March 31, 2014, the Company has revised its accounting policy of amortisation of intangible assets (Toll based projects executed under Build-operate-transfer mode) hitherto based on Straight Line Method for more appropriate presentation of the financial statements by adopting the Revenue Based Method specified in the notification dated April 17, 2012 issued by the Ministry of Corporate Affairs. Consequently, the difference of ₹ 57,57,21,645/- arose due to change in amortisation method has been taken to the Statement of Profit and Loss. Had the Company continued to charged amortisation based on straight line method for such asset, the loss for the year would have been higher by ₹ 105,68,73,671/- and the value of Toll Collection Rights would have been lower by ₹ 105,68,73,671/-.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE F : LONG TERM LOANS AND ADVANCES				
Unsecured, considered good				
Security deposits	1,227,597		1,192,597	
(Less): Provision for Doubtful Advance	(46,000)		–	
		1,181,597		1,192,597
TOTAL		1,181,597		1,192,597

NOTE G(I) : CURRENT INVESTMENTS

Investment in Mututal funds - Quoted	1,000,000	–
L&T Liquid Fund Growth (570.34 units of face value ₹ 1000)		
Book Value - ₹ 10,00,000		
Market value - ₹ 10,02,263		
TOTAL	1,000,000	–

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE G(II) : CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks				
In current accounts		3,410,196		5,086,029
In deposit accounts with maturity less than three months (including interest accrued thereon)		21,313,652		74,030,107
Cash				
On hand		4,841,015		4,716,146
In Transit		4,477,640		2,276,330
Other bank balances				
Margin money deposit against bank guarantee issued (including interest accrued thereon) (Refer note G (II) (a))		120,943		131,264
TOTAL		34,163,446		86,239,876

G(II)(A) : Margin Money deposit given as security against bank guarantee issued to telecom department

NOTE G(III) : SHORT TERM LOANS AND ADVANCES

Advance recoverable is cash and kind or value to be received		5,993,274		6,479,569
Advance tax (net of provisions)		577,600		255,907
TOTAL		6,570,874		6,735,476

NOTE G(IV) : OTHER CURRENT ASSETS

Receivable				
L&T Devihalli Hassan Tollway Limited - fellow subsidiary		2,520,257		-
TOTAL		2,520,257		-

NOTE H : CONTINGENT LIABILITY

Bank guarantee issued in favour of President of India acting through telegraph authority ,Department of Telecommunications of ₹ 1,00,000 /-

NOTE I

Commitments as at March 31, 2014 ₹ Nil (previous year: ₹ Nil)

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE J : REVENUE FROM OPERATIONS				
Operating revenue:				
Toll Collections		806,725,507		682,216,325
(Less) : Revenue share to Gujarat State Road Development Corporation Limited		(113,963,600)		(89,664,949)
		692,761,907		592,551,376
TOTAL		692,761,907		592,551,376

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE K : OTHER INCOME				
Interest income from:				
Bank deposits		273,261		52,527
Short term capital gain		13,761,202		2,014,970
Other income		1,765,887		3,418,905
TOTAL		15,800,350		5,486,402
NOTE L : OPERATING EXPENSES				
Toll Management fees		31,775,453		53,242,345
Security services		36,870,899		19,204,175
Insurance		7,055,549		4,199,226
Repairs and maintenance				
Provision for Major Maintenance	59,374,000			–
Toll road & bridges	25,245,769		26,655,089	
Plant and machinery	4,375,495		1,656,930	
Others	15,424,029		25,243,163	
		104,419,293		53,555,182
Professional fees		16,918,652		18,725,800
Power and fuel		7,431,436		9,138,311
TOTAL		204,471,282		158,065,039
NOTE M : EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		13,849,677		15,657,600
Contributions to and provisions for:				
Provident fund (Refer P(3)(i))	756,413		894,247	
Gratuity (Refer P(3)(ii))	76,006		(77,627)	
Compensated absences (Refer P(3)(ii))	(97,111)		399,217	
		735,308		1,215,837
Staff welfare expenses		4,128,053		3,612,832
TOTAL		18,713,038		20,486,269
NOTE N : FINANCE COSTS				
Interest on borrowings		980,719,228		842,810,785
Other borrowing cost		38,355,822		75,412,300
TOTAL		1,019,075,050		918,223,085

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	2013-14		2012-13	
	₹	₹	₹	₹
NOTE O : ADMINISTRATION AND OTHER EXPENSES				
Concession fee		2		2
Rent, Rates and taxes		218,124		406,267
Professional fees (Refer note (a) below)		14,040,973		1,005,861
Postage and communication		1,295,512		1,369,915
Printing and stationery		1,148,818		1,168,830
Travelling and conveyance		2,811,529		6,141,236
Corporate social responsibility expenses		272,150		–
Repairs and Maintenance - Others		3,202,651		264,849
Miscellaneous expenses		2,838,326		2,004,133
TOTAL		25,828,085		12,361,093
(a) Professional fees includes Auditors remuneration as follows:				
a) As auditor				
– Statutory audit		220,000		200,000
– Tax audit		75,000		75,000
b) For other services		253,251		189,223
Total		548,251		464,223

NOTE P(1) : CORPORATE INFORMATION

The Company is a Special Purpose Vehicle (SPV) and has been awarded on Build Operate and Transfer (BOT) basis, the widening of existing two-lane, 131.65 kilometers Road stretch covering Rajkot Jamnagar Vadinar to make it four lane divided Carriageway facility under Viability Gap Funding scheme of GOI and operation and maintenance thereof, under the Concession Agreement dated September 17, 2008. The Concession is for a period of 20 years including the construction period. At the end of the 20 years the entire facility will be transferred to Gujarat State Road Development Corporation Ltd. The Company achieved commercial operation on February 1, 2012 upon receipt of the provisional completion certificate.

NOTE P(2) : FOREIGN CURRENCY TRANSACTION

	2013-2014	2012-2013
	₹	₹
Expenditure: (Value of imports calculated on CIF basis)		
Purchase of Highway traffic management system and Toll software	9,876,991	–

Earnings

During the year the Company does not have any earnings in foreign currency.

NOTE P(3) : Disclosure pursuant to Accounting Standard (AS) 15 (revised) on “Employee benefits”:**(i) Defined contribution plan:**

An amount of ₹ 7,56,413 (*previous year* : ₹ 8,94,247) being contribution made to recognised provident fund is recognised as expense and included under Employee benefit expense (Note M) in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**(ii) Defined benefit plans:**

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

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
- Wholly funded	-	-	-	-
- Wholly unfunded	430,383	354,377	548,877	691,111
	430,383	354,377	548,877	691,111
Less : Fair value of plan assets	-	-	-	-
Amount to be recognised as liability or (asset)	430,383	354,377	548,877	691,111
B) Amounts reflected in the Balance Sheet				
Liabilities	430,383	354,377	548,877	691,111
Assets	-	-	-	-
Net Liability / (asset)	430,383	354,377	548,877	691,111

b) The amounts recognised in the Statement of Profit and loss are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
1 Current service cost	157,386	190,731	110,510	190,111
2 Interest on Defined benefit obligation	28,705	36,720	54,153	34,197
3 Expected return on plan assets	-	-	-	-
4 Actuarial losses/(gains)	(110,085)	(305,078)	(261,774)	82,962
5 Past service cost	-	-	-	92,148
6 Actuarial gain/(loss) not recognised in books	-	-	-	-
7 Adjustment for earlier years	-	-	-	-
Total (1 to 7)	76,006	(77,627)	(97,111)	399,418
I Amount included in "employee benefit expenses"	76,006	(77,627)	(97,111)	399,418
II Amount included as part of "finance costs"	-	-	-	-
Total (I + II)	76,006	(77,627)	(97,111)	399,418
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	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
Opening balance of the present value of defined benefit obligation	354,377	432,004	691,111	512,944
Add: Current service cost	157,386	190,731	110,510	190,111
Add: Interest cost	28,705	36,720	54,153	34,197
Add: Contribution by plan participants				
i) Employer	-	-	-	-
ii) Employee	-	-	-	-
Add/(less): Actuarial losses/(gains)	(110,085)	(305,078)	(261,774)	82,962
Less: Benefits paid	-	-	45,123	221,251
Add: Past service cost	-	-	-	92,148
Closing balance of the present value of defined benefit obligation	430,383	354,377	548,877	691,111

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

d) Principal actuarial assumptions at the Balance Sheet date:

Particulars	As at March 31, 2014	As at March 31, 2013
1) Discount rate	9.10%	8.10%
2) Salary growth rate	6.00%	6.00%
3) Attrition rate	5.00%	5.00%

NOTE P(4) : SEGMENT INFORMATION

The Company is engaged in the business of construction, operation and maintenance of Toll road project on a Build Operate Transfer basis in a single business segment. Hence reporting on primary segment does not arise. Further, The Company has operations only in the state of Gujarat in India. Hence, disclosure of secondary / geographical segment information does not arise.

NOTE P(5) : Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"**a) List of related parties with whom transactions have taken place during the year**

Holding Company :	L&T Infrastructure Development Projects Limited
Ultimate Holding Company :	Larsen & Toubro Limited
Fellow Subsidiaries :	L&T Ahmedabad-Maliya Tollway Limited
	L&T Halol-Shamlaji Tollway Limited
	L&T Vadodara Bharuch Tollway Limited
	L&T BPP Tollway Limited
	L&T Samakhiali Gandhidham Tollway Limited
	L&T Panipat Elevated Corridor Limited
	L&T Krishnagiri Walajahpet Tollway Limited
	L&T Great Eastern Highway Limited
	L&T Devihalli Hassan Tollway Limited
	L&T Interstate Road Corridor Limited
	L&T Transco Private Limited
	L&T Urban Infrastructure Limited
	PNG Tollway Limited
	L&T General Insurance Company Limited

b) Disclosure of related party transactions:

Particulars	2013-14	2012-13
	₹	₹
Holding Company		
L&T Infrastructure Development Projects Limited		
• Long Term Borrowings	510,000,000	233,200,000
• Promoters Mezzanine debt	-	473,349,000
• Purchase of Goods & Services	17,868,458	6,657,905
• Interest on unsecured loan (Short fall funding)	36,770,477	5,758,185
• Reimbursement of Expenses to	305,703	8,395,585
• Reimbursement of Expenses from	632,603	309,287
Ultimate holding company		
Larsen & Toubro Limited		
• EPC Cost	394,184,879	170,538,600
• Purchase of Goods & Services	2,911,809	-
• Reimbursement of Expenses to	3,391,410	3,426,283
• Reimbursement of Expenses from	2,349	1,703,827
Fellow Subsidiaries		
L&T Ahmedabad-Maliya Tollway Limited		
• Reimbursement of expenses to	804,640	1,274,805
• Reimbursement of Expenses from	33,690	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	2013-14	2012-13
	₹	₹
L&T Halol-Shamlaji Tollway Limited		
• Purchase of Goods & Services	240,289	–
• Reimbursement of expenses to	–	214,200
L&T Vadodara Bharuch Tollway Limited		
• Reimbursement of Expenses to	441,921	388,416
• Reimbursement of Expenses from	36,895	32,892
• Change money	3,650,000	4,680,000
L&T BPP Tollway Limited		
• Reimbursement of Expenses from	57,101	198,366
• Sale of Goods and Services	42,328	–
L&T Krishnagiri Walajahpet Tollway Limited		
• Reimbursement of expenses to	–	37,981
L&T Panipat Elevated Corridor Limited		
• Reimbursement of expenses to	–	9,195
L&T Great Eastern Highway Limited		
• Reimbursement of Expenses from	8,900	252,311
L&T Devihalli Hassan Tollway Limited		
• Sale of Goods & Services	2,111,622	–
• Reimbursement of Expenses from	408,635	–
PNG Tollway Limited		
• Reimbursement of Expenses from	25,911	–
L&T General Insurance Company Limited		
• Purchase of Goods & Services	5,379,510	6,581,054

c) Amount due to and due from related parties(net):

Particulars	Amounts due (to)/from	
	As at 31.03.2014	As at 31.03.2013
	₹	₹
Holding Company		
L&T Infrastructure Development Projects Limited	(1,933,864,116)	(1,387,458,185)
Ultimate Holding Company		
Larsen & Toubro Limited	(2,866,730)	(228,090)
Fellow Subsidiaries		
L&T Devihalli Hassan Tollway Limited	2,520,257	–

d) No amounts pertaining to related parties have been written off or written back during the year. (previous year: Nil)

e) 51% of the shares of the Company held by L&T Infrastructure Development Projects Limited are pledged with Term lenders .

NOTE P(6) : Disclosure pursuant to Accounting Standard (AS) 19 “Leases”

- (i) The Company has not acquired any assets under Finance lease .
- (ii) The Company has not taken premises under cancellable operating lease.Thus nothing has been charged to the Statement of Profit and Loss during the current year . (Previous Year ₹ 2,81,194)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**NOTE P(7) : Disclosure pursuant to Accounting Standard (AS) 20 “Earnings per share”**

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) “Earnings per share”.

Particulars		2013-14	2012-13
		₹	₹
Basic and Diluted			
Profit after tax as per accounts (₹)	A	(125,325,143)	(1,134,570,895)
Weighted average number of shares outstanding	B	110,000,000	110,000,000
Basic and Diluted EPS (₹)	A / B	(1.14)	(10.31)
Face value per equity share (₹)		10.00	10.00

NOTE P(8) : Disclosure pursuant to Accounting Standard (AS) 28 “Impairment of Assets”

Based on a review of the future discounted cash flows of the project facility, the recoverable amount is higher than the carrying amount and hence no provision for impairment is made for the year.

NOTE P(9) : Disclosure pursuant to Accounting Standard (AS) 29 - “ Provisions ,Contingent Liabilities and Contingent Assets “**(a) Nature of Provision**

The Company is required to operate and maintain the project highway during the entire concession period and hand over the project back to the Authority (GSRDC) as per the maintenance standards prescribed in Concession agreement.

For this purpose, a regular maintenance along with periodic maintenances is required to be performed. Normally periodic maintenance includes resurface of pavements, repairs of structures, repairs and refurbishment of tolling system and other equipments and maintenance of service roads.

As per Industry practice periodic maintenance is expected to occur over a period Seven years .The maintenance cost / bituminous overlay may vary based on the actual usage during maintenance period. Accordingly on the grounds of matching concept, based on estimates, a provision for major maintenance expenses is provided for in the books annually.

During the current year Company has provided ₹ 5,93,74,000 for periodic Major Maintenance in respect of its resurfacing obligation

(b) Movement in provision

Description	As on 01.04.2013	Addition during the year	Utilised during the year	As on 31.03.2014
Major Maintenance Provision	–	59,374,000	–	59,374,000

(c) Disclosure in respect of contingent liabilities is given as part of Note no.(H) to Balance Sheet.**NOTE P(10) :**

The Company operates in the infrastructure business sector which involves huge capital investments. The Company’s network has been eroded. However the loss incurred so far is startup in nature and the Management expects that the Company’s revenue for the subsequent financial years will be sufficient to meet the expenditure and recoup the losses incurred thereby strengthening the financial position of the Company. Accordingly, the financial statements have been prepared on going concern basis.

NOTE P(11) : Previous year figures

Previous year figures has been reclassified/ regrouped / rearranged wherever considered necessary to make them comparable.

NOTE Q : SIGNIFICANT ACCOUNTING POLICIES**NOTE Q(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 provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the Central Government. However, certain 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 useful life 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. “

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE Q(2) : Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statement". The disclosure requirements with respect to the items in the Balance Sheet and the statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee.

NOTE Q(3) : Revenue recognition

Revenue is recognized based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

A. Revenue from Operations

a. Service income

- i Revenue from Toll Collections are accounted for as and when the amount is due and recovery is certain.
- ii Income from the sale of smart cards are recognised as and when the amount is received from the users of the cards.

b. Other Operating Income

- i Other operational revenue represents income earned from activities incidental to the business and is recognized when the right to receive the income is established as per the terms of the contract.

B. Other income

- a. Interest income is accrued at applicable interest rate on time proportion basis.
- b. Other items of income are accounted for as and when the right to receive arises.

NOTE Q(4) : Employee benefits

(i) 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.

(ii) Post-Employment Benefits

(a) Defined Contribution Plans:

The Company's obligation to employees provident fund is as defined contribution plan. Provident fund contribution is made to State Government Recognized Provident Fund. The contribution paid/payable is recognized in the period in which the employee renders the related service.

(b) Defined Benefit Plans:

The Company's obligation towards gratuity is a 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.

(iii) Long term employee benefits:

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

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 Statement of Profit and Loss.

NOTE Q(5) : Tangible Fixed Assets

Tangible fixed assets are stated at original cost net of tax/duty availed, if any, less accumulated depreciation and cumulative 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.

NOTE Q(6) : Depreciation

Depreciation on assets have been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on additions/ deductions is calculated pro-rata from/ to the month of additions/ deductions.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

	Category of Asset	Rate of Depreciation (%)
i	Furniture and fixture	10%
ii	Office equipment	25%
iii	Computers,Laptops and Printers	25%
iv	Desktops and laptops given to employees under the Company's Scheme	25%
v	Plant and Equipment	14.29%
vi	Motor Cars	14.29%
vii	Motor bike	9.50%
viii	Toll Collection system	14.29%

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

Items below ₹ 5,000/- have been depreciated at the rate of 100%.

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.

NOTE Q(7) : Intangible assets and amortisation

Intangible Asset is recognized when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Carriage ways represents Toll Collection Rights, which are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such carriage ways comprises of construction cost and other preoperative costs incurred during the implementation phase. Such carriage ways on completion are capitalized as Intangible Asset.

Administrative and other general overhead expenses that are directly attributable to acquisition / creation of intangible assets are allocated and capitalized as part of cost of the Intangible assets.

Amortisation is computed in accordance with terms of the Notification no. G.S.R. 298(E) dated April 17, 2012 issued by the Ministry of Corporate Affairs (on amortisation of Intangible assets created under Build Operate and Transfer, Build, Own, Operate and Transfer and other forms of Public Private Partnership Route), accordingly the amortisation is being charged on the actual revenue collected vis-a-vis the estimated revenue to be collected during the entire concession period.

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.

NOTE Q(8) : Investments

Investments, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Current investments are stated at lower of cost or market value. The determination of carrying amount of such investments is done on a weighted average cost of each individual investment.

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary in nature.

NOTE Q(9) : Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

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 at 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 TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE Q(10) : Foreign Currency Transactions

- (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. 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) 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 expense in the period in which they arise.

NOTE Q(11) : Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposit, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

NOTE Q(12) : Borrowing costs

Borrowing costs include interest, commitment charges, amortization of ancillary costs, amortization of discounts / premium related to borrowings, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest cost.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized/inventoried as part of cost of such asset till such time 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.

In compliance of AS-16 "Borrowing Cost", income earned on temporary investments, out of funds borrowed which are intermitently surplus but inextricably linked with the project, is deducted from the related borrowing costs incurred.

NOTE Q(13) : Taxes on income

Tax 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 the 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 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 realised.

NOTE Q(14) : 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.

- (i) Segment revenue includes sales directly identifiable with/allocable to the segment.
- (ii) Expenses that are directly identifiable with/allocable to the 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 corporate expenditure".
- (iii) Income which relate to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- (iv) Segments assets and liabilities include those directly identifiable with 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.

NOTE Q(15) : Leases

Operating Leases

- (i) 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 are charged to Statement of Profit & Loss on accrual basis.
- (ii) Rental income is recognized on accrual basis over the lease term.

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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE Q(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

- (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.

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

- (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 and
- (iii) 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.

NOTE Q(17) : Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

NOTE Q(18) : Operating cycle for current/non-current classification:

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

NOTE Q(19) : Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report attached

For and on behalf of the Board

For **GIANENDER & ASSOCIATES**

Chartered Accountants

Firm Regn. No. 004661N

by the hand of

G. K. AGRAWAL

Partner

Membership No. 081603

Place : Chennai

Date : May 6, 2014

T. S. VENKATESAN

Director

Place : Chennai

Date : May 6, 2014

MANOJ DAVE

Director

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report and the Accounts for the First Year ended March 31, 2014.

I. FINANCIAL RESULTS

The key financial parameters for the period ended March 31, 2014 are submitted below:

	October 18, 2013 to March 31, 2014
	₹ in Lakhs
1 Income for the year	0.00
2 Less: Expenditure	7.07
3 Profit Before Depreciation & Tax (PBDT)	(7.07)
4 Less: Depreciation	NIL
5 Profit / (Loss) before tax (PBT)	(7.07)
6 Less: Provision for tax	NIL
7 Profit / (Loss) after tax (PAT)	(7.07)
8 Balance brought forward from previous year	NA
9 Balance carried to Balance Sheet	(7.07)

II. PERFORMANCE OF THE COMPANY

- Your Company was incorporated pursuant to the Letter of Award received by the Promoters of the Company from Government of Odisha on October 5, 2013.
- Your Company is proposing to develop Four-Laning with paved shoulders of Sambalpur-Rourkela Section of SH-10 from Km 4.900 to 167.900 Km (Rourkela) in the State of Odisha to be executed as BOT (Toll) Project on DBFOT pattern.
- Your Company signed a Concession Agreement with Government of Odisha on November 8, 2013.

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. DIVIDEND:

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year in the light of the losses incurred during the current financial period under review.

V. CAPITAL EXPENDITURE

As at March 31, 2014, the Gross Fixed Assets (Tangible) stood at ₹ 26.68 Lakhs and the Net Fixed Assets are ₹ 26.24 Lakhs, the Capital Work in Progress and Pre-Operative expenses stood at ₹ 99.95 lakhs.

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.

L&T SAMBALPUR - ROURKELA TOLLWAY LIMITED

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, 2014 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.
5. That proper systems are in place to ensure compliance of all laws applicable to the Company

XII. DIRECTORS:

Mr. Karthikeyan T V, Mr. R. Chandrasekaran and Mr. Sharad Goel, First Directors of the Company whose directorship comes to an end at this First Annual General Meeting, being eligible, offer themselves for re-appointment.

The Board of Directors as on 31.03.2014 is as follows:

- Mr. Karthikeyan T V
- Mr. R. Chandrasekaran
- Mr. Sharad Goel

XIII. STATUTORY AUDITORS:

M/s M.K. Dandeker & Co, 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 the Companies Act, 2013.

XIV. SECRETARIAL COMPLIANCE CERTIFICATE

The Secretarial Compliance Certificate for the year ended March 31, 2014 has been issued by Mr. R Thamizhvanan, Company Secretary in Practice in terms of the provisions of Section 383A of the Companies Act, 1956. The said Compliance Certificate forms part of this Report.

XV. INTERNAL AUDITORS

The Corporate Audit Services department of L&T Infrastructure Development Projects Limited provides internal audit services to the Company.

XVI. 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.

XVII. 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 2013-14.

XVIII. MAINTENANCE OF COST RECORDS COMPLIANCE REPORT

Pursuant to the provisions of rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a Maintenance of Cost Records Compliance Report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

XIX. 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 : May 5, 2014

R CHANDRASEKARAN

Director

KARTHIKEYAN T V

Director

R. THAMIZHVANAN A.C.S, A.C.A

Company Secretary in practice
COP No.: 3721

S-7, Krishna Arcade, II Floor
No.10, Rajabathar Street,
T. Nagar, Chennai-17.
Mobile : +91 9841183025
Phone : 044-28153115

COMPLIANCE CERTIFICATE

AUTHORISED CAPITAL: ₹ 100,000,000 PAIDUP CAPITAL: ₹ 55,00,000

REGISTRATION NO: 18-093395

To,
The Members
L&T SAMBALPUR - ROURKELA TOLLWAY LIMITED
P.O.BOX.979, MOUNT POONAMALLEE ROAD,
MANAPAKKAM,
CHENNAI-600089

I have examined the registers, records, books and papers of **L&T SAMBALPUR -ROURKELA TOLLWAY LIMITED** (the Company) 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 31st March 2014. 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 registers as stated in Annexure `A` to this certificate, as per the provisions and the rules made there under 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 there under.
3. The company is a Public limited company .
4. The Board of Directors duly met 3 times on 18.10.2013, 23.10.2013 and 24.03.2014 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 during the year as no Annual General Meeting was held during the year
6. the company was not required to hold Annual general meeting for the year as the company is incorporated only during the financial year under review .
7. No extra ordinary general meeting was held during the financial year
8. the company has not advanced any loans attracting the provisions of Sec. 185 of the Companies Act, 2013 relating to loan to directors etc.
9. the management has confirmed that the company has not entered into any transactions attracting the provisions of Section 297 of the Act.
10. the company was not required to make any entry in the register maintained under section 301 of the Act during the year under scrutiny.
11. As there were no instances falling within the purview of Sec. 314 of the Act, the company has not obtained approvals from the Board of Directors, members or Central Government.
12. the company did not issue duplicate share certificates during the financial year.
13. the Company has:
 - i. duly dispatched shares certificates on transfer and there is no allotment / transmission of shares during the year.
 - ii. not deposited the amount of dividend in a separate Bank Account as no dividend was declared during the year.
 - iii. not been required to post dividend warrant as no dividend was declared during the year.
 - iv. not been required to transfer any amount to Investor Education and protection Fund as no amount lying in the Books of Accounts in respect of Unpaid Dividend, Application money due for refund, matured deposits, matured Debentures and the interest accrued thereon.
 - v. not been required to comply with the requirements of section 217 of the Act as this is the first year of incorporation.
14. The Board of Directors of the company is duly constituted. There was no appointment of directors during the year.
15. the company has not appointed Managing Director/whole time Director during the year and hence not attracting the provisions of section 269 of the Act .
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 or such other authorities as may be prescribed under the various provisions of the Act.
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 there under, wherever applicable.

L&T SAMBALPUR - ROURKELA TOLLWAY LIMITED

19. the company has duly allotted 5,00,000 Equity shares of Rs.10 each during the financial year in addition to the shares subscribed by subscribers to Memorandum. The Company is yet to file return of allotment with Registrar and that the due date has not lapsed.
20. the company has not bought back any shares during the financial year .
21. the company does not have preference share and question of redemption does not apply.
22. during the year there was no need for the company to keep in abeyance rights to dividend and the company has not issued any rights shares and bonus shares during the financial year.
23. the company has not invited/accepted any deposits including unsecured loans falling within the purview of sections 58A during the financial year.
24. there are no borrowings during the year hence the Company does not attract section Sec. 180(1)(c) of the Companies Act, 2013.
25. the company has not made any loans and investments 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 during the year under scrutiny and complied with provisions of the Act.
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 of the company during the year.
31. there was no prosecution initiated against or show cause notices received by 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 year under certification .
33. the section 418 of the Act regarding 'Deposit of contributions to Provident Fund with prescribed authorities' is not applicable.

R. THAMIZHVANAN
(COMPANY SECRETARY)
COP NO. 3721

Place: Chennai
Date: 04.04.2014

ANNEXURE A

Registers as maintained by the Company

1. Register of Members u/s. 150
2. Register of Directors, Managing Director u/s. 303.
3. Register of Director's Share Holding u/s. 307.
4. Minutes of Board & General Meeting u/s. 193.
5. Books of Accounts u/s. 209.
6. Register of Particular of Contracts in which director are interested u/s. 301.
7. Register of Share Transfer.
8. Register of documents sealed.
9. Register of Charges.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies or other authorities during the financial year ending on 31st March 2014.

For the period (18.10.2013 to 31.03.2014)

With REGISTRAR OF COMPANIES

Form No	Section	Description	Date of filing	Whether with in prescribed time
22	165	STATUTORY REPORT U/S 165	24.03.2014	Yes

WITH OTHER AUTHORITIES

NIL

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T SAMBALPUR - ROURKELA TOLLWAY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T SAMBALPUR- ROURKELA TOLLWAY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, and the statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our auditing accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION:

In our opinion and to the best of our information and according to the explanations given to us, the 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, 2014,
- b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

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 and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and Statement of Profit and Loss 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, 2014, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

For M. K. DANDEKER & CO.

(Firm Regn. No. 000679s)

K. J. DANDEKER

Partner

Chartered Accountants

Membership No. 018533

Place : Chennai

Date : May 5, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of **L&T SAMBALPUR- ROURKELA TOLLWAY LIMITED** on the accounts for the year ended 31st March 2014, 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 of any of its fixed assets so as to affect the going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence the clauses 4 (ii) (a), (b) & (c) of the Companies (Auditor's Report) Order 2003 relating to inventory are not applicable.
- (iii) According to the information & explanation 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) (b) 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 are adequate internal control systems commensurate with the size of the Company and 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 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 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 Section 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) In our Opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Company is maintaining the cost records as prescribed by the Central Government 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 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, 2014, 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.
- (x) The Company has been registered for a period less than five years 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) The Company has not defaulted in repayment of dues to any banks or 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) In our opinion, the Company is not a chit fund / 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 and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the information and explanation given to us, the Company has not raised funds on short term basis. Hence, the provisions of clause 4 (xvii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
- (xvii) 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.
- (xviii) The Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.
- (xix) The Company has not raised any money by public issue during the year.
- (xx) 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.

For M. K. DANDEKER & CO.
(Firm Regn. No. 000679s)

K. J. DANDEKER
Partner

Chartered Accountants
Membership No. 018533

Place : Chennai
Date : May 5, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note	As at 31.03.2014	
		₹	₹
EQUITY AND LIABILITIES:			
Shareholders' funds			
Share capital	A	55,00,000	
Reserves and surplus	B	(7,07,273)	
			47,92,727
Current liabilities			
Other current liabilities	C(I)	73,68,116	
Short-term provisions	C(II)	8,90,264	
			82,58,380
TOTAL			1,30,51,107
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	D(I)	26,24,309	
Intangible assets under development	D(II)	99,94,506	
			1,26,18,815
Long-term loans and advances	E		1,02,100
Current assets			
Cash and cash equivalents	F(I)	3,12,382	
Short-term loans and advances	F(II)	17,810	
			3,30,192
TOTAL			1,30,51,107
Contingent liabilities	G		
Commitments	H		
Other notes forming part of accounts	J		
Significant accounting policies	K		

As per our report attached
M. K. DANDEKER & CO.
Chartered Accountants
(Firm registration no.: 000679S)

by the hand of
K. J. DANDEKER
Partner
Membership No. 018533
Place : Chennai
Date : May 5, 2014

For and on behalf of the Board

KARTHIKEYAN T. V.
Director
Place : Chennai
Date : May 5, 2014

SHARAD GOEL
Director

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2014

	<u>Note</u>	<u>For the Period 18.10.2013 to 31.03.2014</u>
		<u>₹</u>
REVENUE		
Revenue from Operations		-
Other income		-
Total Revenue		<u>-</u>
EXPENSES		
Operating expenses		-
Employee benefit expenses		-
Administration and other expenses	I	7,07,273
Finance costs		-
Depreciation and amortisation		-
Total Expenses		<u>7,07,273</u>
Profit/(loss) before tax		(7,07,273)
Tax Expense:		
Current tax		
Deferred tax		
Profit/(loss) after tax for the year		<u>(7,07,273)</u>
Earnings per equity share (Basic and Diluted)	J(8)	(11.96)
Face value per equity share		10.00
Contingent liabilities	G	
Commitments	H	
Other notes forming part of accounts	J	
Significant accounting policies	K	

As per our report attached
M. K. DANDEKER & CO.
Chartered Accountants
(Firm registration no.: 000679S)

by the hand of
K. J. DANDEKER
Partner
Membership No. 018533
Place : Chennai
Date : May 5, 2014

For and on behalf of the Board

KARTHIKEYAN T. V.
Director

SHARAD GOEL
Director

Place : Chennai
Date : May 5, 2014

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2014

	For the Period 18.10.2013 to 31.03.2014
	₹
A NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	(7,07,273)
Operating profit before working capital changes	(7,07,273)
Adjustments for:	
Increase / (Decrease) in other current liabilities	73,68,116
Increase / (Decrease) in short term provisions	8,90,264
(Increase) / Decrease in loan term loans and advances	(1,19,910)
Net cash generated from/(used in) operating activities	74,31,197
Direct taxes paid (net of refunds)	-
Net Cash(used in)/generated from Operating Activities	74,31,197
B CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,26,18,815)
Net cash (used in)/generated from investing activities	(1,26,18,815)
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of capital	55,00,000
Net cash (used in)/generated from financing activities	55,00,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	3,12,382
Cash and cash equivalents as at the beginning of the year	-
Cash and cash equivalents as at the end of the year	3,12,382

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" as specified in the Companies (Accounting Standards) Rules 2006.
- Cash and cash equivalents represent cash and bank balances.

As per our report attached
M. K. DANDEKER & CO.
 Chartered Accountants
 (Firm registration no.: 000679S)

For and on behalf of the Board

by the hand of
K. J. DANDEKER
 Partner
 Membership No. 018533
 Place : Chennai
 Date : May 5, 2014

KARTHIKEYAN T. V.
 Director
 Place : Chennai
 Date : May 5, 2014

SHARAD GOEL
 Director

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

		As at 31.03.2014	
		No. of shares	₹
A	SHARE CAPITAL		
(i)	Authorised, issued, subscribed and paid up		
	Authorised:		
	Equity shares of ₹ 10 each	1,00,00,000	10,00,00,000
	Issued, subscribed and fully paid up		
	Equity shares of ₹ 10 each	5,50,000	55,00,000
(ii)	Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:		
	At the beginning of the year	-	-
	Issued during the year as fully paid	5,50,000	55,00,000
	At the end of the year	5,50,000	55,00,000
(iii)	Terms / rights attached to shares		
	The Company has only one class of equity share having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.		
	The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.		
	The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.		
	The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.		
(iv)	Details of Shares held by Holding Company/Ultimate Holding Company/its subsidiaries or associates:		
		As at 31.03.2014	
		No. of shares	₹
	L&T Infrastructure Development Projects Limited (including nominee holding)	5,50,000	55,00,000
		5,50,000	55,00,000
(v)	Details of Shareholders holding more than 5% shares in the Company:		
	Name of the shareholder	As at 31.03.2014	
		No. of shares	%
	L&T Infrastructure Development Projects Limited (including nominee holding)	5,50,000	100.00
(vi)	Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL		
(vii)	Calls unpaid : NIL; Forfeited Shares : NIL		
		As at 31.03.2014	
		₹	₹
B	RESERVES AND SURPLUS		
	Surplus/(Deficit) as per Statement of Profit and loss:		
	As per last Balance Sheet	-	
	Add: Profit/(Loss) for the year	(7,07,273)	
			(7,07,273)
	TOTAL		(7,07,273)

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

As at 31.03.2014

₹

C(I) OTHER CURRENT LIABILITIES**Other payables**

Due to ultimate holding company	1,87,348
Due to fellow subsidiaries	27,78,501
Statutory liabilities	4,74,457
Others	39,27,810
TOTAL	73,68,116

C(I) (a) 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 paid/outstanding does not arise.

C(II) SHORT TERM PROVISIONS**Provision for employee benefits**

Gratuity (Refer note J(3)(ii))	6,74,843
Compensated absences (Refer note J(3)(ii))	2,15,421
TOTAL	8,90,264

D(I) TANGIBLE ASSETS

PARTICULARS	COST			DEPRECIATION			BOOK VALUE
	Additions	Deductions	As at 31.03.2014	For the year	Deductions	Up to 31.03.2014	As at 31.03.2014
		₹	₹	₹	₹	₹	₹
Owned							
Furniture and fixtures	10,30,466	–	10,30,466	8,587	–	8,587	10,21,879
Office equipment	4,67,325	–	4,67,325	16,066	–	16,066	4,51,259
Air Conditioners	7,15,388	–	7,15,388	9,052	–	9,052	7,06,336
Computers, laptops and printers	4,55,322	–	4,55,322	10,487	–	10,487	4,44,835
Total	26,68,501	–	26,68,501	44,192	–	44,192	26,24,309

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014**G CONTINGENT LIABILITIES**

Contingent liabilities as at March 31, 2014 ₹ Nil

H COMMITMENTS

Commitments as at March 31, 2014 ₹ Nil

	For the Period 18.10.2013 to 31.03.2014	
	₹	₹
I ADMINISTRATION AND OTHER EXPENSES		
Rates and taxes	6,09,520	
Professional fees	97,753	
		<u>7,07,273</u>
TOTAL		<u>7,07,273</u>
I (a) Professional fees includes Auditors' remuneration (including service tax) as follows:		
a) As auditor		<u>84,270</u>
TOTAL		<u>84,270</u>

J 1 CORPORATE INFORMATION

L&T Sambalpur Rourkela Tollway Limited is a Special Purpose Vehicle (SPV) incorporated on October 18, 2013 for the purpose of executing and operating the project consist of Four Laning with Paved shoulders of Sambalpur-Rourkela Section of State Highway No.10 (SH-10) from KM 4.9000 to KM 167.9000 in the State of Odisha to be executed as Build, Operate and Transfer (Toll) on DBFOT (Design, Built, Finance, Operate and Transfer) pattern as per the Concession Agreement entered into with the Works Department, Government of Odisha on November 8, 2013. The appointed date as specified in terms article 48.1 of the said agreement is still awaited. The Concession Period is for 22 years (including the construction period of 3 years) from the Appointed Date.

J 2 The Company has not earned any income/incurred any expenditure in foreign currency during the year.

J 3. Disclosure pursuant to Accounting Standard (AS) 15 (revised) on "Employee benefits":

(i) Defined contribution plan:

An amount of ₹ 1,71,375/- being contribution to be made to recognised provident fund is recognised as expense and included under Pre-operative expenses pending allocation (Note D (II)).

(ii) Defined benefit plans:

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

Particulars	Gratuity plan	Compensated absences
	As at 31.03.2014	As at 31.03.2014
	₹	₹
A) Present value of defined benefit obligation		
– Wholly funded	–	–
– Wholly unfunded	6,74,843	2,15,421
	6,74,843	2,15,421
Less : Fair value of plan assets	–	–
Amount to be recognised as liability or (asset)	6,74,843	2,15,421
B) Amounts reflected in the Balance Sheet		
Liabilities	6,74,843	2,15,421
Assets	–	–
Net Liability / (asset)	6,74,843	2,15,421

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

- b) The amounts recognised in the Statement of Profit and loss are as follows (included under Pre-operative expenses):

Particulars		Gratuity plan	Compensated absences
		As at 31.03.2014	As at 31.03.2014
		₹	₹
1	Current service cost	69,526	64,195
2	Interest on Defined benefit obligation		
3	Expected return on plan assets		
4	Actuarial losses/(gains)		
5	Past service cost	-	-
6	Actuarial gain/(loss) not recognised in books	6,05,317	1,51,226
7	Adjustment for earlier years	-	-
TOTAL (1 TO 7)		6,74,843	2,15,421
I	Amount included in "employee benefit expenses"	6,74,843	2,15,421
II	Amount included as part of "finance costs"	-	-
TOTAL (I + II)		6,74,843	2,15,421
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		Gratuity plan	Compensated absences
		As at 31.03.2014	As at 31.03.2014
		₹	₹
Opening balance of the present value of defined benefit obligation		-	-
Add:	Current service cost	69,526	64,195
Add:	Interest cost	-	-
Add:	Contribution by plan participants		
	i) Employer	-	-
	ii) Employee	-	-
Add/(less):	Actuarial losses/(gains)	6,05,317	1,51,226
Less:	Benefits paid	-	-
Add:	Past service cost	-	-
Closing balance of the present value of defined benefit obligation		6,74,843	2,15,421

- d) Principal actuarial assumptions at the Balance Sheet date:

Particulars	As at 31.03.2014
1) Discount rate	8.50%
2) Salary growth rate	6.00%
3) Attrition rate	5.00%

J 4 Disclosure pursuant to Accounting Standard (AS) - 16 "Borrowing Costs"

Borrowing cost capitalised during the year ₹ Nil.

J 5. Disclosure pursuant to Accounting Standard (AS) - 17 "Segment Information"

The Company is engaged in the business of construction, operation and maintenance of Toll road projects on a Design, Build, Finance, Operate and Transfer basis in a single business segment. Hence reporting on primary segment does not arise. The Company does not have operations outside India. Hence, disclosure of secondary / geographical segment information does not arise.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014**J 6. Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"****a) List of related parties**

Holding Company	L&T Infrastructure Development Projects Limited
Ultimate Holding Company	Larsen & Toubro Limited
Fellow Subsidiaries	L&T Deccan Tollways Limited L&T East West Tollways Limited

b) Disclosure of related party transactions:

Particulars	2013-14
	₹
Holding Company	
L&T Infrastructure Development Projects Limited	
• Subscription to equity shares	55,00,000
• Reimbursement of expenses charged to	84,519
• Reimbursement of expenses charged from	8,21,627
Larsen & Toubro Limited	
• Purchase of goods and services	5,618
L&T Deccan Tollways Limited	
• Purchase of fixed assets	13,24,010
L&T East West Tollways Limited	
• Purchase of fixed assets	14,54,491

c) Amount due to and due from related parties(net):

Particulars	Amounts due from/(to)
	As at 31.03.2014
	₹
Holding Company	
L&T Infrastructure Development Projects Limited	Nil
Ultimate Holding Company	
Larsen & Toubro Limited	– (1,87,348)
Fellow Subsidiaries	
L&T Deccan Tollways Limited	(13,24,010)
L&T East West Tollways Limited	(14,54,491)

d) No amounts pertaining to related parties have been written off or written back during the year.

J 7. Disclosure pursuant to Accounting Standard (AS) 19 "Leases"

(a) The Company has not taken any asset on finance lease.

(b) The Company has taken residential premises under cancellable operating lease. During the year lease amount is charged to Pre-operative expenses pending allocation.

J 8. Disclosure pursuant to Accounting Standard (AS) 20 "Earnings per share"

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) "Earnings per share".

Particulars		2013-14
		₹
Basic and Diluted		
Profit after tax as per accounts (₹)	A	(7,07,273)
Weighted average number of shares outstanding	B	59,146
Basic and Diluted EPS (₹)	A / B	(11.96)
Face value per equity share (₹)		10.00

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014**J 9. Disclosure pursuant to Accounting Standard (AS) 28 "Impairment of Assets"**

The Company has reviewed the future cash flows on the basis of value in use of its assets and is satisfied that the recoverable amount is more than the amount carried in the books. Accordingly no provision for impairment is required to be made in the books.

J 10 This being the first period of accounts of the Company, giving comparative figures of previous period does not arise.

K 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. However, certain 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 year, 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, allowance 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 Presentation of financial statements

The Company is incorporated on October 18, 2013. These financial statements, being the first financial statements are presented for the period from October 18, 2013 to March 31, 2014 ("Period").

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3 Revenue recognition

- (i) Dividend income is accounted when the right to receive the same is established.
- (ii) Interest income is accrued at applicable interest rate on time proportionate basis.
- (iii) Other items of income are accounted as and when the right to receive arises.

4 Tangible 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.

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

5 Depreciation

Depreciation on assets has been provided on straight-line basis at the rates specified in the schedule XIV to the Companies Act, 1956. In respect of the following asset categories depreciation is provided at rates in line with their estimated useful lives.

Category of Asset	Estimated Useful Life (Years)	Depreciation Rate (% per annum)
Furniture and fixtures	10	10.00%
Plant and Equipment General		
Desktops, Laptops, Printers, Scanners, Multi-functional devices	4	25.00%
Air conditioning and Refrigeration equipments	12	8.33%
Office equipments	4	25.00%

Individual assets whose value is below ₹ 5,000 are fully depreciated at 100% in the year of purchase.

Depreciation on additions/deductions is calculated pro-rata from/to the month of additions/deductions except for those whose value is less than ₹ 5,000

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

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.

Improvements to leasehold premises are amortized on a straight line basis over a period of three years.

6 Intangible assets and amortisation

Intangible asset is recognized when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Carriageway representing Toll collection rights are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such carriageway comprises of construction cost and other pre-operative costs incurred during the construction phase. Administrative and other general overhead expenses net of income from temporary investments, incurred upto the date of commencement of commercial operations that are specifically attributable to the construction/acquisition of the Intangible assets is allocated and capitalized as part of cost of the asset.

Such carriageway on completion are capitalised as Intangible asset and are amortised by taking proportionate of actual revenue earned for the period/year over the Total Projected Revenue from the Intangible assets expected to be earned over the balance concession period. Total Projected Revenue shall be reviewed at the end of each financial year and the total projected revenue shall be adjusted to reflect changes in estimates which lead to the actual collection at the end of concession period.

7 Impairment of assets

The carrying amounts of fixed assets are reviewed at each Balance Sheet date to ascertain 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.

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, 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:

- a) In the case of individual asset, at higher of the net selling price and value in use.
- b) In the case of a cash generating asset, (a group of assets that generates identifiable 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 the estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

8 Employee benefits

The following are the accounting policies of the Company with regard to Employee benefits:

(i) 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 the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

(ii) Post employment benefits:

(a) Defined contribution plans:

State Governed Provident Fund linked with Employee Pension Scheme is the Defined Contribution Plan. The contribution paid/ payable under the scheme is recognised during the period in which the employee renders the related service.

(b) Defined benefit plans:

The employees gratuity fund scheme is a defined benefit plan. The present value of the obligation under such Defined Benefit Plan is determined based on actuarial valuation using 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 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 in the Statement of Profit and loss/included in Pre-operative expenses.

(iii) Other long term employee benefits:

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

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014**9 Investments**

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature and determined separately for each individual investment. Current investments are stated at lower of cost or fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

10 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 applicable on the date of transaction.
- (iii) At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.
- (iv) 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 recognised as income or expense in the period/included in Pre-operative expenses in which they arise

11 Borrowing costs

Borrowing costs include interest, commitment charges, amortisation of ancillary costs, amortisation of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange difference arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of such assets, till such time the asset is ready for its intended use or sale. 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.

12 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.

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 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 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.

13 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.

- (i) Segment revenue includes sales directly identifiable with/allocable to the segment.
- (ii) Expenses that are directly identifiable with/allocable to the 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 corporate expenditure".
- (iii) Income which relate to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- (iv) Segments assets and liabilities include those directly identifiable with 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.

14 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 are charged to the Statement of Profit and Loss / included under Pre-operative expenses on accrual basis.

15 Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and othe bank balances which have restrictions on repatriation.Short term and liquid investments being not free from more than insignificant risk of changes in value, are not included as part of cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014

16 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 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 recognised, nor disclosed.

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

17 Commitments

Commitments are future liabilities for contractual expenditure. They are classified and disclosed as follows:

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for.
- ii) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

18 Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

19 Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- i) transactions of a non-cash nature
- ii) any deferrals or accruals of past or future operating cash receipts or payments and
- iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report attached
M. K. DANDEKER & CO.
Chartered Accountants
(Firm registration no.: 000679S)

For and on behalf of the Board

by the hand of
K. J. DANDEKER
Partner
Membership No. 018533
Place : Chennai
Date : May 5, 2014

KARTHIKEYAN T. V.
Director
Place : Chennai
Date : May 5, 2014

SHARAD GOEL
Director

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended March 31, 2014

1. FINANCIAL RESULTS

The key financial parameters for the year ended 31st March 2014 are:

Description	Amount (₹ Lakhs)	
	2013-14	2012-13
Profit before depreciation & tax	(4502.24)	(1839.59)
Depreciation	-1263.57	1918.75
Profit / (Loss) before tax	(3238.67)	(3758.34)
Prior Period Adjustments	-	-
Provision for tax	-	-
Profit / (Loss) after tax	(3238.67)	(3758.34)
Balance brought forward from Previous year	(3845.96)	(87.62)
Balance carried to Balance Sheet	(7084.64)	(3845.96)

2. PERFORMANCE OF THE COMPANY

The Company has commenced operation during the year 2012-13. The Total Income for 2013-14 is ₹ 3805.66 lacs. Profit After Tax (PAT) for 2013-14 is ₹ 3238.67 lacs.

3. APPROPRIATION

Appropriation of profits is not applicable to the Company

4. DIVIDEND

The Board of Directors has not recommended any dividend for the year 2013-14.

5. CAPITAL EXPENDITURE (₹ LAKHS)

As at March 31, 2014, the gross fixed assets stood at ₹ 169823.14 Lakhs and the net fixed assets stood at ₹ 169142.62 Lakhs. As at March 31, 2014, the Intangible Assets under Development stood at NIL.

6. DEPOSITS

Your Company has not accepted any deposits from the public.

7. AUDITORS' REPORT

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

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. CONSERVATION OF ENERGY

The operations of your Company are not energy intensive as Company is not engaged in manufacturing activity and your Company is not under the list of industries which should furnish information in form A (Rule 2).

B. TECHNOLOGY ABSORPTION

No technology has been developed and / or imported by way of foreign collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO (₹Lakhs)

- | | | |
|--------------------------------------|---|-----|
| i. Expenditure in foreign currency | : | NIL |
| ii. CIF value of Imports (in Rupees) | : | NIL |

9. DISCLOSURE OF PARTICULARS

As the primary object of your Company is Operation of the BOT Project, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

10. 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.

Mr. Mahaveer S Dasharathana resigned as a Manager on 16.08.2012. Consequent upon his resignation, Mr. Sanjay Prabhakar Ingle was appointed as the Manager of the Company under the Companies Act, 1956 with effect from 16.08.2012.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your 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, 2014;
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 your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.
5. that proper systems are in place to ensure compliance of all laws applicable to your Company.

12. DIRECTORS

Mr. T. S. Venkatesan Mr. Karthikeyan T. V., Mr. Satish D. Parakh and Mr. Manoj Dave constitute the Board of Directors of your Company.

During the year, there was no change in the Directorships of the Company.

Mr. T. S. Venkatesan, retires by rotation at the Fifth Annual General Meeting and being eligible offers himself for re-appointment.

13. AUDIT COMMITTEE

The Members of the Audit Committee are:

1. Mr. T. S. Venkatesan
2. Mr. Karthikeyan T. V. and
3. Mr. Satish D. Parakh

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 held discussions with the auditors on internal control systems and internal audit report.

14. STATUTORY AUDITORS

The Auditors, M/s Gianender & Associates., 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 139(1) of the Companies Act, 2013.

15. SUBSIDIARY COMPANIES

Your Company has no Subsidiary Companies.

16. INTERNAL AUDITORS

M/s Price Waterhouse Coopers are the Internal Auditors of the Company.

17. 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.

18. MAINTENANCE OF COST AUDIT COMPLIANCE REPORT

Pursuant to the provisions of Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a cost audit compliance report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

19. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the financial institutions, bankers, employees of the Company, staff and management of the parent company.

For and on behalf of the Board

Place : Chennai

Date : May 6, 2014

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PNG TOLLWAY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **PNG TOLLWAY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, the statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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, 2014,
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in case of the Cash flow Statement, of the cash flows for the year ended on that date.

EMPHASIS OF MATTER

We draw attention to the Note no. E(II)(a), regarding change in the policy of amortization of intangible assets from straight line method to amortisation based on "Revenue Model" (in terms of Notification dated April 17, 2012 issued by the Ministry of Corporate Affairs for Toll based assets) resulting in the charge for the year being lower by ₹ 17,11,66,035. Had the Company continued to charge amortisation based on straight line method for such asset, the loss for the year would have been higher by ₹ 54,29,31,707 and the value of Toll Collection Rights would have been lower by the same amount.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the Order.
2. As required by Section 227(3) of the Act, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2014, from being appointed as a director in terms of Para (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For GIANENDER& ASSOCIATES
Chartered Accountants
Firm Regn. No. 004661N

Place : Chennai
Date : May 6, 2014

G. K. AGRAWAL
Partner
M. No. 081603

ANNEXURE TO THE INDEPENDENT AUDITORS REPORT

Annexure referred to in paragraph 1 under the heading "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" of our report on even date

RE: PNG TOLLWAY LIMITED

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) 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 the nature of its assets. No material discrepancies were noticed on such verification.
- c) According to the information and explanations given to us, during the year no substantial disposal of fixed assets of the Company has taken place which would have affected its going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence Para 4 (ii) (a), (b) and (c) of the companies (Auditor's report) Order 2003 relating to inventory 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 the provision of paragraph 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the provision of paragraph 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for toll collection. During the course of our audit, we have not observed any major weakness in internal control system. Further, the provision of Paragraph 4(iv) with respect to sale of goods and purchase of inventory are not applicable to the Company.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, there are no particulars of contracts or arrangement during the year which are required to be entered in the register maintained pursuant to Section 301 of the Companies Act, 1956.
- (b) paragraph 4(ii)(b) of the said order is not applicable, as there are no such transactions during the year.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and relevant rules framed there under are not acceptable to the Company.
- (vii) In our Opinion, the Company has an internal audit system commensurate with its size and nature of business.
- (viii) According to the information and explanations given to us, we are of the opinion that prima facie, cost records prescribed, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, are made and maintained.
- (ix) (a) The Company is generally regular in depositing all undisputed statutory dues relating to Income tax deducted at source, service tax and value added tax. We are informed that the provision of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Wealth Tax, Custom duty, Excise Duty, Cess is not applicable to the Company. As per records produced before us, there are no undisputed dues which were outstanding as on March 31, 2014 for a period over six month from the date of same become payable.
- (b) According to information and explanation given to us, there are no statutory dues pending in respect of income-tax, sales tax, Value Added Tax, service tax, custom duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has accumulated losses which are more than fifty percent of the net worth of the Company. Moreover the Company has incurred cash losses during the year as well as in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank.
- (xii) Based on our examination of the records and 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 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.
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. However, the surplus funds have been invested in mutual funds. Proper records have been maintained for the transaction and contacts for the investment in mutual funds and are updated on a timely basis. The investments 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, and on the basis of books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that the term loan have been utilized for the purposes for which the loan were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) Based on the audit procedures performed and the information and explanations given to us by the management, 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) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.
- (xx) According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For GIANENDER& ASSOCIATES

*Chartered Accountants
Firm Regn. No. 004661N*

*Place : Chennai
Date : May 6, 2014*

G. K. AGRAWAL
Partner
M. No. 081603

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	A	1,69,10,00,000		1,69,10,00,000	
Reserves and surplus	B	(70,84,64,246)		(38,45,96,943)	
			98,25,35,754		1,30,64,03,057
Share Application Money Pending Allotment					
			-		-
Non-current liabilities					
Long-term borrowings	C(I)	14,61,46,20,004		13,15,64,00,000	
Other Long-term liabilities	C(II)	53,04,30,631		15,49,48,630	
Long-term provisions	C(III)	9,51,21,752		3,20,83,755	
			15,24,01,72,387		13,34,34,32,385
Current liabilities					
Short-term borrowings			-		-
Trade payables	D(I)	25,20,649		1,64,08,103	
Other current liabilities	D(II)	65,79,65,896		66,01,23,971	
Short-term provisions	D(III)	14,84,62,962		26,59,225	
			80,89,49,507		67,91,91,299
TOTAL			17,03,16,57,648		15,32,90,26,741
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	7,10,12,731		8,10,54,420	
Intangible assets	E(II)	16,84,32,49,817		6,19,20,87,653	
Intangible Assets under Development	E(III)	-		8,88,32,30,284	
			16,91,42,62,548		15,15,63,72,357
Long-term loans and advances	F		5,12,35,311		7,10,11,252
Current assets					
Cash and bank balances	G(I)	5,14,21,228		9,65,05,474	
Short-term loans and advances	G(II)	1,47,38,561		51,37,658	
			6,61,59,789		10,16,43,132
TOTAL			17,03,16,57,648		15,32,90,26,741
Contingent liabilities	H		-		-
Commitments	I				
Other notes forming part of accounts	P				
Significant accounting policies	Q				

As per our report of attached

For and on behalf of the Board

For GIANENDER & ASSOCIATES

Chartered Accountants

Firm Registration No: 04661N

G. K. AGRAWAL

Partner

Membership No.081603

SANJAY INGLE

Manager

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		2012-13	
		₹	₹	₹	₹
REVENUE					
Net Revenue from Operations	J	37,08,45,635		17,74,88,201	
Other income	K	97,20,381		51,60,759	
Total Revenue		38,05,66,016		18,26,48,960	
EXPENSES					
Operating expenses	L	15,33,66,773		6,71,15,495	
Employee benefit expenses	M	78,94,615		52,87,108	
Finance costs	N	65,94,50,449		29,00,42,067	
Depreciation and amortisation	E	-12,63,57,330		19,18,75,159	
Administration and other expenses	O	1,00,78,812		41,63,465	
Total Expenses		70,44,33,319		55,84,83,294	
Profit/(loss) before tax		(32,38,67,303)		(37,58,34,334)	
Tax Expense:					
Current tax	P(11)	-		-	
Deferred tax	P(11)	-		-	
			-		-
Profit/(loss) after tax for the year		(32,38,67,303)		(37,58,34,334)	
Earnings per equity share (Basic and Diluted)	P(13)	(1.92)		(2.22)	
Face value per equity share		10.00		10.00	
Other notes forming part of accounts	P				
Significant accounting policies	Q				

As per our report of attached

For and on behalf of the Board

For GIANENDER & ASSOCIATES

Chartered Accountants

Firm Registration No: 04661N

G. K. AGRAWAL

Partner

Membership No.081603

SANJAY INGLE

Manager

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Net profit / (loss) before tax and extraordinary items	(32,38,67,303)	(37,58,34,334)
Adjustment for		
Depreciation and amortisation expense	(12,63,57,330)	19,18,75,159
Interest expense	65,94,50,449	29,00,42,067
Interest income	(2,43,792)	-
(Profit)/loss on sale of current investments(net)	(92,62,707)	-
Operating profit before working capital changes	19,97,19,317	10,60,82,892
Adjustments for:		
Increase / (Decrease) in long term provisions	6,30,37,997	3,15,56,502
Increase/ (Decrease) in trade payables	(1,38,87,454)	13,95,69,435
Increase / (Decrease) in other current liabilities	(21,58,075)	-
Increase / (Decrease) in short term provisions	14,58,03,737	-
(Increase) / Decrease in loan term loans and advances	1,97,75,941	42,33,15,796
(Increase) / Decrease in other current assets	-	-
(Increase) / Decrease in Short term Loans and advances	(96,00,903)	-
Increase / (Decrease) in long term liability	37,54,82,001	-
Net cash generated from/(used in) operating activities	77,81,72,561	70,05,24,625
Direct taxes paid (net of refunds)	-	-
Net Cash(used in)/generated from Operating Activities	77,81,72,561	70,05,24,625
B Cash flow from investing activities		
Purchase of fixed assets	(1,63,15,32,861)	(5,34,13,56,595)
Purchase of current investments	(1,48,51,57,000)	(1,66,44,00,000)
Sale of current investments	1,49,44,19,707	1,66,59,26,560
Net cash (used in)/generated from investing activities	(1,62,22,70,154)	(5,33,98,30,035)
C Cash flow from financing activities		
Secured Loan	98,36,00,000	3,80,50,00,000
Repayment of long term borrowings	(23,67,39,996)	-
Mezz Debt	15,54,00,000	1,03,56,00,000
Other Long Term Loans	55,59,60,000	15,54,00,000
Interest paid	(65,92,06,657)	(28,42,36,196)
Net cash (used in)/generated from financing activities	79,90,13,347	4,71,17,63,804
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(4,50,84,246)	7,24,58,394
Cash and cash equivalents as at the beginning of the year	9,65,05,474	2,40,47,080
Cash and cash equivalents as at the end of the year	5,14,21,228	9,65,05,474

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" 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.

Particulars

	₹	₹
Cash on Hand	49,32,556	43,64,325
Balance with Scheduled Banks - Current Accounts	43,88,672	63,41,149
Balance with Scheduled Banks in term deposits	4,21,00,000	8,58,00,000
Cash & Bank Balances	5,14,21,228	9,65,05,474

As per our report of attached

For and on behalf of the Board

For GIANENDER & ASSOCIATES

Chartered Accountants

Firm Registration No: 04661N

G. K. AGRAWAL

Partner

Membership No.081603

SANJAY INGLE

Manager

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

NOTES FORMING PART OF ACCOUNTS**NOTE A – SHARE CAPITAL****(i) Authorised, issued, subscribed and paid up**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Authorised:				
Equity shares of ₹ 10 each	<u>17,00,00,000</u>	<u>1,70,00,00,000</u>	<u>17,00,00,000</u>	<u>1,70,00,00,000</u>
Issued, subscribed and paid up				
Equity shares of ₹ 10 each fully paid	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>

(ii) Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>
Issued during the year as fully paid	–	–	–	–
At the end of the year	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>

(iii) Terms / rights attached to shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

During the year ended 31st March 2014 no dividend is declared by the Board of Directors (*Previous Year NIL*)

(iv) Details of Shares held by Holding Company/Ultimate Holding Company/its subsidiaries or associates:

Particulars	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
L&T Infrastructure Development Projects Limited (Fellow Subsidiary company including its nominees' holding)	<u>8,11,68,000</u>	<u>81,16,80,000</u>	<u>6,04,70,162</u>	<u>60,47,01,620</u>
Larsen and Toubro Limited (ultimate holding company)	<u>4,39,66,000</u>	<u>43,96,60,000</u>	<u>4,39,66,000</u>	<u>43,96,60,000</u>
L&T Transco Private Limited (Fellow Subsidiary)	–	–	<u>2,06,97,838</u>	<u>20,69,78,380</u>
Ashoka Buildcon Limited (ABL) - JV Partner	–	–	<u>4,39,66,000</u>	<u>43,96,60,000</u>
Ashoka Concessions Limited (ACL) - JV Partner (Including its nominees' holding)	<u>4,39,66,000</u>	<u>43,96,60,000</u>	–	–
	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>	<u>16,91,00,000</u>	<u>1,69,10,00,000</u>

(v) Details of Shareholders holding more than 5% shares in the Company:

Name of the Shareholder	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	%	No. of Shares	%
L&T Infrastructure Development Projects Limited (Fellow Subsidiary company including its nominees' holding)	<u>8,11,68,000</u>	<u>48.00</u>	<u>6,04,70,162</u>	<u>35.76</u>
Larsen and Toubro Limited (ultimate holding company)	<u>4,39,66,000</u>	<u>26.00</u>	<u>4,39,66,000</u>	<u>26.00</u>
L&T Transco Private Limited (Fellow Subsidiary)	–	–	<u>2,06,97,838</u>	<u>12.24</u>
Ashoka Buildcon Limited (ABL)- JV Partner	–	–	<u>4,39,66,000</u>	<u>26.00</u>
Ashoka Concessions Limited (ACL)- JV Partner (Including its nominees' holding)	<u>4,39,66,000</u>	<u>26.00</u>	–	–

(vi) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL**(vii) Calls unpaid : NIL; Forfeited Shares : NIL**

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE B – RESERVES & SURPLUS				
Surplus/(Deficit) as per Statement of Profit and loss:				
As per last Balance Sheet	(38,45,96,943)		(87,62,609)	
Add: Profit/(Loss) for the year	(32,38,67,303)		(37,58,34,334)	
TOTAL		(70,84,64,246)		(38,45,96,943)

NOTE C(I) – LONG TERM BORROWINGS

Term loans from banks - Secured	12,21,22,60,004	11,46,54,00,000
Unsecured Loans from related parties	2,40,23,60,000	1,69,10,00,000
	14,61,46,20,004	13,15,64,00,000

NOTE C(I)(A) – Details of term loans

Particulars	Rate of Interest	Terms of Repayment
	As at 31.03.2014	
State Bank of India	SBI Base rate + Applicable Spread	Repayable in 138 monthly unequal instalments ranging from 2.67 crores to 13.52 crores from July 2013 to March 2025
UCO Bank		
Bank of Baroda		
Federal Bank		
South Indian Bank		
Indian Bank	* Indian Bank Base Rate + applicable spread	

*The rate of interest of any lender shall not be lower than that of any other lender.

NOTE C(I)(B) – Nature of Security

A First Pari Passu Charge on all the immovable and movable properties of the Company relating to the project, both present and future except Project assets as defined in the Concession Agreement, all bank accounts of the Company and all Authorised investment or other securities representing all amounts credited in the Bank accounts.

NOTE C(I)(C) – Presentation of term loans in the Balance sheet is as follows:

Particulars	As at 31.03.2014	As at 31.03.2013
	₹	₹
(i) Long term borrowings	14,61,46,20,004	13,15,64,00,000
(ii) Current maturities of long term borrowings (Part of other current liabilities note D(III))	40,58,00,000	23,67,00,000
	15,02,04,20,004	13,39,31,00,000

C(I)(D) – LOANS AND ADVANCES FROM RELATED PARTIES: (unsecured)

Particulars	Rate of interest	As at 31.03.2014	As at 31.03.2013	Terms of repayment
		₹	₹	
- Promoter's Mezzanine Debt	Average Term Loan Rate + 0.05%			The mezz debt is a part of the Promoters capital contribution to the project
- L&T Infrastructure Development Projects Limited (Fellow Subsidiary)		81,16,80,000	69,66,84,000	
- Larsen & Toubro Limited (Ultimate Holding Holding Company)		43,96,60,000	43,96,60,000	
- Ashoka Buildcon Limited (ABL)- (JV Partner)			39,92,56,000	
- Ashoka Concessions Limited(ACL) - (JV Partner)		43,96,60,000	-	
		1,69,10,00,000	1,53,56,00,000	

NOTES FORMING PART OF ACCOUNTS (Contd.)

Particulars	Rate of interest	As at 31.03.2014	As at 31.03.2013	Terms of repayment
		₹	₹	
Promoters' Un-secured Loan	RBI minimum rate			for meeting the short term requirement
– L&T Infrastructure Development Projects Limited (Fellow Subsidiary)		57,57,00,000	11,49,96,000	
– Ashoka Buildcon Limited (ABL)- (JV Partner)			4,04,04,000	
– Ashoka Concessions Limited(ACL) - (JV Partner)		13,56,60,000		
		71,13,60,000	15,54,00,000	

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE C(II) – OTHER LONG-TERM LIABILITIES				
Interest accrued on Mezzanine Debt and Unsecured Loans		37,59,40,631		15,49,48,630
Compensation for Negative Change of Scope in Project Carriageway		15,44,90,000		–
TOTAL		53,04,30,631		15,49,48,630
NOTE C(III) - LONG-TERM PROVISIONS				
Provision for Major Maintenance Refer Note No P(8)		9,42,22,581		3,08,00,000
Gratuity (Refer note P(3)(ii))	2,79,555		6,98,660	
Compensated absences (Refer note P(3)(ii))	6,19,616		5,85,095	
		8,99,171		12,83,755
TOTAL		9,51,21,752		3,20,83,755
NOTE D(I) – TRADE PAYABLES				
Others		25,20,649		1,64,08,103
TOTAL		25,20,649		1,64,08,103

NOTE D(I)(A)

There have been no transactions during the year (*previous year: ₹ Nil*) with Micro and small enterprises covered under the Micro, Small and Medium enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE D(II) – OTHER CURRENT LIABILITIES				
Current maturities of long term debt		40,58,00,000		23,67,00,000
Statutory liabilities		39,88,542		1,90,63,652
Due to related parties :				
Larsen and Toubro Limited (ultimate holding company) EPC Dues		12,89,28,154		25,14,03,077
L&T Infrastructure Development Projects Limited (Fellow Subsidiary)		3,85,057		4,63,850
Ashoka Buildcon Limited (ABL)- EPC dues		5,29,90,658		15,15,53,486
Others		6,58,73,485		9,39,906
TOTAL		65,79,65,896		66,01,23,971

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
NOTE D(III) – SHORT TERM PROVISIONS		
Provision for employee benefits		
Gratuity (Refer note P(3)(ii))	7,318	22,369
Compensated absences (Refer note P(3)(ii))	30,628	1,18,876
	37,946	1,41,245
Others		
Provision for expenses	14,84,25,016	25,17,980
TOTAL	14,84,62,962	26,59,225

NOTE E(I) – TANGIBLE ASSETS

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Land (Refer note E(I)(a))	9,40,000	–	–	9,40,000	–	–	–	–	9,40,000	9,40,000
Building	–	–	–	–	–	–	–	–	–	–
Plant and Equipment	5,21,80,761	25,65,426	–	5,47,46,187	37,23,286	77,33,997	–	1,14,57,283	4,32,88,904	4,84,57,475
Furniture and fixtures	55,84,253	8,450	–	55,92,703	4,67,852	5,55,794	–	10,23,646	45,69,057	51,16,401
Vehicles	1,94,06,351	8,15,477	–	2,02,21,828	13,66,239	28,27,048	–	41,93,287	1,60,28,541	1,80,40,112
Office equipment	99,04,267	0	–	99,04,267	24,70,869	19,69,798	–	44,40,667	54,63,600	74,33,398
Computers, laptops and printers	19,31,912	1,90,734	–	21,22,646	8,64,878	5,35,139	–	14,00,017	7,22,629	10,67,034
Total	8,99,47,544	35,80,087	–	9,35,27,631	88,93,124	1,36,21,776	–	2,25,14,900	7,10,12,731	8,10,54,420
<i>Previous year</i>	<i>38,73,189</i>	<i>8,62,13,918</i>	<i>139,563</i>	<i>8,99,47,544</i>	<i>13,02,181</i>	<i>77,02,888</i>	<i>1,11,945</i>	<i>88,93,124</i>		

E(I)(a) - Land has been mortgaged to Senior Lenders

NOTE E(II) – INTANGIBLE ASSETS

Particulars	COST				AMORTISATION				BOOK VALUE	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions/ Adjustments	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Specialized Software	–	–	–	–	–	–	–	–	–	–
Toll collection rights (Refer notes below)	6,37,69,26,090	10,51,18,61,093	–	16,88,87,87,183	18,48,38,437	3,18,64,964	(17,11,66,035)	4,55,37,366	16,84,32,49,817	6,19,20,87,653
Total	6,37,69,26,090	10,51,18,61,093	–	16,88,87,87,183	18,48,38,437	3,18,64,964	(17,11,66,035)	4,55,37,366	16,84,32,49,817	6,19,20,87,653
<i>Previous year</i>		<i>6,37,69,26,090</i>		<i>6,37,69,26,090</i>		<i>18,48,38,437</i>		<i>18,48,38,437</i>		

E(II)(a)

During the year ended March 31, 2014, the Company has revised its accounting policy of amortisation of intangible assets (Toll based projects executed under Build-operate-transfer mode) hitherto based on Straight Line Method for more appropriate presentation of the financial statements by adopting the Revenue Based Method specified in the notification dated April 17, 2012 issued by the Ministry of Corporate Affairs. Consequently, the difference of ₹ 17,11,66,035/- arose due to change in amortisation method has been taken to the Statement of Profit and Loss. Had the Company continued to charged amortisation based on straight line method for such asset, the loss for the year would have been higher by ₹ 54,29,31,707/- and the value of Toll Collection Rights would have been lower by ₹ 54,29,31,707/-.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2012-13		2011-12	
	₹	₹	₹	₹
NOTE L – OPERATING EXPENSES				
Toll Management fees		1,77,16,511		1,08,86,743
Security services		1,01,42,928		54,42,966
Insurance		49,35,152		66,432
Repairs and maintenance				
Toll road & bridge	8,17,35,306		4,02,45,812	
Plant and machinery	16,37,856		3,49,067	
Others	36,42,822		4,21,271	
		8,70,15,985		4,10,16,150
Professional fees		1,65,80,766		27,42,643
Power and fuel		1,69,75,431		69,60,561
TOTAL		15,33,66,772		6,71,15,495
NOTE M – EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		74,74,522		38,03,564
Contributions to and provisions for:				
Provident fund (Refer P(3)(i))	3,59,933		1,59,558	
Gratuity (Refer P(3)(ii))	(5,99,767)		4,84,255	
Compensated absences (Refer P(3)(ii))	(1,16,100)		2,72,247	
		(3,55,933)		9,16,060
Staff welfare expenses		7,76,027		5,67,484
TOTAL		78,94,615		52,87,108
NOTE N – FINANCE COSTS				
Interest on term loan		62,07,13,492		29,00,42,067
Interest Mezzanine debt and Unsecured loan		3,87,36,957		–
TOTAL		65,94,50,449		29,00,42,067
NOTE O – ADMINISTRATION AND OTHER EXPENSES				
Concession fee		–		–
Rent, Rates and taxes		57,208		9,600
Professional fees		8,19,414		25,63,472
Postage and communication		6,40,194		1,76,134
Printing and stationery		6,43,376		3,25,952
Travelling and conveyance		18,25,026		8,57,299
Computer Software Licence		18,41,580		–
Miscellaneous expenses		42,52,015		2,31,008
TOTAL		1,00,78,812		41,63,465
(a) Professional fees includes Auditors remuneration (including service tax) as follows:				
a) As auditor		3,39,889		3,22,473
b) For taxation matters		–		–
c) For Company law matters		–		–
d) For other services		3,53,957		–
TOTAL		6,93,846		3,22,473

NOTES FORMING PART OF ACCOUNTS (Contd.)**NOTE P - OTHER NOTES FORMING PART OF ACCOUNTS****P(1) - Corporate information**

PNG Tollway Limited is a Special Purpose Vehicle (SPV) incorporated on 16th February 2009 for the purpose of conversion of two lane to six lane of NH3 from KM 380.00 to KM 440.00, Pimpalgaon-Nasik-Gonde Section in Nasik District of Maharashtra State, under Design, Build, Finance, Operate and Transfer (DBFOT) basis vide Concession Agreement dated 8th July 2009 jointly signed with National Highways Authority of India. The concession period is 20 years which includes construction period 30 Months and the concession period ends on the year 2029. Partial Commercial operation was achieved from 1st October 2012. Full commercial operations are achieved on 12th March 2014.

P(2) - The Company has not earned any income/incurred any expenditure in foreign currency during the year. (*previous year: ₹ 1,79,01,418*). The Company has not earned any income/incurred any expenditure in foreign currency during the year. (*previous year: ₹ 1,79,01,418*), provision was made during current year but payment was not executed.

P(3) - Disclosures pursuant to AS 15 (Revised) - Employee Benefits**(i) Defined contribution plan:**

An amount of ₹. 359,933 (*previous year : ₹. 159,558/-*) being contribution made to recognised provident fund is a part of employee benefit for the year and have been transferred to Statement of Profit and Loss

(ii) Defined benefit plans:

Particulars	2013-14	2012-13
	₹	₹
A. Results of Actuarial Valuation		
1. Valuation as on	31st March 2014	31st March 2013
2. Retirement Age	58	58
3. No of Employees	25	28
4. Present Value of Benefit Obligations	(4,34,156)	4,84,255
B. Principal rules to compute Benefit Obligations		
1. Salary reckoned for calculating benefit obligations	As per rule of the Company	As per rule of the Company
2. Vesting Period	5 years of Gratuity	5 years of Gratuity
3. Benefit formula for Gratuity for all exits except death	B1 X Completed year of Service X 15/26 subject to benefit having vested	
4. Benefit formula for Gratuity on death	Same as B3 but no vesting condition	

The amounts recognised in Balance Sheet are as follows:

Particulars	2013-14 (₹)	2012-13 (₹)
A) Present value of defined benefit obligation	2,86,873	7,21,029
– Wholly funded	–	–
– Wholly unfunded	2,86,873	7,21,029
Less : Fair value of plan assets	0	
Amount to be recognised as liability or (asset)	2,86,873	7,21,029
B) Amounts reflected in the Balance Sheet		
Liabilities	2,86,873	7,21,029
Assets	–	–

NOTES FORMING PART OF ACCOUNTS (Contd.)

The amounts recognised in the Statement of Profit and loss are as follows:

Particulars	2013-14 (₹)	2012-13 (₹)
1 Current service cost	73,173	43,773
2 Interest on Defined benefit obligation	61,287	20,126
3 Expected return on plan assets	-	-
4 Actuarial Gain/(Loss)	(5,68,616)	4,20,356
5 Past service cost	-	-
6 Effect of Curtailment or settlement	-	-
7 Actuarial gain/(loss) not recognised in books	-	-
8 Adjustment for earlier years	-	-
9 Translation adjustments	-	-
10 Amount capitalised out of the above	-	-
Total (1 to 10)	(4,34,156)	4,84,255
I Amount included in "employee benefit expenses"	-	-
II Amount included as part of "finance costs"	-	-
Total (I + II)	-	-
Actual return on plan assets	-	-

P(4) - Other Notes forming part of the Accounts

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

Particulars	2013-14 (₹)	2012-13 (₹)
Opening balance of the present value of defined benefit obligation	7,21,029	2,36,774
Add: Current service cost	73,173	43,773
Add: Interest cost	61,287	20,126
Add: Contribution by plan participants		
i) Employer		
ii) Employee		
Add/(less): Actuarial losses/(gains)	(5,68,616)	4,20,356
Less: Benefits paid	-	
Add: Past service cost		
Add: Business combinations/acquisition		
Closing balance of the present value of defined benefit obligation	2,86,873	7,21,029

2. Compensated Absences

A. Summary of Staff		
1. No of Employees	25	28
2. Projected actuarial value of benefit obligation in Rupees	6,50,244	7,03,971
B. Principle rule to compute benefit Obligations		
1. Salary reckoned for calculating Benefit obligations	As per rule of the Company	<i>As per rule of the Company</i>
2. Benefit formula for all exits.	B1 X Leave Balance / 30	
3. Summary of Actuarial Assumptions		
A. Mean Financial Assumptions		
1. Discount Rate per unit per annum	9.10%	8.50%
2. Salary escalation rate per unit per annum	6.00%	6.00%
3. Expected rate of return on Plan Assets per unit per annum	N.A.	N.A.
B. Mean Demographic Assumptions		
1. Mortality Rate	Indian Assured Lives Mortality (2006-08)Ult.	<i>LIC 94 - 96 Rates</i>
2. Withdrawal / Attrition Rate	5% at younger ages reducing to 1% at older ages	<i>5% for all age</i>
3. Disability / Ill health retirement	No Explicit Assumption	<i>No Explicit Assumption</i>
Closing balance of the present value of defined benefit obligation	6,50,244	7,03,971

Contribution to the Provident Fund is made to Regional Provident fund office

NOTES FORMING PART OF ACCOUNTS (Contd.)**P(5) – Disclosures pursuant to AS 17 - “Segment Reporting”**

The Company is engaged in the business of construction, operation and maintenance of Toll road project on a Build Operate Transfer basis in a single business segment. Hence reporting on primary segment does not arise. Further, the Company has operations only in the state of Maharashtra in India. Hence, disclosure of secondary / geographical segment information is not applicable.

P(6) – Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 “Related Party Disclosures”**a) List of related parties with whom transaction entered during the year**

Ultimate Holding Company	Larsen & Toubro Limited
JV Partner	Ashoka Concessions Limited
Fellow Subsidiaries	L&T Infrastructure Development Projects Limited L&T Chennai-Tada Tollway Limited L&T Krishnagiri Thopur Toll Road Limited L&T Krishnagiri Walajahpet Tollway Limited L&T Vadodra Bharuch Tollway Limited L&T Ahmedabad - Maliya Tollway Limited L & T Panipat Elevated Corridor Limited L&T Rajkot Vadinar Tollway Limited L&T Halol - Shamlaji Tollway Limited L&T Transco Private Limited L&T General Insurance Company Limited

#Holding company became fellow subsidiary w.e.f October 11,2011.

*Subsidiaries became fellow subsidiaries w.e.f December 28, 2011.

b) Disclosure of related party transactions:

Particulars	2013-14	2012-13
	₹	₹
Fellow Subsidiary Company		
L&T Infrastructure Development Projects Limited		
• Equity Share Capital	20,69,78,380	–
• Promoters mezzanine debt	11,49,96,000	45,66,84,000
• Interest on mezzanine debt	–	–
• Unsecured Loan	46,07,04,000	11,49,96,000
• Interest on Loan	11,95,94,101	7,74,10,203
• O&M and other expenses	41,79,828	1,15,50,130
• Reimbursement of expenses to	1,39,33,934	45,93,166
• Reimbursement of expenses from	4,42,740	55,253
Ultimate holding company		
Larsen & Toubro Limited		
• Equity Share Capital		
• EPC Cost	3,61,08,410	2,13,32,58,366
• Mobilisation Advance recovered	36,10,841	23,83,25,838
• Promoters mezzanine debt	–	30,96,60,000
• Interest Promoters mezzanine debt	5,33,42,201	3,70,70,675
• Performance Security Bank Guarantee Limits	–	–
• Cost of Services	2,69,664	–
• Purchase of goods and services	–	–
• Reimbursement of Expenses From	7,054	–
• Reimbursement of expenses to	1,08,23,186	28,18,374

NOTES FORMING PART OF ACCOUNTS (Contd.)

Particulars	2013-14	2012-13
	₹	₹
JV Partner :		
Ashoka Buildcon Limited*		
• Transfer of Equity Share Capital	43,96,60,000	
• EPC Cost	16,72,38,793	1,78,31,69,119
• Additional Work	2,21,64,779	11,39,27,024
• Utility Bill Payment	4,15,26,194	7,39,23,816
• Mobilisation Advance recovered	1,62,23,919	17,83,16,991
• Transfer of Promoters mezzanine debt	43,96,60,000	26,92,56,000
• Unsecured Loan	4,64,00,000	4,04,04,000
• Interest on Loan	2,73,52,198	3,56,54,802
• Cost of Services	-	-
• Purchase of goods and services	-	-
• Reimbursement of Expenses From	-	-
• Reimbursement of expenses to	-	-
JV Partner :		
Ashoka Concessions Limited*		
• Equity Share Capital	43,96,60,000	
• EPC Cost	-	
• Additional Work	-	
• Utility Bill Payment	-	
• Mobilisation Advance recovered	-	
• Promoters mezzanine debt	43,96,60,000	
• Unsecured Loan	13,56,60,000	
• Interest on Loan	3,27,83,747	
• Cost of Services	-	
• Purchase of goods and services	-	
• Reimbursement of Expenses From	-	
• Reimbursement of expenses to	-	
Fellow Subsidiaries		
L&T Chennai-Tada Tollway Limited		
• Reimbursement of expenses to	-	22,11,350
• Reimbursement of expenses from	-	-
L&T Krishnagiri Thopur Toll Road Limited		
• Reimbursement of expenses to	-	56,346
L&T Krishnagiri Walajahpet Tollway Limited		
• Reimbursement of expenses to	86,888	22,911
L&T Vadodra Bharuch Tollway Limited		
• Reimbursement of expenses to	1,22,688	1,00,297
• Change Money	16,00,000	5,90,000
L&T Ahmedabad - Maliya Tollway Limited		
• Reimbursement of expenses to	30,479	-
L & T Panipat Elevated Corridor Limited		
• Reimbursement of expenses to	-	75,909
L&T Rajkot Vadinar Tollway Limited		
• Reimbursement of expenses to	25,911	-
L&T Halol - Shamlaji Tollway Limited		
• Reimbursement of expenses to	1,36,119	-
L&T Transco Private Limited		
• Equity Share Capital	40,58,40,000	2,06,97,838
L&T General Insurance Company Limited		
• Insurance premium paid	65,04,208	4,34,756

NOTES FORMING PART OF ACCOUNTS (Contd.)**c) Amount due to and due from related parties(net):**

Particulars	Amounts due (to)/from	
	As at 31.03.2014	As at 31.03.2013
	₹	₹
Ultimate Holding Company		
Larsen & Toubro Limited		
• Equity Share Capital	(43,96,60,000)	(43,96,60,000)
• EPC Cost	(12,86,35,358)	-
• Mobilisation Advance recovered	3,86,36,882	-
• Promoters mezzanine debt	(43,96,60,000)	(43,96,60,000)
• Interest Promoters mezzanine debt	(8,67,65,010)	(3,70,70,675)
• Performance Security Bank Guarantee Limits	-	-
• Cost of Services	-	-
• Purchase of goods and services	-	-
• Reimbursement of Expenses From	-	(11,93,763)
• Reimbursement of expenses to	(2,92,796)	-
Fellow Subsidiary		
L&T Infrastructure Development Projects Limited		
• Equity Share Capital	(81,16,80,000)	(6,04,70,162)
• Promoters mezzanine debt	(81,16,80,000)	(69,66,84,000)
• Unsecured Loan	(57,57,00,000)	(11,49,96,000)
• Interest on Loan	(19,61,74,255)	(7,55,12,359)
• O&M and other expenses	(3,85,057)	(4,63,850)
JV Partner :		
Ashoka Buildcon Limited*		
• Equity Share Capital	-	(43,96,60,000)
• EPC Cost	(5,29,90,658)	(15,15,53,486)
• Additional Work	-	-
• Utility Bill Payment	-	-
• Mobilisation Advance recovered	1,11,18,610	-
• Promoters mezzanine debt	-	(39,92,56,000)
• Unsecured Loan	-	(4,04,04,000)
• Interest on Loan	-	(3,72,66,909)
• Cost of Services	-	-
JV Partner :* Ashoka Concessions Limited		
Equity Share Capital	(43,96,60,000)	-
Promoters mezzanine debt	(43,96,60,000)	-
Unsecured loan	(13,56,60,000)	-
Interest on loan	(9,30,01,366)	-

* Holding of Ashoka Buildcon Limited is transferred on July 12, 2013 to Ashoka Concessions Limited

d) No amounts pertaining to related parties have been written off or written back during the year. (previous year: ₹ Nil)

P(7) Disclosure pursuant to Accounting Standard (AS) 19 “Leases”

The Company has not entered into any finance lease. The Company has taken office premises and Guest house under cancellable operating lease. These agreements are normally renewed on expiry. Lease rental expenses in respect of operating leases for the year ₹ 7,70,458/- (previous year: ₹ 11,16,209/-) has been included in Pre-operative expenses.

P(8) Disclosures pursuant to Accounting Standard (AS) 29 - “Provisions, Contingent Liabilities and Contingent Assets”**a) Movement in provisions:**

Particulars	Major Maintenance Reserve (₹)
Opening Balance as at 1-4-2013	3,08,00,000
Additional provision during the year	6,34,22,581
Provision used/reversed during the year	-
Provision transferred due to transfer of business	-
Balance as at 31-3-2014	9,42,22,581
Represented as:	
- Long Term Provision	9,42,22,581
- Short Term Provision	-

NOTES FORMING PART OF ACCOUNTS (Contd.)**b) Nature of provisions:**

Major Maintenance Provision: The Company is required to operate and maintain the project highway during the entire concession period and hand over the project back to the Authority (NHA) as per the maintenance standards prescribed in Concession agreement.

For this purpose, besides a regular maintenance, periodic major maintenances is required to be performed. Normally periodic maintenance includes resurface of pavements, repairs of structures, repairs and refurbishment of tolling system and other equipments and maintenance of service roads.

As per industry practice, the periodic maintenance is expected to occur over a period 5-7 years. The maintenance cost / bituminous overlay may vary based on the actual usage during maintenance period. Accordingly on the grounds of prudence, based on estimates, a provision for major maintenance expenses is provided for in the books annually.

c) Contingent Liabilities:

Disclosure in respect of contingent liabilities is given as part of Note (H) to the Balance Sheet.

P(9) The Wealth Tax Act, 1957

The Company does not have taxable wealth under the provisions of the Wealth Tax Act, 1957.

P(10) Expenditure in foreign currency

Nature of Expenses	₹	₹
	2013 - 14	2012 - 13
Import of Toll Equipment	NIL	1,79,01,418

P(11) - Disclosures pursuant to AS 22 - Accounting for Taxes on Income

The Company does not have taxable income and hence provision for current tax has not been made. The Company is eligible for deduction under Section 80(IA) of The Income Tax Act 1961 and the tax holiday period for the Company's project falls within the concession period of the Company as defined in Section 80(IA). Since deferred tax on timing differences between accounting income and taxable income that arise during the year is reversing during such tax holiday period, no deferred tax asset/liability arises and accordingly no provision is made in the accounts.

P(12) - Capitalisation of Intangible asset under development

During the year, the Company has received the Provisional Completion Certificate on 10th March 2014 for additional 9.716 Km (Total 55.161 Km). Accordingly Intangible Asset of 10,51,18,61,093 have been capitalised.

P(13) - Disclosure pursuant to Accounting Standard (AS) 20 "Earnings per share"

Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS 20) "Earnings per share".

Particulars		2013-14	2012-13
		₹	₹
Basic and Diluted			
Profit after tax as per accounts (₹)	A	(32,38,67,303)	(37,58,34,334)
Weighted average number of shares outstanding	B	16,91,00,000	16,91,00,000
Basic and Diluted EPS (₹)	A / B	(1.92)	(2.22)
Face value per equity share (₹)		10.00	10.00

P(14) - Disclosure pursuant to Accounting Standard (AS) 28 "Impairment of Assets"

Based on a review of the future discounted cash flows of the project facility, the recoverable amount is higher than the carrying amount and hence no provision for impairment is made for the year.

P(15) Previous Year Figures

The Company has reclassified/regrouped/rearranged the previous year figures wherever considered necessary to confirm to this year's classification.

As per our report of attached

For and on behalf of the Board

For GIANENDER & ASSOCIATES

Chartered Accountants

Firm Registration No: 04661N

G. K. AGRAWAL

Partner

Membership No.081603

SANJAY P. INGLE

Manager

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE 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 provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 prescribed by the 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 life 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.

2. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 (“the Act”). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 “Cash Flow Statements”. The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Earnings Per share data are presented in Indian Rupees.

3. Revenue recognition

Revenue is recognized based on the nature of activity when consideration can be reasonable measured and there exists reasonable certainty of its recovery.

Revenue from Operations

a. Service income

Revenue from Toll Collections are accounted for as and when the amount is due and recovery is certain.

b. Other Operating Income

Other operational revenue represents income earned from activities incidental to the business and is recognized when the right to receive the income is established as per the terms of the contract.

B. Other income

- a Interest income is accrued at applicable interest rate on time proportion basis.
- b Dividend income is accounted when the right to receive the same is established.
- c Other items of income are accounted for as and when the right to receive arises.

4. Employee benefits

Short term employee benefits

- a. All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. The benefits such as salaries, wages, short term compensated absences etc. and the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

b. Post employment benefits

- (a) Defined contribution plans:

The Company’s superannuation scheme and State Governed Provident Fund linked with Employee Pension Scheme are Defined Contribution Plans. The contribution paid/ payable under the scheme is recognized during the period in which the employee renders the related service.

State Governed Provident Fund linked with Employee Pension Scheme is Defined Contribution Plans. The contribution paid/ payable under the scheme is recognized during the period in which the employee renders the related service.

- (b) Defined benefit plans:

The employees gratuity fund schemes and provident fund scheme managed by the trust of the holding company 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 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 Company’s obligation towards gratuity is a defined benefit plan. The present value of the obligation under such Defined Benefit Plans is determined based on actuarial valuation using 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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 Statement of profit and loss.

c. Long term employee benefits:

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

5. Tangible fixed assets

Tangible fixed assets are stated at original cost net of tax/duty availed, if any, less accumulated depreciation and cumulative 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.

6. Depreciation

Depreciation on assets have been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on additions/ deductions is calculated pro-rata from/ to the month of additions/ deductions.

Ashoka Concessions Limited (ACL) - JV Partner

	Category of Asset	Rate of Depreciation (% p.a)
i	Furniture and fixture	10%
ii	Office equipment	25%
iii	Computers - Desktops and laptops	25%
iv	Desktops and laptops given to employees under the Company's Scheme	25%
v	Plant and Equipment	11.11%
vi	Motor Cars	14.29%
vii	Motor bike	9.50%
viii	Building - Residential	2%
ix	Electrical Installations	11.11%
x	Toll equipment	14.29%
xi	Air Conditioners	8.33%

Individual assets whose value is below ₹ 5,000 are fully depreciated at 100%.

Depreciation on additions/deductions is calculated pro-rata from/to the month of additions/deductions except for those whose value is less than ₹ 5,000

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.

7. Intangible assets and amortisation

a) Intangible assets

Intangible Asset is recognized when it is probable that 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 directly attributable to acquisition of intangible assets are allocated and capitalized as part of cost of the Intangible assets.

b) Amortisation

Amortisation is computed in accordance with terms of the Notification no. G.S.R. 298(E) dated April 17, 2012 issued by the Ministry of Corporate Affairs (on amortisation of Intangible assets created under Build Operate and Transfer, Build, Own, Operate and Transfer and other forms of Public Private Partnership Route), accordingly the amortisation is being charged on the actual revenue collected vis-a-vis the estimated revenue to be collected during the entire concession period. 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.

8. Investments

Investments, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

Current investments are stated at lower of cost or market value. The determination of carrying amount of such investments is done on a weighted average cost of each individual investment.

9. Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

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 at 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. Foreign Currency Transactions

- (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. 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) 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 expense in the period in which they arise.

11. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposit, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

12. Borrowing costs

Borrowing costs include interest, commitment charges, amortization of ancillary costs, amortization of discounts / premium related to borrowings, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest cost.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized/inventoried as part of cost of such asset till such time 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.

In compliance of AS-16, "Borrowing cost", income earned on temporary investments, out of funds borrowed, which are intermittently surplus but inextricably linked to the project is deducted from the related borrowing costs incurred."

13. Taxes on income

Tax 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 the 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 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 realised.

14. Leases

Operating 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 are charged to Statement of Profit & Loss on accrual basis.

Finance Leases

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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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.

15. Provisions, Contingent liabilities and contingent assets

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.

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

- (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 and
- (iii) a possible obligation arising from past events where the probability of outflow of resources is not remote.
- (iv) Contingent Assets are neither recognized, nor disclosed.
- (v) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

16. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

17. Operating cycle for current/non-current classification:

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

18. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report of attached

For and on behalf of the Board

For GIANENDER & ASSOCIATES

Chartered Accountants

Firm Registration No: 04661N

G. K. AGRAWAL

Partner

Membership No.081603

SANJAY P. INGLE

Manager

T. S. VENKATESAN

Director

KARTHIKEYAN T. V.

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended 31st March 2014.

I. FINANCIAL RESULTS

The key financial parameters for the year ended March 31, 2014 are:

Sl. No	Particulars	2013-14	2012-13
		₹ Lakhs	₹ Lakhs
1	Income for the year	1240.22	234.51
2	Less: Expenditure*	1403.67	2.28
3	Profit Before Depreciation & Tax (PBDT)	(163.45)	232.23
4	Less: Depreciation	164.72	0.00
5	Profit / (Loss) before tax (PBT)	(328.17)	232.23
6	Less: Provision for/(reversal of) tax	(29.62)	76.09
7	Profit / (Loss) after tax (PAT)	(298.55)	156.14
8	Balance brought forward from previous year	108.17	(47.97)
9	Balance carried to Balance Sheet	(190.38)	108.17

* Expenditure includes provision of ₹ 207.01 lakhs (*Previous year ₹ Nil*) made for periodic major maintenance.

2. PERFORMANCE OF THE COMPANY

The Company has commenced its operations only during the year from November 14th, 2013. The Toll Collections stood at ₹ 1035.05 lakhs for the year.

3. APPROPRIATION

Appropriation of profits is not applicable to the Company.

4. DIVIDEND

The Board of Directors has not recommended any dividend for the year 2013-14.

5. CAPITAL EXPENDITURE (₹ LAKHS)

As at March 31, 2014, the gross fixed assets (tangible) stood at ₹ 232.09 lakhs and the net fixed assets (tangible) stood at ₹ 175.73 lakhs. The capital work-in-progress stood at ₹ 11097.15 lakhs. The intangible assets stood at ₹ 40051.10 lakhs as at the end of the year vis-a-vis ₹ Nil in the previous year.

6. DEPOSITS

Your Company has not accepted any deposits from the public.

7. AUDITORS' REPORT

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

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**A. CONSERVATION OF ENERGY**

The operations of your Company are not energy intensive as Company is not engaged in manufacturing activity and your Company is not under the list of industries which should furnish information in form A (Rule 2).

B. TECHNOLOGY ABSORPTION

No technology has been developed and / or imported by way of foreign collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO (₹ LAKHS)

- i. Expenditure in foreign currency: : ₹ NIL
- ii. CIF value of Imports (in Rupees) : ₹ NIL

9. DISCLOSURE OF PARTICULARS:

As the primary object of the Company is Operation of the BOT Project, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

10. 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.

The tenure of Mr. P. Ravindranath appointed on 22.11.2010 as Manager of the Company came to end on 21.11.2013. Consequent upon this, Mr. P. Ravindranath was re-appointed as Manager of the Company for a period of three years with effect from 11.11.2013.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of your 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, 2014;
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 your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.
5. that proper systems are in place to ensure compliance of all laws applicable to your Company.

12. DIRECTORS:

Mr. Karthikeyan T V, Mr. J. Subramanian and Mr. Manoj Dave constitute the Board of Directors of the Company.

During the year, there was no change in the Directorships of the Company.

Mr. Karthikeyan T V, Director of the Company who is liable to retire by rotation and being eligible has to offer himself for re-appointment.

13. AUDIT COMMITTEE

The Members of the Audit Committee are:

1. Mr. Karthikeyan T V
2. Mr. J. Subramanian and
3. Mr. Manoj Dave

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 held discussions with the auditors on internal control systems and internal audit report.

14. STATUTORY 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 139(1) of the Companies Act, 2013.

15. SUBSIDIARY COMPANIES :

Your Company has no Subsidiary Companies.

16. INTERNAL AUDITORS

L&T IDPL Internal Audit Team are the Internal Auditors of the Company.

17. 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.

18. 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.

19. MAINTENANCE OF COST AUDIT COMPLIANCE REPORT

Pursuant to the provisions of Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a cost audit compliance report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

20. ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Employees of the Company, Staff and Management of the parent company.

For and on behalf of the Board

Place : Chennai
Date : May 6, 2014

J. SUBRAMANIAN
Director

KARTHIKEYAN T. V.
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T DEVIHALLI HASSAN TOLLWAY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **L&T DEVIHALLI HASSAN TOLLWAY LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance sheet, Statement of profit and loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act, read with the General Circular 15/2013 dated September 13, 2013 of Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 003792S

by the hand of

V. R. LALITHA

Partner

Membership No. 18284

Place : Chennai

Date : May 6, 2014

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 of the report of the auditors' to the members of **L&T DEVIHALLI HASSAN TOLLWAY LIMITED** on the accounts for the year ended March 31, 2014, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed assets have not been physically verified by the management during the year.
- (c) The Company has not disposed substantial part of its fixed assets during the year and hence does not affect going concern.
- (ii) The Company does not carry any inventory in its books and hence reporting under clause 4(ii) (a), (b) and (c) of the Order does not arise.
- (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 is an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and 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 internal control system.
- (v) In our opinion, according to the information and explanations given to us, there are no contracts or arrangements that needs to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) of the Order 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 framed there under. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us
- (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 including provident fund, investor education protection fund, income-tax, service tax, customs duty, excise duty, cess, sales tax and other statutory dues as applicable with appropriate authorities. According to the information and explanation given to us, there were no undisputed statutory dues outstanding as at 31st March 2014 for a period more than six months from the date they become payable.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no statutory dues payable in respect of sales tax, excise duty, service tax, customs duty and income tax which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period less than five years and has accumulated losses as at the year end and incurred cash losses for the year but not in the immediately preceding year.
- (xi) In our opinion and according to the explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not issued any debentures 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) In our opinion the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Hence reporting under clause 4(xiii) of the Order 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 or other investments. However, the Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained showing the particulars of the transactions and contracts and timely entries have been made therein. The said investments in mutual funds 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.
- (xvi) 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.
- (xvii) On an overall examination of the Balance Sheet of the Company, we report that the funds raised on short term have been used for long term investment.

L&T DEVIHALLI HASSAN TOLLWAY LIMITED

- (xviii) The Company has not made any allotment of shares during the year and hence reporting on preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 under clause 4(xviii) of the Order does not arise.
- (xix) The Company has not issued debentures during the year. Hence reporting under clause 4(xix) of the Order does not arise.
- (xx) The Company has not raised any money by way of public issue during the year. Accordingly reporting under clause 4(xx) of the Order does not arise.
- (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 been informed of such cases by management.

SHARP & TANNAN

*Chartered Accountants
Firm's Registration No. 003792S
by the hand of*

V. R. LALITHA

*Partner
Membership No. 18284*

*Place : Chennai
Date : May 6, 2014*

BALANCE SHEET AS AT MARCH 31, 2014

	Note	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	A	90,00,00,000		90,00,00,000	
Reserves and surplus	B	1,78,09,61,743		1,61,84,40,788	
			2,68,09,61,743		2,51,84,40,788
Non-current liabilities					
Long-term borrowings	C(I)	2,23,31,99,095		1,99,85,44,772	
Long-term provisions	C(II)	2,07,00,814		—	
			2,25,38,99,909		1,99,85,44,772
Current liabilities					
Short term borrowings	D(I)	9,00,00,000		—	
Trade payables	D(II)	46,10,382		—	
Other current liabilities	D(III)	12,59,85,464		1,57,67,302	
Short-term provisions	D(IV)	13,54,448		16,20,891	
			22,19,50,294		1,73,88,193
TOTAL			5,15,68,11,946		4,53,43,73,753
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	1,75,73,595		33,09,608	
Intangible assets	E(II)	4,00,51,09,167		—	
Intangible assets under development	E(III)	1,09,77,92,850		3,61,92,88,953	
			5,12,04,75,612		3,62,25,98,561
Long-term loans and advances	F		1,19,23,477		4,09,78,673
Current assets					
Current investments	G(I)	16,95,022		10,00,00,000	
Cash and cash equivalents	G(II)	79,83,765		20,10,21,721	
Short-term loans and advances	G(III)	1,47,34,070		56,97,74,798	
			2,44,12,857		87,07,96,519
TOTAL			5,15,68,11,946		4,53,43,73,753
CONTINGENT LIABILITIES AND COMMITMENTS	H				
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
(Firm's Registraion No.: 003792S)
By the hand of

V. R. LALITHA

Partner
Membership No. 18284

P. RAVINDRANATH
Manager

J. SUBRAMANIAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : May 6, 2014

Place : Chennai
Date : May 6, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note	2013-14 ₹	2012-13 ₹
REVENUE			
Revenue from operations	I	10,35,05,402	-
Other income	J	2,05,16,724	2,34,51,482
TOTAL REVENUE		12,40,22,126	2,34,51,482
EXPENSES			
Operating expenses	K	4,42,92,167	-
Employee benefit expenses	L	89,72,044	-
Finance costs	M	8,02,45,961	-
Depreciation and amortisation	E(I) & E(II)	1,64,72,511	-
Administration and other expenses	N	68,57,039	2,28,441
TOTAL EXPENSES		15,68,39,722	2,28,441
Profit/(loss) before tax		(3,28,17,596)	2,32,23,041
Tax expense:			
Current tax		-	76,08,833
Income tax - prior years		(29,62,426)	-
Deferred tax	O(9)	-	-
Profit/(loss) after tax		(2,98,55,170)	1,56,14,208
Earnings per equity share (Basic and diluted)	O(8)	(0.33)	0.17
Face value per equity share		10.00	10.00
OTHER NOTES FORMING PART OF ACCOUNTS	O		
SIGNIFICANT ACCOUNTING POLICIES	P		

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registraion No.: 003792S)
By the hand of

V. R. LALITHA
Partner
Membership No. 18284

Place : Chennai
Date : May 6, 2014

P. RAVINDRANATH
Manager

Place : Chennai
Date : May 6, 2014

J. SUBRAMANIAN
Director

KARTHIKEYAN T. V.
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax and extraordinary items	(3,28,17,596)	2,32,23,041
Adjustments for :		
Depreciation and amortisation expense	1,64,72,511	–
Provision for periodic major maintenance expense	2,07,00,814	–
Interest expense	8,02,45,961	–
Interest income	(13,87,296)	(2,02,192)
(Profit)/loss on sale of current investments (net)	(1,91,29,428)	(2,32,13,815)
(Profit)/loss on sale of fixed assets	–	–
Operating profit/(loss) before working capital changes	6,40,84,966	(1,92,966)
Adjustments for :		
(Increase)/decrease in loans and advances	33,58,180	(36,61,611)
Increase/(decrease) in other current liabilities and provisions	11,09,32,136	(61,79,241)
Cash generated from operations	17,83,75,282	(1,00,33,818)
Direct taxes paid (net of refund)	(12,77,555)	(72,65,762)
Net Cash(used in)/generated from operating activities	17,70,97,727	(1,72,99,580)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including Intangible assets under development)	(1,49,49,21,036)	(1,90,17,41,844)
(Purchase)/Sale of current investments (net)	11,83,15,055	(7,53,63,212)
Sale of fixed assets	24,200	–
Interest received	13,87,296	2,03,672
Net cash (used in)/generated from investing activities	(1,37,51,94,485)	(1,97,69,01,384)
C CASH FLOW FROM FINANCING ACTIVITIES		
Equity support received from NHAI	75,55,00,000	1,04,45,00,000
Proceeds from short term unsecured loans	9,00,00,000	–
Proceeds from long term borrowings	23,90,89,523	1,14,85,44,772
Interest paid	(7,95,30,721)	–
Net cash (used in)/generated from financing activities	1,00,50,58,802	2,19,30,44,772
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(19,30,37,956)	19,88,43,808
Cash and Cash equivalents as at the beginning of the year	20,10,21,721	21,77,913
Cash and Cash equivalents as at the end of the year	79,83,765	20,10,21,721

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" as per the Companies (Accounting Standards) Rules 2006.
- Refer Note G(II) to the Balance Sheet for components of cash and cash equivalents.
- Previous year figures are regrouped/reclassified wherever necessary.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registraion No.: 003792S)
By the hand of

V. R. LALITHA
Partner
Membership No. 18284

P. RAVINDRANATH
Manager

J. SUBRAMANIAN
Director

KARTHIKEYAN T. V.
Director

Place : Chennai
Date : May 6, 2014

Place : Chennai
Date : May 6, 2014

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS**A SHARE CAPITAL**

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	₹	No. of shares	₹
A(I) Share capital authorised, issued, subscribed and paid up				
Authorised:				
Equity shares of ₹ 10 each	9,00,00,000	90,00,00,000	9,00,00,000	90,00,00,000
Issued, subscribed and fully paid up:				
Equity shares of ₹ 10 each	9,00,00,000	90,00,00,000	9,00,00,000	90,00,00,000

A(II) Reconciliation of the number of equity shares and share capital

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	₹	No of Shares	₹
Issued, subscribed and fully paid up equity shares at the beginning of the year	9,00,00,000	90,00,00,000	9,00,00,000	90,00,00,000
Add: Shares issued during the year	-	-	-	-
Issued, subscribed and fully paid up equity shares at the end of the year	9,00,00,000	90,00,00,000	9,00,00,000	90,00,00,000

A(III) Terms / Rights attached to equity shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

A(IV) Shares held by Holding/Ultimate holding company and/or their subsidiaries or associates

Particulars	Relationship	As at 31.03.2014	As at 31.03.2013
		₹	₹
L&T Infrastructure Development Projects Limited (including nominee holding)	Holding company	89,99,99,000	89,99,99,000
Larsen & Toubro Limited	Ultimate holding company	1,000	1,000
		90,00,00,000	90,00,00,000

A(V) Shareholders holding more than 5% shares in the Company as at the end of the year:

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	%	No of Shares	%
L&T Infrastructure Development Projects Limited (including nominee holding)	8,99,99,900	99.99	8,99,99,900	99.99

A(VI) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL

A(VII) Calls unpaid - NIL; Forfeited shares - NIL;

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
B RESERVES AND SURPLUS				
Capital reserve :				
As per the last Balance Sheet	1,60,76,23,875		68,37,18,750	
Additions during the year	19,23,76,125		92,39,05,125	
		1,80,00,00,000		1,60,76,23,875
Surplus/(Deficit) in the Statement of Profit and loss :				
As per the last Balance Sheet	1,08,16,913		(47,97,294)	
Add: Profit/(loss) for the year	(2,98,55,170)		1,56,14,207	
		(1,90,38,257)		1,08,16,913
TOTAL		1,78,09,61,743		1,61,84,40,788

C(I) LONG TERM BORROWINGS

Secured term loans from banks (Refer note C(I)(a))

Punjab National Bank	1,23,74,53,888	1,10,62,70,752
Union Bank of India	99,57,45,207	89,22,74,020
TOTAL	2,23,31,99,095	1,99,85,44,772

C(I) (a) Details of term loans

Particulars	Rate of Interest	Terms of repayment
	2013-14	
Rupee term loans from banks	Upto COD : Base rate Post COD : Base rate + "Applicable Spread"	Repayable in 48 unequal quarterly installments commencing from September 30, 2014.

C(I) (b) Nature of Security

- Secured by first charge by way of hypothecation on all movable/immovable assets of the Company, both present and future, excluding Project assets as defined in the Concession Agreement.
- First charge on Project book debts, operating cash flows, receivables, commissions, insurance proceeds, revenues of whatsoever nature and wherever arising, present and future.
- Assignment of all the rights, title, interest, benefits, claims and demands, whatsoever of the Company.
- Escrow account to the extent of waterfall of priorities of payment as permitted to the lenders under Escrow Agreement.
- Debt Service Coverage Ratio Support Amount.
- First charge of all the Company's rights, interests related to the proposed project under the letter of credit (if any), guarantee or performance bond provided by any party.

C(I) (c) Presentation of term loans in the Balance sheet is as follows:

	As at 31.03.2014	As at 31.03.2013
	₹	₹
(i) Long term borrowings	2,23,31,99,095	1,99,85,44,772
(ii) Current maturities of long term borrowings	44,35,200	—
TOTAL	2,23,76,34,295	1,99,85,44,772

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(II) LONG TERM PROVISIONS				
Provision for periodic major maintenance expense (Refer note O(11))		2,07,00,814		—
TOTAL		<u>2,07,00,814</u>		<u>—</u>
D(I) SHORT TERM BORROWINGS				
Unsecured loan from holding company (Repayable on demand, Interest at the prevailing RBI rate)		9,00,00,000		—
TOTAL		<u>9,00,00,000</u>		<u>—</u>
D(II) TRADE PAYABLES				
Due to others		46,10,382		—
TOTAL		<u>46,10,382</u>		<u>—</u>

D(II) (a): There have been no transactions during the year (previous year: ₹ Nil) with Micro and Small Enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(III) OTHER CURRENT LIABILITIES				
Current maturities of long term borrowings		44,35,200		—
Due to:				
Related parties:				
Holding company	70,74,987		—	
Ultimate holding company	3,12,31,061		4,62,242	
Fellow subsidiaries	30,17,760		—	
		<u>4,13,23,808</u>		<u>4,62,242</u>
Interest accrued but not due on:				
Term loans	22,96,135		17,53,991	
Unsecured loan from holding company	1,73,096		—	
		<u>24,69,231</u>		<u>17,53,991</u>
Statutory liabilities		20,70,269		10,82,723
Other payables				
For capital goods and services	6,40,59,085		1,24,68,346	
For others	1,16,27,871		—	
		<u>7,56,86,956</u>		<u>1,24,68,346</u>
TOTAL		<u>12,59,85,464</u>		<u>1,57,67,302</u>
D(IV) SHORT TERM PROVISIONS				
Provisions for :				
Employee benefits				
Gratuity	7,47,249		3,02,914	
Compensated absences	6,07,199		5,12,742	
		<u>13,54,448</u>		<u>8,15,656</u>
Income tax payable of previous years (net of payments made ₹ 72,65,762)		—		8,05,235
TOTAL		<u>13,54,448</u>		<u>16,20,891</u>

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**E(I) TANGIBLE ASSETS**

₹

Particulars	COST			DEPRECIATION				BOOK VALUE		
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Owned (Refer note (c) below)										
Furniture and fixtures	8,84,001	3,22,180	–	12,06,181	3,38,347	1,23,984	–	4,62,331	7,43,850	5,45,654
Vehicles	12,25,533	64,35,624	–	76,61,157	14,590	8,71,837	–	8,86,427	67,74,730	12,10,943
Office equipments	6,44,029	77,82,328	12,100	84,14,257	2,51,935	17,61,088	6,050	20,06,973	64,07,284	3,92,094
Plant and Equipment	–	44,06,054	–	44,06,054	–	14,78,490	–	14,78,490	29,27,564	–
Computers	15,73,517	–	51,250	15,22,267	4,12,600	4,22,600	33,100	8,02,100	7,20,167	11,60,917
Total	43,27,080	1,89,46,186	63,350	2,32,09,916	10,17,472	46,57,999	39,150	56,36,321	1,75,73,595	
Previous year	21,84,195	21,42,885	–	43,27,080	5,49,982	4,67,490	–	10,17,472	–	33,09,608

E(II) INTANGIBLE ASSETS

₹

Particulars	COST			AMORTISATION				BOOK VALUE		
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Toll Collection Rights (Refer notes below)	–	4,01,73,80,636	–	4,01,73,80,636	–	1,22,71,469	–	1,22,71,469	4,00,51,09,167	–
Total	–	4,01,73,80,636	–	4,01,73,80,636	–	1,22,71,469	–	1,22,71,469	4,00,51,09,167	–
Previous year	–	–	–	–	–	–	–	–	–	–

Notes

- (a) Toll Collection Rights represent the project highway and its components constructed by the Company on Build Operate Transfer (“BOT”) basis under the Concession Agreement dated June 17, 2010 between the Company and National Highways Authority of India (“NHAI”) in the Devihalli-Hassan Section on NH-48. The Concession is for a period of 30 years from December 14, 2010. In terms of clause 14.3.2 of the aforesaid agreement, the Company had received the approval of the Independent Engineer vide his letter dated November 14, 2013 for operating part of the project highway and the proportionate costs on that date are capitalised as Toll Collection Rights.
- (b) The Company amortises the Toll Collection Rights (“TCR”), in terms of the notification no.G.S.R. 298(E) dated April 17, 2012, issued by the Ministry of Corporate Affairs, on Amortisation of Intangible assets created under Build, Operate and Transfer, Build, Own Operate and Transfer and other modes of Public Private Partnership route.
- (c) Depreciation and Amortisation charged to Statement of Profit and loss :

Particulars	Depreciation ₹	Amortisation ₹	Total ₹
As per Note E(I) & E(II) above	46,57,999	1,22,71,469	1,69,29,468
Less : Included in Pre-operative expenses	4,56,957	–	4,56,957
Charged to Statement of Profit and loss	42,01,042	1,22,71,469	1,64,72,511

As at 01.04.2013	Additions for the year	Less: Capitalised	As at 31.03.2014
₹	₹	₹	₹

E(III) INTANGIBLE ASSETS UNDER DEVELOPMENT

Toll collection rights				
a) Construction cost	3,31,55,04,735	99,37,77,165	3,47,61,47,514	83,31,34,386
b) Other direct costs	11,26,62,821	32,41,78,622	26,83,24,533	16,85,16,910
TOTAL (A)	3,42,81,67,556	1,31,79,55,787	3,74,44,72,047	1,00,16,51,296

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	As at 01.04.2013	Additions for the year	Less: Capitalised	As at 31.03.2014
	₹	₹	₹	₹
c) Pre-operative expenses pending allocation				
Salaries and wages	1,48,02,230	58,95,981	1,44,94,984	62,03,227
Contribution to and provisions for :				
Provident fund (Refer note O(3)(a))	7,40,464	3,22,228	7,66,547	2,96,145
Gratuity (Refer note O(3)(b)(ii)(a))	3,02,914	157,448	248,360	212,002
Leave encashment (Refer note O(3)(b)(ii)(b))	5,12,742	48,888	4,20,398	1,41,232
Staff welfare expenses	9,53,988	8,74,430	12,17,413	6,11,005
Power and fuel	1,67,243	96,016	1,88,385	74,874
Rent (Refer note O(7))	10,66,360	5,98,903	11,35,930	5,29,333
Rates and taxes	5,125	34,965	4,202	35,888
Travelling and conveyance	69,73,003	34,49,323	72,90,615	31,31,711
Communication expenses	4,72,483	1,17,208	4,43,934	1,45,757
Printing and stationery	6,20,518	3,26,600	7,13,847	2,33,271
Insurance	28,46,814	2,90,202	26,50,735	4,86,281
Professional fees	2,26,78,888	1,78,64,333	2,37,84,250	1,67,58,971
Bank charges	11,83,089	2,52,289	11,60,142	2,75,236
Repairs and maintenance	16,60,263	17,07,147	20,59,220	13,08,190
Miscellaneous expenses	10,43,355	3,04,893	11,31,797	2,16,451
Depreciation	10,32,997	4,56,957	11,09,995	3,79,959
Finance costs (Refer note E(III)(a) below)	13,40,58,921	14,95,36,987	21,84,93,887	6,51,02,021
TOTAL (B)	19,11,21,397	18,23,34,798	27,73,14,641	9,61,41,554
GRAND TOTAL (A + B)	3,61,92,88,953	1,50,02,90,585	4,02,17,86,688	1,09,77,92,850
Note E(III)(a):				
Finance costs:				
Upfront fees	98,82,880	-	81,99,803	16,83,077
Interest on term loans	12,57,82,499	15,04,17,636	21,23,57,631	6,38,42,504
SUB TOTAL (I)	13,56,65,379	15,04,17,636	22,05,57,434	6,55,25,581
Less : Income from temporary investments out of specific borrowings				
Gain on sale of current investments	20,66,978	8,80,649	24,45,639	5,01,988
Interest income from bank deposits	1,644	-	1,364	280
Less : Current tax thereon	4,62,164	-	3,83,456	78,708
SUB TOTAL (II)	16,06,458	8,80,649	20,63,547	4,23,560
TOTAL (I) - (II)	13,40,58,921	14,95,36,987	21,84,93,887	6,51,02,021

As at 31.03.2014

As at 31.03.2013

	₹	₹	₹	₹
NOTE : F				
Long term loans and advances				
Capital advances (unsecured, considered good)				
Ultimate holding company		-		2,84,38,378
Others		1,13,77,342		1,20,92,345
Security deposits		5,46,135		4,47,950
TOTAL		1,19,23,477		4,09,78,673

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	Units	₹	Units	₹
NOTE G(I)				
Current investments				
Investment in mutual funds - Quoted (Refer note below)				
IDFC cash fund - Growth (Regular Plan) (Face value ₹ 1000)	1,092	16,95,022		
L&T Ultra short term fund (Face value ₹ 10)			52,75,633	10,00,00,000
TOTAL		16,95,022		10,00,00,000

Note:

Particulars**Market Value (₹)**

IDFC Cash fund - Growth (Regular Plan)	17,03,072
L&T Ultra short term fund	10,03,16,012

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE G(II)				
Cash and cash equivalents				
Balances with banks:				
in current accounts	45,87,761		13,39,913	
in deposit accounts with maturity less than three months (including interest accrued thereon)	—		19,96,81,808	
		45,87,761		20,10,21,721
Cash on hand		33,96,004		—
TOTAL		79,83,765		20,10,21,721

NOTE G(III)**Short term loans and advances**

Unsecured, considered good				
Security deposits		66,804		—
Grant receivable from NHAI		—		56,31,23,875
Prepaid expenses		8,39,933		6,13,276
Utility shifting charges recoverable		36,42,607		30,53,420
Income tax receivable of previous years (net of provisions)		25,33,427		3,76,235
Income tax receivable of current year		42,39,981		—
Works contract tax receivable		29,14,590		24,42,736
Advances recoverable in cash or kind		4,96,728		1,65,256
TOTAL		1,47,34,070		56,97,74,798

NOTE H**Contingent liabilities and Commitments**

Contingent liabilities as at March 31, 2014 ₹ Nil (previous year: ₹ Nil).

Commitments:

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at March 31, 2014 ₹ 29,68,60,349 (previous year: ₹ 1,03,54,25,767).

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE I				
Revenue from operations				
Fee collection from users of facility		10,35,05,402		—
TOTAL		10,35,05,402		—
NOTE J				
Other income				
Interest income on bank deposits		13,87,296		2,02,192
Profit on sale of current investments		1,91,29,428		2,32,13,815
Others		—		35,475
TOTAL		2,05,16,724		2,34,51,482
NOTE K				
Operating expenses				
Toll management fees		85,32,712		—
Security services		16,21,564		—
Insurance		8,30,166		—
Repairs and maintenance:				
Periodic major maintenance expense	2,07,00,814		—	
Toll road and bridges	34,69,980		—	
Plant and machinery	3,37,883		—	
Others	49,08,601		—	
		2,94,17,278		—
Power and fuel		38,90,447		—
TOTAL		4,42,92,167		—
NOTE L				
Employee benefit expenses				
Salaries, wages and bonus		71,86,990		—
Contributions to and provisions for:				
Provident fund (Refer O(3)(a))	3,36,550		—	
Gratuity (Refer note O(3)(b)(ii)(a))	2,30,922		—	
Compensated absences (Refer note O(3)(b)(ii)(b))	19,357		—	
		5,86,829		—
Staff welfare expenses		11,98,225		—
TOTAL		89,72,044		—
NOTE M				
Finance costs				
Interest on borrowings		8,00,88,103		—
Others		1,57,858		—
TOTAL		8,02,45,961		—

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

	2013-14		2012-13	
	₹	₹	₹	₹
NOTE N				
Administration and other expenses				
Rent, rates and taxes		1,78,878		19,772
Professional fees (Refer note (a) below)		16,51,482		2,08,669
Postage and communication		2,84,625		–
Printing and stationery		5,08,601		–
Travelling and conveyance		26,84,301		–
Bank charges		4,88,159		–
Miscellaneous expenses		10,60,993		–
TOTAL		68,57,039		2,28,441

(a) Professional fees includes Auditors' remuneration (including service tax) as follows:

	2013-14	2012-13
	₹	₹
a) As auditor	2,24,720	1,12,360
b) For taxation matters	1,12,360	–
c) For Company law matters	10,674	19,638
d) For other services	51,684	48,581
TOTAL	3,99,438	1,80,579

NOTE O - Other notes forming part of accounts**O(1) Corporate Information**

L&T Devihalli Hassan Tollway Limited is a Special Purpose Vehicle (SPV) incorporated for the purpose of the four laning of Devihalli-Hassan Section from KM 110 to KM 189.50 of NH-48 including a new two lane with paved shoulder bypass for Channarayapatna town and widening of existing Hassan bypass to two lane with paved shoulder on Design, Build, Finance, Operate and Transfer (DBFOT) basis in the State of Karnataka under National Highways Development Programme (NHDP) Phase III A under the Concession Agreement dated June 17, 2010. The Concession period including the construction period commencing from December 14, 2010 is 30 years.

O(2) The Company has not earned any income/incurred any expenditure in foreign currency during the year. (previous year: ₹ Nil).

O(3) Disclosure pursuant to Accounting Standard (AS) 15 (revised) on Employee benefits:

(a) Defined contribution plan :

An amount of ₹ 6,58,778 (previous year : ₹ 3,41,479), being the contribution to provident fund is recognised as employee benefit expense during the year. Out of the above, ₹ 3,36,550 (previous year : ₹ Nil) is charged to the Statement of Profit and loss and ₹ 3,22,228 (previous year: ₹ 3,41,479) is included in Pre-operative expenses pending allocation.

(b) Defined benefit plan :

(i) The amounts recognised in Balance Sheet are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
– Wholly funded	–	–	–	–
- Wholly unfunded	7,47,249	3,02,914	6,07,199	5,12,742
	7,47,249	3,02,914	6,07,199	5,12,742
B) Amount to be recognised as liability or (asset)	7,47,249	3,02,914	6,07,199	5,12,742
Liabilities	7,47,249	3,02,914	6,07,199	5,12,742
Net Liability / (asset)	7,47,249	3,02,914	6,07,199	5,12,742

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

(ii) The amounts recognised in the Statement of Profit and loss/included in Pre-operative expenses pending allocation are as follows:

Particulars		Gratuity plan		Compensated absences	
		As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
		₹	₹	₹	₹
1	Current service cost	59,772	38,460	28,148	1,14,533
2	Interest on defined benefit obligation	25,748	7,069	43,583	10,914
3	Actuarial losses/(gains)	3,58,815	1,74,218	60,998	2,58,893
4	Adjustment for earlier years	(55,965)	–	(64,484)	–
Total (1 to 4)		3,88,370	2,19,747	68,245	3,84,340
I	Amount included in "employee benefit expenses"	3,88,370	2,19,747	68,245	3,84,340
II	Amount included as part of "finance costs"	–	–	–	–
Total (I + II)		3,88,370	2,19,747	68,245	3,84,340

(a) Out of the above Gratuity expense of ₹ 3,88,370 during the year, ₹ 2,30,922 is charged to the Statement of Profit and loss (previous year: ₹ Nil) and ₹ 1,57,448 (previous year: ₹ 2,19,747) is included in Pre-operative expenses pending allocation.

(b) Out of the above Compensated absence expense of ₹ 68,245 during the year, ₹ 19,357 is charged to the Statement of Profit and loss (previous year: ₹ Nil) and ₹ 48,888 (previous year: ₹ 3,84,340) is included in Pre-operative expenses pending allocation.

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

Particulars		Gratuity plan		Compensated absences	
		As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
		₹	₹	₹	₹
Opening balance of the present value of defined benefit obligation		3,02,914	83,167	5,12,742	1,28,402
Add: Current service cost		59,772	38,460	28,148	1,14,533
Add: Interest cost		25,748	7,069	43,583	10,914
Add/(less): Actuarial losses/(gains)		3,58,815	1,74,218	60,998	2,58,893
Less: Benefits paid		–	–	38,272	–
Add: Past service cost		–	–	–	–
Closing balance of the present value of defined benefit obligation		7,47,249	3,02,914	6,07,199	5,12,742

(iv) Principal actuarial assumptions as at the Balance Sheet date:

Particulars		As at 31.03.2014	As at 31.03.2013
1	Discount rate	8.50%	8.50%
2	Salary growth rate	6.00%	6.00%
3	Attrition rate	5.00%	5.00%

O(4) Disclosure pursuant to Accounting Standard (AS) 16 "Borrowing Costs"

Borrowing cost capitalised during the year (net of income from temporary investments out of specific borrowings) is ₹ 14,95,36,987 (previous year : ₹ 12,04,72,589).

O(5) Disclosure pursuant to Accounting Standard (AS) 17 "Segment Reporting"

The Company is engaged in the business of construction, operation and maintenance of Toll road projects on Design Build Finance Operate and Transfer basis in a single business segment. Hence reporting on primary segment does not arise. The Company does not have operations outside India. Hence, disclosure of secondary / geographical segment information does not arise.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**O(6) Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 "Related Party Disclosures"****a) List of related parties**

Holding Company	L&T Infrastructure Development Projects Limited
Ultimate holding company	Larsen & Toubro Limited
Fellow subsidiaries	L&T Chennai Tada Tollway Limited L&T Ahmedabad Maliya Tollway Limited L&T Transportation Infrastructure Limited L&T Krishnagiri Walajahpet Tollway Limited L&T Vadodara Bharuch Tollway Limited L&T Rajkot Vadinar Tollway Limited L&T East West Tollway Limited L&T Halol Shamlaji Tollway Limited L&T Krishnagiri Thopur Tollroad Limited L&T General Insurance Company Limited

b) Disclosure of related party transactions (incl. service tax wherever applicable)

Particulars		2013-14	2012-13
		₹	₹
1	Holding company		
	L&T Infrastructure Development Projects Limited		
	• Short term unsecured loan received	9,00,00,000	50,00,000
	• Purchase of goods and services	1,46,16,596	84,89,732
	• Advance received	28,00,000	2,30,00,000
	• Interest paid on unsecured loan	1,92,329	13,185
	• Advance paid	54,899	2,52,212
	• Reimbursement of expenses to	3,500	–
2	Ultimate holding company		
	Larsen & Toubro Limited		
	• Mobilisation advance paid/(adjusted)	(2,84,38,379)	(33,99,90,181)
	• Purchase of goods and services	99,40,46,925	2,03,97,35,423
	• Reimbursement of expenses from	–	5,94,002
	• Reimbursement of expenses to	33,73,238	11,37,616
3	Fellow Subsidiaries		
	L&T Chennai - Tada Tollway Limited		
	• Sale of fixed assets	18,151	–
	L&T Ahmedabad Maliya Tollway Limited		
	• Purchase of fixed assets	6,944	–
	L&T Transportation Infrastructure Limited		
	• Unsecured loan received	14,30,00,000	–
	• Interest paid on unsecured loan	9,26,837	–
	L&T Krishnagiri Walajahpet Tollway Limited		
	• Advance paid	27,461	–
	• Reimbursement of expenses to	36,300	–
	• Exchange of coins	2,63,700	–
	L&T Vadodara Bharuch Tollway Limited		
	• Exchange of coins	6,50,000	–

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

Particulars	2013-14	2012-13
	₹	₹
L&T Rajkot-Vadinar Tollway Limited		
• Purchase of fixed assets	24,26,684	–
• Reimbursement of expenses to	93,573	–
L&T East West Tollway Limited		
• Purchase of fixed assets	44,606	–
• Reimbursement of expenses from	–	9,000
L&T Halol Shamlaji Tollway Limited		
• Purchase of fixed assets	5,58,799	26,05,205
• Reimbursement of expenses to	–	2,62,339
L&T Krishnagiri Thopur Tollroad Limited		
• Reimbursement of expenses from	94,700	–
L&T General Insurance Company Limited		
• Insurance premium paid	33,88,943	15,32,693
• Claims received	–	34,100

c) Amount due to and due from related parties(net):

(Amount in ₹)

Particulars	As at 31.03.2014	As at 31.03.2013
	Due (to)/from	Due (to)/from
Holding Company		
L&T Infrastructure Development Projects Limited	(9,72,48,083)	–
Ultimate Holding Company		
Larsen and Toubro Limited	(3,12,31,061)	2,79,76,136
Fellow subsidiaries		
L&T Ahmedabad Maliya Tollway Limited	(2)	–
L&T Rajkot Vadinar Tollway Limited	(25,20,257)	–
L&T East West Tollway Limited	(44,606)	–
L&T Halol Shamlaji Tollway Limited	(4,52,895)	–

d) No amounts pertaining to related parties have been written off or written back during the period. (previous year: ₹ Nil).

O(7) Disclosure pursuant to Accounting Standard (AS) 19 “Leases”

The Company has taken office premises and residential premises under cancellable operating lease. These agreements are normally renewed on expiry. Lease rental expenses for the year is ₹ 7,55,536 (previous year: ₹ 6,50,206). Out of the above, ₹ 1,56,633 is charged to the Statement of Profit and loss and ₹ 5,98,903 (previous year: ₹ 6,50,206) is included in Pre-operative expenses pending allocation.

O(8) Disclosure pursuant to Accounting Standard (AS) 20 “Earnings per share”

Particulars		2013-14	2012-13
		₹	₹
Basic and diluted			
Profit/(loss) after tax as per accounts	A	(2,98,55,170)	1,56,14,208
Weighted average number of equity shares outstanding	B	9,00,00,000	9,00,00,000
Earnings per share (₹)	A/B	(0.33)	0.17
Face value per share (₹)		10.00	10.00

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**O(9) Disclosure pursuant to Accounting Standard (AS) 22 “Accounting for Taxes on Income”****Components of Deferred Tax Liabilities and Deferred tax assets**

Particulars	2013-14	2012-13
	Due (to)/from	Due (to)/from
Deferred Tax Liabilities (DTL)		
Difference between WDV as per books and tax	11,03,31,232	–
Total	11,03,31,232	–
Deferred Tax Assets (DTA)		
Gratuity	78,490	–
Compensated absences	6,579	–
Unabsorbed depreciation losses	11,59,30,238	–
Total	11,60,15,307	–
Restricted to level of Deferred tax liabilities	11,03,31,232	–
Net Deferred tax liabilities/(assets)	–	–

O(10) Disclosure pursuant to Accounting Standard (AS) 28 “Impairment of Assets”

Based on a review of the future discounted cash flows, the recoverable amount of the project facility is more than its carrying amount. Accordingly, no provision for impairment is made for in the accounts.

O(11) Disclosure pursuant to Accounting Standard (AS) 29 “Provisions, Contingent Liabilities and Contingent Assets”**(a) Nature of provision :**

Periodic major maintenance expense represents provision made for resurfacing obligations in accordance with the terms of the concession agreement with National Highways Authority of India (“NHAI”).

(b) Movement of provision during the year :

Particulars	Amount (₹)
Balance as at April 1, 2013	–
Additional provision during the year	2,07,00,814
Provision used/reversed during the year	–
Balance as at March 31, 2014	2,07,00,814

O(12) Previous year figures are regrouped/reclassified wherever necessary.**NOTE 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”), 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, which are not ascertainable/acknowledged 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 year, 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, allowance 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 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 (“the Act”). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 “Cash Flow Statements”. The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees in line with the requirements of Schedule VI. Per share data are presented in Indian Rupees to two decimal places.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)**3 Revenue recognition**

- (i) Fee collections from users of facility are accounted for as and when the amount is due and recovery is certain.
- (ii) Dividend income is accounted when the right to receive the same is established.
- (iii) Interest income is accrued at applicable interest rate on time proportion basis.
- (iv) Other items of income are accounted as and when the right to receive arises.

4 Tangible fixed assets

Fixed Assets are stated at original cost less accumulated depreciation and cumulative impairment.

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

5 Depreciation

Depreciation on assets has been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. In respect of the following asset categories depreciation is provided at rates in line with their estimated useful lives.

Category of Asset	Depreciation Rate (p.a)
Furniture and fixtures	10.00%
Vehicles	
Motor cars	14.29%
Motor cycles	9.50%
Tractors	11.11%
Office equipments	25.00%
Computers	
Desktops, laptops, printers	25.00%

Depreciation on additions / deductions 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.

Improvements to leasehold premises are amortized on a straight line basis over the primary lease period.

6 Intangible assets and amortisation

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

Carriageway representing toll collection rights are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such carriageway comprises of construction cost and other pre-operative costs incurred during the construction phase. Such carriageway on completion are capitalised as Intangible asset and are amortised in terms of the notification no.G.S.R.298(E) dated April 17, 2012, issued by the Ministry of Corporate Affairs, on Amortisation of Intangible assets created under Build, Operate and Transfer, Build, Own Operate and Transfer and other modes of Public Private Partnership route.

Pre-operative expenses including administrative and other general overhead expenses, incurred upto the date of commencement of commercial operations and which are specifically attributable to the construction of the carriageway are capitalised as part of cost of the asset. Other expenses have been written off in the year of incurrence of such expenditure.

7 Government Grants

Where the government grant is in the nature of promoter's contribution, i.e., they are given by way of contribution towards its capital outlay and no repayment is ordinarily expected in respect thereof, the grant is treated as a capital reserve.

8 Impairment of assets

The carrying amounts of fixed assets are reviewed at each Balance Sheet date to ascertain 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.

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, 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:

- a) In the case of individual asset, at higher of the net selling price and value in use.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

b) In the case of a cash generating asset, (a group of assets that generates identifiable 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 the estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

9 Employee benefits

The following are the accounting policies of the Company with regard to Employee benefits:

(i) 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 the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

(ii) Post employment benefits:

(a) Defined contribution plans:

State Governed Provident Fund linked with Employee Pension Scheme is Defined Contribution Plans. The contribution paid/ payable under the scheme is recognised during the period in which the employee renders the related service.

(b) Defined benefit plans:

The employees gratuity fund scheme is a defined benefit plan. The present value of the obligation under such Defined Benefit Plan is determined based on actuarial valuation using 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 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 Statement of Profit and loss/included in Pre-operative expenses.

(iii) Other long term employee benefits:

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

10 Investments

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition are classified as current investments. All other investments are classified as long term investments

Current investments are carried at lower of cost and market value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

11 Borrowing costs

Borrowing costs include interest, commitment charges, amortization of ancillary costs, amortization of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets, net of income from temporary investments out of specific borrowings, are capitalised as part of the cost of such assets. 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 recognised as an expense in the period in which they are incurred.

12 Taxes on income

Taxes on income for the period 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.

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 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 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.

13 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 are charged to the Statement of Profit and loss on accrual basis. Lease rentals specifically attributable to the project are accounted under Pre-operative expenses.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (CONTD.)

14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks.

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

15 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 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 recognised, nor disclosed.

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

16 Commitments

Commitments are future liabilities for contractual expenditure. They are classified and disclosed as follows:

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
- b) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

17 Cash flow statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- i) transactions of a non-cash nature
- ii) any deferrals or accruals of past or future operating cash receipts or payments and
- iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(Firm's Registration No.: 003792S)

By the hand of

V. R. LALITHA

Partner

Membership No. 18284

Place : Chennai

Date : May 6, 2014

P. RAVINDRANATH

Manager

Place : Chennai

Date : May 6, 2014

J. SUBRAMANIAN

Director

KARTHIKEYAN T. V.

Director

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended 31st March 2014.

1. FINANCIAL RESULTS

The key financial parameters for the year ended 31st March 2014 are:

(₹ Lakhs)

Description	2013-14	2012-13
Gross Fixed Assets	299.72	254.70
Depreciation and amortisation	193.39	174.98
Pre-Operative expenses pending allocation	(3,160.73)	(3,624.41)
Intangible assets under development including capital advances	39,180.02	29,603.02
Profit Before Tax	-	-
Prior Period Expenses	-	-
Provision for Taxes	-	-
Profit After Tax	-	-

2. PERFORMANCE OF THE COMPANY

The Toll Collections stood at ₹ 5454.26 lakhs for the year as against ₹ 5624.58 lakhs as against the previous year, signifying a decline by(3.03)%.

3. APPROPRIATION

Appropriation of profits is not applicable to the Company.

4. DIVIDEND

The Board of Directors has not recommended any dividend for the year 2013-14.

5. CAPITAL EXPENDITURE: (₹.LAKHS)

As at 31st March 2014, the gross fixed assets (tangible and intangible) stood at ₹ 299.72 lakhs and the net fixed assets (tangible and intangible) stood at ₹ 106.34 lakhs. The capital work-in-progress stood at ₹ 39180.02 lakhs.

6. DEPOSITS:

Your Company has not accepted any deposits from the public.

7. AUDITORS' REPORT:

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

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. CONSERVATION OF ENERGY

The operations of your Company are not energy intensive as Company is not engaged in manufacturing activity and your Company is not under the list of industries which should furnish information in form A (Rule 2).

B. TECHNOLOGY ABSORPTION

No technology has been developed and / or imported by way of foreign collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO(₹ Lakhs)

- i. Expenditure in foreign currency : ₹ 6.13 Lakhs
- ii. CIF value of Imports (in Rupees) : ₹ NIL

9. DISCLOSURE OF PARTICULARS:

As the primary object of your Company is Operation of the BOT Project, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

10. 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.

The tenure of Mr. S. Elangovan, who was appointed on 22.11.2010 as Manager of the Company, came to end on 21.11.2013. Consequent upon this, Mr. S. Elangovan was re-appointed as Manager of the Company for a period of three years with effect from 11.11.2013.

Ms. V. Chella resigned as the Company Secretary of the Company with effect from 22.07.2013, under the Companies Act, 1956.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of your 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, 2014;
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 your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.
5. that proper systems are in place to ensure compliance of all laws applicable to your Company.

12. DIRECTORS:

Mr. B. Ramakrishnan, Mr. T. S. Venkatesan and Mr. Manoj Dave constitute the Board of Directors of your Company.

During the year, there was no change in the Directorships of the Company.

Mr. B. Ramakrishnan, Director of the Company who is liable to retire by rotation and being eligible has to offer himself for re-appointment.

13. AUDIT COMMITTEE

The Members of the Audit Committee are:

1. Mr. B. Ramakrishnan
2. Mr. T. S. Venkatesan and
3. Mr. Manoj Dave

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 held discussions with the auditors on internal control systems and internal audit report.

14. STATUTORY AUDITORS:

The Auditors, M/s Gianender & Associates., 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 139(1) of the Companies Act, 2013.

15. SUBSIDIARY COMPANIES :

Your Company has no Subsidiary Companies.

16. INTERNAL AUDITORS

M/s Grant Thornton India LLP is the Internal Auditors of the Company.

17. 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.

18. MAINTENANCE OF COST AUDIT COMPLIANCE REPORT

Pursuant to the provisions of Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a cost audit compliance report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

19. ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Employees of the Company, Staff and Management of the parent company.

For and on behalf of the Board

Place : Chennai
Date : May 6, 2014

MANOJ DAVE
Director

T. S. VENKATESAN
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T CHENNAI - TADA TOLLWAY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **L&T CHENNAI - TADA TOLLWAY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, the statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION:

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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, 2014,
- b) in the case of the Statement of Profit and Loss, of no loss- no profit for the year ended on that date; and
- c) In case of the Cash flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 of the Order.
2. As required by Section 227(3) of the Act, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the general circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e) On the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2014, from being appointed as a director in terms of Para (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **GIANENDER AND ASSOCIATES**
Chartered Accountants
Firm Regn. No. 004661N

Place : Chennai
Date : May 6, 2014

G. K. AGRAWAL
Partner
M. No. 081603

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Annexure referred to in paragraph 1 under the heading "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" of our report on even date

Re: L&T CHENNAI - TADA TOLLWAY LIMITED

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) 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 the nature of its assets. No material discrepancies were noticed on such verification.
- c) According to the information and explanations given to us, during the year no substantial disposal of fixed assets of the Company has taken place which would have affected its going concern status.
- (ii) The Company is engaged in the business of infrastructure development and maintenance and hence Para 4 (ii) (a), (b) and (c) of the companies (Auditor's report) Order 2003 relating to inventory 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, secured or unsecured, to any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 the provision of paragraph 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 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 any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not taken any loans, secured or unsecured, from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the provision of paragraph 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for toll collection. During the course of our audit, we have not observed any major weakness in internal control system. Further, the provision of Paragraph 4(iv) with respect to sale of goods and purchase of inventory are not applicable to the Company.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, there are no particulars of contracts or arrangement during the year which are required to be entered in the register maintained pursuant to Section 301 of the Companies Act, 1956.
- (b) paragraph 4(ii)(b) of the said order is not applicable, as there are no such transactions during the year.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from public. Therefore, the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and relevant rules framed there under are not acceptable to the Company.
- (vii) In our Opinion, the Company has an internal audit system commensurate with its size and nature of business.
- (viii) According to the information and explanations given to us, we are of the opinion that prima facie, cost records prescribed, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, are made and maintained.
- (ix) (a) The Company is generally regular in depositing all undisputed statutory dues relating to Income tax deducted at source, service tax and value added tax. We are informed that the provision of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Wealth Tax, Custom duty, Excise Duty, Cess is not applicable to the Company. As per records produced before us, there are no undisputed dues which were outstanding as on March 31, 2014 for a period over six month from the date of same become payable.
- (b) According to information and explanation given to us, there are no statutory dues pending in respect of income-tax, sales tax, Value Added Tax, service tax, custom duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has accumulated losses as at March 31, 2014 which is less than 50% of its net worth. The Company has not incurred cash losses as at the end of the financial year or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution or bank.
- (xii) Based on our examination of the records and 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 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.
- (xiv) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. However, the surplus funds have been invested in mutual funds. Proper records have been maintained for the transaction and contacts for the investment in mutual funds and are updated on a timely basis. The investments 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, and on the basis of books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that the term loan have been utilized for the purposes for which the loan were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) Based on the audit procedures performed and the information and explanations given to us by the management, 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) According to the information and explanations given to us, the Company has not issued debentures during the year. Accordingly, no security or charge needs to be created.
- (xx) According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GIANENDER AND ASSOCIATES**
Chartered Accountants
Firm Regn. No. 004661N

Place : Chennai
Date : May 6, 2014

G. K. AGRAWAL
Partner
M. No. 081603

BALANCE SHEET AS AT MARCH 31, 2014

	Note	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	A	42,00,00,000		42,00,00,000	
Reserves and surplus	B	(18,64,484)		(18,64,484)	
			41,81,35,516		41,81,35,516
Non-current liabilities					
Long-term borrowings	C(I)	2,85,93,45,028		1,96,46,62,028	
Long-term provisions	C(II)	16,77,699		12,11,136	
			2,86,10,22,727		1,96,58,73,164
Current liabilities					
Other current liabilities	D(I)	39,74,19,657		38,27,04,157	
Short-term provisions	D(II)	2,52,989		1,92,405	
			39,76,72,646		38,28,96,562
TOTAL			3,67,68,30,889		2,76,69,05,242
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	1,06,33,637		79,72,390	
Intangible assets	E(II)	5		5	
Intangible assets under development	E(III)	3,54,70,89,618		2,57,72,39,731	
			3,55,77,23,260		2,58,52,12,126
Long-term loans and advances	F		5,48,38,910		2,06,22,344
Current assets					
Current investments	G(I)	2,48,54,548		–	
Cash and cash equivalents	G(II)	95,18,731		10,82,22,970	
Short-term loans and advances	G(III)	2,98,95,440		5,28,47,802	
			6,42,68,719		16,10,70,772
TOTAL			3,67,68,30,889		2,76,69,05,242
CONTINGENT LIABILITIES					
COMMITMENTS (CAPITAL AND OTHERS)					
OTHER NOTES FORMING PART OF ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached
For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm registration no.: 004661N)

For and on behalf of the Board

G. K. AGRAWAL
Partner
Membership No.: 081603
Place : Chennai
Date : May 6, 2014

S. ELANGO VAN
Manager
Place : Chennai
Date : May 6, 2014

MANOJ DAVE
Director

T. S. VENKATESAN
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	<u>Note</u>	<u>2013-14</u>	<u>2012-13</u>
REVENUE			
Revenue from Operations		-	-
Other income		-	-
TOTAL REVENUE		<u>-</u>	<u>-</u>
EXPENSES			
Operating expenses		-	-
Employee benefit expenses		-	-
Finance costs		-	-
Depreciation and amortisation		-	-
Other expenses		-	-
TOTAL EXPENSES		<u>-</u>	<u>-</u>
Profit / (Loss) before tax		-	-
Tax expense:			
Current tax		-	-
Deferred tax		-	-
Profit / (Loss) after tax		<u>-</u>	<u>-</u>
Earnings per equity share (Basic and diluted)	J(9)	-	-
Face value per equity share		10.00	<i>10.00</i>
OTHER NOTES FORMING PART OF ACCOUNTS	J		
SIGNIFICANT ACCOUNTING POLICIES	K		

As per our report attached
For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm registration no.: 004661N)

For and on behalf of the Board

G. K. AGRAWAL
Partner
Membership No.: 081603
Place : Chennai
Date : May 6, 2014

S. ELANGO VAN
Manager
Place : Chennai
Date : May 6, 2014

MANOJ DAVE
Director

T. S. VENKATESAN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Net profit / (loss) before tax and extraordinary items	-	-
Operating profit/(loss) before working capital changes	-	-
Adjustments for:		
(Increase) / decrease in loans and advances	-	-
Increase / (decrease) in current liabilities and provisions	-	-
Net cash generated from/(used in) operating activities	-	-
Direct taxes paid	-	-
Net Cash(used in)/generated from Operating Activities (A)	-	-
B Cash flow from investing activities		
Purchase of fixed assets (including pre-operative expenses)	(1,11,88,82,228)	(43,92,69,254)
Toll Collections	54,54,25,930	56,24,58,293
Additional Concession fee to NHAI	(11,50,25,157)	(11,28,75,617)
(Increase)/decrease in loans and advances	2,29,52,362	(5,19,09,170)
Increase/(decrease) in current liabilities and provisions	(5,60,11,353)	(8,65,05,340)
Interest paid	(32,99,86,460)	(23,77,97,376)
Purchase of current investments	(1,56,44,77,000)	(1,01,20,64,867)
Sale of current investments	1,55,11,68,549	1,02,31,00,961
Sale of fixed assets	14,628	3,66,812
Interest received	1,79,490	4,99,829
Net cash (used in)/generated from investing activities (B)	(1,06,46,41,239)	(35,39,95,729)
C Cash flow from financing activities		
Proceeds from long term borrowings	98,96,87,000	37,97,00,000
Repayment of long term borrowings	(2,37,50,000)	(1,22,00,000)
Net cash (used in)/generated from financing activities (C)	96,59,37,000	36,75,00,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(9,87,04,239)	1,35,04,271
Cash and Cash Equivalents as at the beginning	10,82,22,970	9,47,18,699
Cash and Cash Equivalents as at the end	95,18,731	10,82,22,970

Notes:

- Cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 "Cash flow Statement" as specified in the Companies (Accounting Standards) Rules 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous year figures are regrouped/reclassified wherever necessary.

As per our report attached
For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm registration no.: 004661N)

For and on behalf of the Board

G. K. AGRAWAL
Partner
Membership No.: 081603
Place : Chennai
Date : May 6, 2014

S. ELANGO VAN
Manager
Place : Chennai
Date : May 6, 2014

MANOJ DAVE
Director

T. S. VENKATESAN
Director

NOTES FORMING PART OF ACCOUNTS**NOTE A : SHARE CAPITAL****A(I) Share Capital authorised, issued, subscribed and paid up**

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	₹	No. of shares	₹
Authorised:				
Equity shares of ₹ 10 each	45,000,000	45,00,00,000	45,000,000	45,00,00,000
Issued, subscribed and fully paid-up:				
Equity shares of ₹ 10 each	42,000,000	42,00,00,000	42,000,000	42,00,00,000

A(II) Reconciliation of the number of equity shares and share capital

	2013-14		2012-13	
	No. of shares	₹	No. of shares	₹
At the beginning of the year	42,000,000	42,00,00,000	42,000,000	42,00,00,000
Issued during the year as fully paid	-	-	-	-
At the end of the year	42,000,000	42,00,00,000	42,000,000	42,00,00,000

A(III) Terms / rights attached to equity shares

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

The Company has not issued any securities during the year with the right/option to convert the same into equity shares at a later date.

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

A(IV) Details of Shares held by Holding Company/Ultimate Holding Company/its Subsidiaries or Associates:

	As at March 31, 2014		As at March 31, 2013	
	No. of shares	₹	No. of shares	₹
L&T Infrastructure Development Projects Limited (Holding Company - including nominees holding)	41,999,900	41,99,99,000	41,999,900	41,99,99,000
Larsen & Toubro Limited (Ultimate Holding Company - including nominees holding)	100	1,000	100	1,000

A(V) Shareholders holding more than 5% shares in the Company:

Name of the shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of shares	%	No. of shares	%
L&T Infrastructure Development Projects Limited (Holding Company - including nominees holding)	41,999,900	99.99	41,999,900	99.99

A(VI) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL

A(VII) Calls unpaid : NIL; Forfeited Shares : NIL

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE B : RESERVES AND SURPLUS				
Surplus/(Deficit) in Statement of Profit and loss:				
As per last Balance Sheet	(18,64,484)		(18,64,484)	
Add: Profit/(Loss) for the year	-		-	
		(18,64,484)		(18,64,484)
TOTAL		(18,64,484)		(18,64,484)

NOTES FORMING PART OF ACCOUNTS

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE C(I) : LONG TERM BORROWINGS				
Secured Term loans from banks (Refer notes below)				
Andhra Bank		90,52,00,000		45,61,20,000
IDBI		94,45,17,000		72,70,26,000
Vijaya Bank		74,65,12,028		57,91,92,028
United Bank of India		26,31,16,000		20,23,24,000
TOTAL		2,85,93,45,028		1,96,46,62,028

C(I) (a) Details of term loans

Particulars	Rate of interest (weighted average)		Terms of Repayment
	2013-14	2012-13	
Rupee Term loans	Base rate (IDBI bank) + Applicable spread (fixed)	<i>Base rate (IDBI bank) + Applicable spread (fixed)</i>	Repayable in unequal quarterly instalments commencing from December 31, 2013 till June 30, 2024, ranging from ₹ 1,18,75,000 to ₹ 26,12,50,000
Andhra Bank			
IDBI			
Vijaya Bank			
United Bank of India			

C(I) (b) Nature of Security

The term loan is secured by pari passu first charge on all the assets of the Company, including tangible and intangible both present and future except Project assets as defined in the Concession Agreement.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(I) (c) Presentation of term loans in Balance sheet is as follows:				
Long term borrowings		2,85,93,45,028		1,96,46,62,028
Current maturities of long term borrowings		9,50,04,000		2,37,50,000
TOTAL		2,95,43,49,028		1,98,84,12,028

NOTE C(II) : LONG TERM PROVISIONS

Provision for employee benefits:				
Gratuity (Refer note J(4)(b))		7,19,863		5,17,507
Compensated absences (Refer note J(4)(b))		9,57,836		6,93,629
TOTAL		16,77,699		12,11,136

NOTE D(I) : OTHER CURRENT LIABILITIES

Current maturities of long term borrowings (Refer note C(I)(c))		9,50,04,000		2,37,50,000
Due to:				
Related parties				
Holding Company		62,32,992		4,35,576
Ultimate Holding Company		6,57,24,205		1,98,17,960
		7,19,57,197		2,02,53,536
Statutory liabilities		72,43,819		33,42,126
Other payable		22,32,14,641		33,53,58,495
TOTAL		39,74,19,657		38,27,04,157

Note : There have been no transactions during the year (*previous year : Nil*) with Micro and small enterprises covered under the Micro, Small and Medium enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid/outstanding does not arise.

NOTES FORMING PART OF ACCOUNTS

As at 31.03.2014

As at 31.03.2013

₹

₹

NOTE D(II) : SHORT TERM PROVISIONS

Provision for employee benefits:

Gratuity (Refer note J(4)(b))

14,752

5,813

Compensated absences (Refer note J(4)(b))

2,38,237

1,86,592

TOTAL**2,52,989****1,92,405****NOTE E(I) : TANGIBLE ASSETS**

PARTICULARS	COST				DEPRECIATION				BOOK VALUE	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	Upto 31.03.2013	For the year	On Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Plant and equipment	70,28,245	8,925	–	70,37,170	19,40,429	7,67,343	–	27,07,772	43,29,398	50,87,816
Furniture and fixtures	3,68,072	20,32,541	–	24,00,613	1,20,937	93,887	–	2,14,824	21,85,789	2,47,135
Vehicles	6,70,670	–	–	6,70,670	61,165	92,581	–	1,53,746	5,16,924	6,09,505
Office equipment	24,96,198	1,70,482	–	26,66,680	15,94,597	4,79,847	–	20,74,444	5,92,236	9,01,601
Airconditioning and refrigeration	5,15,707	17,92,064	–	23,07,771	57,199	80,980	–	1,38,179	21,69,592	4,58,508
Computers, laptop and printers	17,75,839	5,49,227	51,200	22,73,866	11,08,014	3,37,887	11,733	14,34,168	8,39,698	6,67,825
Total (A)	1,28,54,731	45,53,239	51,200	1,73,56,770	48,82,341	18,52,525	11,733	67,23,133	1,06,33,637	
Previous year	1,00,34,620	36,51,089	8,30,978	1,28,54,731	29,96,206	22,37,685	3,51,550	48,82,341		79,72,390

NOTE E(II) : INTANGIBLE ASSETS

PARTICULARS	COST				AMORTISATION				BOOK VALUE	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	Upto 31.03.2013	For the year	On Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Owned										
Toll equipments	1,26,15,672	–	–	1,26,15,672	1,26,15,667	–	–	1,26,15,667	5	5
Total	1,26,15,672	–	–	1,26,15,672	1,26,15,667	–	–	1,26,15,667	5	5
Previous year	1,26,15,672	–	–	1,26,15,672	9618,187	29,51,356	–	1,26,15,667	–	

NOTES FORMING PART OF ACCOUNTS**NOTE E(III) : INTANGIBLE ASSETS UNDER DEVELOPMENT**

	As at April 1, 2013 ₹	For the year ₹	As at March 31, 2014 ₹
Toll Collection Rights			
Construction cost	2,90,14,03,556	84,53,32,678	3,74,67,36,234
Other direct costs	3,82,76,853	7,81,49,557	11,64,26,410
TOTAL (A)	2,93,96,80,409	92,34,82,235	3,86,31,62,644
b) Pre-operative expenses pending allocation			
Salaries and wages	4,82,89,099	1,66,03,211	6,48,92,310
Contribution to and provisions for :			
Provident fund (Refer Note J(4)(a))	20,67,892	8,03,947	28,71,839
Gratuity (Refer Note J(4)(b)(ii))	5,23,320	2,11,295	7,34,615
Leave encashment (Refer Note J(4)(b)(ii))	12,31,413	3,68,914	16,00,327
Staff welfare expenses	50,94,911	32,18,072	83,12,983
Insurance	63,21,793	22,41,675	85,63,468
Additional Concession fee to NHAI	33,46,22,100	11,50,25,156	44,96,47,256
Concession fee to NHAI	5	1	6
Security charges	1,68,77,637	83,51,077	2,52,28,714
Toll management charges	4,78,88,497	2,09,24,637	6,88,13,134
Ambulance services	54,07,374	15,36,000	69,43,374
Operation and maintenance fee	1,59,95,488	48,18,322	2,08,13,810
Power and fuel	1,48,86,287	81,49,965	2,30,36,252
Rent, rates and taxes (Refer note J(8))	59,90,991	40,11,923	1,00,02,914
Travelling and conveyance	2,32,06,526	86,27,159	3,18,33,685
Communication expenses	18,97,511	8,62,277	27,59,788
Printing and stationery	34,01,118	10,29,834	44,30,952
Professional fees (Refer note (b) below)	12,35,91,667	3,85,10,991	16,21,02,658
Bank charges and bank guarantee charges	88,23,473	7,03,461	95,26,934
Repairs and maintenance	11,64,49,429	3,41,14,345	15,05,63,774
Prior period adjustment	13,09,637	-	13,09,637
Depreciation and amortisation	1,78,79,670	18,52,525	1,97,32,195
Miscellaneous expenses	79,21,499	15,43,083	94,64,582
Interest on term loans (Refer note J(5))	63,72,73,469	32,99,86,460	96,72,59,929
Less:			
Toll collections	1,78,07,49,452	54,54,25,930	2,32,61,75,382
Other income	2,86,42,032	1,17,00,748	4,03,42,780
TOTAL (B)	(36,24,40,678)	4,63,67,652	(31,60,73,026)
GRAND TOTAL (A+B)	2,57,72,39,731	96,98,49,887	3,54,70,89,618

(b) Professional fees includes Auditors' remuneration (excl. service tax) as follows:

Particulars	2013-14	2012-13
a) As auditor	2,69,500	2,50,000
b) For taxation matters	25,000	-
c) For Company law matters	30,000	-
d) For other services	1,42,520	88,200
TOTAL	4,67,020	3,38,200

NOTES FORMING PART OF ACCOUNTS

	As at 31.03.2014	As at 31.03.2013
	₹	₹
NOTE F : LONG TERM LOANS AND ADVANCES		
Capital advance		
Unsecured, considered good	5,48,38,910	2,06,22,344
TOTAL	5,48,38,910	2,06,22,344

NOTE G(I) : CURRENT INVESTMENTS

Investment in mutual funds - Quoted (Refer note below)	2,48,54,548	-
TOTAL	2,48,54,548	-

Note:

Particulars	Face Value (₹)	No. of units	Book Value (₹)	Market Value (₹)
HDFC Cash Management fund - Savings Plan	10.00	72,966.908	18,74,251	19,54,527
IDFC Cash fund - Growth (Regular Plan)	1,000.00	11,404.627	1,76,70,297	1,77,77,639
Baroda Pioneer Liquid fund - Plan A Growth	1,000.00	3,631.251	53,10,000	53,40,207
TOTAL			2,48,54,548	2,50,72,373

	As at March 31, 2014		As at March 31, 2013	
	₹	₹	₹	₹
NOTE G(II) : CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks:				
In current accounts	41,99,003		60,55,915	
In deposit accounts with maturity less than three months (including interest accrued thereon)	-		9,83,71,647	
		41,99,003		10,44,27,562
Cheques on hand		78,390		-
Cash on hand		52,41,338		37,95,408
Other bank balances		-		-
TOTAL		95,18,731		10,82,22,970

NOTE G(III) : SHORT TERM LOANS AND ADVANCES

Unsecured, considered good:		
Security deposits	14,50,744	15,50,434
Prepaid taxes	1,05,26,419	64,00,689
Prepaid expenses	2,67,432	18,19,251
Utility shifting recoverable	69,62,264	4,07,70,405
Others	1,06,88,581	23,07,023
TOTAL	2,98,95,440	5,28,47,802

NOTE H : CONTINGENT LIABILITIES

Contingent liabilities as at March 31, 2014 ₹ Nil. (previous year: Nil)

NOTE I : COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for ₹ 3,00,65,78,603. (previous year: ₹ 4,03,96,97,247).

NOTES FORMING PART OF ACCOUNTS**NOTE J : OTHER NOTES FORMING PART OF ACCOUNTS****J(1) Corporate Information**

L&T Chennai Tada Tollway Limited, a Special Purpose Vehicle (SPV) incorporated for the purpose of widening of existing four lanes to six lanes from KM 11.00 to KM 54.40 on Chennai-Tada Section of NH 5 in the state of Tamilnadu under Concession Agreement dated June 3, 2008 with the National Highways Authority of India to be executed as BOT (TOLL) on DBFO Pattern under NHDP Phase V. The Concession Agreement is for a period of 15 years from the Appointed Date stated in clause 3.1 of the said agreement.

J(2) The Statement of Profit and loss has been drawn to comply with the provisions of the Companies Act, 1956. However the Company has not commenced commercial operations.

J(3) The Company has not earned any income in foreign currency during the year. (*previous year: Nil*). The expenditure in foreign currency during the year is ₹ 6,13,290 (*previous year : Nil*).

J(4) Disclosure pursuant to Accounting Standard (AS) 15 (Revised) on Employee benefits:

(a) Defined contribution plan:

An amount of ₹ 8,03,947 (*previous year: ₹ 6,38,935*), being contribution made to provident fund is recognised as Employee benefit expense and included under Pre-operative expenses pending allocation.

(b) Defined benefit plans:

(i) The amounts recognised in Balance Sheet are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
– Wholly funded	–	–	–	–
– Wholly unfunded	7,34,615	5,23,320	11,96,073	8,80,221
	7,34,615	5,23,320	11,96,073	8,80,221
Less : Fair value of plan assets	–	–	–	–
Amount to be recognised as liability or (asset)	7,34,615	5,23,320	11,96,073	8,80,221
B) Amounts reflected in the Balance Sheet				
Liabilities	7,34,615	5,23,320	11,96,073	8,80,221
Assets	–	–	–	–
Net Liability / (asset)	7,34,615	5,23,320	11,96,073	8,80,221

(ii) The amounts recognised in the Statement of Profit and loss (Pre-operative expenses pending allocation) are as follows:

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
1 Current service cost	66,874	51,204	94,124	1,26,131
2 Interest on Defined benefit obligation	44,482	30,789	74,819	38,842
3 Actuarial losses/(gains)	99,939	79,103	1,99,971	2,58,285
4 Past service cost	–	–	–	–
Total (1 to 4)	2,11,295	1,61,096	3,68,914	4,23,258
I Amount included in "employee benefit expenses"	2,11,295	1,61,096	3,68,914	4,23,258
II Amount included as part of "finance costs"	–	–	–	–
Total (I + II)	2,11,295	1,61,096	3,68,914	4,23,258

NOTES FORMING PART OF ACCOUNTS

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

Particulars	Gratuity plan		Compensated absences	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹
Opening balance of the present value of defined benefit obligation	5,23,320	3,62,224	880,221	4,56,963
Add: Current service cost	66,874	51,204	94,124	1,26,131
Add: Interest cost	44,482	30,789	74,819	38,842
Add: Contribution by plan participants				
i) Employer	-	-	-	-
ii) Employee	-	-	-	-
Add/(less): Actuarial losses/(gains)	99,939	79,103	1,99,971	2,58,285
Less: Benefits paid	-	-	53,062	-
Add: Past service cost	-	-	-	-
Closing balance of the present value of defined benefit obligation	7,34,615	5,23,320	11,96,073	8,80,221
Current liability	14,752	5,813	2,38,237	1,86,592
Non-current liability	7,19,863	5,17,507	9,57,836	6,93,629

- (iv) Principal actuarial assumptions at the Balance Sheet date :

Particulars		As at March 31, 2014	As at March 31, 2013
1	Discount rate	8.50%	8.50%
2	Salary growth rate	6.00%	6.00%
3	Attrition rate	5.00%	5.00%

J(5) Disclosure pursuant to Accounting Standard (AS) 16 “Borrowing Costs”

Borrowing cost included under Intangible assets under development for the year ₹ 32,99,86,460 (previous year : ₹ 23,77,97,376).

J(6) Disclosure pursuant to Accounting Standard (AS) 17 “Segment Reporting”

The Company is engaged in the business of construction, operation and maintenance of Toll road project on a Build Operate Transfer basis in a single business segment. Hence reporting on primary segment does not arise. The Company does not have operations outside India. Hence, disclosure of secondary / geographical segment information does not arise.

J(7) Disclosure of related parties / related party transactions pursuant to Accounting Standard (AS) 18 “Related Party Disclosures”

- a) List of related parties

Holding Company	L&T Infrastructure Development Projects Limited (“L&T IDPL”)
Ultimate Holding Company	Larsen & Toubro Limited
Fellow Subsidiaries (disclosed where transactions existed in the current and the previous year)	L&T Western Andhra Tollways Limited L&T Krishnagiri Thopur Tollroad Limited L&T Transportation Infrastructure Limited PNG Tollway Limited L&T Devihalli Hassan Tollway Limited L&T Krishnagiri Walajahpet Tollway Limited

NOTES FORMING PART OF ACCOUNTS

b) Disclosure of related party transactions (incl. service tax wherever applicable):

Particulars		2013-14	2012-13
		₹	₹
1	Holding Company		
	L&T Infrastructure Development Projects Limited		
	• Purchase of goods and services	1,94,98,862	1,55,57,488
	• Advance paid	95,311	13,69,742
	• Reimbursement of expenses to	5,500	–
2	Ultimate Holding Company		
	Larsen & Toubro Limited		
	• EPC bills	–	2,25,31,908
	• Purchase of goods and services	21,23,548	2,02,248
	• Reimbursement of expenses to	21,27,551	30,12,056
3	Fellow Subsidiaries		
	L&T Western Andhra Tollways Limited		
	• Reimbursement of expenses from	575	729
	L&T Krishnagiri Thopur Tollroad Limited		
	• Coins transportation	5,00,000	8,50,000
	• Reimbursement of expenses from	–	5,08,450
	• Reimbursement of expenses to	–	10,907
	L&T Transportation Infrastructure Limited		
	• Advance paid	–	19,583
	PNG Tollway Limited		
	• Reimbursement of expenses to	–	22,11,350
	L&T Devihalli Hassan Tollway Limited		
	• Purchase of fixed assets	18,151	–
	L&T Krishnagiri Walajahpet Tollway Limited		
	• Reimbursement of expenses to	17,600	–

c) Amount due to/from related parties (Net):

(Amount in ₹)

Particulars		Due (to)/ from	
		As at March 31, 2014	As at March 31, 2013
1	Holding Company		
	L&T Infrastructure Development Projects Limited	(62,32,992)	(4,35,576)
2	Ultimate Holding Company		
	Larsen & Toubro Limited	(6,57,24,205)	(1,98,17,960)

d) No amounts pertaining to related parties have been written off or written back during the year. (previous year: Nil)

J(8) Disclosure pursuant to Accounting Standard (AS) 19 “Leases”

The Company has not entered into any finance lease. The Company has taken office premises and Guest house under cancellable operating lease. These agreements are normally renewed on expiry. Lease rental expenses in respect of operating leases for the year ₹ 40,00,200 (previous year: ₹ 56,02,028) is included in Intangible assets under development.

J(9) Disclosure pursuant to Accounting Standard (AS) 20 “Earnings per share”

(Amount in ₹)

Particulars	2013-14	2012-13
Basic and diluted		
Profit/(loss) after tax as per accounts (A) (₹)	–	–
Weighted average number of equity shares outstanding (B)	4,20,00,000	4,20,00,000
Earnings per share (₹) (A/B)	–	–
Face value per equity share (₹)	10.00	10.00

NOTES FORMING PART OF ACCOUNTS

J(10) Disclosure pursuant to Accounting Standard (AS) 22 “Accounting for Taxes on Income”

The Company does not have taxable income as per the provisions of Income Tax Act, 1961 and hence no provision for Current tax is made during the year. There are no timing differences between Accounting income and Taxable income and hence no provision for Deferred tax is made during the year.

J(11) Disclosure pursuant to Accounting Standard (AS) 28 “Impairment of Assets”

Based on a review of the future discounted cash flows, the recoverable amount of the project facility is more than its carrying amount. Accordingly, no provision for impairment is made in the accounts.

J(12) Disclosure pursuant to Accounting Standard (AS) 29 “Provisions, Contingent Liabilities and Contingent Assets”

No provisions were recognised during the year. Disclosure in respect of Contingent liabilities is given under Note G to the Balance Sheet.

J(13) The Company does not have taxable wealth under the provisions of Wealth Tax Act, 1957 and hence no provision is made for Wealth Tax during the year.

J(14) The Company is not covered under the provisions of Payment of Bonus Act, 1965 and hence no provision is made during the year.

J(15) Previous year figures are regrouped/reclassified wherever necessary.

NOTE K : 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. However, certain 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 year, 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, allowance 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 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 (“the Act”). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 “Cash Flow Statements”. The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees. Per share data are presented in Indian Rupees to two decimal places

3 Revenue recognition

- (i) Fee collection from the users of the facility are accounted as and when it becomes due and the recovery is certain.
- (ii) Dividend income is accounted when the right to receive the same is established.
- (iii) Interest income is accrued at applicable interest rate on time proportionate basis.
- (iv) Other items of income are accounted as and when the right to receive arises.

4 Tangible 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.

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

5 Intangible assets

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

Carriageway representing Toll collection rights are obtained in consideration for rendering construction, operation and maintenance services in relation to building and maintenance of the project on Build, Operate and Transfer basis. The cost of such carriageway comprises of construction cost and other pre-operative costs incurred during the construction phase.

Administrative and other general overhead expenses net of income from temporary investments, incurred upto the date of commencement of commercial operations that are specifically attributable to the construction/acquisition of the Intangible assets is allocated and capitalised as part of cost of the asset. Other expenses have been written off in the year of incurrence of such expenditure““““

NOTES FORMING PART OF ACCOUNTS

6 Depreciation and amortisation

a) Depreciation

Depreciation on assets has been provided on straight-line basis at the rates specified in the schedule XIV to the Companies Act, 1956. In respect of the following asset categories depreciation is provided at rates in line with their estimated useful lives.

Category of Asset	Depreciation Rate (%)
Furniture and fixtures	10.00%
Vehicles	
Motor cars	14.29%
Motor bikes	9.50%
Plant and Equipment General	
Desktops, Laptops, Printers, Scanners, Multi-functional devices	25.00%
Air conditioning and Refrigeration equipments	8.33%
Office equipments	25.00%

Depreciation on additions (including assets costing less than ₹ 5,000) / deductions 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.

b) Amortisation

Toll equipments installed for collecting toll upto Commercial Operations date are amortised over a period of three years.

7 Impairment of assets

The carrying amounts of fixed assets are reviewed at each Balance Sheet date to ascertain 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.

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 recognised 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 value in use.
- In the case of a cash generating asset, (a group of assets that generates identifiable 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 the estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

8 Employee benefits

The following are the accounting policies of the Company with regard to Employee benefits:

(i) 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 the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

(ii) Post employment benefits:

(a) Defined contribution plans:

State Governed Provident Fund linked with Employee Pension Scheme is the Defined Contribution Plan. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

(b) Defined benefit plans:

The employees gratuity fund scheme is a defined benefit plan. The present value of the obligation under such Defined Benefit Plan is determined based on actuarial valuation using 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 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 in the Statement of Profit and loss/included in Pre-operative expenses.

NOTES FORMING PART OF ACCOUNTS

(iii) Other long term employee benefits:

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

9 Investments

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature and determined separately for each individual investment. Current investments are stated at lower of cost or fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

10 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 applicable on the date of transaction.
- (iii) At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost are reported using the exchange rate on the date of the transaction.
- (iv) 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 recognised as income or expense in the period/included in Pre-operative expenses in which they arise

11 Borrowing costs

Borrowing costs include interest, commitment charges, amortisation of ancillary costs, amortisation of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange difference arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of such assets, till such time the asset is ready for its intended use or sale. 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.

In accordance of Accounting Standard (AS) 16 "Borrowing Costs", income earned on investment (short term) of funds intermittently surplus but inextricably linked with the project is set off against related borrowing costs.

12 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.

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 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.

13 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 are included under Intangible assets under development on accrual basis.

14 Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of changes in value, are not included as part of cash and cash equivalents.

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) 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.

NOTES FORMING PART OF ACCOUNTS

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 recognised, nor disclosed.

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

16 Commitments

Commitments are future liabilities for contractual expenditure. They are classified and disclosed as follows:

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for.
- ii) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

17 Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- i) transactions of a non-cash nature
- ii) any deferrals or accruals of past or future operating cash receipts or payments and
- iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure. However till the commencement of commercial operations the cash flows are segregated into investing and financing activities only.

As per our report attached
For **GIANENDER & ASSOCIATES**
Chartered Accountants
(Firm registration no.: 004661N)

For and on behalf of the Board

G. K. AGRAWAL
Partner
Membership No.: 081603
Place : Chennai
Date : May 6, 2014

S. ELANGO VAN
Manager
Place : Chennai
Date : May 6, 2014

MANOJ DAVE
Director

T. S. VENKATESAN
Director

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended March 31, 2014.

I. FINANCIAL RESULTS

Sl. No	Particulars	2013-14 ₹ Lakhs	2012-13 ₹ Lakhs
1	Income for the year	2.78	–
2	Less: Expenditure	2.93	21.02
3	Profit Before Depreciation & Tax (PBDT)	(0.15)	(21.02)
4	Less: Depreciation	–	–
5	Profit / (Loss) before tax (PBT)	(0.15)	(21.02)
6	Less: Provision for tax	(0.02)	(0.34)
7	Profit / (Loss) after tax (PAT)	(0.13)	(20.68)
8	Balance brought forward from previous year	(1,774.58)	(1,753.90)
9	Balance carried to Balance Sheet	(1,774.71)	(1,774.58)

II. PERFORMANCE OF THE COMPANY

Your Company is in the process of amalgamation. The Board of Directors have approved the Composite Scheme of amalgamation between your Company, International Seaports (India) Private Limited and Narmada Infrastructure Construction Enterprise Limited with their holding Company i.e., L&T Infrastructure Development Projects Limited on 9th August, 2013. As per the Scheme the appointed date of amalgamation is 1st April, 2013.

The scheme of amalgamation has been filed with the High Court of Bombay and your Company is awaiting the Merger Order from the High Court.

III. APPROPRIATIONS

The Directors wish to inform that there were no appropriations to any kind of specific Reserves of the Company during the year.

IV. DIVIDEND

The Directors of your Company express their inability to consider any dividend to be paid to the Shareholders of the Company for the year under review.

V. CAPITAL EXPENDITURE

Your Company has not incurred any expenditure of Capital nature during the year 2013-14.

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 to be reported between date of the Balance Sheet and 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 companies under its purview.

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, 2014 and of the profit or 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;

L&T TRANSCO PRIVATE 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.

XII. DIRECTORS

Mr. K Venkatesh, Director, who retires by rotation at this Annual General Meeting, being eligible, offer himself for reappointment.

The present Directors are as follows:

- a) Mr. K Venkatesh
- b) Mr. Sharad Goel
- c) Mr. J Subramanian

XIII. STATUTORY 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 the provisions of the Companies Act, 2013.

XIV. INTERNAL AUDITORS

Internal Audit Department, L&T IDPL, provides internal audit services to the Company.

XV. 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.

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

As the Company was engaged in developing, operating and maintaining a bridge the provisions relating to conservation of energy does not apply.

- TECHNOLOGY ABSORPTION

There was no Technology absorption during the year 2013- 14.

- FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no usage or earning of any foreign currency in the course of transactions during the year 2013-14.

XVII. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the management staff of the parent company.

For and on behalf of the Board

Place : Chennai
Date : May 6, 2014

SHARAD GOEL
Director

J SUBRAMANIAN
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T TRANSCO PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T TRANSCO PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note no.K(7) and Note no. K(8) accompanying the financial statements on preparation of the financial statements on going concern basis, our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2) As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No.003792S)

P. RAJESH KUMAR
Partner
Membership No.225366

Place: Chennai
Date: May 6, 2014

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of the Independent Auditor's report to the members of L&T Transco Private Limited on the financial statements for the year ended March 31, 2014, we report that:

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 (c) The Company has not disposed off any of its fixed assets during the year so as to affect its going concern status.
- (ii) The Company does not have any inventory in its books and hence reporting under clauses 4(ii) (a), (b) and (c) of the Order does not arise.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to or from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, reporting under clauses 4 (iii) (b), (c) and (d) of the Order does not arise.
 (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, to or from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, reporting under clauses 4 (iii) (f) and (g) of the Order does not arise.
- (iv) The Company has not entered into any transaction for the purchase of inventory and fixed assets and for the sale of goods and services during the year. Hence, reporting under clause 4 (iv) of the Order does not arise
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts/ arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) of the Order 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 framed thereunder. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) The provisions of internal audit are not applicable to the Company and hence reporting under clause 4(vii) of the Order does not arise.
- (viii) In our opinion, 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 the business of 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 generally regular in depositing undisputed statutory dues including Income-tax and other statutory dues during the year with appropriate authorities. According to the information and explanation given to us, there were no undisputed amount payable on account of Income-tax, and other statutory dues as at March 31, 2014, for a period of more than six months from the date they become payable.
 (b) According to the information and explanations given to us and records of the Company examined by us, the particulars of income tax as at March 31, 2014 which have not been deposited on account of dispute are as under:

Name of the statute	Nature of disputed dues	Amount (in ₹)	Period to which the dispute relates (Financial Year)	Forum where disputes are pending
Income Tax Act, 1961	Disallowance of Revenue expenditure	216,270	2008-09	Income Tax Appellate Tribunal
	Disallowance of Revenue expenditure	222,450	2009-10	Commissioner (Appeals)
	Total	438,720		

There are no dues in respect sales tax, excise duty, service tax and customs duty which have not been deposited on account of any dispute.

- (x) The accumulated loss of the Company has exceeded 50% of its net-worth as at the end of the year. The Company has incurred cash losses during the current financial year and in the immediately preceding financial year.
- (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 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. Hence reporting on clause 4(xiii) of the Order does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer in or trader in shares, securities, debentures and other investments. Accordingly reporting under clause 4(xiv) of the Order does not arise.
- (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 and explanations given to us, the Company has not taken any term loans and hence reporting on their application under clause 4(xvi) of the Order does not arise.
- (xvii) According to the information and explanations given to us, the Company has not raised funds on short term basis during the year. Accordingly, reporting on their application under clause 4(xvii) of the Order does not arise.

- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause 4(xviii) of the Order does not arise.
- (xix) The Company has not issued any debentures during the year. Hence reporting under clause 4(xix) of the Order does not arise.
- (xx) The Company has not raised any money by way of public issue during the year. Hence reporting under clause 4(xx) of the Order does not arise
- (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 an instance of any fraud by the Company, or material fraud on the Company, noticed or reported during the year, nor have we been informed of such cases by management.

For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

Place: Chennai
Date: May 6, 2014

P. RAJESH KUMAR
Partner
Membership No. 225366

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at March 31, 2014		As at March 31, 2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	A	1,00,000		1,00,000	
Reserves & surplus	B	(17,74,70,805)		(17,74,57,891)	
			(17,73,70,805)		(17,73,57,891)
Non-current liabilities					
Deferred tax liabilities	L (5)		-		2,509
Current liabilities					
Trade payables	C(I)	1,755		2,79,732	
Other current liabilities	C(II)	17,79,17,601		38,50,02,594	
			17,79,19,356		38,52,82,326
TOTAL			5,48,551		20,79,26,944
ASSETS					
Non-current assets					
Fixed Assets					
Tangible assets	D		2		11,880
Current Assets					
Current investments	E(I)	-		20,71,67,050	
Cash and cash equivalents	E(II)	4,79,039		6,78,504	
Short-term loans and advances	E(III)	69,510		69,510	
			5,48,549		20,79,15,064
TOTAL			5,48,551		20,79,26,944
CONTINGENT LIABILITIES					
COMMITMENTS					
OTHER NOTES FORMING PART OF THE ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

Accompanying notes form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

P. RAJESH KUMAR
Partner
Membership No. 225366

SHARAD GOEL
Director

J. SUBRAMANIAN
Director

Place : Chennai
Date : May 6, 2014

Place : Chennai
Date : May 6, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14 ₹	2012-13 ₹
INCOME			
Other Income	H	2,77,956	–
TOTAL INCOME		2,77,956	–
EXPENSES			
Finance costs	I	–	3,070
Depreciation	D	11,878	90,103
Administration and other expenses	J	2,81,501	20,09,186
TOTAL EXPENSES		2,93,379	21,02,359
Profit / (Loss) before tax		(15,423)	(21,02,359)
Provision for taxes			
Current tax		–	–
Deferred tax / (credit)	L (5)	(2,509)	(34,020)
Profit / (Loss) after tax		(12,914)	(20,68,339)
Earnings per equity share:	L (1)		
Basic & diluted		(1.29)	(206.83)
Face value per equity share		10.00	10.00
OTHER NOTES FORMING PART OF THE ACCOUNTS	K		
SIGNIFICANT ACCOUNTING POLICIES	L		

Accompanying notes form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
(Firm's Registration No. 003792S)

P. RAJESH KUMAR

Partner
Membership No. 225366

Place : Chennai
Date : May 6, 2014

SHARAD GOEL

Director

Place : Chennai
Date : May 6, 2014

J. SUBRAMANIAN

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	2012-13
	₹	₹
A. Net Profit / (Loss) before tax	(15,423)	(21,02,359)
Adjustments for :		
Depreciation & amortisation	11,878	90,103
Interest paid	-	3,070
Loss on sale of fixed assets	-	20,005
Profit/ (Loss) before working capital changes	(3,545)	(19,89,181)
Adjustments for :		
(Increase) / decrease in short term loans and advances	-	16,38,616
Increase / (decrease) in current liabilities	(1,95,920)	(1,09,582)
Cash (used in) / generated	(1,99,465)	(4,60,147)
Net cash (used in) / generated	(1,99,465)	(4,60,147)
B. Cash flow from investing activities :		
Sale proceeds from fixed assets	-	18,077
Net cash (used in) / from investing activities	-	18,077
C. Cash flow from financing activities		
Issue of share capital & advance against share capital	-	-
Interest paid	-	(3,070)
Net cash (used in) / from financing activities	-	(3,070)
Net increase in cash and cash equivalents (A+B+C)	(1,99,465)	(4,45,140)
Cash and cash equivalents as at the beginning of the year	6,78,504	11,23,643
Cash and cash equivalents as at the end of the year	4,79,039	6,78,504

NOTES

- Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard 3; "Cash Flow Statements" as per Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent bank balance.
- Previous year's figures have been regrouped/reclassified wherever applicable

Accompanying notes form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants
(Firm's Registration No. 003792S)

P. RAJESH KUMAR

Partner
Membership No. 225366

Place : Chennai
Date : May 6, 2014

SHARAD GOEL

Director

Place : Chennai
Date : May 6, 2014

J. SUBRAMANIAN

Director

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	₹	No of Shares	₹
A SHARE CAPITAL				
A(I) Share capital authorised, issued, subscribed and paid-up:				
Authorised:				
Equity shares of ₹ 10 each	40,00,000	4,00,00,000	40,00,000	4,00,00,000
Issued:				
Equity shares of ₹ 10 each	10,000	1,00,000	10,000	1,00,000
Subscribed and fully paid-up:				
Equity shares of ₹ 10 each	10,000	1,00,000	10,000	1,00,000
A(II) Reconciliation of equity shares				
Equity shares of ₹ 10 each fully paid				
At the beginning of the year	10,000	1,00,000	10,000	1,00,000
Issued during the year as fully paid	-	-	-	-
Outstanding at the end of the year	10,000	1,00,000	10,000	1,00,000

A(III) Terms / rights / restriction attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. No securities have been issued with the right/option to convert the same into equity shares at a later date

No shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	Shareholding %	No of Shares	Shareholding %
A(IV) Details of equity shares held by holding company:				
L&T Infrastructure Development Projects Limited (including shares held along with its nominees)	10,000	100.00	10,000	100.00
Equity shares of ₹ 10 each fully paid up				
A(V) Details of shareholders holding more than 5% shares in the Company:				
L&T Infrastructure Development Projects Limited (including shares held along with its nominees)	10,000	100.00	10,000	100.00
Equity shares of ₹ 10 each fully paid up				
A (VI) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL				
A (VII) Calls unpaid: NIL; Forfeited shares: NIL.				

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
B RESERVES AND SURPLUS				
Surplus/(deficit)				
Balance at the beginning of the year		(17,74,57,891)		(17,53,89,552)
Add: profit/ (loss) for the year		(12,914)		(20,68,339)
TOTAL		(17,74,70,805)		(17,74,57,891)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(I) TRADE PAYABLES				
Due to micro and small enterprises [refer note (i) below]		-		-
Due to others	1,755		2,79,732	
TOTAL		1,755		2,79,732

Note (i) 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 paid / outstanding does not arise.

C(II) OTHER CURRENT LIABILITIES				
Due to holding company		17,77,28,000		17,77,21,500
Advance received against sale of investments		-		20,71,67,050
Other payables				
Statutory liabilities	71,286		12,921	
Others	1,18,315		101,123	
TOTAL		1,89,601		1,14,044
		17,79,17,601		38,50,02,594

D FIXED ASSETS

Particulars	GROSS				DEPRECIATION				NET CARRYING VALUE	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	Upto 31.03.2013	For the year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Tangible Assets (Owned)										
Computers	97,000	-	-	97,000	85,120	11,878	-	96,998	2	11,880
Total	97,000	-	-	97,000	85,120	11,878	-	96,998	2	-
Previous year	3,38,000	-	2,41,000	97,000	1,97,935	90,103	2,02,918	85,120	-	11,880

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
E(I) CURRENT INVESTMENTS				
Investments in equity instruments				
Other companies				
Fully paid equity shares	-		20,71,67,050	
TOTAL				20,71,67,050

Details of current investments**Investments in equity instruments**

Particulars	Face Value ₹	As at 31.03.2014		As at 31.03.2013	
		No. of shares	₹	No. of shares	₹
Fellow subsidiary companies					
PNG Tollway Limited	10	-	-	2,06,97,838	20,69,78,380
L&T Samakhiali Gandhidham Tollway Limited	10	-	-	18,867	1,88,670
TOTAL					20,71,67,050

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Particulars	As at		As at	
	31.03.2014		31.03.2013	
	₹	₹	₹	₹
(i) Aggregate amount of quoted current investments and market value thereof		-		-
(ii) Aggregate amount of unquoted current investments; Book value		-	20,71,67,050	
(iii) Aggregate provision for diminution in value of investments		-		-
	As at 31.03.2014	As at 31.03.2013		
	₹	₹	₹	₹
E(II) CASH AND CASH EQUIVALENTS				
Balance with banks				
On current accounts	4,79,039		6,78,504	
		4,79,039		6,78,504
TOTAL		4,79,039		6,78,504
E(III) SHORT TERM LOANS AND ADVANCES				
Others loans and advances:				
Considered good:				
Income tax receivable	69,510		69,510	
		69,510		69,510
TOTAL		69,510		69,510
F CONTINGENT LIABILITIES:				
(i) Contingent liability in respect of guarantees issued on behalf of fellow subsidiaries ₹ 50,000 (<i>previous year: ₹ 50,000</i>)				
(ii) Income tax liability that may arise in respect of matters in which the Company is under Appeals - ₹ 4,38,720 (<i>previous year - ₹ Nil</i>)				
Note : It is not practicable to estimate the timing of cash outflows in respect of the above matter, pending resolution of the Appellate proceeding.				
G COMMITMENTS:				
(i) Estimated amount of committed funding by way of equity / loans to subsidiary and associate companies ₹ Nil (<i>previous year ₹ Nil</i>)				
(ii) Estimated amount of contracts remaining to be executed on capital account ₹ Nil (<i>previous year ₹ Nil</i>)				
(iii) The Company has given the following commitment in respect of its investments held upto 16th April 2013:				
a. Jointly with Larsen & Toubro Limited (the ultimate holding company) and L&T Infrastructure Development Projects Limited (the holding company), to the term lenders of L&T Samakhiali Gandhidham Tollway Limited to meet the cost overrun to the extent of 5% of the project cost.				
	2013-14	2012-13		
	₹	₹		
H OTHER INCOME				
Unclaimed credit balances written back		2,77,956		-
TOTAL		2,77,956		-
I FINANCE COSTS				
Interest expense		-		3,070
TOTAL		-		3,070

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

	2013-14		2012-13	
	₹	₹	₹	₹
J ADMINISTRATION AND OTHER EXPENSES				
Professional fees		70,970		18,49,862
Rates & taxes		78,140		10,000
Auditors remuneration [refer note (i) below]		1,31,461		1,29,213
Miscellaneous expenses		930		20,111
TOTAL		2,81,501		20,09,186
Note (i) Auditors remuneration (including service tax) as charged to accounts				
As Auditor		1,12,360		1,12,360
For Company Law matters		19,101		16,853
TOTAL		1,31,461		1,29,213

K OTHER NOTES FORMING PART OF ACCOUNTS**K(1) Basic and Diluted Earnings per Share ('EPS') computed in accordance with Accounting Standard (AS) 20 'Earnings per Share':**

Particulars		2013-14	2012-13
Basic and Diluted EPS			
Profit / (Loss) available to equity shareholders	₹	(12,914)	(20,68,339)
Weighted average number of shares		10,000	10,000
Basic and Diluted EPS	₹	(1.29)	(206.83)
Face value per equity share	₹	10.00	10.00

K(2) Expenditure in foreign currency - ₹ Nil (previous year ₹ Nil)

K(3) Earnings in foreign currency - ₹ Nil (previous year ₹ Nil)

K(4) Segmental reporting

The Company is solely in the business of developing and investing in infrastructure projects in India and hence furnishing details of primary and secondary segment does not arise.

K(5) Provision for taxes:

- Provision for income tax has not been made in books since the Company does not have taxable income either under Section 115JB or under normal provisions of the Income tax act, 1961.
- Deferred tax assets on business loss and unabsorbed depreciation have not been recognized as a measure of prudence considering the concept of virtual certainty as stated in Accounting Standard (AS 22) "Accounting for Taxes on Income" .

K(6) Disclosure of related parties/ related party transactions**(i) List of related parties with whom control exists / transaction have taken place during the year**

Ultimate holding company : Larsen & Toubro Limited

Holding company : L&T Infrastructure Development Projects Limited

(ii) Details of transactions with related parties

Name/Relationship/Nature of transaction	2013-14	2012-13
	₹	₹
I. Ultimate holding company Larsen & Toubro Limited		
• Reimbursement of Expenses charged from	2,545	511
II. Holding Company L&T Infrastructure Development Projects Limited		
• Reimbursement of expenses charged from	6,500	1,500
• Sale of investments	20,71,67,050	41,99,99,000

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(iii) Amount due to and due from related parties (Net) :

Particulars	As at 31.03.2014		As at 31.03.2013	
	Due to (₹)	Due from (₹)	Due to (₹)	Due from (₹)
i. Holding company				
L&T Infrastructure Development Projects Limited	17,77,28,000	-	38,48,88,550	-

(iv) No amount due to or due from has been written off or written back during the year (*Previous year : Nil*)

K(7) Going Concern

(a) Proposed Amalgamation

The Board of Directors have approved the Composite Scheme of Amalgamation ('the Scheme') between (i) Narmada Infrastructure Construction Enterprise Limited, (ii) International Seaports (India) Private Limited and (iii) L&T Transco Private Limited with its Holding Company, L&T Infrastructure Development Projects Limited on August 9, 2013 and the subsequent amendments to the Scheme were approved on February 6, 2014. The High Court of Madras has approved the Scheme in respect of companies (i) & (ii), with appointed date being April 1, 2013, subject to the approval of the High Court of Bombay in respect of Company (iii).

The approval of the Scheme by the High Court of Bombay in respect of the Company is awaited and hence effect of the said Scheme has not been given in these financial statements.

(b) Financial support from holding company

L&T Infrastructure Development Projects Limited, the Holding Company has agreed to provide financial and other support as necessary, to enable the Company to continue to trade and to meet its financial obligations as and when they fall due until the proposed Scheme is approved by the High Court of Bombay or for a period of twelve months, whichever is earlier.

Based on the proposed amalgamation and financial support from the holding company, these financial statements are prepared on going concern basis.

K(8) Figures for the previous year have been regrouped/reclassified wherever necessary.

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 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, 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 year, 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, allowance 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3. Revenue recognition

Revenue is recognized based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

4. Other income

Other items of income are accounted for as and when the right to receive arises.

5. Tangible fixed assets

Tangible fixed assets are stated at original cost net of tax/duty availed, if any, less accumulated depreciation and cumulative impairment.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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.

6. Depreciation

Depreciation on assets have been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on additions/ deductions is calculated pro-rata from/ to the month of additions/ deductions.

The following asset categories are depreciated at higher rates in line with their estimated useful life.

Category of Asset	Depreciation Rate (% p.a)
(i) Computers	25

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.

7. Investments

Investments, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term 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 stated at lower of cost or market value. The determination of carrying amount of such investments is done on a weighted average cost of each individual investment.

8. Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

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 at 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

- (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. 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) 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 expense in the period in which they arise.

10. Cash and bank balances

Cash and bank balances comprises cash on hand and demand deposits with banks.

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

11. Taxes on income

Tax 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 the 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 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 realised.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

- (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.

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

- (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 and
- (iii) 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.

13. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows wherever applicable :

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

14. Operating cycle for current/non-current classification:

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

15. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

Accompanying notes form an integral part of the financial statements.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

(Firm's Registration No. 003792S)

P. RAJESH KUMAR

Partner

Membership No. 225366

SHARAD GOEL

Director

J. SUBRAMANIAN

Director

Place : Chennai

Date : May 6, 2014

Place : Chennai

Date : May 6, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and Accounts for the year ended 31st March 2014.

1. FINANCIAL RESULTS

The key financial parameters for the year ended 31st March 2014 are:

Particulars	2013-14	2012-13
	₹ Lakhs	₹ Lakhs
Profit before depreciation & tax	(92,345)	(90,244)
Depreciation	-	-
Profit / (Loss) before tax	(92,345)	(90,244)
Prior Period Adjustments	-	-
Provision for tax	-	-
Profit / (Loss) after tax	(92,345)	(90,244)
Balance brought forward from Previous year	(3,93,65,535)	(3,92,75,291)
Balance carried to Balance Sheet	(3,94,57,880)	(3,93,65,535)

2. PERFORMANCE OF THE COMPANY

Profit After Tax (PAT) for 2013-14 is loss of ₹ 92,345/- against loss of ₹ 90,244/- for the year 2013-2014.

Your Company has obtained Merger Approval order from High Court of Madras dated 26.03.2014, granting approval for merger with L&T Infrastructure Development Projects Limited. The Merger activities of the Company are under process.

3. APPROPRIATION

Appropriation of profits is not applicable to the Company.

4. DIVIDEND

The Board of Directors has not recommended any dividend for the year 2013-14.

5. CAPITAL EXPENDITURE: (₹ LAKHS)

As at 31st March 2014, the gross fixed assets and Net fixed Assets stood at ₹ Nil.

6. DEPOSITS:

Your Company has not accepted any deposits from the public.

7. AUDITORS' REPORT:

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

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**A. CONSERVATION OF ENERGY**

The operations of your Company are not energy intensive as Company is not engaged in manufacturing activity and your Company is not under the list of industries which should furnish information in form A (Rule 2).

B. TECHNOLOGY ABSORPTION

No technology has been developed and / or imported by way of foreign collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO (₹ Lakhs)

During the year the Company has no earnings or outgo in foreign currency.

9. DISCLOSURE OF PARTICULARS:

As the primary object of your Company is Operation of the BOT Project, there are no particulars to be disclosed as per the Companies' (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

10. 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.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of your 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, 2014;
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 your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts have been prepared on a going concern basis.
5. that proper systems are in place to ensure compliance of all laws applicable to your Company.

12. DIRECTORS:

Mr. Karthikeyan T V and Mr. R. G. Ramachandran constitute the Board of Directors of the Company.

During the year, there was no change in the Directorships of the Company.

Mr. Karthikeyan T V , retires by rotation at the Seventeenth Annual General Meeting and being eligible offers himself for re-appointment.

13. AUDIT COMMITTEE

The Members of the Audit Committee are:

- Mr. Karthikeyan T V
- Mr. R. G. Ramachandran

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 held discussions with the auditors on internal control systems.

14. STATUTORY 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 139(1) of the Companies Act, 2013.

15. SUBSIDIARY COMPANIES :

The Company has no Subsidiary Companies.

16. 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.

17. MAINTENANCE OF COST AUDIT COMPLIANCE REPORT

Pursuant to the provisions of Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a cost audit compliance report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

18. ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable support extended to your Company by the Financial Institutions, Bankers, Employees of the Company, Staff and Management of the parent company.

For and on behalf of the Board

Place : Chennai
Date : May 7, 2014

KARTHIKEYAN T. V.
Director

R. G. RAMACHANDRAN
Director

R. THAMIZHVANAN A.C.S, A.C.A

Company Secretary in practice
COP No.: 3721

S-7, Krishna Arcade, II Floor
No.10, Rajabathar Street,
T. Nagar, Chennai-17.
Mobile : +91 9841183025
Phone : 044-28153115

COMPLIANCE CERTIFICATE

AUTHORISED CAPITAL: ₹ 50,000,000, PAID-UP CAPITAL: ₹ 25,005,800

REGISTRATION NO: 18-038087

To,
The Members
INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED
P.O.BOX.979, MOUNT POONAMALLEE ROAD,
MANAPAKKAM,
CHENNAI-600089

I have examined the registers, records, books and papers of INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED (the Company) 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 31st March 2014. 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 registers as stated in Annexure `A` to this certificate, as per the provisions and the rules made there under 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 there under.
3. The company being private limited company has the minimum prescribed paid-up capital and its total number of members during the said financial year was within the prescribed limit including 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.The Company is subsidiary of L&T Infrastructure Development Projects Ltd w.e.f. 17.03.2007.
4. The Board of Directors duly met 5 times on 25.04.2013, 20.06.2013, 30.08.2013, 17.12.2013 and 06.02.2014 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 did not opt to close its Register of Members during the year.
6. The Annual general meeting for the financial year ended on 31.03.2013 was held on 04.09.2013 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 meeting was held during the financial year.
8. The company has not granted any loans attracting the provisions of Sec. 185 of the Companies Act, 2013 relating to loan to directors etc.
9. The management has confirmed that the company does not attract with the provisions of Section 297 of the Act in respect of contracts specified in that section.
10. 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.
11. As there were no instances falling within the purview of sec 314 of the Act, the company has not obtained approvals from the Board of Directors, members or Central Government.
12. The company did not issue duplicate share certificates during the financial year.
13. the Company has:
 - i. not required to dispatch certificates and there was no allotment/ Transfer/Transmission of securities during the year.
 - ii. not been required to deposit any amount in a separate Bank Account as no dividend was declared during the year.
 - iii. not been required to post dividend warrant as no dividend was declared during the year.
 - iv. duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There were no appointment of Directors and Resignation of Directors.
15. The company does not attract the provisions of section 269 of the Act with regard to appointment of Managing Director/Whole-time Director/ Manager.

INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED

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 or such other authorities as may be prescribed under the various provisions of the Act except for Scheme of Amalgamation with L&T Infrastructure Development Projects Limited for which approval of High Court of Madras was obtained on 28.03.2014
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 there under.
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. The company does not have any preference shares and hence the question of redemption does not apply.
22. During the year there was no need for the company to keep in abeyance rights to dividend, rights share or Bonus shares as the company has neither issued any rights/Bonus shares nor declared any dividend during the financial year.
23. The company has not invited/accepted any deposits including unsecured loans falling within the purview of sections 58A during the financial year.
24. The company has not made any borrowings which attracts compliance of provisions of Section 180(1) (c) of the Companies Act, 2013.
25. The company has not made any loans and investments or advances or given guarantees or provided securities to other bodies corporate within the meaning of Section 372A of the Act 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 main 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 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 year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by 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 year under certification.
33. The section 418 of the Act regarding 'Deposit of contributions to Provident Fund with prescribed authorities' is not applicable as the Company has not constituted its own Fund.

R. THAMIZHVANAN
(COMPANY SECRETARY)
COP NO. 3721

Place: Chennai
Date: May 7, 2014

ANNEXURE A

Registers as maintained by the Company

1. Register of Members u/s. 150
2. Register of Directors, Managing Director u/s. 303.
3. Register of Director's Share Holding u/s. 307.
4. Minutes of Board & General Meeting u/s. 193.
5. Books of Accounts u/s. 209.
6. Register of Particular of Contracts in which director are interested u/s. 301.
7. Register of Share Transfer.
8. Register of documents sealed.
9. Register of Charges.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies or other authorities during the financial year ending on 31st March 2014.

For the period (01.04.2013 to 31.03.2014)

With REGISTRAR OF COMPANIES

Form No	Section	Description	Date of filing	Whether within prescribed time
FORM 23AC and ACA XBRL	220	BALANCE SHEET AS ON 31.03.2013	25.11.2013	No with additional fees
Form 66-C.Com	383A	Compliance certificate 2012-13	11.09.2013	Yes
FORM 20B	159	ANNUAL RETURN up to 04.09.2013	30.09.2013	Yes
FORM 18	146	Shifting of registered office of the company w.e.f 20.06.2013	15.07.2013	Yes
FORM 21	391	Order of High Court approving Scheme of Amalgamation.	31.03.2014	Yes

WITH OTHER AUTHORITIES

NIL

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to note no. I (9) accompanying the financial statements on preparation of the financial statements on going concern basis. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and;
 - e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

P. RAJESH KUMAR
Partner
(Membership No: 225366)

Place : Chennai
Date : May 7, 2014

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the Independent Auditor's Report to the members of **INTERNATIONAL SEAPORTS (INDIA) PRIVATE LIMITED** on the financial statements for the year ended March 31, 2014 we report that:

- (i) The Company does not carry any fixed assets in its books and hence reporting under clause 4 (i) (a), (b) and (c) of the Order does not arise.
- (ii) The Company does not carry any inventory in its books and, hence reporting under clause 4(ii) (a), (b) and (c) of the Order does not arise.
- (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 and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, reporting under clause 4 (iii) (b), (c) and (d) of the Order does not arise.
(e) 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. Hence, reporting under clause 4 (iii) (f) and (g) of the Order does not arise.
- (iv) The Company has not entered into any transaction for the purchase of inventory and fixed assets and for the sale of goods and services during the year. Hence, reporting under clause 4 (iv) of the Order does not arise
- (v) In our opinion and according to the information and explanations given to us, there are no contract/arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence reporting under clause 4(v) of the Order 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 framed thereunder. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) In our opinion the Company has an internal audit system commensurate with its size and nature of its business. However no internal audit has been conducted during the year.
- (viii) The maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 is not applicable to the Company. Hence reporting under clause 4(viii) of the Order 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 is generally regular in depositing undisputed statutory dues including income-tax and other statutory dues as applicable with appropriate authorities. According to the information and explanation given to us, there were no undisputed amounts payable including income-tax and any other statutory dues as at March 31, 2014 for a period more than six months from the date they become payable.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory liabilities in respect of sales tax, excise duty, service tax, customs duty, income tax and wealth tax which have not been deposited on account of a dispute.
- (x) The accumulated loss of the Company has exceeded fifty percent of its net-worth as at the end of the year. The Company has incurred cash losses during the current financial year and in the immediately preceding financial year.
- (xi) According to the 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 under clause 4(xi) of the Order 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 or a nidhi / mutual benefit fund / society. Hence reporting under clause 4(xiii) of the Order 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 investments. Accordingly reporting under clause 4(xiv) of the Order 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.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has not availed any term loans and hence reporting on their application under clause 4(xvi) of the Order does not arise.
- (xvii) According to the information and explanations given to us, the Company has not raised any funds on short-term basis during the year. Accordingly reporting on their application under Clause 4(xvii) of the Order does not arise.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956
- (xix) The Company has not issued any debentures during the year. Hence, reporting under clause 4(xix) of the Order does not arise.
- (xx) The Company has not raised any money by public issues during the year.
- (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 fraud by or material fraud on 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
(Firm's Registration No. 003792S)

P. RAJESH KUMAR
Partner
(Membership No: 225366)

Place : Chennai
Date : May 7, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
(a) Share capital	A	2,50,05,800		2,50,05,800	
(b) Reserves & surplus	B	(3,94,57,880)		(3,93,65,535)	
			(1,44,52,080)		(1,43,59,735)
Current liabilities					
(a) Trade payables	C (I)	–		1,42,31,229	
(b) Other current liabilities	C (II)	1,46,03,120		2,78,574	
			1,46,03,120		1,45,09,803
TOTAL			1,51,040		1,50,068
ASSETS					
Current assets					
(a) Cash and bank balances	D (I)	31,331		30,359	
(b) Short term loans and advances	D (II)	1,19,709		1,19,709	
			1,51,040		1,50,068
TOTAL			1,51,040		1,50,068
SIGNIFICANT ACCOUNTING POLICIES	H				
CONTINGENT LIABILITIES & COMMITMENTS	I (8)				

The accompanying notes form an integral part of financial statements.

As per our report attached
For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

P. RAJESH KUMAR
Partner
(Membership No. 225366)

Place : Chennai
Date : May 7, 2014

For and on behalf of the Board

KARTHIKEYAN T. V.
Director

R. G. RAMACHANDRAN
Director

Place : Chennai
Date : May 7, 2014

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14 ₹	2012-13 ₹
REVENUE			
Other income	E	972	1,003
TOTAL REVENUE		972	1,003
EXPENSES			
Finance cost	F	8	263
Other expenses	G	93,309	90,984
TOTAL EXPENSES		93,317	91,247
Profit/(Loss) before tax		(92,345)	(90,244)
Tax expense		-	-
Profit/(Loss) after tax		(92,345)	(90,244)
Earnings per share			
- Basic & diluted (₹)	I (1)	(0.04)	(0.04)
- Nominal value per share (₹)		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	H		

The accompanying notes form an integral part of financial statements.

As per our report attached
For SHARP & TANNAN
 Chartered Accountants
 (Firm's Registration No. 003792S)
 By the hand of

P. RAJESH KUMAR
 Partner
 (Membership No. 225366)

Place : Chennai
 Date : May 7, 2014

For and on behalf of the Board

KARTHIKEYAN T. V.
 Director

R. G. RAMACHANDRAN
 Director

Place : Chennai
 Date : May 7, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A Cash flow from operating activities		
Profit/ (Loss) before tax	(92,345)	(90,244)
Adjustments for :		
Loss on disposal of fixed assets	-	-
Interest income	(972)	(1,003)
Operating profit/(loss) before working capital changes	(93,317)	(91,247)
Adjustments for :		
Increase in trade payables and other current liabilities	93,317	68,187
Cash generated from/ (used in) operations	-	(23,060)
Direct taxes paid (net of refund)	-	-
Net cash from/(used in) operating activities	-	(23,060)
B Cash flow from investing activities :		
Interest received	972	1,003
Net cash from investing activities	972	1,003
C Cash flow from financing activities		
Net cash from financing activities	-	-
Net increase in cash and cash equivalents (A+B+C)	972	(22,057)
Cash and cash equivalents as at the beginning of the year	30,359	52,416
Cash and cash equivalents as at the end of the year	31,331	30,359

Notes :

1. Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard 3; "Cash Flow Statement" as per Companies (Accounting Standard) Rules, 2006.
2. Cash and cash equivalents represent cash and bank balances.
3. Previous year's figures have been regrouped/reclassified wherever applicable

As per our report attached
For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of

P. RAJESH KUMAR
Partner
(Membership No. 225366)

Place : Chennai
Date : May 7, 2014

For and on behalf of the Board

KARTHIKEYAN T. V.
Director

R. G. RAMACHANDRAN
Director

Place : Chennai
Date : May 7, 2014

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS**A SHARE CAPITAL**

	As at 31.03.2014	<i>As at 31.03.2013</i>
	₹	₹
Authorised shares		
50,00,000 Equity Shares of ₹ 10/- each	5,00,00,000	5,00,00,000
<i>(previous year : 50,00,000 Equity Shares of ₹ 10 each)</i>		
Issued, subscribed and fully paid shares		
25,00,580 Equity shares of ₹ 10 each	2,50,05,800	2,50,05,800
<i>(previous year : 25,00,580 Equity shares of ₹ 10 each)</i>		

A(I) Reconciliation of the Shares outstanding at the beginning and at the end of the year:

	As at 31.03.2014		<i>As at 31.03.2013</i>	
	No of Shares	₹	<i>No of Shares</i>	₹
Equity Shares of ₹ 10 each fully paid				
At the beginning of the year	25,00,580	2,50,05,800	25,00,580	2,50,05,800
Issued during the year	-	-	-	-
Outstanding at the end of the year	25,00,580	2,50,05,800	25,00,580	2,50,05,800

A(II) Terms/Rights attached to Equity Shares

The Company has only one class of equity share having a par value of ₹ 10/- per share.

A(III) Shares held by holding Company:

	As at 31.03.2014		<i>As at 31.03.2013</i>	
	No of Shares	₹	<i>No of Shares</i>	₹
L&T Infrastructure Development Projects Limited (including shares held along with its nominees)	25,00,580	2,50,05,800	25,00,580	2,50,05,800

A(IV) Details of shareholders holding more than 5% of equity shares as at the end of the year:

	As at 31.03.2014		<i>As at 31.03.2013</i>	
	No of Shares	%	<i>No of Shares</i>	%
L&T Infrastructure Development Projects Limited (including shares held along with its nominees)	25,00,580	100%	25,00,580	100%

A(V) Aggregate number of bonus shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date : Nil.

A(VI) Calls unpaid : Nil; Forfeited shares : Nil

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
B RESERVES AND SURPLUS		
Surplus/(deficit)		
As per last Balance Sheet	(3,93,65,535)	(3,92,75,291)
Profit/(Loss) for the year	(92,345)	(90,244)
TOTAL	(3,94,57,880)	(3,93,65,535)
C(I) TRADE PAYABLES		
Due to		
Ultimate holding company	-	1,42,31,229
Micro and small enterprises (refer note below)	-	-
TOTAL	-	1,42,31,229
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.		
C(II) OTHER CURRENT LIABILITIES		
Due to ultimate holding company	2,545	8,231
Due to holding company	1,45,26,368	2,04,052
Other payables		
Statutory liabilities	6,517	6,629
Others	67,690	59,662
TOTAL	1,46,03,120	2,78,574
D(I) CASH AND BANK BALANCES		
Balance with banks		
On current accounts	31,331	10,279
Deposits with original maturity of less than three months (including interest accrued thereon)	-	20,080
TOTAL	31,331	30,359
D(II) SHORT TERM LOANS AND ADVANCES		
Advance tax - TDS receivable	1,19,709	119,709
TOTAL	1,19,709	119,709
	2013-14	2012-13
	₹	₹
E OTHER INCOME		
Interest income from:		
Bank deposits	972	1,003
TOTAL	972	1,003

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

	2013-14	2012-13
	₹	₹
F FINANCE COST		
Interest expense	8	263
TOTAL	8	263
G OTHER EXPENSES		
Rates and Taxes	4,545	3,510
Auditor's remuneration (Refer Note (i) below)	70,785	66,107
Professional charges	17,979	21,367
TOTAL	93,309	90,984
Note (i): Details of auditor's remuneration (including service tax) charged to accounts:		
Auditor	56,180	56,180
For company law matters	14,605	9,927
For other services	-	-
TOTAL	70,785	66,107

H 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 year, 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, provision for doubtful 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:

- (a) Interest income is accrued at applicable interest rates on time proportion basis.
- (b) Other items of income are accounted as and when the right to receive arises.

3. Impairment

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

- (a) The provision for impairment loss, if any; and
- (b) The reversal of impairment loss recognised in previous periods, if any,

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

4. Taxes on income

Tax 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 the 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 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 realised.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**5. Cash and bank balances**

Cash and bank balances comprises cash on hand and demand deposits with banks.

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

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) 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.

7. Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

8. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method.

Under the indirect method, the net profit is adjusted for the effects of:

- I. Transactions of a non-cash nature
- II. Any deferrals or accruals of past or future operating cash receipts or payments and
- III. Items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

9. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (b) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

I (1) Basic and Diluted Earnings per Share ('EPS') computed in accordance with Accounting Standard (AS) 20 'Earnings per Share':

Particulars	2012-13	2011-12
	₹	₹
Basic and Diluted		
Profit after tax (PAT) as per accounts	(92,345)	<i>(90,244)</i>
Weighted average number of shares	25,00,580	25,00,580
Basic and Diluted EPS	(0.04)	<i>(0.04)</i>

I (2) Expenditure in foreign currency - Nil (*previous year - Nil*)

I (3) Earnings in Foreign Currency - Nil (*previous year - Nil*)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)**I (4) Segmental reporting:**

The Company is solely engaged in the business of development of seaport terminals for bulk, break-bulk and containerised cargo in India. Hence, disclosure of primary segment under Accounting Standard (AS) 17 - "Segment Reporting" does not arise.

All assets are within India and hence reporting details of secondary segments under Accounting Standard (AS) 17 - "Segment Reporting" does not arise.

I (5) Provision for taxes:

- Provision for income tax has not been made in books since the Company does not have taxable income either under Section 115JB (MAT) or under normal provisions of the Income tax act, 1961.
- Deferred tax assets on business loss, unabsorbed depreciation and loss under the head capital gains have not been recognised as a measure of prudence considering the concept of virtual certainty as stated in Accounting Standard (AS 22) "Accounting for Taxes on Income".

I (6) Disclosure of related parties/ related party transactions**A. List of related parties where control exists / transactions were carried out**

Ultimate holding company : Larsen & Toubro Limited
Holding company : L&T Infrastructure Development Projects Limited

B. Details of transactions with related parties:

Name/Relationship/Nature of transaction	2013-2014 ₹	2012-2013 ₹
i. Ultimate holding company Larsen & Toubro Limited Reimbursement of expenses	2,545	510
ii. Holding company L&T Infrastructure Development Projects Limited Advance Paid	1,42,39,460	-
Reimbursement of expenses	82,856	59,772

C. Amount due to and due from related parties (Net) :

Particulars	As at 31.03.2014		As at 31.03.2013	
	Due to ₹	Due from ₹	Due to ₹	Due from ₹
Larsen & Toubro Limited	2,545	-	1,42,38,229	-
L&T Infrastructure Development Projects Limited	1,45,26,368	-	2,04,052	-

No amounts due from/due to relating to the related parties have been written off or written back during the year (*Previous year - Nil*)

I (7) The Employees Provident Fund and Miscellaneous Provisions Act 1952 and Payment of Gratuity Act 1972 are not applicable to the Company for the year, since the Company does not have any employees on its roll.

I (8) Contingent Liabilities and Other Commitments

- The Company does not have any contingent liability as at 31.03.2014 ₹ Nil (*Previous year - Nil*).
- Commitments as at March 31, 2014 - Nil (*Previous year - Nil*).

I (9) Going Concern**a) Proposed amalgamation**

The Board of Directors have approved the Composite Scheme of Amalgamation ("the Scheme") between (i) Narmada Infrastructure Construction Enterprise Limited (ii) International Seaports (India) Private Limited and (iii) L&T Transco Private Limited with its Holding Company, L&T Infrastructure Development Projects Limited on August 9, 2013 and the subsequent amendments to the Scheme were approved on February 6, 2014. The High Court of Madras has approved the Scheme in respect of companies (i) & (ii), with appointed date being April 1, 2013, subject to the approval of the High Court of Bombay in respect of Company (iii) which is awaited and hence effect of the said Scheme has not been given in the financial statements of the Company.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS (Contd.)

b) **Financial support from Holding Company**

L&T Infrastructure Development Projects Limited, the Holding Company has agreed to provide financial and other support as necessary, to enable the Company to continue to trade and to meet its financial obligations as and when they fall due until the proposed scheme is approved by the High Court of Bombay or for a period of twelve months, whichever is earlier.

Based on the proposed amalgamation and financial support from the Holding Company, these financial statements are prepared on going concern basis.

I (10) Figures of the previous year have been regrouped/reclassified wherever necessary.

As per our report attached
For SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)
By the hand of
P. RAJESH KUMAR
Partner
(Membership No. 225366)

For and on behalf of the Board

KARTHIKEYAN T. V.
Director

R. G. RAMACHANDRAN
Director

Place : Chennai
Date : May 7, 2014

Place : Chennai
Date : May 7, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their Seventh Report and the Accounts for the period from 01st April 2013 to 31st March 2014.

FINANCIAL RESULTS

Since your Company is in the project implementation phase and is yet to commence commercial operation, no Statement of Profit and Loss has been drawn for the period and there is a carry forward loss of INR.353.34 Lakhs. However, the key financial parameters of your Company for the period ended 31st March 2014 are given below:

Sl.No	Particulars	2013-14	2012-13
		₹ Lakhs	₹ Lakhs
	EQUITY AND LIABILITIES		
1	Share Capital	6567.10	6542.70
2	Reserves and Surplus	88.54	(304.32)
3	Advance against Share Capital	-	-
4	Current Liabilities	2672.06	2616.87
	TOTAL	9327.70	8855.25
	ASSETS:		
5	Non-Current Assets	1.92	2.75
6	Current Assets	9325.78	8852.50
	TOTAL	9327.70	8855.25

PERFORMANCE OF THE COMPANY

Directors wish to inform that your Company is in the process of resolving the land related issues with National Housing Development Authority (NHDA) and is looking forward to revising the business model accordingly and proceed further with the process of achieving Financial Closure.

DIRECTORS OF THE COMPANY

The Directors of the Company as at 31st March 2014 are:

Mr.K.Venkatesh

Mr.T.S.Venkatesan

Mr.Karthikeyan.T.V

Mr.R.Chandrasekaran

Mr.S.R.Thusharajith Abeyasiriwardene

Mr.Samaraweera Arachchige Jayantha Samaraweera, Chairman, NHDA

Mr.Walawe Durage Raja Dharmasiri Goonaratne, Board Director, NHDA

DIRECTOR'S INTEREST IN SHARES OF THE COMPANY

Mr.K.Venkatesh, Mr.Karthikeyan.T.V and Mr.R.Chandrasekaran, Directors are holding one ordinary share of LKR.10 each.

TRANSACTIONS IN WHICH DIRECTORS ARE INTERESTED

All Directors have declared that they have no interest in any contract or proposed contract with the Company.

CAPITAL EXPENDITURE

As at March 31, 2014, the gross fixed assets stood at INR 10.23 Lakhs and the net fixed assets stood at INR 1.92 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 does not call for any further comments of Directors.

DISCLOSURE OF PARTICULARS

Your 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, 1989 are not relevant. Hence the same have not been furnished.

PARTICULARS OF EMPLOYEES

The provisions of the Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to your Company as it is incorporated under the provisions of the Companies Act No. 07 of 2007 of Sri Lanka.

POST BALANCE SHEET EVENTS

No material transaction has taken place after the Balance Sheet date.

AUDITORS

The Accounts for the year have been audited by M/s Amerasekera & Co. In accordance with the Companies Act No. 07 of 2007 of Sri Lanka and a resolution relating to the appointment of statutory auditors and authorization to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009

Since the Company is incorporated outside India, Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs are not applicable to your Company.

ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable support extended to the Company by the Board of Investment of Sri Lanka, National Housing Development Authority - Sri Lanka, financial institutions, Bankers, employees of the Company, staff and management of the parent company.

For and on behalf of the Board

Place: Chennai
Date: May 2, 2014

K. VENKATESH
Director

T. S. VENKATESAN
Director

INDEPENDENT AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS OF L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LANKA (PRIVATE) LIMITED

Report on the Financial Statements

The financial statements of **L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LANKA (PRIVATE) LIMITED** for the year ended March 31, 2014, being a Company registered in Sri Lanka, are audited by Amerasekera & Co and we have been furnished with their audit report dated May 2, 2014, 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 the aforesaid financial statements in Sri Lankan Rupees to comply with the requirements of Section 212 of the Companies Act, 1956. We give our report hereunder:

The attached Indian GAAP Balance Sheet of L&T Infrastructure Development Projects Lanka (Private) Limited as at March 31, 2014 and the Cash Flow Statement for the year ended on that date annexed thereto have been prepared by the management from the audited Sri Lankan GAAP financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"), to the extent applicable to the Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on the Sri Lankan GAAP financial statements audited by Amerasekera & Co and our audit of the conversion of Sri Lankan GAAP financial statements into Indian GAAP financial statements.

We have arrived at our opinion taking into consideration the audit opinion under Sri Lankan GAAP issued by Amerasekera & Co, the notes to the financial statements disclosed as per the

Sri Lankan GAAP and based on audit of the conversion process. Our 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 reliance on the audit opinion issued by Amerasekera & Co and audit of the conversion process provides a reasonable basis for our opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the 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 March 31, 2014 and
- (ii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet 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, 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 Sri Lanka, no reporting is required to be made under the said section.

M. K. DANDEKER & CO.,
Chartered Accountants
(ICAI Reg. No. 000679S)

S. POOSAUDURAI
Partner

Membership No: 223754

Place : Chennai

Date : May 2, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

With reference to the annexure referred to in paragraph 1 of the report of the Auditors' to the Members of L&T Infrastructure Development Projects Lanka (Private) Limited for the year ended March 31, 2014, we report that

- (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 Company has physically verified during the year all its fixed assets and 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 did not purchase any material / stores during the year and hence reporting on clauses relating to inventory under clauses 4 (ii) (a), (b) and (c) 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 are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets 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) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (ix) The Company being registered in Sri Lanka has no Statutory liabilities in India and accordingly reporting for clauses 4(ix) (a) and (b) of the Companies Auditors' (Report) Order, 2003 has not been made. However, according to the information and explanations given to us, the Company has complied with all the local statutory requirements applicable to it.
- (x) The Company has accumulated losses as at March 31, 2014 are less than fifty percent of its networth and it has not incurred cash losses during 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 a bank or 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, 2003 are not applicable to the Company since it is registered outside India and hence no reporting has been made.

M. K. DANDEKER & CO.,
Chartered Accountants
(ICAI Reg. No. 000679S)

S. POOSAIURAI
Partner

Membership No: 223754

Place : Chennai

Date : May 2, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	A	656,709,849		654,270,072	
Reserves and Surplus	B	8,854,302		(30,432,482)	
			665,564,151		623,837,590
Current liabilities					
Other current liabilities	C(I)	267,076,475		261,626,959	
Short term provision	C(II)	129,408		60,397	
TOTAL		932,770,034		885,524,946	
ASSETS					
Non-Current Assets					
Fixed Assets					
Tangible Assets	D(I)	192,442		275,268	
Intangible Assets	D(II)	-		-	
			192,442		275,268
Current Assets					
Inventories	E(I)	918,936,815		872,717,187	
Cash and cash equivalents	E(II)	373,890		131,250	
Short-term loans and advances	E(III)	13,266,887		12,401,241	
			932,577,592		885,249,678
TOTAL		932,770,034		885,524,946	
CONTINGENT LIABILITIES AND COMMITMENTS					
OTHER NOTES FORMING PART OF ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached of even date

For and on behalf of the Board

M. K. DANDEKER & CO.
Chartered Accountants
(ICAI Reg. No. 000679S)

S. POOSAI DURAI
Partner
Membership No: 223754

K. VENKATESH
Director

T. S. VENKATESAN
Director

Place : Chennai
Date : May 2, 2014

Place : Chennai
Date : May 2, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	2013-2014 ₹	2012-2013 ₹
A. Cash flow from Operating activities		
Net Profit / (Loss) before tax		
Adjustments for :		
Foreign currency translation difference	39,268,140	35,360,815
Operating profit / (loss) before working capital changes	39,268,140	35,360,815
Adjustments for :		
(Increase) / Decrease in Inventories (adjusted for depreciation and (profit)/loss on sale of fixed assets)	(46,118,158)	(37,630,606)
(Increase) / Decrease in Loans and Advances	(865,646)	(1,694,665)
Increase / (Decrease) in other current liabilities and short term provisions	5,518,527	1,886,094
Cash generated from operations	(2,197,137)	(2,078,362)
Direct taxes paid (net of refund)	-	-
Net Cash from / (used in) operating activities	(2,197,137)	(2,078,362)
B. Cash flow from Investing activities :		
Proceeds from sale of fixed assets	-	3,787
Net Cash from / (used in) investing activities	-	3,787
C. Cash flow from Financing activities		
Proceeds from issue of share capital	2,439,777	2,082,860
Net Cash from / (used in) financing activities	2,439,777	2,082,860
Net increase in cash and cash equivalents (A+B+C)	242,640	8,284
Cash and Cash equivalents as at the beginning of the year	131,250	122,966
Cash and Cash equivalents as at the end of the year	373,890	131,250

Notes:

- Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard 3 : "Cash Flow Statement" as per Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous year figures have been regrouped / reclassified wherever necessary

As per our report attached of even date

For and on behalf of the Board

M. K. DANDEKER & CO.
Chartered Accountants
(ICAI Reg. No. 000679S)

S. POOSAIURAI
Partner
Membership No: 223754

K. VENKATESH
Director

T. S. VENKATESAN
Director

Place : Chennai
Date : May 2, 2014

Place : Chennai
Date : May 2, 2014

NOTES FORMING PART OF ACCOUNTS**A SHARE CAPITAL****(i) Authorised, issued, subscribed and paid up**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Authorized				
Equity Shares of SLR 10 each	153,347,600	656,709,849	152,826,570	654,270,072
Issued				
Equity Shares of SLR 10 each	153,347,600	656,709,849	152,826,570	654,270,072
Subscribed and fully paid up				
Equity Shares of SLR 10 each	153,347,600	656,709,849	152,826,570	654,270,072
TOTAL	153,347,600	656,709,849	152,826,570	654,270,072

SLR- Sri Lankan Rupees

(ii) Reconciliation of the number of equity shares and share capital issued, subscribed and paid-up:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Subscribed and fully paid up				
At the beginning of the year	152,826,570	654,270,072	152,328,405	652,187,212
Issued during the year as fully paid	521,030	2,439,777	498,165	2,082,860
At the end of the year	153,347,600	656,709,849	152,826,570	654,270,072

(iii) Terms / rights/restrictions attached to shares

The Company has only one class of equity shares having a par value of SLR 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company has not declared any dividend. All shares issued carry equal rights for dividend declared by the Company and there are no restrictions attached for any specific shareholder.

No shares have been reserved for issue under options and contracts/commitments for the sale of shares/disinvestment.

(iv) Details of Shares held by Holding Company/Ultimate Holding Company/its subsidiaries or associates:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
L&T Infrastructure Development Projects Limited (Holding company)	147,059,757	629,782,213	146,538,727	627,388,233

(v) Details of Shareholders holding more than 5% shares in the Company:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	%	No. of Shares	%
L&T Infrastructure Development Projects Limited	147,059,757	95.90%	146,538,727	95.89%

(vi) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the five years immediately preceding the reporting date: Nil (Previous year - Nil)

(vii) Calls unpaid : Nil (Previous year - Nil); Forfeited Shares : Nil (Previous Year - Nil)

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
B RESERVES AND SURPLUS				
Foreign Currency Translation Reserve/Difference				
As per last Balance Sheet	4,901,621		(30,477,927)	
Additions during the year	39,286,784		35,379,548	
		44,188,405		4,901,621
Surplus/ (Deficit)				
As per last Balance Sheet	(35,334,103)		(35,334,103)	
Add: Profit/ (loss) for the year	-		-	
		(35,334,103)		(35,334,103)
TOTAL		8,854,302		(30,432,482)

C(I) OTHER CURRENT LIABILITIES				
Due to ultimate holding company (Refer Note C(ii))	-		10,789,767	
Due to holding company	9,544,599		9,544,599	
Other payables (Refer Note C(iii))	257,531,876		241,292,593	
		267,076,475		261,626,959
TOTAL		267,076,475		261,626,959

Note C(i) The Company is incorporated in Sri Lanka. Hence reporting under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 does not arise.

Note C(ii) The deduction in amount due to ultimate holding company represents provision made in earlier years no longer required credited to Construction work in progress.

Note C(iii) Other payables include an amount of ₹ 25,20,65,000/- payable to National Housing Development Authority (NHDA) as consideration for the land acquired by the Company under the Joint Venture agreement dated 23rd June 2006 with NHDA

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(II) SHORT TERM PROVISIONS				
Provision for gratuity		129,407		60,397
TOTAL		129,407		60,397

D(I) TANGIBLE ASSETS

Amount in ₹

PARTICULARS	COST					DEPRECIATION					BOOK VALUE	
	As at 01.04.2013	Additions	Deductions	Translation difference	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	Translation difference	Up to 31.03.2014	As at 31.03.2014	As at 01.04.2013
Owned												
Computer equipments	194,909	-	-	12,105	207,014	194,909	-	-	12,105	207,014	-	-
Office equipments	752,629	-	-	46,745	799,374	481,336	101,470	-	28,348	611,154	188,220	271,293
Furniture and Fittings	25,709	-	-	1,597	27,306	21,734	-	-	1,350	23,084	4,222	3,975
TOTAL	973,247	-	-	60,447	1,033,694	697,979	101,470	-	41,803	841,252	192,442	-
Previous year	1,000,280		35,695	8,662	973,247	643,376	100,370	35,695	(10,071)	697,979		275,268

NOTES FORMING PART OF ACCOUNTS (Contd.)**D(II) INTANGIBLE ASSETS**

Amount in ₹

PARTICULARS	COST					AMORTIZATION					BOOK VALUE	
	As at 01.04.2013	Additions	Deductions	Translation difference	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	Translation difference	Up to 31.03.2014	As at 31.03.2014	As at 01.04.2013
Computer software	50,119	-	-	3,113	53,232	50,119	-	-	3,113	53,232	-	-
Total	50,119	-	-	3,113	53,232	50,119	-	-	3,113	53,232	-	-
<i>Previous year</i>	<i>47,296</i>	<i>-</i>	<i>-</i>	<i>2,823</i>	<i>50,119</i>	<i>47,296</i>	<i>-</i>	<i>-</i>	<i>2,823</i>	<i>50,119</i>		

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
E(I) INVENTORIES				
Property Development Land at cost	567,783,579		534,581,311	
Project Work-in-Progress (Refer Note E(I)(i) below)	351,153,236		338,135,876	
		918,936,815		872,717,187
TOTAL		918,936,815		872,717,187

E(I) (i) Project Work-in-Progress	As at	2013-14		Translation	As at
	31.03.2013	Addition	Deduction	adjustment	31.03.2014
Construction work in progress	35,763,392	-	11,637,445	2,398,763	26,524,710
Project expenses(Refer note E(I)(i)(a))	132,514,434	138,364	-	8,228,218	140,881,016
Salaries and staff welfare	37,153,050	924,500	-	2,293,432	40,370,982
Rent, rates and taxes	22,705,270	1,639,488	-	1,385,188	25,729,946
Interest and finance charges	75,000,744	-	-	4,658,216	79,658,960
Travelling and conveyance	3,980,952	14,741	-	247,027	4,242,720
Repair and maintenance cost	2,301,148	138,991	-	140,801	2,580,940
Electricity charges	1,285,585	8,873	-	79,711	1,374,169
Provision for gratuity	60,397	66,269	-	2,740	129,406
Communication charges	1,190,532	54,059	-	73,118	1,317,709
Other expenses (Refer Note E(I)(ii))	24,416,368	443,108	-	1,509,713	26,369,190
Depreciation	1,764,005	101,470	-	108,013	1,973,488
TOTAL	338,135,877	3,529,864	11,637,445	21,124,940	351,153,236

E(I) (i)(a) - The deduction of ₹ 1,16,37,445 in Construction work in progress represents provision made in earlier years which are no longer required.

E(I) (ii) Auditor Remuneration

Other expenses include auditor's remuneration paid to overseas auditor as follows:

	2013-14	2012-13
	₹	₹
Audit Fees	78,415	67,318

E(I) (iii) The Company has taken office premises and sample apartment premises on cancellable operating lease. Lease rental expenses in respect of operating lease is ₹ 16,39,488 (Previous year ₹ 14,41,869)

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
E(II) Cash and cash equivalents				
Balances with Non-scheduled banks				
On Current account	373,882		131,243	
On Deposit account	8		7	
		373,890		131,250
TOTAL		373,890		131,250
E(III) Short term loans and advances				
Unsecured, considered good:				
Deposits		503,468		503,061
Value added tax recoverable		6,372,825		5,991,708
Other advances		6,390,594		5,906,472
TOTAL		13,266,887		12,401,241

E(III)(a)

Other advances include an amount of ₹ 8,59,870 (Previous year ₹ 8,09,588) recoverable from National Housing Development Authority (NHDA) in respect of payment made to Municipal Council on account of municipal rates for project land, as per the Joint Venture agreement.

F Contingent Liabilities and Commitments

i) **Contingent Liabilities** - Nil (Previous year - Nil)

ii) **Commitments:**

- The Company has entered into a Joint Venture Agreement with the National Housing Development Authority, Sri Lanka (NHDA) for the development of a High-rise building total of 1.1 million sq.ft. The total commitment to NHDA under this agreement as at 31st March 2013 is ₹ 29,78,95,000 /-, of which ₹ 25,20,65,000/- referred to in Note C(ii) above has been accounted for. Further an amount of ₹ 8,59,870/- (Previous year - ₹ 8,09,588) is receivable from NHDA in respect of other incidental expenses. Accordingly, the net outstanding commitment is ₹ 4,49,70,130/- (Previous year ₹ 4,31,50,000 /-)
- Upon completion of the Development Project or any stage prior to the completion of the Development Project the Company has agreed with the National Housing Development Authority, Sri Lanka (NHDA) to pay ₹ 7,42,44,600/- (Previous year ₹ 6,99,03,000) as its profit component irrespective of the profit or loss results from the aforesaid development work, as a lump sum or in installments during the continuance of the project. The Company has not provided for this commitment as at the Balance Sheet date

G. OTHER NOTES FORMING PART OF ACCOUNTS**1. Status of the project**

- The principal business of the Company is to carry on the business of Property Developers and to design, build, manage and market commercial, residential, condominium and mixed development projects.
- On June 23, 2006, the Company had entered into a Joint Venture Agreement with the National Housing Development Authority, Sri Lanka (NHDA) for the development of a high-rise building having a total area of 1.1 million sq.ft. The project is on-going and the Company has obtained all the necessary approvals from the Colombo Municipal Council and awaits the financial documents to be executed with the lenders.
- The Company had received from banks for the debt requirement of the project. However, financial closure could not be achieved since the lenders sought certain amendments to the Joint Venture Agreement with respect to creation of security. After extensive discussion with NHDA and other government agencies/officials, the Company has finally received in March 2011 a draft addendum to the said Joint Venture agreement from NHDA for review and comments before the same is submitted to the Sri Lankan Government for approval. It is now expected that the addendum will be executed in the financial year 2014-15 and financial closure will be achieved paving way for commencement of construction.
- Based on the revised terms of the Joint Venture agreement, the project will be modified in line with current market scenario and thereby improve the project's financial viability and bankers' ability to assess the project in the Company's favour. The Project will be launched upon the achievement of financial closure.

2. Going concern

The financial statements have been prepared on going concern assumption on the basis of the ability of the constituents of the project to continue as a going concern, taking into account the current status of the project as disclosed in Note 1 above and all available information of

NOTES FORMING PART OF ACCOUNTS (Contd.)

the project. The Company is confident that the carrying value of assets and liabilities existing as at 31st March 2014 are not adversely affected as at the Balance Sheet date.

3. The Company has not commenced commercial operations as at 31st March 2014 and hence Statement of Profit and Loss has not been drawn.

4. Related party transactions**A. List of related parties**

Holding company : 1. L&T Infrastructure Development Projects Limited - Holding Company
2. Larsen & Toubro Limited - Ultimate Holding Company

B. Transaction with related parties:

(Amount in ₹)

No	Nature of transaction	Amount of transaction	Amount due to	Amount due from
1	L&T Infrastructure Development Projects Limited - holding company			
	i) Equity infused (including advance)	(24,39,777) 20,82,860	Nil (Nil)	Nil (Nil)
	ii) Reimbursement of expenses	Nil (Nil)	95,44,599 (95,44,599)	Nil (Nil)
2	Larsen & Toubro Limited - ultimate holding company			
	i) Engineering and project related expenses	Nil (Nil)	Nil (1,07,89,767)	Nil (Nil)

Note: Figures in brackets relate to previous year

The deduction in amount due to ultimate holding company during the year represents provision made in earlier years credited to Project work in progress.

C. No amounts pertaining to the related parties have been written off or written back during the year.

5. Disclosure pursuant to Accounting Standard(AS) 15(Revised) " Employee Benefits"**i) Defined Benefit Plan :**

a. The amount recognized in the Balance Sheet is as follows :

Particulars	Gratuity As at 31.03.2014	Gratuity As at 31.03.2013
A. Present Value of Defined benefit obligation		
Wholly Funded		
Wholly unfunded	1,29,407	60,397
Sub Total	1,29,407	60,397
Less: Fair Value of Planned Assets		
Amount to be recognized as Liability or (Asset)	1,29,407	60,397
B. Amounts reflected in the Balance Sheet		
Liabilities	1,29,407	60,397
Assets		
Net Liability/(Asset)-Current	1,29,407	60,397

b. The amounts recognized in Inventories are as follows,

Particulars	Gratuity As at 31.03.2014	Gratuity As at 31.03.2013
Current Service Cost	16,426	18,696
Interest Cost	5,863	7,088
Expected Return on plan assets	-	-
Actuarial (losses)/gains	43,979	33,127
Past Service Cost	-	-
Actuarial gain/(loss) not recognized in the books	-	-
Amount Included in Inventories	66,269	58,890

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 As at 31.03.2013	Gratuity As at 31.03.2013
Opening balance of the present value of defined benefit obligation	-	-
Add : Current Service cost	16,426	18,696
Add : Interest Cost	5,863	7,088
Add : Contribution by Plan Participants		
i. Employer	-	-
ii. Employee	-	-
Add : Actuarial Gain / (Loss)	43,979	33,127
Less : Benefits paid	-	-
Add : Past Service Cost	-	-
Closing benefit of the present value of the defined benefit obligation	66,269	58,890
Current liability	66,269	58,890

- d. Principal assumptions as at the Balance Sheet date

Particulars	As at 31.03.2014	As at 31.03.2013
1. Discount rate	9%	11.5%
2. Salary growth rate	12%	10.0%
3. Attrition rate	0.0%	0.0%
4. Retirement age	55 years	55 years

6. Previous year figures have been regrouped/reclassified, wherever necessary.

H SIGNIFICANT ACCOUNTING POLICIES**a) Basis of preparation**

The financial statements have been 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 specified in the Companies (Accounting Standards) Rules, 2006, as amended. However, certain escalation and other claims are accounted for, in terms of contracts admitted by appropriate authorities.

b) Use of estimates

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 life of tangible and intangible fixed assets, provision for doubtful advances, etc. Difference, if any, between the actual results and estimates, is recognised in the period in which the results are known.

c) Foreign currency transactions and translations

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.

At each Balance Sheet date, monetary assets and liabilities are reported using the closing rate.

Exchange difference on settlement / reporting on Balance Sheet date, is recognized in the Statement of Profit and Loss, in the period in which they arise.

Financial statements in Sri Lankan rupees are translated to Indian rupees as follows:

- Share Capital is retained at the initial contribution amount.
- Assets and liabilities are translated at the rates prevailing at the end of the year
- Revenue and expenses are translated at yearly average rates.
- The resultant exchange differences are accounted in foreign currency translation reserve/difference.

d) Fixed assets

Fixed assets are stated at original cost less accumulated depreciation and cumulative impairment.

NOTES FORMING PART OF ACCOUNTS (Contd.)

e) Depreciation

Fixed assets are depreciated on straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	: 4 years
Office equipment	: 8 years
Furniture and fittings	: 5 years

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

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.

f) Intangible assets

Intangible assets are stated at original cost less accumulated amortization and cumulative impairment. Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and cost can be measured reliably.

They are amortized over their estimated useful lives as follows:

Computer software	- 4 years
-------------------	-----------

g) Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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.)

h) Inventories

- Property development land is valued at lower of cost and net realisable value.
- Project Work in progress is valued at lower of cost plus proportionate direct expenses and net realizable value, net of incidental income.

i) 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 assets. A qualifying asset is an asset that necessarily takes a substantial period of time (generally over twelve months) 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.

j) 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 paid on assets taken on operating lease are charged to the Statement of Profit and Loss.

k) Employee benefits

- Short term employee benefits :
All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits
- Post-employment benefits :
 - Defined Contribution Plans - Employees Provident Fund and Employees' Trust Fund
Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations of Sri Lanka. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.
 - Defined benefit plan - Retirement Gratuity Provision
Provision for gratuity has been made based on Projected Unit Credit Method based on the management's best estimates of variables used to measure the retirement benefit obligations.

l) Cash and cash equivalents

- Cash comprises cash on hand and demand deposits with banks.
- Cash equivalents are short term, highly liquid investments, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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

- 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.

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

- 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; and
- iii. 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.

As per our report attached of even date

For and on behalf of the Board

M. K. DANDEKER & CO.
Chartered Accountants
(ICAI Reg. No. 000679S)

S. POOSAI DURAI
Partner
Membership No: 223754

K. VENKATESH
Director

T. S. VENKATESAN
Director

Place : Chennai
Date : May 2, 2014

Place : Chennai
Date : May 2, 2014

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and Accounts for the year ended March 31, 2014.

1. FINANCIAL RESULTS

Particulars	2013-14	2012-13
	₹ in Lakh	₹ in Lakh
1 Revenue from operations	17205.23	6180.54
2 Profit / Loss Before Depreciation & Tax (PBDT)	(753.35)	2,842.11
Less: Depreciation	420.23	431.96
3 Profit / (Loss) before tax (PBT)	(1,173.58)	2,410.15
4 Less: Provision for taxes	(141.92)	440.33
5 Profit / (Loss) after tax (PAT)	(1,031.66)	1,969.82
6 Add: Balance brought forward from previous year	72,003.23	70,954.49
7 Balance available for disposal	70,971.57	72,924.31
8 Debenture redemption reserve	-	921.08
9 Balance to be carried forward	70,971.57	72,003.23

2. PERFORMANCE OF THE COMPANY:

During the current financial year 2013 – 2014, your Company has reported a loss before Tax of ₹ 1,173.58 lakhs and post-tax Loss of ₹ 1,031.66 Lakhs.

During the year, the Company has commenced -

- Construction activities involving Engineering, Procurement and Construction Contracts for Kudgi Transmission Limited and
- Periodic major maintenance for certain operational road subsidiaries.

During the year, the Company incorporated a new SPV under the name - L&T Sambalpur-Rourkela Tollway Limited on 18.10.2013 as a wholly-owned subsidiary implementing a Road Project in the State of Odisha. The Financial Closure of this SPV was achieved on 05.05.2014.

The Directors are pleased to inform you that the Company has secured its maiden Transmission Line Project. The Company was awarded a Transmission Project by REC Transmission Projects Company Limited (RECTPCL) and the SPV under name Kudgi Transmission Limited which will be implementing the Transmission Project was taken over from RECTPCL as per the terms of award. The Financial Closure of this SPV was achieved on 24.02.2014.

Your Company is pursuing an option of monetizing certain operational road subsidiaries through an Offshore Trust that would be listed. In this context, the Company has incorporated a wholly owned subsidiary under the name – L&T IDPL Trustee Manager Pte Ltd at Singapore.

The Company has entered into a definitive agreement on May 16, 2014, with M/s. Adani Ports and Special Economic Zone Limited to sell its stake in The Dhamra Port Company Limited. This transaction is expected to be completed by 30th June, 2014.

The Company's windmills generated 158.37 crores units during the year. Out of this 144.30 crore units were used for captive consumption by the Parent Company's Commercial and Factory Establishments in Tamil Nadu.

3. DIVIDEND

The Board of Directors has not recommended any dividend for the year 2013-14.

Owing to the loss incurred, no appropriation could be made towards debenture redemption reserve.

4. CAPITAL EXPENDITURE (₹ Lakhs)

The gross fixed assets of the Company as on March 31st, 2014 is ₹ 8007.71 lakhs and after charging depreciation to the extent of ₹ 1,744.82 lakhs, the net fixed assets value is ₹ 6262.89 lakhs. The Company has added Gross fixed assets amounting to ₹ 98.20 lakhs during the financial year.

5. DEPOSITS

The Company has not accepted any deposits from the public.

6. AUDITORS' REPORT

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

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**A. CONSERVATION OF ENERGY**

The operations of your Company are not energy intensive as Company is not engaged in manufacturing activity and your Company is not under the list of industries which should furnish information in form A (Rule 2).

B. TECHNOLOGY ABSORPTION

No technology has been developed and / or imported by way of foreign collaboration.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company had the following transactions in foreign currency:

Expenditure in Foreign Currency

Nature of Transaction	₹
Professional fees	86,33,213
Legal fees	93,00,202
Travelling expenses	1,66,93,325

8. SUBSIDIARIES

During the year the following Subsidiary Companies had made allotment of Equity Shares @ ₹ 10/- each (#) on preferential allotment / Rights basis to the Company:

Name of the Company	No of Equity shares
L&T Infrastructure Development Projects (Lanka) Private Limited	521,030
L&T Metro Rail (Hyderabad) Limited	61,91,44,020
L&T Deccan Tollways Limited	20,05,000
L&T BPP Tollway Limited	5,02,65,000
L&T Great Eastern Highway Limited	13,470,000
L&T East –West Tollway Limited	1,75,10,000
Kudgi Transmission Limited	5,30,00,000

During the year, the Company had incorporated the following two Subsidiary Companies and shares were allotted as per details mentioned below :

Name of the Company	No of Equity shares
L&T Sambalpur-Rourkela Tollway Limited	5,50,000
L&T IDPL Trustee Manager Pte Limited	2,50,000

Further, the Company had allotted 10,000 Special Equity Shares with differential rights @₹ 10/- each to Larsen & Toubro Limited during the year.

The statement pursuant to Section 212 of the Companies Act, 1956 containing details of Subsidiaries of the Company, forms part of the Annual Report.

9. 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.

Mr. K. Venkatesh, is the Chief Executive & Managing Director of the Company.

10. 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, 2014;
- 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.

11. DIRECTORS

The Board of Directors of your Company comprises the following members:-

Mr. Y. M. Deosthalee

Mr. R. Shankar Raman

L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED

Mr. Sudhakar Rao
Mr. Sushobhan Sarker and
Mr. K. Venkatesh

During the year, there was no change in the Directorships of the Company.

Mr. R. Shankar Raman and Mr. Y. M. Deosthalee, Directors of the Company retire at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

Your Company has constituted a Corporate Social Responsibility Committee as per provisions of Section 135 of Companies Act, 2013 on 01.03.2014.

The following are the members of CSR Committee.

- 1) Mr. Y. M. Deosthalee
- 2) Mr. R. Shankar Raman
- 3) Mr. K. Venkatesh

12. AUDIT COMMITTEE

The Members of the Audit Committee are:

Mr. Sudhakar Rao - Chairman
Mr. Y. M. Deosthalee - Member and
Mr. R. Shankar Raman - Member

The Committee met and held discussions with the auditors on internal control systems and internal audit report.

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

The terms of reference of the Audit Committee includes the following matters:

1. Review of Financial Statements
2. Review of Compliance with Accounting Standards
3. Review of Internal Control Systems
4. Discussion with Internal and External Auditors on Financial Statements & Internal Controls,
5. Review of Company's financial and risk management policies and such other matters, which the Board may assign from time to time and for this purpose, the Audit Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary.

13. STATUTORY 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 139(1) of the Companies Act, 2013.

14. INTERNAL AUDITORS

An In-House Internal Audit Department provides internal audit services to the Company.

15. 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.

16. MAINTENANCE OF COST AUDIT COMPLIANCE REPORT

Pursuant to the provisions of Rule 5 of The Companies (Cost Accounting Records) Rules, 2011, your Company is required to obtain a cost audit compliance report from a Practicing Cost Accountant and the same is required to be filed with the Ministry of Corporate Affairs.

The Board of your Company will identify a Practicing Cost Accountant for this purpose, obtain prescribed compliance certificate accordingly and file the same with the Ministry of Corporate Affairs.

17. ACKNOWLEDGEMENTS:

The Directors acknowledge the invaluable support extended to the Company by the financial institutions, bankers, employees of the Company, staff and management of the parent company.

For and on behalf of the Board of Directors

Place : Mumbai
Date : May 23, 2014

R. SHANKAR RAMAN
Director

K. VENKATESH
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956; and
 - e) on the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

L. VAIDYANATHAN
Partner
Membership No. 16368

Place : Chennai
Date : May 23, 2014

ANNEXURE TO THE AUDITOR'S REPORT

With reference to the Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the Independent Auditor's Report to the members of **L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED** on the financial statements for the year ended March 31, 2014, we report that:

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 (c) The Company has not disposed substantial part of its fixed assets during the year and hence does not affect the going concern.
- (ii) The Company's inventories are in the nature of power generated from its windmill operations which cannot be physically verified and hence, reporting under clauses 4(ii) (a), (b) and (c) of the Order does not arise. However, the Company has maintained proper records for the said inventories.
- (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. Hence reporting under clauses 4(iii) (b), (c) and (d) of the Order does not arise.
 (e) 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. Hence, reporting under clauses 4(iii) (f) and (g) of the Order 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 and 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 internal control system.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts/ arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence reporting under clause 4 (v) of the Order 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 framed there under. Hence reporting under clause 4(vi) of the Order does not arise.
- (vii) In our opinion, the Company has an adequate internal audit system which is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.
- (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 generally regular in depositing undisputed statutory dues including Income-tax, Provident fund and other statutory dues during the year with appropriate authorities. According to the information and explanation given to us, there were no undisputed amount payable on account of Income tax, Provident Fund and any other statutory dues as at March 31, 2013, for a year of more than six months from the date they become 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 as at March 31, 2013 which has not been deposited on account of dispute pending is as under :

Name of the statute	Nature of dispute dues	Amount in ₹ crores	Period to which the amount relates	Forum where disputes are pending
Income tax Act , 1961	Disallowance under Section 14A of the Act	0.85	AY 2009-10	Commissioner of Income tax (Appeals)

- (x) The Company has no accumulated losses as at March 31, 2013 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to financial institution or bank or debenture holders, 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) In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/society and hence reporting on clause 4(xiii) of the Order does not arise.
- (xiv) According to the information and explanation given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments. However the surplus funds have been invested in mutual funds. Proper records have been maintained for the transactions and contracts for the investment in mutual funds and are updated on a timely basis. The investments have been held by the Company in its own name.

L&T INFRASTRUCTURE DEVELOPMENT PROJECTS LIMITED

- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by the subsidiary companies from banks or financial institutions are not prima facie prejudicial to the interests of the Company.
- (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 purpose for which they were obtained.
- (xvii) According to the information and explanations given to us, on an overall examination of the Balance Sheet and the Cash Flow Statement of the Company, we report that the Company has utilized funds raised through inter corporate deposits and commercial papers on short term basis amounting to ₹ 603 crores for long term investment in subsidiaries in the form of equity and long term loans. Further the Company has explained that steps have been taken to augment the long term funds.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us and the records examined by us, security or charges has been created in respect of debentures issued.
- (xx) The Company has not raised any money by way of 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 cases by the management.

SHARP & TANNAN
Chartered Accountants
(Firm's Registration No. 003792S)

Place : Chennai
Date : May 23, 2014

L. VAIDYANATHAN
Partner
Membership No. 16368

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	3,21,05,90,960		3,21,04,90,960	
Reserves and surplus	B	26,92,68,99,074		27,03,00,65,010	
			30,13,74,90,034		30,24,05,55,970
Non-current liabilities					
Long-term borrowings	C(I)	4,15,00,00,000		1,75,00,00,000	
Deferred tax liabilities (Net)	Q(4)	4,32,01,939		5,73,94,160	
Other long-term liabilities	C(II)	14,30,00,000		14,30,00,000	
Long-term provisions	C(III)	24,56,752		—	
			4,33,86,58,691		1,95,03,94,160
Current liabilities					
Short-term borrowings	D(I)	10,94,64,00,000		3,30,01,00,000	
Current maturities of long-term borrowings	D(II)	10,00,00,000		5,00,00,000	
Trade payables	D(III)	51,44,67,315		1,77,53,631	
Other current liabilities	D(IV)	88,03,84,372		30,59,13,779	
Short-term provisions	D(V)	2,56,40,085		3,07,72,204	
			12,46,68,91,772		3,70,45,39,614
TOTAL			46,94,30,40,497		35,89,54,89,744
ASSETS:					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	62,51,69,686		67,89,81,954	
Intangible assets	E(II)	11,20,146		29,46,711	
			62,62,89,832		68,19,28,665
Non-current investments	F	30,56,97,24,162		25,76,39,08,552	
Long-term loans and advances	G	9,62,64,33,633		6,148,720,727	
Current assets					
Current investments	H(I)	3,41,81,94,463		19,78,75,000	
Trade receivables	H(II)	19,98,62,300		3,44,09,115	
Cash and bank balances	H(III)	16,18,27,717		10,77,08,225	
Short-term loans and advances	H(IV)	1,96,36,03,898		2,63,65,96,061	
Other current assets	H(V)	37,71,04,492		32,43,43,399	
			6,12,05,92,870		3,30,09,31,800
TOTAL			46,94,30,40,497		35,89,54,89,744
CONTINGENT LIABILITIES					
COMMITMENTS (CAPITAL AND OTHERS)					
OTHER NOTES FORMING PART OF THE ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
Firm's Registration No. 003792S**L. VAIDYANATHAN**Partner
Membership No. 16368**R. CHANDRASEKARAN**

Secretary

K. VENKATESHChief Executive and
Managing Director**R. SHANKAR RAMAN**

Director

Place : Chennai
Date : May 23, 2014Place : Mumbai
Date : May 23, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		2012-13	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations	K		1,72,05,22,620		61,80,54,093
Other income	L		61,64,49,437		45,13,43,812
TOTAL REVENUE			2,33,69,72,057		1,06,93,97,905
EXPENSES:					
Construction and operating expenses	M		1,01,24,12,741		8,59,99,098
Employee benefits expense	N		27,99,24,018		28,06,98,675
Finance costs	O		83,41,90,734		25,27,46,546
Depreciation and amortisation expense	E		4,20,22,564		4,31,95,919
Administration and other expenses	P		28,57,80,157		16,57,42,453
TOTAL EXPENSES			2,45,43,30,214		82,83,82,691
Profit / (Loss) before tax			(11,73,58,157)		24,10,15,214
Tax expense					
Current tax			-		4,82,30,000
Deferred tax	Q(4)	(1,41,92,221)		(41,97,317)	
			(1,41,92,221)		4,40,32,683
Profit / (Loss) after tax carried to Balance Sheet			(10,31,65,936)		19,69,82,531
Earnings per equity share:	Q(5)				
Equity Shares					
Basic and diluted			(0.32)		0.61
Face value per equity share			10.00		10.00
Special Equity Shares					
Basic and diluted			-		-
Face value per equity share			10.00		-
OTHER NOTES FORMING PART OF THE ACCOUNTS	Q				
SIGNIFICANT ACCOUNTING POLICIES	R				

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
Firm's Registration No. 003792S**L. VAIDYANATHAN**Partner
Membership No.16368**R. CHANDRASEKARAN**
Secretary**K. VENKATESH**
Chief Executive and
Managing Director**R. SHANKAR RAMAN**
DirectorPlace : Chennai
Date : May 23, 2014Place : Mumbai
Date : May 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 ₹	2012-13 ₹
A. Cash flow from Operating Activities		
Profit / (Loss) before taxes	(11,73,58,157)	24,10,15,214
Adjustments for :		
Depreciation and amortisation	4,20,22,564	4,31,95,919
Dividend income	(5,89,80,000)	-
Interest expense	83,41,90,734	25,27,46,546
Interest income	(53,64,72,986)	(37,66,94,309)
(Profit)/loss on sale of fixed assets	1,03,35,012	(31,716)
(Profit)/loss on sale of current investments	(2,00,35,963)	(7,38,70,933)
Exchange (gain)/loss on investments	5,67,650	19,975
Provision for diminution in value of investment	4,16,00,000	-
Operating Profit before working capital changes	19,58,68,854	8,63,80,696
Adjustments For :		
(Increase) / decrease in trade receivables	(16,54,53,185)	14,74,97,188
(Increase) / decrease in loans and advances	1,91,25,50,361	4,21,64,552
Increase / (decrease) in liabilities and provisions	1,00,43,62,360	(33,06,885)
Increase / (decrease) in earmarked bank account	(5,61,166)	(10,000)
Cash generated from/(used in) operations	2,94,67,67,224	27,27,25,551
Direct taxes paid (net of refund)	(10,18,88,099)	(5,03,46,487)
Net cash generated from / (used in) operating activities (A)	2,84,48,79,125	22,23,79,064
B. Cash Flow from Investing activities :		
Purchase of fixed assets	(98,20,221)	(2,90,14,481)
Proceeds from sale of fixed assets	1,31,01,478	5,90,200
Investment in subsidiaries and associates	(7,84,77,48,160)	(4,99,83,32,860)
Advance towards equity commitment	-	(8,25,00,000)
Long-term loans given to subsidiaries and associates	(4,22,17,00,000)	(2,97,49,02,000)
Long-term loans repaid by subsidiaries and associates	65,00,00,000	50,00,000
Exchange gain/(loss) on investments	(5,67,650)	(19,975)
Purchase and sale of current investments (net)	8,97,16,100	6,07,00,973
Deposits/Loans (given)/repaid- Holding Company, subsidiaries and joint venture (net)	(1,13,80,52,181)	1,94,50,00,000
Dividend received from associate	5,89,80,000	-
Interest received	33,34,45,067	5,57,88,553
Net Cash generated from/ (used in) Investing Activities (B)	(12,07,26,45,567)	(6,01,76,89,590)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**C. Cash Flow from Financing Activities**

Proceeds from issue of share capital	100,000	–
Proceeds from long term borrowings	2,50,00,00,000	1,80,00,00,000
Repayment of long term borrowings	(5,00,00,000)	–
Debenture issue expenses	–	(1,03,12,100)
Issue/(Repayment) of Commercial Papers (net)	2,84,25,75,000	95,22,76,607
Intercompany deposits received / (repaid) - Holding company, subsidiaries and others (net)	4,47,13,00,000	1,47,51,00,000
Interest paid	(48,26,50,232)	(4,81,31,854)
Net Cash generated from/ (used in) Financing Activities (C)	9,28,13,24,768	4,16,89,32,653
Net increase / (decrease) in cash and cash equivalents (A+B+C)	5,35,58,326	(1,62,63,77,873)
Cash and cash equivalents at beginning of the year	10,76,98,225	1,73,40,76,098
Cash and cash equivalents at end of the year	16,12,56,551	10,76,98,225

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 Standards) Rules, 2006.
- Previous year's figures have been regrouped/reclassified wherever necessary.
- The composition of cash and cash equivalents in Cash Flow Statement is as follows :

Balance with banks on current accounts	15,61,17,123	5,80,92,229
Bank deposits with maturity less than 3 months (including interest accrued thereon)	–	4,40,15,671
Bank deposits with maturity more than 3 months but less than 12 months (including interest accrued thereon)	51,39,428	55,90,325
Total	16,12,56,551	10,76,98,225

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
Firm's Registration No. 003792S**L. VAIDYANATHAN**Partner
Membership No.16368**R. CHANDRASEKARAN**

Secretary

K. VENKATESHChief Executive and
Managing Director**R. SHANKAR RAMAN**

Director

Place : Chennai
Date : May 23, 2014Place : Mumbai
Date : May 23, 2014

NOTES ACCOMPANYING FINANCIAL STATEMENTS**A SHARE CAPITAL****A (I) Authorised, issued, subscribed and paid-up:**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹	No. of Shares	₹
Authorised:				
Equity shares of ₹ 10 each	350,000,000	3,500,000,000	350,000,000	3,500,000,000
Special equity shares of ₹ 10 each	10,000	100,000	–	–
	350,010,000	3,500,100,000	350,000,000	3,500,000,000
Issued:				
Equity shares of ₹ 10 each	321,049,096	3,210,490,960	321,049,096	3,210,490,960
Special equity shares of ₹ 10 each	10,000	100,000	–	–
	321,059,096	3,210,590,960	321,049,096	3,210,490,960
Subscribed and fully paid up:				
Equity shares of ₹ 10 each	321,049,096	3,210,490,960	321,049,096	3,210,490,960
Special equity shares of ₹ 10 each	10,000	100,000	–	–
	321,059,096	3,210,590,960	321,049,096	3,210,490,960

A (II) Reconciliation of the shares outstanding at the beginning and at the end of the year:

	2013-14		2012-13	
	No. of Shares	₹	No. of Shares	₹
Equity shares of ₹ 10 each fully paid up				
At the beginning of the year	321,049,096	3,210,490,960	321,049,096	3,210,490,960
Issued during the year as fully paid up	–	–	–	–
Outstanding at the end of the year	321,049,096	3,210,490,960	321,049,096	3,210,490,960
Special equity shares of ₹ 10 each fully paid up				
At the beginning of the year	–	–	–	–
Issued during the year as fully paid up	10,000	100,000	–	–
Outstanding at the end of the year	10,000	100,000	–	–

A (III) Terms / rights / restriction attached to equity shares**Equity Shares of ₹ 10 each :**

The Company has not issued any securities with the right/option to convert the same into equity shares at a later date

The Company has not reserved any shares for issue under options and contracts/commitments for the sale of shares/disinvestment.

The shares issued carry equal rights to dividend declared by the Company and no restrictions are attached to any specific shareholder.

Special Equity shares of ₹ 10 each :

The Special Equity shares rank pari passu with the existing equity shares except as set out below

- The Special Equity Shares carry specific incremental rights ("Director Voting Rights") with respect to the election, appointment and/or removal of directors of the Company.
These Director Voting Rights are triggered only under specific conditions.
- The Special Equity Shares carry no right to receive any dividend or other distributions of the Company, or otherwise carry any economic rights. However upon the occurrence of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holder of Special Equity Shares are entitled to receive a maximum of ₹ 10 per Special Equity Share.
- The Special Equity Shares have no right to receive bonus shares or offers for rights shares.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**A (IV) Shares held by holding company/ ultimate holding company and/or their subsidiaries/associates:**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Equity shares of ₹ 10 each				
Larsen & Toubro Limited, the holding company (including shares held along with its nominees)	31,28,59,096	97.45	31,28,59,096	97.45
Special equity shares of ₹ 10 each				
Larsen & Toubro Limited, the holding company (including shares held along with its nominees)	10,000	100.00	–	–

A (V) Details of shareholders holding more than 5% equity shares in the Company:

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Equity shares of ₹ 10 each				
Larsen & Toubro Limited, the holding company (including shares held along with its nominees)	31,28,59,096	97.45	31,28,59,096	97.45
Special equity shares of ₹ 10 each				
Larsen & Toubro Limited, the holding company (including shares held along with its nominees)	10,000	100.00	–	–

A(VI) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: NIL

A(VII) Calls unpaid: NIL; Forfeited shares: NIL.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
B RESERVES AND SURPLUS:				
Securities premium account				
As per last Balance Sheet	19,73,76,33,912		19,74,79,46,012	
Additions during the year	–		–	
	19,73,76,33,912		19,74,79,46,012	
Less: Debenture issue expenses	–		1,03,12,100	
		19,73,76,33,912		19,73,76,33,912
Debenture redemption reserve				
As per last Balance Sheet	9,21,08,135		–	
"Add: Transferred from Statement of Profit " and Loss [refer note B(i)]"	–		9,21,08,135	
		9,21,08,135		9,21,08,135
Surplus Statement of Profit and Loss				
As per last Balance Sheet	7,20,03,22,963		7,09,54,48,567	
Profit / (Loss) for the year	(10,31,65,936)		19,69,82,531	
	7,09,71,57,027		7,29,24,31,098	
Less: Transfer to debenture redemption reserve [refer note B(i)]"	–		9,21,08,135	
		7,09,71,57,027		7,20,03,22,963
TOTAL		26,92,68,99,074		27,03,00,65,010

B(i) As the Company does not have sufficient profit during the year, no transfer has been made to Debenture Redemption Reserve under Section 117 C of the Companies Act, 1956.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C (I) LONG TERM BORROWINGS:				
Secured:				
Redeemable non-convertible fixed rate debentures [refer note C(I)(i)]		1,65,00,00,000		1,75,00,00,000
Unsecured:				
Term Loan from financial institution [refer note C(I)(ii)]		2,50,00,00,000		–
TOTAL		4,15,00,00,000		1,75,00,00,000

Note C(I)(i):

10.06% p.a. interest bearing 1,750 nos. of debentures of face value ₹ 10,00,000 each redeemable at par as shown below.

Series	Amount (₹)	Current maturities (₹)	Non-current maturities (₹)	Redemption Date
Series "J" of 2012-13	30,00,00,000	–	30,00,00,000	27-Apr-22
Series "I" of 2012-13	25,00,00,000	–	25,00,00,000	27-Apr-21
Series "H" of 2012-13	25,00,00,000	–	25,00,00,000	27-Apr-20
Series "G" of 2012-13	20,00,00,000	–	20,00,00,000	29-Apr-19
Series "F" of 2012-13	20,00,00,000	–	20,00,00,000	27-Apr-18
Series "E" of 2012-13	15,00,00,000	–	15,00,00,000	27-Apr-17
Series "D" of 2012-13	15,00,00,000	–	15,00,00,000	27-Apr-16
Series "C" of 2012-13	15,00,00,000	–	15,00,00,000	27-Apr-15
Series "B" of 2012-13	10,00,00,000	10,00,00,000	–	28-Apr-14
TOTAL	1,750,000,000	10,00,00,000	1,65,00,00,000	–

Security:

The debentures referred above are secured by way of pledge of 2450 nos. of rated secured redeemable non-convertible debentures issued by L&T Panipat Elevated Corridor Limited (subsidiary) of ₹ 10,00,000 each, a ear-marked bank account and an immovable property situated in Maharashtra as given in note E(I)(ii).

Note C(I)(ii):**Details of Term Loan:**

As at 31.03.2014	Rate of interest	Terms of repayments
From financial institution ₹ 2,50,00,00,000	Benchmark rate on the date of disbursement + Applicable Spread	Repayable in 5 equal annual instalments commencing from September 30, 2019 and ending on September 30, 2023.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C(II) OTHER LONG-TERM LIABILITIES:				
Advance received against sale of investments [refer note C(II)(i)]		14,30,00,000		14,30,00,000
TOTAL		14,30,00,000		14,30,00,000

Note C(II)(i):

Advance received against sale of investments represents advance of ₹ 14,30,00,000/- received from M/s. Sical Logistics Limited (SLL) against sale of 1,43,00,000 equity shares of ₹ 10/- each in M/s Sical Iron Ore Terminals Limited (SIOTL) at cost to SLL vide Agreement for Share Sale and Purchase dated December 17, 2008. The sale is subject to the condition that it can be completed only after three years from the date of commencement of commercial operation by SIOTL as per clause 18.2.2 (i) (d) of the License agreement dated September 23, 2006 between SIOTL and M/s Ennore Port Limited (EPL). SIOTL has not been able to commence commercial operation as of March 31, 2014 due to the ban of export of iron ore from the State of Karnataka. SIOTL has sought necessary approvals from EPL and Government of India for handling alternate commodities.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
C (III) LONG-TERM PROVISIONS:				
Provision for employee benefits				
Provision for interest rate guaranteed on trust-managed provident fund		24,56,752		–
TOTAL		24,56,752		–
D (I) SHORT-TERM BORROWINGS:				
Unsecured:				
Inter corporate borrowings (repayable on demand)				
From related parties				
Holding Company	3,13,24,00,000			
Subsidiaries	2,31,40,00,000		1,47,51,00,000	
		5,44,64,00,000		1,47,51,00,000
From others		50,00,00,000		–
Commercial papers [refer note D(I)(i)]				
Issued to related parties				
Subsidiaries	–		1,31,25,00,000	
Issued to others	5,00,00,00,000		51,25,00,000	
		5,00,00,00,000		1,82,50,00,000
TOTAL		10,94,64,00,000		3,30,01,00,000

Note D(I)(i):

Commercial papers issued to others as of March 31, 2014 are as follows :

- 1,000 units having face value of ₹ 5,00,000 each with a tenor of 141 days has been issued at a discount of 10.27% p.a., redeemable at par on May 28, 2014.
- 2,000 units having face value of ₹ 5,00,000 each with a tenor of 182 days has been issued at a discount of 10.27% p.a., redeemable at par on June 09, 2014.
- 1,000 units having face value of ₹ 5,00,000 each with a tenor of 161 days has been issued at a discount of 10.28% p.a., redeemable at par on June 16, 2014.
- 2,000 units having face value of ₹ 5,00,000 each with a tenor of 135 days has been issued at a discount of 10.37% p.a., redeemable at par on June 28, 2014.
- 2,000 units having face value of ₹ 5,00,000 each with a tenor of 178 days has been issued at a discount of 10.52% p.a. redeemable at par on August 28, 2014.
- 2,000 units having face value of ₹ 5,00,000 each with a tenor of 120 days has been issued at a discount of 10.02% p.a., redeemable at par on July 24, 2014.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D (II) CURRENT MATURITIES OF LONG-TERM BORROWINGS:				
Secured				
Redeemable non-convertible fixed rate debentures [refer note C(I)(i)]		10,00,00,000		5,00,00,000
TOTAL		10,00,00,000		5,00,00,000

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D (III) TRADE PAYABLES:				
Due to related parties				
Holding company	6,91,60,515		38,76,900	
Fellow subsidiary	2,77,46,871		14,81,946	
		9,69,07,386		53,58,846
Due to others		41,75,59,929		1,23,94,785
TOTAL		51,44,67,315		1,77,53,631

Note D(III)(i):

There has been no transaction during the year (previous year: ₹ Nil) with micro and small enterprises covered under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Hence reporting details of principal and interest paid / outstanding does not arise.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D (IV) OTHER CURRENT LIABILITIES:				
Interest accrued but not due on borrowings		23,71,51,055		17,30,04,505
Due to customers		2,06,500		–
Advance from customers		46,12,36,493		–
Due to related parties				
Holding company	20,89,621		–	
Subsidiary	5,78,745		28,282	
		26,68,366		28,282
Advance received against sale of investments [refer note D(IV)(i)]		6,78,75,000		6,78,75,000
Other payables				
Statutory liabilities	5,86,86,152		1,06,67,229	
Others	5,25,60,806		5,43,38,763	
		11,12,46,958		6,50,05,992
TOTAL		88,03,84,372		30,59,13,779

Note D(IV)(i)

Advance received against sale of investments represents advance received from M/s. JRE Tank Terminals Private Limited (JRETTPL) under an agreement dated 24th August 2007 towards sale of 67,87,500 equity share of ₹ 10/- each at cost in M/s. Ennore Tank Terminals Private Limited (ETTPL) to be transferred on completion of three calendar years from the date of commencement of commercial operation. The said project has commenced commercial operations on January 15, 2009. JRETTPL is in the process of obtaining approval from ETTPL to acquire shares from the Company.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D (V) SHORT-TERM PROVISIONS				
Provision for employee benefits				
Gratuity [refer note Q(6)]	13,93,440		40,15,081	
Compensated absences	2,40,65,609		2,65,85,081	
		2,54,59,049		3,06,00,162
Provision for wealth tax [refer note D(V)(i)]		1,81,036		1,72,042
TOTAL		2,56,40,085		3,07,72,204

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**E FIXED ASSETS****E (I) Tangible Assets**

(Figures in ₹)

PARTICULARS	GROSS				DEPRECIATION				NET CARRYING VALUE	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land										
Freehold	1,09,95,000	-	-	1,09,95,000	-	-	-	-	1,09,95,000	1,09,95,000
Leasehold [refer note E(I)(i)]	15,25,50,000	-	-	15,25,50,000	74,47,725	15,40,909	-	89,88,634	14,35,61,366	14,51,02,275
Buildings										
Leased out [refer note E(I)(ii)]	2,20,89,614	-	-	2,20,89,614	7,55,408	3,60,061	-	11,15,469	2,09,74,145	2,13,34,206
Computers										
Owned	3,03,61,947	19,42,588	6,36,310	3,16,68,225	1,47,30,876	70,14,390	3,80,317	2,13,64,949	1,03,03,276	1,56,31,071
Office Equipments										
Owned	90,83,925	3,24,905	-	94,08,830	47,38,782	16,23,302	-	63,62,084	30,46,746	43,45,143
Plant & Equipment										
Owned	51,36,07,787	-	-	51,36,07,787	7,67,87,362	2,46,04,627	-	10,13,91,989	41,22,15,798	43,68,20,425
Leased out	2,21,16,610	-	2,21,16,610	-	14,75,178	2,45,863	17,21,041	-	-	2,06,41,432
Electrical Installations										
Owned	16,38,571	-	-	16,38,571	12,56,454	55,897	-	13,12,351	3,26,220	3,82,117
Vehicles										
Owned	2,44,11,978	71,49,678	30,13,306	2,85,48,350	41,66,083	39,10,869	6,32,154	74,44,798	2,11,03,552	2,02,45,895
Furniture & Fixture										
Owned	1,74,87,325	1,56,300	10,81,667	1,65,61,958	1,40,02,935	5,93,331	6,77,891	1,39,18,375	26,43,583	34,84,390
TOTAL	80,43,42,757	95,73,471	2,68,47,893	78,70,68,335	12,53,60,803	3,99,49,249	34,11,403	16,18,98,649	62,51,69,686	
<i>Previous year</i>	<i>75,67,19,146</i>	<i>4,91,71,301</i>	<i>15,47,690</i>	<i>80,43,42,757</i>	<i>8,61,11,724</i>	<i>4,02,38,285</i>	<i>9,89,206</i>	<i>12,53,60,803</i>		<i>67,89,81,954</i>

E (II) Intangible Assets

(Figures in ₹)

PARTICULARS	GROSS				DEPRECIATION				NET CARRYING VALUE	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Up to 31.03.2013	For the year	Deductions	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
Specialised Software	1,34,56,321	2,46,750	-	1,37,03,071	1,05,09,610	20,73,315	-	1,25,82,925	11,20,146	29,46,711
TOTAL	1,34,56,321	2,46,750	-	1,37,03,071	1,05,09,610	20,73,315	-	1,25,82,925	11,20,146	
<i>Previous year</i>	<i>1,18,20,144</i>	<i>16,36,177</i>	<i>-</i>	<i>1,34,56,321</i>	<i>75,51,976</i>	<i>29,57,634</i>	<i>-</i>	<i>1,05,09,610</i>		<i>29,46,711</i>

Notes:

- E(I)(i)** Lease hold land represents 50.85 acres at Nagpur taken on ninety nine years lease with effect from June 01, 2008 as per the agreement dated June 20, 2008 with Maharashtra Airport Development Company Ltd for development of information technology infrastructure facilities.
- E(I)(ii)** Cost of leased out building includes ownership of an accommodation at Maharashtra of ₹ 13,29,550 (accumulated depreciation of ₹ 2,13,098) by holding 5 shares of face value ₹ 50/- each in a co-operative society.
- E(I)(iii)** The Company has reviewed the future cash flows on the basis of value in use of its assets and is satisfied that the recoverable amount is more than the amount carried in the books. Accordingly, no provision for impairment loss is required to be made in the accounts.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

		As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
F	NON-CURRENT INVESTMENTS (at cost unless otherwise stated)				
	Long-term Investments				
	Trade investments				
	(i) Investments in unquoted equity instruments of				
	(a) Subsidiary companies	28,02,00,14,162		19,83,25,98,952	
	Less: Provision for diminution in value	4,16,00,000		—	
		27,97,84,14,162		19,83,25,98,952	
	(b) Joint venture	—		—	
	(c) Associate companies	9,83,00,000		9,83,00,000	
	(d) Other companies	14,30,10,000		14,30,10,000	
		28,21,97,24,162		20,07,39,08,952	
	(ii) Investments in unquoted debentures of				
	(a) Subsidiary company	2,35,00,00,000		2,45,00,00,000	
	TOTAL	30,56,97,24,162		22,52,39,08,952	
	Aggregate amount of unquoted investments	30,56,97,24,162		22,52,39,08,952	

F (i) DETAILS OF NON CURRENT INVESTMENTS

Sr. No.	Particulars	Face value ₹ per share	Number of shares				As at 31.03.2014	As at 31.03.2013
			As at 01.04.2013	Purchased / subscribed during the year	Sold during the year	As at 31.03.2014		
			(₹)	(₹)	(₹)	(₹)	(₹)	
	Trade investments:							
(i)	Unquoted equity instruments:							
(a)	Investment in subsidiary companies:							
	Fully paid equity shares:							
	International Seaports (India) Private Limited	10	25,00,580	—	—	25,00,580	45	
	Kudgi Transmission Ltd.	10	—	5,30,00,000	—	5,30,00,000	53,00,00,000	
	L&T Ahmedabad Maliya Tollway Limited	10	14,89,99,900	—	—	14,89,99,900	1,48,99,99,000	
	L&T BPP Tollway Limited	10	19,69,35,000	5,02,65,000	—	24,72,00,000	2,47,20,00,000	
	L&T Chennai - Tada Tollway Limited	10	4,19,99,900	—	—	4,19,99,900	41,99,99,000	
	L&T Deccan Tollways Limited	10	2,36,75,000	20,05,000	—	2,56,80,000	25,68,00,000	
	L&T Devihalli Hassan Tollways Limited	10	8,99,99,900	—	—	8,99,99,900	89,99,99,000	
	L&T East-West Tollway Limited	10	1,04,75,000	1,75,10,000	—	2,79,85,000	27,98,50,000	
	L&T Great Eastern Highway Limited	10	86,95,000	1,34,70,000	—	2,21,65,000	22,16,50,000	
	L&T Halol Shamlaji Tollway Limited	10	13,04,99,900	—	—	13,04,99,900	1,30,49,99,000	
	L&T Infrastructure Development Projects Lanka (Private) Limited	10*	14,65,38,727	5,21,030	—	14,70,59,757	62,97,82,213	
	L&T IDPL Trustee Managers Pte. Ltd	1**	—	2,50,000	—	2,50,000	1,19,28,910	
	L&T Interstate Road Corridor Limited	10	5,71,60,000	—	—	5,71,60,000	57,16,00,000	
	L&T Krishnagiri Thopur Toll Road Limited	10	7,87,50,000	—	—	7,87,50,000	78,75,00,000	
	L&T Krishnagiri Walajahpet Tollways Limited	10	8,99,97,400	—	—	8,99,97,400	89,99,74,000	
	L&T Metro Rail (Hyderabad) Limited	10	52,46,99,600	61,91,44,020	—	1,14,38,43,620	11,43,84,36,200	

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Sr. No.	Particulars	Face value ₹ per share	Number of shares				As at 31.03.2014	As at 31.03.2013
			As at 01.04.2013	Purchased / subscribed during the year	Sold during the year	As at 31.03.2014		
			(₹)	(₹)	(₹)	(₹)	(₹)	
	Trade investments:							
	L&T Panipat Elevated Corridor Limited	10	8,43,00,000	–	–	8,43,00,000	84,30,00,000	84,30,00,000
	L&T Port Kachchigarh Limited	10	41,60,000	–	–	41,60,000	4,16,00,000	4,16,00,000
	L&T Rajkot Vadinar Tollway Limited	10	10,99,99,900	–	–	10,99,99,900	1,09,99,99,000	1,09,99,99,000
	L&T Samakhiali Gandhidham Tollway Limited	10	8,05,08,133	18,867	–	8,05,27,000	80,52,70,000	80,50,81,330
	L&T Transco Private Limited	10	10,000	–	–	10,000	1,00,000	1,00,000
	L&T Transportation Infrastructure Limited	10	3,05,36,000	–	–	3,05,36,000	53,13,66,014	53,13,66,014
	L&T Vadodara Bharuch Tollway Limited	10	4,35,00,000	–	–	4,35,00,000	43,50,00,000	43,50,00,000
	L&T Western Andhra Tollways Limited	10	5,65,00,000	–	–	5,65,00,000	56,50,00,000	56,50,00,000
	L&T Western India Tollbridge Limited	10	1,39,50,007	–	–	1,39,50,007	13,95,00,070	13,95,00,070
	L&T Sambalpur - Rourkela Tollway Limited	10	–	5,50,000	–	5,50,000	55,00,000	–
	PNG Tollway Limited	10	6,04,70,162	2,06,97,838	–	8,11,68,000	81,16,80,000	60,47,01,620
	Narmada Infrastructure Construction Enterprise Limited	10	67,01,500	4,06,48,507	–	4,73,50,007	52,74,81,710	12,09,96,640
	Less: Provision for diminution in value						(4,16,00,000)	–
							27,97,84,14,162	19,83,25,98,952
(b)	Investment in joint venture:							
	Fully paid equity shares:							
	The Dhamra Port Company Limited	10	32,39,99,960	–	#	–	–	3,23,99,99,600
					#32,39,99,960			–
								3,23,99,99,600
(c)	Investments in associate companies:							
	Fully paid equity shares :							
	International Seaports Haldia (Private) Limited	10	98,30,000	–	–	98,30,000	9,83,00,000	9,83,00,000
							9,83,00,000	9,83,00,000
(d)	Investment in other companies:							
	Fully paid equity shares:							
	Second Vivekananda Bridge Tollway Company Private Limited	10	1,000	–	–	1,000	10,000	10,000
	SICAL Iron Ore Terminals Limited	10	1,43,00,000	–	–	1,43,00,000	14,30,00,000	14,30,00,000
							14,30,10,000	14,30,10,000
	Investment in Unquoted equity instruments - Total						28,21,97,24,162	23,31,39,08,552
(ii)	Investments in debentures:							
(a)	Issued by subsidiary:							
	L&T Panipat Elevated Corridor Limited - 10.56% secured redeemable non-convertible debentures (unquoted)	10,00,000	2,450	–	# 100	2,350	2,35,00,00,000	2,45,00,00,000
	Investments in Debentures - Total						2,35,00,00,000	2,45,00,00,000
	Total Non Current Investments						30,56,97,24,162	25,76,39,08,552

* Sri Lankan Rupees

** Singapore Dollar

represents reclassification to current portion of long-term investments

represents reclassification to current investments

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**Note F(ii):**

The Company had pledged its investment in the equity shares of the following companies, to the lenders of term loan of the respective companies

Sl. No	Name of the Company	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
(a)	Subsidiary companies				
1.	L&T Krishnagiri Thopur Toll Road Limited	20,47,49,980		40,16,24,970	
2.	L&T Western Andhra Tollway Limited	14,68,99,980		28,81,49,970	
3.	L&T Vadodara Bharuch Tollway Limited	11,30,99,980		22,18,49,960	
4.	L&T Interstate Road Corridor Limited	14,86,15,980		27,59,97,510	
5.	L&T Krishnagiri Walahjapet Tollway Limited	45,89,86,710		45,89,86,710	
6.	L&T Metro Rail (Hyderabad) Limited	5,32,87,02,470		2,36,29,29,960	
7.	L&T Samakhiali Gandhidham Tollway Limited	41,06,87,670		41,05,91,450	
8.	L&T Devihalli Hassan Tollways Limited	44,09,99,490		44,09,99,490	
9.	PNG Tollway Limited	41,39,56,780		30,83,97,810	
			7,66,66,99,040		5,16,95,27,830
(b)	Others				
	Second Vivekananda Bridge Tollway Company Private Limited		10,000		10,000
			7,66,67,09,040		5,16,95,37,830

Note F(iii):

Disclosures pursuant to Accounting Standard (AS 13) "Accounting for Investments"

The Company has given, inter alia, the following undertakings in respect of its investments:

- (a) Jointly with Larsen & Toubro Limited (holding company), to the term lenders of L&T Transportation Infrastructure Limited (LTTIL) not to reduce their joint shareholding in LTTIL below 51% until the financial assistance received from the term lenders is repaid in full by LTTIL.
- (b) Jointly with Tata Steel Limited to the term lenders of The Dhamra Port Company Limited (DPCL) not to reduce the joint shareholding in DPCL below 26% during the concession period.
- (c) To the term lenders of the following companies, not to reduce its shareholding below 26% till final settlement to the term lenders.
 - L&T Panipat Elevated Corridor Limited
 - L&T Krishnagiri Thopur Toll Road Limited
 - L&T Western Andhra Tollway Limited
 - L&T Interstate Road Corridor Limited
- (d) To the term lenders of L&T Vadodara Bharuch Tollway Limited not to reduce its shareholding below 51% upto a period of 3 years after Commercial Operation Date (COD) and below 26% till final settlement to the term lenders.
- (e) Jointly with Larsen & Toubro Limited (holding company) to the term lenders of L&T Metro Rail (Hyderabad) Limited (LTMRHL) to pledge 51% of the paid-up and voting equity share capital of LTMRHL.
- (f) Jointly with Larsen & Toubro Limited (holding company), to the term lenders of L&T Krishnagiri Walajahpet Tollway Limited (LTKWTL) not to reduce their joint shareholding in LTKWTL below 51% until the financial assistance received from the term lenders is repaid in full by LTKWTL.
- (g) Jointly with Larsen & Toubro Limited (holding company) and L&T Transco Private Limited (subsidiary company), to the term lenders of L&T Samakhiali Gandhidham Tollway Limited (LTSGTL) not to reduce their joint shareholding in LTSGTL below 51% until the financial assistance received from the term lenders is repaid in full by LTSGTL.
- (h) To the term lenders of the following companies, not to divest control without the prior approval of the lenders and Gujarat State Road Development Corporation Limited.
 - L&T Rajkot Vadinar Tollway Limited
 - L&T Ahmedabad Maliya Tollway Limited
 - L&T Halol Shamlaji Tollway Limited
- (i) To the term lenders of L&T Devihalli Hassan Tollway Limited (LTDHTL) not to reduce the shareholding in LTDHTL below 51% until the financial assistance received from the term lenders is repaid in full by LTDHTL.
- (j) To the term lenders of L&T East-West Tollway Limited (LTEWTL) not to reduce the shareholding below 51% and to retain management control in LTEWTL until the financial assistance received from the term lenders is repaid in full by LTEWTL.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

- (k) To the term lenders of L&T Great Eastern Highway Limited (LTGEHL) not to reduce the shareholding below 51% and to retain management control in LTGEHL until the financial assistance received from the term lenders is repaid in full by LTGEHL.
- (l) To the term lenders of Kudgi Transmission Limited (KTL) not to reduce the shareholding below 51% and to retain management control in KTL until the financial assistance received from the term lenders is repaid in full by KTL.

G LONG TERM LOANS AND ADVANCES

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
Loans and advances to related parties				
Subsidiary companies:				
Unsecured loans (including interest accrued thereon) [refer note G(i) & G(ii)]	9,62,64,33,633		5,85,90,53,677	
Advance towards equity commitment	-		8,25,00,000	
Advance paid for purchase of investments	-		20,71,67,050	
		9,62,64,33,633		6,14,87,20,727
TOTAL		9,62,64,33,633		6,14,87,20,727

G(I) UNSECURED LOANS TO SUBSIDIARY COMPANIES REPRESENTS

Name of the Subsidiary	As at 31.03.2014	As at 31.03.2013
	₹	₹
(a) Interest-free, Mezzanine debt given to its subsidiary, L&T Krishnagiri Walajahpet Tollway Limited as per Schedule II of the Common Loan Agreement dated November 03, 2010. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	35,89,00,000	35,89,00,000
(b) Interest-free Mezzanine debt given to its subsidiary, L&T Halol - Shamlaji Tollway Limited as per Part B of Schedule III of the Common Loan Agreement dated August 28, 2009. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	1,30,50,00,000	1,30,50,00,000
(c) Interest-free Mezzanine debt given to its subsidiary, L&T Ahmedabad - Maliya Tollway Limited as per Schedule IX of the Common Loan Agreement dated October 09, 2009. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	1,00,00,00,000	1,00,00,00,000
(d) Interest-free Mezzanine debt given to its subsidiary, L&T Rajkot - Vadinar Tollway Limited as per Part B of Schedule III of the Common Loan Agreement dated August 28, 2009. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	1,10,00,00,000	1,10,00,00,000
(e) Interest-free Mezzanine debt given to its subsidiary, L&T Samakhiali Gandhidham Tollway Limited as per Schedule II of the Common Loan Agreement dated July 03, 2010. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	8,50,00,000	5,50,00,000
(f) Interest-free Mezzanine debt given to its subsidiary, L&T BPP Tollway Limited as per Schedule II of the Common Loan Agreement dated November 17, 2011. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders as per the terms of the Agreement.	2,10,80,00,000	-
(g) Mezzanine debt (including interest accrued thereon) given to its subsidiary, PNG Tollway Limited as per Part B of Schedule II of the Common Loan Agreement dated December 30, 2009. The repayment of this debt will be made only after secured obligations are discharged by the subsidiary to its lenders. Interest is payable at SBI bank rate + predetermined spread + 0.05% after obtaining approval of lenders.	98,69,49,237	88,94,56,106
TOTAL	6,94,38,49,237	4,70,83,56,106

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**G(II) CASH SUPPORT GRANTED TO THE FOLLOWING SUBSIDIARIES AT RBI BANK RATE (presently at 9 % p.a.)**

Name of the Subsidiary	As at 31.03.2014	As at 31.03.2013
	₹	₹
L&T Ahmedabad Maliya Tollway Limited	52,40,00,000	28,60,00,000
L&T Halol Shamlaji Tollway Limited	46,00,00,000	35,00,00,000
L&T Rajkot Vadinar Tollway Limited	79,17,00,000	28,17,00,000
L&T Samakhiali Gandhidham Tollway Limited	22,51,00,000	22,51,00,000
PNG Tollway Limited	57,57,00,000	—
TOTAL	2,57,65,00,000	1,14,28,00,000

Interest of ₹ 10,60,84,396 (previous year ₹ 78,97,571) on the above cash support is payable after obtaining approval of the lenders of respective subsidiaries.

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
H (I) CURRENT INVESTMENTS				
Investment in join venture [refer note Q(15)]				
The Dhamra Port Company Limited	3,23,99,99,600		—	
32,39,99,960 equity shares of ₹ 10 each				
Investment in unquoted equity instruments [refer note D(IV)(i)]				
Ennore Tank Terminals Private Limited	6,78,75,000		6,78,75,000	
67,87,500 equity shares of ₹ 10 each				
(previous year: 67,87,500 equity shares of ₹ 10 each)				
Investment in quoted money market mutual funds	1,03,19,863		8,00,00,000	
Current portion of long-term investments				
Investment in Debentures				
L&T Panipat Elevated Corridor Limited - 10.56% secured	10,00,00,000		5,00,00,000	
non convertible debentures 100 nos. of ₹ 10,00,000 each				
(previous year: 50 nos. of ₹ 10,00,000 each)				
		3,41,81,94,463		19,78,75,000
TOTAL		3,41,81,94,463		19,78,75,000
Aggregate amount of quoted investments		1,03,19,863		8,00,00,000
Market value of quoted investments		1,04,14,142		8,00,83,878
Aggregate amount of unquoted investments		3,40,78,74,600		11,78,75,000
H (II) TRADE RECEIVABLES				
Unsecured considered good				
Debts outstanding for a period of more than 6 months	1,68,00,629		—	
Other debts	18,30,61,671		3,44,09,115	
		19,98,62,300		3,44,09,115
TOTAL		19,98,62,300		3,44,09,115

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
H (III) CASH AND BANK BALANCES				
Cash and cash equivalents				
Balance with banks on current accounts	15,61,17,123		5,80,92,229	
Bank deposits with maturity less than 3 months (including interest accrued thereon)	–		4,40,15,671	
		15,61,17,123		10,21,07,900
Other bank balances				
Bank deposits with maturity more than 3 months but less than 12 months (including interest accrued thereon)		51,39,428		55,90,325
Earmarked bank account for Non Convertible Debentures		5,71,166		10,000
TOTAL		16,18,27,717		10,77,08,225
H (IV) SHORT-TERM LOANS AND ADVANCES				
Unsecured, considered good				
Loans and advances to related parties				
Holding company				
Advance recoverable	28,67,50,841		–	
		28,67,50,841		–
Subsidiary companies:				
Unsecured loans [refer note H(IV)(i)]	50,89,73,096		2,15,88,00,000	
Other advances	20,53,21,842		19,06,16,024	
		71,42,94,938		2,34,94,16,024
Less: Provision for doubtful advance	35,22,875		–	
		71,07,72,063		
Joint venture companies:				
Inter-corporate deposits (including interest accrued)		50,05,91,780		–
Security deposits				
Other short term loans and advances				
Advance tax (net of current year provision)	10,18,88,099		21,16,487	
Advance tax (net of previous years provisions)	20,75,16,565		20,54,00,078	
Security deposits	51,95,129		55,77,256	
Other advances [refer note H(IV)(ii)]	15,08,89,421		7,40,86,216	
		46,54,89,214		28,71,80,037
TOTAL		1,96,36,03,898		2,63,65,96,061

Note H(IV):

- (i) Unsecured loans to subsidiaries includes
- Interest free short-term funding of ₹ 41,88,00,000 (previous year ₹ 41,88,00,000) provided to the L&T Panipat Elevated Corridor Limited.
 - Cash support granted to L&T Devihalli Hassan Tollway Limited (L&T DHTL) as short term funding at RBI bank rate (presently at 9%) of ₹ 9,00,00,000 (previous year ₹ Nil) for the purpose of carrying out additional works and change of scope in the project. The same will be repaid by L&T DHTL, partly from NHAI reimbursement and partly from project cash flows.
- (ii) Other advances includes expenses of ₹ 5,92,94,115 incurred on behalf of L&T IDPL Roads Trust and the same is reimbursable by the Trust as per the agreement with the Company.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014	As at 31.03.2013
	₹	₹
H (V) OTHER CURRENT ASSETS		
Interest accrued on investments	24,49,05,060	23,77,30,193
Unamortised discount on commercial papers	13,16,44,254	8,66,13,206
Due from Customers	5,55,178	
TOTAL	37,71,04,492	32,43,43,399
I CONTINGENT LIABILITIES:		
(i) Income tax liability (including penalty) that may arise in respect of which Company is in appeal ₹ 6,94,82,226 (previous year: ₹ 6,94,82,226)		
(ii) Contingent liability in respect of guarantees issued on behalf of subsidiaries ₹ 2,66,73,60,000 (previous year: ₹ 93,50,07,962)		
(iii) The Company is contingently liable to the extent of its investments pledged [refer note F(ii)] for loans taken by:		
Subsidiary companies	7,66,66,99,040	5,16,95,27,830
Other Company	10,000	10,000
TOTAL	7,66,67,09,040	5,16,95,37,830
J COMMITMENTS:		
(a) Commitments quantifiable		
(i) Estimated amount of committed funding by way of equity / loans to subsidiary and associate companies ₹ 42,94,19,63,800 (previous year ₹ 49,28,64,04,000)		
(ii) Estimated amount of contracts remaining to be executed on capital account ₹ Nil (previous year ₹ Nil)		
(b) Commitments not quantifiable		
(i) The Company has given undertakings to the term lenders of the following subsidiaries to meet the cost overrun to the extent of 5% of the project cost		
(a) L&T Krishnagiri Thopur Toll Road Limited		
(b) L&T Western Andhra Tollway Limited		
(c) L&T Rajkot Vadinar Tollway Limited		
(d) L&T Ahmedabad Maliya Tollway Limited		
(e) L&T Devihalli Hassan Tollway Limited		
(f) L&T BPP Tollway Limited		
(g) L&T Halol Shamlaji Tollway Limited		
(h) L&T Deccan Tollway Limited		
(i) L&T East-West Tollway Limited		
(j) L&T Great Eastern Highway Limited		
(k) Kudgi Transmission Limited		
(ii) The Company has given an undertaking jointly with Larsen & Toubro Limited (holding company) to the term lenders of L&T Metro Rail (Hyderabad) Limited (LTMRHL) to meet the cost overrun to the extent of 5% of the project cost.		
(iii) The Company has given an undertaking jointly with Larsen & Toubro Limited (holding company) to the term lenders of L&T Krishnagiri Walajahpet Tollway Limited (LTKWTL) to meet the cost overrun to the extent of 5% of the project cost.		
(iv) The Company has given an undertaking jointly with Larsen & Toubro Limited (holding company) and L&T Transco Private Limited (subsidiary company), to the term lenders of L&T Samakhiali Gandhidham Tollway Limited to meet the cost overrun to the extent of 5% of the project cost.		
(v) The Company has given, inter alia, the following commitments to the term lenders of L&T Chennai Tada Tollway Limited,		
– to meet the cost overrun of the project, in future if any		
– to bring in an amount upto ₹ 178.74 Cr on a need basis in the form of Mezzanine debt, after drawal of loan of ₹175 cr in full in order to meet the reduction in the quantum of loan by the lenders and increase in the project cost as reduced by increase in internal accruals.		

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

- (vi) The Company has given, inter alia, the following commitments in respect of its investments:
- (a) Jointly with Larsen & Toubro Limited (holding company), to the term lenders of L&T Transportation Infrastructure Limited (LTTIL) to jointly meet the shortfall in the working capital requirements of LTTIL until the financial assistance received from the term lenders is repaid in full by LTTIL.
 - (b) To the term lenders of L&T Vadodara Bharuch Tollway Limited (LTVBTL) to provide financial support to LTVBTL to meet shortfall, if any, in meeting the debt repayment after receipt of Termination payment from NHAI, in the event of a termination of the Concession Agreement pursuant to occurrence of the Concessionaire Event of Default or any Force Majeure Event as stated in the said Concession Agreement.
 - (c) Jointly with Larsen & Toubro Limited (holding company) to the term lenders of L&T Metro Rail (Hyderabad) Limited (LTMRHL):
 - balance of the Sponsors' Contribution towards Project Equity Capital (except Government of Andhra Pradesh Grant) and to maintain the stipulated Debt to Equity Ratio from time to time.
 - to provide funds to LTMRHL in case the Government of Andhra Pradesh Grant is not received in time.
 - to meet the shortfall if any, in maintaining the Debt Service Coverage Reserve at 1.0 time to the maximum extent of ₹ 503 crores as envisaged under the base case financial model.
 - (d) To the term lenders of L&T Rajkot Vadinar Tollway Limited to meet the shortfall in maintaining the Debt Service Coverage Reserve at 1.2 times from the project completion date till March 31, 2015, to the maximum extent of ₹ 25 crores.
 - (e) To the term lenders of L&T Ahmedabad Maliya Tollway Limited for meeting the shortfall (if any) subject to a maximum of ₹ 30 crores, in maintaining the Debt Service Coverage Reserve at 1.2 times till three years from the date of Commercial Operations Date (COD).
 - (f) To the term lenders of L&T Devihalli Hassan Tollway Limited to provide one time sponsor contribution of ₹ 10 crores in the form of lien marked fixed deposit for a period of 7 years from the date of COD.
 - (g) To the term lenders of L&T BPP Tollway Limited to meet shortfall as provided in the base case revenue projections for the first two years post COD.
 - (h) To the term lenders of L&T Deccan Tollway Limited to meet shortfall as provided in the base case revenue projections during the initial years post COD to ensure DSCR of 1.2 times, and to provide Bank Guarantee to the extent required for Major Maintenance Reserve (MMR) outflow during the years 2021-22 to 2024-25 for maintaining DSCR of 1.2 times.
 - (i) Jointly with Ashoka Buildcon Limited, to the term lenders of PNG Tollway Limited (PNGTL) to meet the shortfall proportionate to share holding in payment of interest in respect of loans in accordance with the terms of the Common Loan Agreement during the period between partial COD and till the commencement of full tolling for the entire project highway.
 - (j) To the term lenders of L&T Krishnagiri Walajahpet Tollway Limited (LTKWTL), to provide to the lenders without recourse to the project assets in the event of shortfall in the debt due to the extent of the difference between the amortisation schedule under the common loan agreement dated November 03, 2010 entered into among, inter alia, LTKWTL and the lenders as adjusted for the shift in the appointed date, and the revised amortisation schedule under the amendment agreement to the common loan agreement dated October 12, 2012 entered into among, inter alia, LTKWTL and the lenders.
 - (k) To the term lenders of L&T East West Tollway Limited (LTEWTL):
 - (i) to bring in adequate support (by way of fund or non-fund means) as per the base case financials, quarterly in advance, to maintain annual DSCR of 1.2 times.
 - (ii) to arrange to infuse interest free funds in LTEWTL without recourse to assets of the Borrower for servicing the sub-ordinate debt obligations of the borrowed by LTEWTL.
 - (iii) to arrange to fund and maintain reserve equivalent to one month of debt servicing obligations for the sub-ordinate facility in the escrow account of the LTEWTL.
 - (l) To the Compulsorily Convertible Loan (CCL) lenders of L&T East West Tollway Limited (LTEWTL)
 - (i) to contribute/arrange funds into LTEWTL to meet interest payments under the CCL facility, and to repay the loans under the CCL facility in full on or before the scheduled completion of the project.
 - (ii) Invest/arrange sufficient funds
 - to meet any shortfall in cash/reserves in the Borrower and to enable timely servicing of the Facility (including redemption of Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS));
 - to meet any payment obligation arising on the Borrower under the CCL/OCCRPS Facility.
 - (iii) to subscribe to the equity shares of LTEWTL, to ensure that the minimum paid-up equity capital of LTEWTL is sufficient, such that post conversion of loans under the CCL facility into OCCRPS, the OCCRPS do not exceed 30% of the paid-up capital of LTEWTL and the same is in compliance with Section 19(2) of the Banking Regulation Act, 1949.
 - (iv) to provide adequate support (by way of fund or non fund means) to L&TEWTL to enable LTEWTL to fund and maintain debt service reserve account for the CCL Facility

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

- (m) To the term lenders of L&T Great Eastern Highway Limited (LTGEHL):
- (i) to bring in adequate support (by way of fund or non-fund means) as per the base case financials, quarterly in advance, to maintain annual DSCR of 1.2 times.
 - (ii) to arrange to infuse interest free funds in LTGEHL without recourse to assets of the Borrower for servicing the sub-ordinate debt obligations of the borrowed by LTGEHL.
 - (iii) to arrange to fund and maintain reserve equivalent to one month of debt servicing obligations for the sub-ordinate facility in the escrow account of the Borrower
- (n) To the Compulsorily Convertible Loan (CCL) lenders of L&T Great Eastern Highway Limited (LTGEHL)
- (i) to contribute/arrange funds into LTGEHL to meet interest payments under the CCL facility, and to repay the loans under the CCL facility in full on or before the scheduled completion of the project.
 - (ii) Invest/arrange sufficient funds
 - to meet any shortfall in cash/reserves in the Borrower and to enable timely servicing of the Facility (including redemption of OCCRPS);
 - to meet any payment obligation arising on the Borrower under the CCL/OCCRPS Facility.
 - (iii) to subscribe to the equity shares of LTGEHL, to ensure that the minimum paid-up equity capital of LTGEHL is sufficient, such that post conversion of loans under the CCL facility into OCCRPS, the OCCRPS do not exceed 30% of the paid-up capital of LTGEHL and the same is in compliance with Section 19(2) of the Banking Regulation Act, 1949.
 - (iv) to provide adequate support (by way of fund or non fund means) to LTGEHL to enable LTGEHL to fund and maintain debt service reserve account for the CCL Facility
- (vii) The Company has given a commitment to the debenture trustees of L&T Ahmedabad Maliya Tollway Limited and L&T Halol Shamlaji Tollway Limited under Option Agreements dated July 2, 2013 and August 2, 2013 to purchase the debentures in accordance with the terms of the put option mentioned in the Option Agreements.
- (viii) The Company has given an undertaking to provide financial support to the following subsidiary companies as estimated below. Further financial support would be provided on a need basis.

Name of the Subsidiary	As at 31.03.2014	As at 31.03.2013
	₹	₹
L&T Port Kachchigarh Limited	-	1,64,00,000
L&T Transco Private Limited	89,00,000	89,00,000
International Seaports India (Private Limited)	52,78,000	1,96,00,000

- (xi) The Company has given non divestment commitments as mentioned in Note F(iii).

	2013-14		2012-13	
	₹	₹	₹	₹
K REVENUE FROM OPERATIONS:				
Construction activity [refer note Q(3)]	82,75,57,366			-
Project facilitation and advisory service fees	61,29,50,827		33,87,18,959	
Income from wind power generation	7,25,63,415		9,27,15,371	
Other operating revenues				
Lease rental income from Plant and Machinery	-		36,78,653	
Facility management services	1,06,59,743		1,21,02,813	
Business support services	19,67,91,269		17,08,38,297	
		20,74,51,012		18,66,19,763
TOTAL		1,72,05,22,620		61,80,54,093

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	2013-14		2012-13	
	₹	₹	₹	₹
L OTHER INCOME:				
Interest income:				
From holding company				
On inter corporate deposits	-		3,20,30,877	
From subsidiary companies				
On debentures	25,89,51,452		24,01,31,508	
On inter corporate deposits	-		9,12,92,128	
On other loans	20,09,62,972		87,88,262	
From joint ventures companies				
On inter corporate deposits	7,61,09,589		-	
From bank deposits	4,48,973		41,38,820	
From others	-		3,12,714	
		53,64,72,986		37,66,94,309
Dividend income on				
Long-term investments	5,89,80,000		-	
		5,89,80,000		-
Profit on sale of current investments		2,00,35,963		7,38,70,933
Miscellaneous income		9,60,488		7,78,570
TOTAL		61,64,49,437		45,13,43,812
M (II) CONSTRUCTION AND OPERATING EXPENSES:				
Construction expenses				
Construction materials	9,74,60,795		-	
Sub-contracting charges	80,68,55,169		-	
		90,43,15,964		-
Operating expenses				
Professional and consultancy charges	7,37,78,228		6,04,10,002	
Tender document expenses	1,01,47,272		82,34,925	
Rates and taxes	67,98,220		-	
Repairs and maintenance to machinery	1,03,55,047		99,57,461	
Insurance	70,18,010		73,96,710	
		10,80,96,777		8,59,99,098
TOTAL		1,01,24,12,741		8,59,99,098
N EMPLOYEE BENEFIT EXPENSE:				
Salaries and wages		24,66,03,110		23,12,51,885
Cost of services		12,79,239		1,27,48,667
Contribution to and provision for:				
Provident fund	1,30,40,836		88,63,650	
Gratuity	2,03,821		52,15,354	
Compensated absences	14,77,137		1,29,93,106	
Superannuation	17,81,905		18,41,236	
		1,65,03,699		2,89,13,346
Staff welfare expenses		1,55,37,970		77,84,777
TOTAL		27,99,24,018		28,06,98,675

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	2013-14		2012-13	
	₹	₹	₹	₹
O FINANCE COST				
Interest expenses	36,03,60,919		56,65,836	
Interest on redeemable non-convertible fixed rate debentures	17,64,35,863		16,81,81,151	
Amortised discount on commercial paper	28,73,93,952		7,88,99,559	
		82,41,90,734		25,27,46,546
Other borrowing cost		1,00,00,000		–
TOTAL		83,41,90,734		25,27,46,546
P ADMINISTRATION AND OTHER EXPENSES:				
Other professional charges		3,46,14,110		4,22,20,048
Insurance		93,55,197		58,65,535
Rent [refer note P(i)]		2,35,94,384		2,07,98,051
Rates and taxes		16,50,293		10,72,058
Repairs & maintenance				
Buildings	12,60,501		10,96,847	
Others	3,34,09,430		1,62,83,219	
		3,46,69,931		1,73,80,066
Printing & stationery		18,36,534		25,42,423
Power & electricity charges		17,35,280		19,14,021
Communication & postage		1,45,12,128		1,24,40,249
Bank and bank guarantee charges		5,04,367		18,53,307
Travelling & conveyance		4,17,46,016		4,57,67,386
Exchange loss (net)		5,67,650		19,975
Provision for expected losses on construction activity		5,14,44,954		–
Provision for diminution of investment		4,16,00,000		–
Provision for doubtful advance		35,22,875		–
Loss on sale of fixed assets		1,03,35,012		–
Miscellaneous expenses [refer note P(ii)]		1,40,91,426		1,38,69,334
TOTAL		28,57,80,157		16,57,42,453

Note P(i):

The Company has taken residential premises and office premises under cancellable operating leases. These lease agreements are normally renewed on expiry. Lease rental expenses in respect of operating leases for the year is ₹ 2,35,94,384 (previous year ₹ 2,07,98,051)

Note P(ii):

Miscellaneous expenses include Auditors remuneration (excluding service tax)

PARTICULARS	2013-14	2012-13
	₹	₹
As auditor	5,10,000	5,10,000
For taxation matters	2,10,000	1,45,000
For Company law matters	12,000	20,000
For other services	3,71,500	7,05,800
Limited review and other services	3,33,600	5,33,600
For reimbursement of expenses	26,098	69,184
TOTAL	14,63,198	19,83,584

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Q(1) Particulars in respect of loans and advances in the nature of loans as required by the listing agreement:

Name of the Company	Balance as at		Maximum outstanding during	
	31.03.2014	31.03.2013	2013-14	2012-13
(a) Loans and advances in the nature of loans given to holding company:				
Larsen and Toubro Limited	-	-	-	1,78,00,00,000
	-	-		
(b) Loans and advances in the nature of loans given to subsidiaries:				
L&T Panipat Elevated Corridor Limited	41,88,00,000	41,88,00,000	41,88,00,000	41,88,00,000
L&T Vadodara Bharuch Tollway Limited	-	1,74,00,00,000	1,74,00,00,000	1,74,00,00,000
L&T Devihalli Hassan Tollways Limited	9,00,00,000	-	9,00,00,000	50,00,000
L&T Krishnagiri Walajahpet Tollways Limited	35,89,00,000	36,65,25,000	36,65,25,000	36,65,25,000
L&T Metro Rail (Hyderabad) Limited	-	-	-	16,00,00,000
L&T Ahmedabad Maliya Tollway Limited	1,52,40,00,000	1,28,60,00,000	1,52,40,00,000	1,28,60,00,000
L&T Halol Shamlaji Tollway Limited	1,76,50,00,000	1,65,50,00,000	1,76,50,00,000	1,65,50,00,000
L&T Samakhiali Gandhidham Tollway Limited	31,01,00,000	22,51,00,000	31,01,00,000	22,51,00,000
L&T BPP Tollway Limited	2,10,80,00,000	-	2,10,80,00,000	-
PNG Tollway Limited	1,38,73,80,000	81,16,80,000	1,38,73,80,000	81,16,80,000
L&T Rajkot Vadinar Tollway Limited	1,89,17,00,000	1,38,17,00,000	1,89,17,00,000	1,38,17,00,000
	9,85,38,80,000	7,88,48,05,000		
(c) Loans and advances in the nature of loans given to joint venture:				
The Dhamra Port Company Limited	50,00,00,000	-	90,00,00,000	-
	50,00,00,000	-		
(d) Loans and advances in the nature of loans where repayment schedule is not specified/is beyond 7 years:				
L&T Panipat Elevated Corridor Limited	41,88,00,000	41,88,00,000	41,88,00,000	43,88,00,000
L&T Vadodara Bharuch Tollway Limited	-	1,74,00,00,000	1,74,00,00,000	1,74,00,00,000
L&T Ahmedabad Maliya Tollway Limited	1,00,00,00,000	1,00,00,00,000	1,00,00,00,000	1,00,00,00,000
L&T Halol Shamlaji Tollway Limited	1,30,50,00,000	1,30,50,00,000	1,30,50,00,000	1,30,50,00,000
L&T Samakhiali Gandhidham Tollway Limited	31,01,00,000	22,51,00,000	31,01,00,000	22,51,00,000
L&T Rajkot Vadinar Tollway Limited	1,10,00,00,000	1,10,00,00,000	1,10,00,00,000	1,10,00,00,000
L&T BPP Tollway Limited	2,10,80,00,000	-	2,10,80,00,000	-
L&T Krishnagiri Walajahpet Tollways Limited	35,89,00,000	36,65,25,000	36,65,25,000	36,65,25,000
PNG Tollway Limited	81,16,80,000	81,16,80,000	81,16,80,000	81,16,80,000
	7,41,24,80,000	6,96,71,05,000		
(e) Loans and advances in the nature of loans where interest is not charged or charged below bank rate:				
L&T Panipat Elevated Corridor Limited	41,88,00,000	41,88,00,000	41,88,00,000	41,88,00,000
L&T Vadodara Bharuch Tollway Limited	-	1,74,00,00,000	1,74,00,00,000	1,74,00,00,000
L&T Krishnagiri Walajahpet Tollways Limited	35,89,00,000	36,65,25,000	36,65,25,000	36,65,25,000
L&T Ahmedabad Maliya Tollway Limited	1,00,00,00,000	1,00,00,00,000	1,00,00,00,000	1,00,00,00,000
L&T Halol Shamlaji Tollway Limited	1,30,50,00,000	1,30,50,00,000	1,30,50,00,000	1,30,50,00,000
L&T Rajkot Vadinar Tollway Limited	1,10,00,00,000	1,10,00,00,000	1,10,00,00,000	1,10,00,00,000
L&T BPP Tollway Limited	2,10,80,00,000	-	2,10,80,00,000	-
L&T Samakhiali Gandhidham Tollway Limited	8,50,00,000	-	8,50,00,000	-
	6,37,57,00,000	5,93,03,25,000		

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Name of the Company	Balance as at		Maximum outstanding during	
	31.03.2014	31.03.2013	2013-14	2012-13
(f) Equity investments in subsidiaries given in Q(1)(b) above:				
L&T Panipat Elevated Corridor Limited	84,30,00,000	84,30,00,000		
L&T Vadodara Bharuch Tollway Limited	43,50,00,000	43,50,00,000		
L&T Devihalli Hassan Tollways Limited	89,99,99,000	89,99,99,000		
L&T Krishnagiri Walajahpet Tollways Limited	89,99,74,000	89,99,74,000		
L&T Metro Rail (Hyderabad) Limited	11,43,84,36,200	5,24,69,96,000		
L&T Ahmedabad Maliya Tollway Limited	1,48,99,99,000	1,48,99,99,000		
L&T Halol Shamlaji Tollway Limited	1,30,49,99,000	1,30,49,99,000		
L&T Samakhiali Gandhidham Tollway Limited	80,52,70,000	80,50,81,330		
L&T BPP Tollway Limited	2,47,20,00,000	1,96,93,50,000		
L&T Rajkot Vadinar Tollway Limited	1,09,99,99,000	1,09,99,99,000		
PNG Tollway Limited	81,16,80,000	60,47,01,620		
	22,50,03,56,200	15,59,90,98,950		

There is no investment by the loanee in the Company/Subsidiary Company's Shares.

Q(2) The Company is engaged in the business of generation of wind power. Accordingly, information as applicable to wind power operations is given below.

Annual capacity and generation of wind power		Unit of measurement	2013-14	2012-13
Installed capacity		MW	8.7	8.7
Production	(A)	KWH	1,58,37,420	2,08,96,190
Power consumed for starting WTG from grid	(B)	KWH	1,21,130	1,29,928
Wheeling charges and banking charges as per wheeling agreement with TNEB	(C)	KWH	7,83,798	19,47,316
Invoicing on L&T	(D)	KWH	1,44,29,847	1,58,80,381
Invoicing on TNEB	(A-B-C-D)	KWH	5,02,645	29,38,565

The Company has five wind turbine generators (WTG) in Tamil Nadu with an aggregate capacity of 8.7MW.

The Company had entered into a Power Supply Agreement dated March 18, 2010 with Larsen & Toubro Limited (L&T) [extended upto March 31, 2014], the holding company, under which the Company would sell the power generated to L&T at its establishments located in Tamil Nadu and registered with Tamil Nadu Electricity Board (TNEB), as a captive consumer at rates agreed in the said agreement for the units consumed at the end of each month.

The Company had also entered into Wheeling agreement with TNEB dated March 19, 2010 under which the surplus units not consumed by L&T would be banked and sold to TNEB at the rates agreed in the said wheeling agreements.

Q(3) Disclosure pursuant to Accounting Standard (AS) 7 (Revised) "Construction Contracts"

PARTICULARS	2013-14
	₹
i) Contract revenue recognised for the financial year [Note K]	82,75,57,366
ii) Aggregate amounts of contract costs incurred and recognised profits (Less: recognised losses) as at the end of the financial year for all contracts in progress as at that date	87,42,26,457
iii) Amount of customer advances outstanding for contracts in progress as at end of the financial year	46,12,36,493
iv) Retention amounts by customers for contracts in progress as at end of the financial year	3,56,98,187

Note: The amount disclosed above relates to the first year of construction business

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**Q(4) Deferred Tax:**

Major components of deferred tax liabilities and deferred tax assets:

Particulars	As at 31.03.2014	As at 31.03.2013
	₹	₹
Deferred tax liabilities		
Difference between carrying amounts of fixed assets in the books and WDV for income tax purposes.	5,38,87,945	67,75,95,155
Total deferred tax liabilities	5,38,87,945	67,75,95,155
Less: Deferred tax assets		
Leave encashment	81,79,901	90,36,269
Gratuity	4,73,630	13,64,726
Provident Fund	8,35,050	–
Provision for doubtful advances	11,97,425	–
Total deferred tax assets	1,06,86,006	1,04,00,995
Net deferred tax liability / (asset)	4,32,01,939	5,73,94,160
Net incremental provision for deferred tax liability / (asset)	(1,41,92,221)	(41,97,317)

Q(5) Basic and Diluted Earnings per Share ('EPS') computed in accordance with Accounting Standard (AS) 20 'Earnings per Share':

Particulars		2013-14	2012-13
Equity Shares			
Profit after tax available to equity shareholders (₹)	A	(10,31,65,936)	19,69,82,531
Weighted average number of shares (WANES)	B	32,10,49,096	32,10,49,096
Basic and diluted EPS (₹)	A/B	(0.32)	0.61
Face value per equity share (₹)		10.00	10.00
Special Equity Shares			
Profit after tax available to special equity shareholders (₹)	A	–	–
Weighted average number of shares (WANES)	B	110	–
Basic and diluted EPS (₹)	A/B	–	–
Face value per equity share (₹)		10.00	10.00

Basic and diluted EPS for the Special Equity Shares of ₹ 10 each does not arise as the shares are not entitled to any dividend rights.

Q(6) Disclosure pertaining to AS-15(revised) on Employee benefits:**a) The amounts recognised in Balance Sheet are as follows:**

	Gratuity plan		Trust-managed provident fund plan	
	As at	As at	As at	As at
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	₹	₹	₹	₹
A) Present value of defined benefit obligation				
- Wholly funded	2,03,57,077	2,05,66,957	9,85,52,720	7,51,66,084
- Wholly unfunded	–	–	–	–
	2,03,57,077	2,05,66,957	9,85,52,720	7,51,66,084
Less : Fair value of plan assets	1,89,63,637	1,65,51,876	9,67,47,370	7,33,82,390
Amount to be recognised as liability or (asset)	13,93,440	40,15,081	18,05,350	17,83,694
B) Amounts reflected in the Balance Sheet				
Liabilities	13,93,440	40,15,081	18,05,350	17,83,694
Assets	–	–	–	–
Net Liability / (asset)	13,93,440	40,15,081	18,05,350	17,83,694

Net liability under trust managed provident fund plan represents amount payable to the trust for the month of March 2014.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**b) The amounts recognised in the Statement of Profit and loss are as follows:**

	Gratuity plan		Trust-managed provident fund plan	
	As at March 31, 2014 ₹	As at March 31, 2013 ₹	As at March 31, 2014 ₹	As at March 31, 2013 ₹
1 Current service cost	14,35,574	14,48,636	97,90,761	1,56,31,314
2 Interest on Defined benefit obligation	17,48,191	13,73,855	90,28,994	57,66,714
3 Expected return on plan assets ##	(13,09,399)	–	(90,28,994)	(57,66,714)
4 Actuarial losses/(gains)	(10,74,975)	(2,55,865)	24,12,058	–
5 Past service cost	–	–	–	–
6 Actuarial gain/(loss) not recognised in books	–	–	(24,12,058)	–
7 Benefits received	–	26,48,728	–	–
8 Adjustment for earlier years	–	–	–	(72,09,640)
Total (1 to 8)	7,99,391	52,15,354	97,90,761	84,21,674
I Amount included in employee benefit expenses [refer note: Q(6)(b)(1)]	7,99,391	52,15,354	97,90,761	84,21,674
II Amount included as part of "finance costs"	–	–	–	–
Total (I + II)	7,99,391	52,15,354	97,90,761	84,21,674
Actual return on plan assets	13,09,399	–	90,73,688	57,66,714

Note: Q(6)(b)(1) :

Amount included in "employee benefit expenses" for trust managed provident fund represents the total amount payable as employer contribution to Trust managed account and is exclusive of the amount payable to Recognised Provident Fund towards Employee Pension Scheme and other administration charges.

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

	Gratuity plan		Trust-managed provident fund plan	
	As at March 31, 2014 ₹	As at March 31, 2013 ₹	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Opening balance of the present value of defined benefit obligation	2,05,66,957	1,61,63,005	7,51,66,084	3,61,33,897
Add: Current service cost	14,35,574	14,48,636	97,90,761	1,56,31,314
Add: Interest cost	17,48,191	13,73,855	90,28,994	57,66,714
Add: Contribution by plan participants				
i) Employer	–	–	–	–
ii) Employee	–	–	1,34,24,648	2,09,46,518
Add: Actuarial losses/(gains)	(10,74,975)	(2,55,865)	–	–
Add: Benefits received	26,48,728	–	–	–
Less: Benefits paid	23,18,670	8,11,402	(76,02,317)	(32,27,110)
Add: Past service cost	–	–	–	–
Add/(less): Adjustment for earlier years	–	–	(12,55,450)	(85,249)
Closing balance of the present value of defined benefit obligation	2,03,57,077	2,05,66,957	9,85,52,720	7,51,66,084

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

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

	Gratuity plan		Trust-managed provident fund plan	
	As at	As at	As at	As at
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	₹	₹	₹	₹
Opening balance of fair value of plan assets	1,65,51,876	1,18,40,256	7,33,82,390	3,46,53,395
Add: Expected return on plan assets	13,09,399	–	90,28,994	57,66,714
Add/(less): Actuarial losses/(gains)	–	–	(24,12,058)	–
Add: Contribution by employer	34,21,032	54,26,775	97,87,993	1,56,31,314
Add: Contribution by plan participants	–	–	1,34,24,648	2,06,46,700
Less: Benefits paid	23,18,670	8,11,402	(76,02,317)	(32,27,110)
Add: Adjustment for earlier years	96,247	11,37,720	(88,623)	–
Closing balance of fair value of plan assets	1,89,63,637	1,65,51,876	9,67,47,370	7,33,82,390

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

	Gratuity plan		Trust-managed provident fund plan	
	As at	As at	As at	As at
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	₹	₹	₹	₹
Government of India securities	–	–	24%	24%
State government securities	–	–	15%	13%
Special deposit schemes	–	–	13%	14%
Public sector unit bonds	–	–	41%	42%
Corporate bonds	–	–	8%	7%
Insurer managed funds	100%	100%	–	–
	100%	100%	100%	100%

f) Principal actuarial assumptions at the Balance Sheet date:

Particulars	As at 31.03.2014	As at 31.03.2013
1 Discount rate:		
a) Gratuity plan	8.50%	8.50%
b) Trust managed provident fund plan	8.50%	–
c) Compensated absences	8.50%	8.00%
2 Expected return on plan assets:		
a) Gratuity plan ##	0.00%	0.00%
b) Trust managed provident fund plan	7.90%	–
3 Salary growth rate	6.00%	6.00%
4 Attrition rate	5.00%	5.00%

Expected return on plan assets has not been considered for the year ended March 31, 2014 as the same was not credited by LIC to the Gratuity "fund account.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**g) Provision for compensated absences is made on actuarial basis as summarized below**

SI. No	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
A	Summary of employee data		
	Notional benefit obligations on current salary (₹)	68,92,451	72,28,367
	Projected actuarial value of benefit obligation (₹)	2,40,65,609	2,65,85,081
B	Principle rules to compute benefit obligations		
	Salary reckoned for calculating benefit obligations	Basic pay	<i>Basic pay</i>
	Benefit formula for all exits	B1x Leave Balance / 30	<i>B1x Leave Balance / 30</i>
C	Mean financial assumptions		
	Discount rate per unit per annum	8.50%	8.50%
	Salary escalation rate per unit per annum	6.00%	6.00%
D	Mean demographic assumptions		
	Mortality	LIC 94-96 rates	<i>LIC 94-96 rates</i>
	Withdrawal	10%	10%
	Disability	No explicit assumption	<i>No explicit assumption</i>

Q(7) During the year, the Company has filed an application with the Reserve Bank of India for grant of Certificate of Registration as a Systemically Important Core Investment Company (CIC-ND-SI) in terms of Notification No.DNBS (PD) 219/CGM (VS)-2011 dated January 05, 2011.

Q(8) SEGMENTAL REPORTING

Information about business segments - Under the primary segment there are three reportable segments namely, infrastructure development, wind power and construction activity.

Particulars	Infrastructure development		Wind power		Construction activity		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
	₹	₹	₹	₹	₹	₹	₹	₹
Revenue - External	87,93,81,839	52,53,38,722	7,25,63,415	9,27,15,371	82,75,57,366	-	1,77,95,02,620	61,80,54,093
Segment result	50,22,67,390	17,46,54,601	3,71,15,956	5,72,54,508	(12,82,03,552)	-	41,11,79,794	23,19,09,109
Unallocable corporate income							2,09,96,451	7,46,49,503
Operating profit							43,21,76,245	30,65,58,612
Unallocable expenses							(24,39,16,854)	(17,04,18,006)
Unallocable depreciation							(1,78,99,800)	(1,90,73,155)
Interest income							53,64,72,986	37,66,94,309
Interest expense							(82,41,90,734)	(25,27,46,546)
Profit before tax							(11,73,58,157)	24,10,15,214
Provision for current tax							-	(4,82,30,000)
Provision for deferred tax							1,41,92,221	41,97,317
Profit after tax							(10,31,65,936)	19,69,82,531
Other Information								
Segment assets	32,84,59,90,618	24,36,28,00,363	42,78,05,326	46,21,46,384	40,66,56,982	-	33,68,04,52,926	24,82,49,46,747
Un allocable assets							13,26,25,87,571	11,07,05,42,997
Total Assets							46,94,30,40,497	35,89,54,89,744
Segment liabilities	72,34,91,887	25,92,28,793	1,32,752	-	80,71,79,254	-	1,53,08,03,893	25,92,28,793
Un allocable liabilities							15,27,47,46,570	5,39,57,04,981
Total Liabilities							16,80,55,50,463	5,65,49,33,774
Capital Expenditure	98,20,221	2,90,14,481	-	-	-	-	98,20,221	2,90,14,481
Depreciation included in Segment expense	-	-	2,41,22,764	2,41,22,764	-	-	2,41,22,764	2,41,22,764
Non-cash expenses other than depreciation included in segment expense	4,51,22,875	-	-	-	-	-	4,51,22,875	-

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Segment identification, reportable segments and definition of each reportable segment:

i) Primary/secondary segment reporting format:

- (a) The risk-return profile of the Company's business is determined predominantly by the nature of its services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.
- (b) The Company's operations and qualifying assets are situated predominantly in India and hence reporting under geographical segment does not arise.

ii) Segment identification:

Business segments have been identified on the basis of the nature of services, the risk-return profile of individual businesses, the organisational structure and the internal reporting system of the Company.

iii) Reportable segments:

Reportable segments have been identified as per the criteria specified in Accounting Standard (AS) 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

iv) Segment composition:

- (a) Infrastructure development segment development comprises development of road and port projects under public private partnership.
- (b) Wind power Segment comprises power generated from windmills.
- (c) Construction activity Segment comprises of engineering, procurement and construction contracts.

Q(9) Expenditure in foreign currency

	2013-14	2012-13
	₹	₹
Professional fees	86,33,213	77,38,756
Legal fees	93,00,202	-
Training fees	-	2,03,259
Travelling Expenses	1,66,93,325	8,58,407

Q(10) Earnings in Foreign Currency - ₹ Nil (previous year ₹ Nil)**Q(11) Disclosure of related parties/ related party transactions****(i) List of related parties:**

Holding Company	Larsen & Toubro Limited
Subsidiary companies	1 L&T Transportation Infrastructure Limited
	2 L&T Krishnagiri Thopur Toll Road Limited
	3 L&T Vadodara Bharuch Tollway Limited
	4 L&T Western Andhra Tollways Limited
	5 L&T Interstate Road Corridor Limited
	6 L&T Panipat Elevated Corridor Limited
	7 Narmada Infrastructure Construction Enterprise Limited
	8 L&T Ahmedabad Maliya Tollway Limited
	9 L&T Halol Shamlaji Tollway Limited
	10 L&T Rajkot Vadinar Tollway Limited
	11 L&T Chennai Tada Tollway Limited
	12 L&T Samakhiali Gandhidham Tollway Limited
	13 L&T Krishnagiri Walahjapet Tollway Limited
	14 L&T Devihalli Hassan Tollway Limited
	15 L&T BPP Tollway Limited
	16 L&T Deccan Tollways Limited
	17 L&T Western India Tollbridge Limited

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

	18	L&T Metro Rail (Hyderabad) Limited
	19	L&T Transco Private Limited
	20	L&T Port Kachchigarh Limited
	21	International Seaports India Private Limited
	22	L&T Infrastructure Development Projects Lanka (Private) Limited
	23	L&T East West Tollway Limited
	24	L&T Great Eastern Highway Limited
	25	L&T IDPL Trustee Managers Pte. Limited
	26	PNG Tollway Limited *
	27	Kudgi Transmission Limited
	28	L&T Sambalpur Rourkela Tollway Limited
Incorporated jointly controlled entity		The Dhamra Port Company Limited
Associates		International Seaports Haldia (Private) Limited
Fellow Subsidiaries	1	L&T Finance Holdings Limited
	2	L&T Infrastructure Finance Company Limited
	3	Larsen & Toubro Infotech Limited
	4	L&T Shipbuilding Limited
	5	L&T Urban Infrastructure Limited (merged with L&T Realty Limited vide orders dated January 18, 2013 and June 19, 2013 w.e.f. April 1, 2012)

* Associate upto April 16, 2013.

(ii) Details of transactions with related parties:

Nature of transaction / relationship / major parties	2013-14		2012-13	
	Amount	Amounts for major parties	Amount	Amounts for major parties
	₹	₹	₹	₹
1. Purchase of goods and services incl. taxes				
Holding company, Larsen & Toubro Limited	10,86,34,226		4,61,45,294	
Subsidiaries & fellow subsidiaries, including:	3,97,95,711		35,99,456	
L&T Infrastructure Finance Company Limited		3,03,37,200		–
Larsen & Toubro Infotech Limited		92,22,674		–
	14,84,29,937		4,97,44,750	
2. Sale of Goods and Services rendered incl. taxes				
Holding company, Larsen & Toubro Limited	7,01,05,556		27,30,90,556	
Subsidiaries & fellow subsidiaries, including:	1,70,49,23,158		39,02,17,370	
L&T Deccan Tollways Limited		–		4,90,00,000
L&T Vadodara Bharuch Tollway Limited		38,51,19,691		3,77,91,738
Kudgi Transmission Limited		15,40,93,499		–
L&T BPP Tollway Limited		39,22,22,289		–
L&T Interstate Road Corridor Limited		40,46,63,111		–
L&T Samakhali Gandhidham Tollway Limited		13,03,70,768		–
	1,77,50,28,714		66,33,07,926	
3. Purchase of assets				
Subsidiaries & fellow subsidiaries, including:	2,65,245		8,68,910	
L&T Rajkot Vadinar Tollway Limited		–		69,820
L&T Urban Infrastructure Limited		–		7,99,088
L&T Deccan Tollways Limited		2,32,819		–
L&T Halol Shamlaji Tollway Limited		32,426		–
	2,65,245		8,68,910	–

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Nature of transaction / relationship / major parties	2013-14		2012-13	
	Amount	Amounts for major parties	Amount	Amounts for major parties
	₹	₹	₹	₹
4. Sale of assets				
Holding company, Larsen & Toubro Limited	1,62,09,715			
Subsidiaries & fellow subsidiaries,	30,248		5,93,179	
L&T Great Eastern Highway Limited		-		
L&T Metro Rail (Hyderabad) Limited		-		1,08,537
L&T Urban Infrastructure Limited		-		49,192
L&T Interstate Road Corridor Limited		30,248		-
	1,62,39,963		5,93,179	
5. Subscription to equity shares (incl. equity advance)				
Subsidiaries, including:	7,49,13,30,680		2,58,08,52,715	
L&T BPP Tollway Limited		50,26,50,000		1,14,86,00,000
L&T Metro Rail (Hyderabad) Limited		6,19,14,40,200		92,07,00,000
L&T Deccan Tollways Limited		-		23,52,50,000
L&T East West Tollway Limited		-		15,14,49,940
Kudgi Transmission Limited		52,95,00,000		-
	7,49,13,30,680		2,58,08,52,715	
6. Rent paid incl. taxes				
Holding company, Larsen & Toubro Limited	1,26,22,523		70,14,918	
	1,26,22,523		70,14,918	
7. Rent received incl. taxes				
Subsidiaries & fellow subsidiaries,	7,78,050		53,34,166	
L&T Metro Rail (Hyderabad) Limited		7,78,050		7,41,000
PNG Tollway Limited		-		45,93,166
	7,78,050		53,34,166	
8. Interest expense				
Holding company, Larsen & Toubro Limited	1,45,29,873		-	
Subsidiaries & fellow subsidiaries,	18,11,98,898		56,63,734	
L&T Transportation Infrastructure Limited		9,54,44,147		31,44,759
Narmada Infrastructure Construction Enterprise Limited		7,20,38,587		25,18,975
L&T Western India Tollbridge Limited		1,37,16,164		-
	19,57,28,771		56,63,734	
9. Interest income				
Holding company, Larsen & Toubro Limited		-	3,20,30,877	
Subsidiaries, fellow subsidiaries & joint control entity,	53,60,24,013		34,02,11,898	
L&T Panipat Elevated Corridor Limited		25,89,51,452		24,01,31,508
PNG Tollway Limited		11,95,94,092		7,74,10,211
L & T Rajkot Vadinar Tollway Limited		3,67,92,669		-
L & T Dhamra Port Company Limited		7,61,09,589		-
	53,60,24,013		37,22,42,775	
10. Reimbursement of expenses charged from				
Holding company, Larsen & Toubro Limited	6,20,17,526		20,07,04,507	
Subsidiaries & fellow subsidiaries	9,18,289		1,45,655	
Kudgi Transmission Limited		9,18,289		-
	6,29,35,815		20,08,50,162	

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Nature of transaction / relationship / major parties	2013-14		2012-13	
	Amount	Amounts for major parties	Amount	Amounts for major parties
	₹	₹	₹	₹
11. Reimbursement of expenses charged to Holding company, Larsen & Toubro Limited Subsidiaries & fellow subsidiaries, including L&T Vadodara Bharuch Tollway Limited	6,50,93,139 4,11,45,649 10,62,38,788	 3,21,25,659	2,51,96,624 35,06,195 2,87,02,819	 -
12. ICD / Mezzanine Debt / Unsecured Loan granted Subsidiaries, fellow subsidiaries & joint control entity, L&T Ahmedabad Maliya Tollway Limited L&T Halol Shamlaji Tollway Limited L&T Krishnagiri Walajahpet Tollway Limited L&T Rajkot Vadinar Tollway Limited L&T Samakhiali Gandhidham Tollway Limited PNG Tollway Limited L&T BPP Tollway Limited L & T Dhamra Port Company Limited	5,58,25,20,104 5,58,25,20,104	53,80,00,000 46,00,00,000 - 51,00,00,000 - 57,57,00,000 2,10,80,00,000 90,00,00,000	3,89,49,02,000 3,89,49,02,000	78,18,49,000 62,73,49,000 76,23,75,000 70,65,49,000 28,01,00,000 57,16,80,000 - -
13. ICD / Promoters Loan / Mezzanine Debt received Holding company, Larsen & Toubro Limited Subsidiaries & fellow subsidiaries, including L&T Transportation Infrastructure Limited Narmada Infrastructure Construction Enterprise Limited	3,23,24,00,000 7,01,40,00,000 10,24,64,00,000	- 4,82,50,00,000 1,90,90,00,000	2,11,01,00,000 2,11,01,00,000	1,25,00,00,000 86,01,00,000
14. Advances paid Holding company, Larsen & Toubro Limited Subsidiaries & fellow subsidiaries, including L&T Devihalli Hassan Tollway Limited L&T Panipat Elevated Corridor Limited	44,55,28,526 2,20,39,460 46,75,67,986	 - -	1,07,95,235 4,88,01,867 5,95,97,102	2,30,00,000 2,00,00,000
15. Advances received Subsidiaries & fellow subsidiaries, including L&T Ahmedabad Maliya Tollway Limited L&T Chennai Tada Tollway Limited L&T Samakhiali Gandhidham Tollway Limited L&T Krishnagiri Thopur Toll Road Limited L&T Panipat Elevated Corridor Limited L&T Transportation Infrastructure Limited L&T Urban Infrastructure Limited L&T Interstate Road Corridor Limited L&T Western Andhra Tollways Limited L&T Vadodara Bharuch Tollway Limited L&T Krishnagiri Thopur Toll Road Limited Kudgi Transmission Limited	54,22,77,498 54,22,77,498	 - - - - - - - 3,81,39,000 3,91,79,326 9,20,83,000 4,59,39,242 30,00,00,000	1,38,31,265 1,38,31,265	12,17,283 13,69,742 37,86,959 12,43,802 16,20,794 13,72,863 6,23,886 - - - - -

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Nature of transaction / relationship / major parties	2013-14		2012-13	
	Amount	Amounts for major parties	Amount	Amounts for major parties
	₹	₹	₹	₹
16. Dividend received				
Associate	5,89,80,000		-	
International Seaports Haldia (Private) Limited		5,89,80,000		
	5,89,80,000		-	
17. Subscription to debentures				
Subsidiary	-		2,50,00,00,000	
L&T Panipat Elevated Corridor Limited		-		2,50,00,00,000
	-		2,50,00,00,000	
18. Share Capital (including advance against Share capital)				
Holding company, Larsen & Toubro Limited	1,00,000		-	2,50,00,00,000
	1,00,000		-	
19. Subscription of commercial papers by				
Subsidiary	-		1,31,25,00,000	
L&T Vadodara Bharuch Tollway Limited		-		39,95,00,000
L&T Western Andhra Tollways Limited		-		25,35,00,000
L&T Interstate Road Corridor Limited		-		47,95,00,000
L&T Krishnagiri Thopur Toll Road Limited		-		18,00,00,000
	-		1,31,25,00,000	

“Major parties” denote entities who account for 5% or more of the aggregate for that category of transaction during respective year.

(iii) Amount due to and due from related parties (Net) :

Particulars	2013-14		2012-13	
	Due to	Due from	Due to	Due from
	₹	₹	₹	₹
i. Holding company				
Larsen & Toubro Limited	2,92,52,67,650	-	38,76,901	-
ii. Subsidiaries				
Narmada Infrastructure Construction Enterprise Limited	1,37,81,87,048	-	42,71,79,371	-
L&T Transportation Infrastructure Limited	98,47,97,112	-	1,05,10,87,520	-
L&T Panipat Elevated Corridor Limited	-	3,09,68,55,694	-	3,15,69,44,742
L&T Vadodara Bharuch Tollway Limited	2,32,70,222	-	-	1,40,74,50,410
L&T Infrastructure Development Projects Lanka (Private) Limited	-	95,44,599	-	95,44,599
L&T Ahmedabad – Maliya Tollway Limited	-	1,53,92,86,623	-	1,29,07,90,466
L&T Halol – Shamlaji Tollway Limited	-	1,77,52,20,828	-	1,65,80,02,440
L&T Metro Rail (Hyderabad) Limited	1,80,000	-	-	13,77,136
L&T Western Andhra Tollways Limited	3,62,11,845	-	25,30,79,023	-
L&T Interstate Road Corridor Limited	-	3,26,38,789	54,45,00,000	-
L&T Port Kachchigarh Limited	-	35,22,875	-	31,45,873
L&T Samakhiali Gandhidham Tollway Limited	-	32,88,60,752	-	28,05,95,264
International Seaports (India) Private Limited	-	1,45,26,368	-	2,04,052
L&T Krishnagiri – Walajahpet Tollway Limited	-	36,40,24,974	-	36,25,56,298
L&T Krishnagiri Thopur Toll Road Limited	4,25,81,457	-	17,90,72,655	-
L&T BPP Tollway Limited	-	2,10,79,56,108	-	-
L&T Devihalli Hassan Tollway Limited	-	9,72,48,084	-	-
PNG Tollway Limited	-	1,58,39,39,313	-	88,99,19,956
L&T Transco Private Limited	-	17,77,28,000	-	17,77,21,500

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

Particulars	2013-14		2012-13	
	Due to	Due from	Due to	Due from
	₹	₹	₹	₹
L&T Great Eastern Highway Limited	-	-	-	3,72,00,366
L&T East - West Tollway Limited	3,233	-	-	4,79,72,932
L&T Rajkot – Vadinar Tollway Limited	-	1,93,38,86,086	-	1,38,74,58,185
L&T Deccan Tollways Limited	-	-	28,282	-
Kudgi Transmission Limited	14,07,57,434	-	-	-
L&T Chennai Tada Tollway Limited	-	62,32,992	-	4,35,576
iii. Fellow subsidiaries				
L&T Shipbuilding Limited	-	2,20,46,348	-	50,48,032
Larsen & Toubro Infotech Limited	1,09,671	-	14,81,946	-
L&T Urban Infrastructure Limited	-	-	-	17,72,442
L&T Infrastructure Finance Company Limited	2,76,37,200	-	-	-
iv. Incorporated jointly controlled entity				
The Dhamra Port Company Limited	-	50,05,91,780	-	-

(iv) No amount due to or due from related parties has been written back or written off during the year (Previous year is ₹ Nil)

Q(12) Disclosure in respect of Joint Ventures:

(i) Details of Joint Ventures (based on audited financial statements of the joint venture):

Name of the Joint Venture	Description of Interest	Proportion of Ownership interest	Country of	
			Incorporation	Residence
The Dhamra Port Company Limited (DPCL)	Incorporated Jointly Controlled Entity. (Develop the existing minor port at Dhamra into a modern, deep-water, all weather port).	50%	India	India

(ii) Financial Interest in Jointly Controlled Entity (based on audited financial statements of the joint venture)

Name of the Joint Venture	Company's share of				
	As at 31.03.2014		2013-14		
	Assets	Liabilities	Income	Expenses	Tax
	₹	₹	₹	₹	₹
DPCL	18,09,77,00,000	19,53,30,00,000	3,86,57,50,000	4,534,900,000	Nil
	<i>(17,88,37,00,000)</i>	<i>(18,64,98,50,000)</i>	<i>(2,52,97,50,000)</i>	<i>(4,229,500,000)</i>	<i>(Nil)</i>
Share of net assets	(-) 1,43,53,00,000				
	<i>((-) 76,61,50,000)</i>				
Profit/Loss (-) after tax			(-) 66,91,50,000		
			<i>((-) 1,69,97,50,000)</i>		

Note: (a) Figures in italics and brackets relate to previous year.

(b) Company's share of income includes exceptional items of ₹ 38,11,00,000 (Previous year is ₹ Nil)

(iii) Share in Contingent Liabilities of the said Joint Venture for which the Company is contingently liable as at March 31, 2014: ₹ 2,82,00,000 (previous year: ₹ 1,52,50,000);

(iv) Capital commitments incurred in relation to interest in Joint Ventures as at March 31, 2014 ₹ 2,13,50,000 (Previous year ₹ 8,55,00,000).

(v) Other commitments incurred in relation to interest in Joint Ventures as at March 31, 2014 is Nil (Previous year ₹ 3,08,00,000)

Q(13) Amalgamation

The Board of Directors in its meeting held on August 8, 2013 have approved the Composite Scheme of Amalgamation ("the Scheme") between L&T Transco Private Limited, International Seaports (India) Private Limited and Narmada Infrastructure Construction Enterprise Limited with L&T Infrastructure Development Projects Limited. The subsequent amendments in the Scheme were approved on March 1, 2014.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

As per the above Scheme, the appointed date of amalgamation is April 1, 2013. The Scheme was filed with the High Court of Madras on January 3, 2014 (amendment petition filed on February 19, 2014) and with the High Court of Bombay on March 10, 2014. The High Court of Madras has sanctioned the approval for the merger of International Seaports (India) Private Limited and Narmada Infrastructure Construction Enterprise Limited with L&T Infrastructure Development Projects Limited on March 26, 2014. The order was filed with the Registrar of Companies on March 31, 2014 ("the effective date"). However the approval of the High Court of Bombay in respect of L&T Transco Private Limited is pending and the Scheme will take effect only after the same is approved by the High Court of Bombay.

In view of the above, no effect of the above amalgamation has been given in the financial statements.

Q(14) Figures for the previous year have been regrouped/reclassified wherever necessary.

Q(15) The Company has entered into a Share Purchase Agreement on May 16, 2014 for sale of its stake in The Dhamra Port Company Limited. The shares held by the Company shall be transferred on receipt of the sale consideration and upon satisfying the conditions precedent stipulated in the said Agreement. Accordingly, investments in The Dhamra Port Company Limited, has been reclassified as current investments for the year under "note H (I).

R 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 year, 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, allowance 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. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards and the Listing Agreement.

Amounts in the financial statements are presented in Indian Rupees rounded off to the nearest Rupee. Per share data are presented in Indian Rupees to two decimals places.

3. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

A. Revenue from Operations

Sales and Services

- (i) Project facilitation and advisory fees are accounted using proportionate completion method based on the agreement / arrangement with customers.
- (ii) Revenue from windmill operations is recognized based on contractual agreements with the holding company and the state electricity board.
- (iii) Other operating revenues are accounted on time proportion basis based on the agreement / arrangement with customers
- (iv) Revenue from Construction activity is recognised as follows :

On fixed price contracts, contract revenue is recognised only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognised at cost of work performed on the contract plus proportionate margin, using percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs.

Expected loss, if any, on the construction activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.

B. Other Income

- (i) Dividend income is accounted when the right to receive the same is established.
- (ii) Interest income is accrued at applicable interest rate on time proportion basis.
- (iii) Other items of income are accounted for as and when the right to receive arises.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)**4. 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. Benefits such as salaries, wages, short term compensated absences etc. and the expected cost of bonus, exgratia are recognized in the period in which the employee renders the related service.

(ii) Post employment benefits**(a) Defined contribution plans:**

The Company's superannuation scheme and State governed Provident Fund linked with Employee Pension Scheme are Defined Contribution Plans. The contribution paid/ payable under the scheme is recognised during the period in which the employee renders the related service.

(b) Defined benefit plans:

The employees' gratuity fund schemes and provident fund scheme managed by the trust of the Holding Company 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 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 Statement of Profit and Loss.

(iii) Long term employee benefits:

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

5. Tangible fixed assets

Fixed assets are stated at original cost less net of tax/duty credits availed, if any, less accumulated depreciation and cumulative 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 capitalised as part of the cost of the fixed assets.

6. Leases

Operating leases :

- (i) 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 are charged to Statement of profit & loss on accrual basis.
- (ii) Assets leased out under operating leases are capitalized. Rental income is recognized over the lease term.

7. Depreciation**a. Owned assets :**

Depreciation on assets have been provided on straight-line basis at the rates specified in the schedule XIV of the Companies Act, 1956. Depreciation on additions/ deductions is calculated pro-rata from/ to the month of additions/ deductions.

The following asset categories are depreciated at higher rates in line with their estimated useful life.

Category of Asset	Depreciation Rate (% p.a)
(i) Computers	
Laptops, desktops and servers	25.00
Desktops and laptops given to employees under the Company's Scheme	33.33
Tablets	33.33
(ii) Furniture and fixtures	10.00
(iii) Motor cars	14.28
(iv) Gantry cranes	6.67
(v) Office equipments	25.00

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.

b. Leased assets :

Land acquired under long term lease is classified under "tangible assets" and is depreciated over the period of lease.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

8. Intangible assets and amortisation

Intangible assets are stated at original cost less net of tax/duty credits availed, if any, less accumulated amortization and cumulative impairment.

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

Specialized software is amortized over a period of three years on straight line basis from the month in which the addition is made.

Administrative and other general overhead expenses that are directly attributable to development or acquisition of intangible assets are allocated and capitalized as part of cost of the intangible assets.

Amortisation on 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.

9. Impairment of assets

As at each Balance Sheet date, the carrying amount of asset 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,

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 at 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

Trade investments comprise investments in subsidiary companies, joint ventures, associate companies and in the entities in which the Company has strategic business interest.

Investments, which are readily realizable and are intended to be held for not more than one year , are classified as current investments. All other investments are classified as long term investments.

Long-term investments including trade 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 stated at lower of cost or market value. The determination of carrying amount of such investments is done on a weighted average cost of each individual investment.

11. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change are not included as part of cash and cash equivalents.

12. Borrowing costs

Borrowing costs include interest, commitment charges, amortization of ancillary costs, amortization of discounts / premium related to borrowings, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest cost.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized/inventoried as part of cost of such asset till such time 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.

13. Foreign Currency Transactions

- (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. 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 on the date of the transaction.
- (iii) 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 expense in the period in which they arise.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

14. 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.

- (i) Segment revenue includes sales directly identifiable with/allocable to the segment.
- (ii) Expenses that are directly identifiable with/allocable to the 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 corporate expenditure".
- (iii) Income which relate to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- (iv) Segments assets and liabilities include those directly identifiable with 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.

15. Taxes on income

Tax 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 the 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 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 realised.

16. Accounting for interests in joint ventures

Interests in Joint Ventures are accounted as follows:

Incorporated Jointly Controlled Entities:

- (i) Income on investments in incorporated Jointly Controlled Entities is recognized when the right to receive the same is established.
- (ii) Investments in such Joint Ventures are carried at cost after providing for any diminution in value other than temporary in nature.

17. 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.

18. Operating cycle for current/non-current classification:

Operating cycle for the business activities of the Company is taken as twelve months for classification of its assets and liabilities into current/non-current.

19. Cash Flow Statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- (i) transactions of a non-cash nature
- (ii) any deferrals or accruals of past or future operating cash receipts or payments and
- (iii) items of income or expense associated with investing or financing cash flows.

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investment that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES ACCOMPANYING FINANCIAL STATEMENTS (Contd.)

20. Commitments

Commitments are future liabilities for contractual expenditure. Commitments are classified and disclosed as follows:

- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for
- (ii) Uncalled liability on shares and other investments partly paid
- (iii) Funding related commitment to subsidiary, associate and joint venture companies and
- (iv) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 003792S

L. VAIDYANATHAN
Partner
Membership No.16368

Place : Chennai
Date : May 23, 2014

For and on behalf of the Board

R. CHANDRASEKARAN
Secretary

K. VENKATESH
Chief Executive and
Managing Director

R. SHANKAR RAMAN
Director

Place : Mumbai
Date : May 23, 2014

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary	L&T Transportation Infrastructure Limited	L&T Interstate Road Corridor Limited	L&T Krishnagiri Thopur Toll Road Limited	L&T Panipat Elevated Corridor Limited	L&T Vadodara Bharuch Tollway Limited	L&T Western Andhra Tollways Limited	L&T Krishnagiri Walajahpet Tollway Limited
Financial year of the subsidiary company ended on	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014
Number of Shares in the subsidiary company held by L&T Infrastructure Development Projects Limited at the above date							
- Equity shares	3,05,36,000	5,71,60,000	7,87,50,000	8,43,00,000	4,35,00,000	5,65,00,000	8,99,97,400
- Preference shares	-	-	-	-	-	-	-
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Infrastructure Development Projects Limited							
(₹ in thousands)							
(i) Dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to							
(a) for the subsidiary's financial year ended 31st March, 2014	-	-	-	-	-	-	-
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	36,642	-	-	-	-	-	-
(ii) Not dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2014	1,81,543	7,795	(2,66,806)	(4,65,575)	(8,49,503)	(3,57,826)	7,708
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	4,36,288	3,11,533	(7,56,460)	(20,15,934)	(25,16,939)	(2,27,297)	29,246
Changes in the interest of L&T Infrastructure Development Projects Limited between the end of the subsidiary's financial year and March 31, 2014							
Number of shares acquired	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014							
(i) Fixed assets (net additions)	NA	NA	NA	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA	NA	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	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	NA

Note : ** subsidiaries which are yet to commence commercial operations.

STATEMENT PURSUANT TO SECTION 212 (Contd.)

Name of the subsidiary	L&T Devihalli Hassan Tollway Limited	L&T Ahmedabad-Maliya Tollway Limited	L&T Halol Shamlaji Tollway Limited	L&T Transco Private Limited	L&T Chennai Tada Tollway Limited	L&T Samakhalli Gandhidham Tollway Pvt Limited	L&T Port Kachchigarh Limited**
Financial year of the subsidiary company ended on	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014
Number of Shares in the subsidiary company held by L&T Infrastructure Development Projects Limited at the above date							
- Equity shares	8,99,99,900	14,89,99,900	13,04,99,900	10,000	4,19,99,900	8,05,27,000	41,60,000
- Preference shares	-	-	-	-	-	-	-
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Infrastructure Development Projects Limited							
(₹ in thousands)							
(i) Dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to							
(a) for the subsidiary's financial year ended 31st March,2014	-	-	-	-	-	-	-
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	-	-	-	-	-	-	-
(ii) Not dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2014	(29,855)	(4,53,159)	(2,68,570)	(13)	-	-	(253)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	10,817	(8,50,787)	(12,58,011)	(1,77,458)	(1,864)	(358)	(45,058)
Changes in the interest of L&T Infrastructure Development Projects Limited between the end of the subsidiary's financial year and March 31, 2014							
Number of shares acquired	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014							
(i) Fixed assets (net additions)	NA	NA	NA	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA	NA	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	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	NA

Note : ** subsidiaries which are yet to commence commercial operations.

STATEMENT PURSUANT TO SECTION 212 (Contd.)

Name of the subsidiary	L&T Metro Rail (Hyderabad) Limited**	L&T Infrastructure Development Projects (Lanka) Private Limited**	International Seaports (India) Private Limited	L&T BPP Tollway Limited**	L&T Deccan Tollways Limited**	L&T Rajkot Vadinar Tollway Limited	L&T Western India Tollbridge Limited
Financial year of the subsidiary company ended on	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014
Number of Shares in the subsidiary company held by L&T Infrastructure Development Projects Limited at the above date							
- Equity shares	1,14,38,43,620	14,68,32,082	25,00,580	24,72,00,000	2,56,80,000	10,99,99,900	1,39,50,007
- Preference shares	-	-	-	-	-	-	-
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Infrastructure Development Projects Limited							
(₹ in thousands)							
(i) Dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to							
(a) for the subsidiary's financial year ended 31st March, 2014	-	-	-	-	-	-	-
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	-	-	-	-	-	-	-
(ii) Not dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2014	(2,234)	-	(92)	(20,606)	(189)	(1,25,325)	7,655
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	(28,445)	(33,833)	(39,366)	(16,244)	(10,091)	(12,94,168)	1,49,155
Changes in the interest of L&T Infrastructure Development Projects Limited between the end of the subsidiary's financial year and March 31, 2014							
Number of shares acquired	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014							
(i) Fixed assets (net additions)	NA	NA	NA	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA	NA	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	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	NA

Note : ** subsidiaries which are yet to commence commercial operations.

STATEMENT PURSUANT TO SECTION 212 (Contd.)

Name of the subsidiary	Narmada Infrastructure Construction Enterprise Limited	L&T East-West Tollway Limited **	L&T Great Eastern Highway Limited **	Kudgi Transmission Limited	L&T Sambalpur Rourkela Tollway Limited	L&T IDPL Trustee Managers Pte Limited	PNG Tollway Limited
Financial year of the subsidiary company ended on	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014	31-03-2014
Number of Shares in the subsidiary company held by L&T Infrastructure Development Projects Limited at the above date							
- Equity shares	4,73,50,007	2,79,85,000	2,21,65,000	5,30,00,000	5,50,000	2,50,000	8,11,68,000
- Preference shares	-	-	-				
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of L&T Infrastructure Development Projects Limited							
(₹ in thousands)							
(i) Dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to							
(a) for the subsidiary's financial year ended 31st March,2014	-	-	-				
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	-	-	-				
(ii) Not dealt with in the accounts of L&T Infrastructure Development Projects Limited amounted to:							
(a) for the subsidiary's financial year ended March 31, 2014	1,42,538	(359)	(158)	(5,693)	(707)	(508)	(1,55,456)
(b) for previous financial years of the subsidiary since it became subsidiary of L&T Infrastructure Development Projects Limited	14,29,769	(4,364)	(2,873)	-	-	-	(1,84,607)
Changes in the interest of L&T Infrastructure Development Projects Limited between the end of the subsidiary's financial year and March 31, 2014							
Number of shares acquired	NA	NA	NA	NA	NA	NA	NA
Material changes between the end of the subsidiary's financial year and March 31, 2014							
(i) Fixed assets (net additions)	NA	NA	NA	NA	NA	NA	NA
(ii) Investments (Fixed deposit with scheduled bank)	NA	NA	NA	NA	NA	NA	NA
(iii) Moneys lent by the subsidiary	NA	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	NA

Note : ** subsidiaries which are yet to commence commercial operations.

For and on behalf of the Board

R. CHANDRASEKARAN
Secretary

K. VENKATESH
Chief Executive and Managing Director

R. SHANKAR RAMAN
Director

Place : Mumbai
Date : May 23, 2014

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Nineteenth Annual Report along with the Accounts for the year ended March 31, 2014.

1. 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.

2. APPROPRIATIONS

During the year under review, the Company did not carry out any commercial activities and accordingly no appropriation is done.

3. DIVIDEND

As the Company has not commenced its commercial operations, your Directors express their inability to recommend any dividend for the year ended 2013-14.

4. CAPITAL EXPENDITURE

During the period under review, the Company did not incur any capital expenditure.

5. AUDITORS' REPORT

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

6. PERFORMANCE OF THE COMPANY

During the year under review, the Company did not carry out any commercial operations.

7. 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.

8. MATERIAL CHANGES, IF ANY, BETWEEN THE DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTOR'S 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 Director's Report.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

• Conservation of Energy:

As there were no commercial operations in the Company, there are no particulars required to be disclosed under this head.

• Technology Absorption:

There was no technology absorption during the year 2013-14.

• Foreign Exchange Earnings & Outgo:

There was no earning in any foreign currency in the course of transactions during the year 2013-14.

10. SUBSIDIARY COMPANY

Your Company does not have any subsidiary Company under its purview.

11. 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 eligible for re-appointment.

Certificate from Auditors has been received to the effect that their re-appointment made, would be within the limits prescribed under Section 141(3)(g) of the Companies Act, 2013.

12. DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- i. in the preparation of the annual accounts, the applicable Accounting standards had been followed;
- ii. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014;
- iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of 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. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

13. DIRECTORS

At present the Board comprises of Mr. Sunil Pande, Mr.VivekMadan and Mrs. Naina Desai.

In the ensuing Annual General Meeting, Mrs. Naina Desai is liable to retire by rotation at this Annual General Meeting and being eligible offers herself for re-appointment.

14. ACKNOWLEDGEMENT

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Regulatory Authorities, employees of the Company and management of the parent Company.

For and on behalf of the Board

Place : Mumbai

Date : April 17, 2014

VIVEK MADAN

Director

SUNIL PANDE

Director

NAINA DESAI

Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BHILAI POWER SUPPLY COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **BHILAI POWER SUPPLY COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014 and the Cash Flow Statement for the year ended and a summary of the significant accounting policies and other explanatory information. No Profit and Loss Account has been prepared for the year ended 31st March, 2014 for the reason referred to in sub-note 1 to Note 6 to the accounts.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform these audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 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 and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 000452N

By the hand of

PAVAN K. AGGARWAL

Partner

Membership No. 91466

Place : New Delhi

Date : April 21, 2014

ANNEXURE TO THE AUDITOR'S REPORT

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

1. The Company has not yet acquired any fixed assets.
2. 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.
3. To the best of our knowledge and as explained there was no transaction exceeding the value of ₹ 5,00,000/- that need to be entered into the register required to be maintained under Section 301.
4. 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 there under and the directives of Reserve Bank of India does not arise.
5. 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.
6. 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.
7. 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.
8. 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.
9. To the best of our knowledge and as explained the Company is not dealing/ trading in securities and other investments.
10. 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.
11. To the best of our knowledge and as explained the Company has not availed of any term loan during the year.
12. 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.
13. 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.
14. To the best of our knowledge and as explained the Company has not issued any Debentures.
15. To the best of our knowledge and as explained the Company has not raised any money through public issues during the year.
16. 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.
17. Other clauses of the order are not applicable for the current year.

SHARP & TANNAN

*Chartered Accountants
ICAI Registration No. 000452N
By the hand of*

PAVAN K. AGGARWAL

*Partner
Membership No. 91466*

*Place : New Delhi
Date : April 21, 2014*

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014 ₹	As at 31.03.2013 ₹
I EQUITY & LIABILITIES			
1 Shareholder's funds			
(a) Share Capital	1	500,000	500,000
(b) Reserves & Surplus		-	-
Total Shareholders Funds		<u>500,000</u>	<u>500,000</u>
2 Minority Interest		-	-
3 Non-current Liabilities			
(a) Long term borrowings		-	-
(b) Deferred Tax Liabilities (Net)		-	-
(c) Long Term Trade payables		-	-
(d) Other Long term liabilities		-	-
(e) Long Term Provisions		-	-
Total Non Current Liabilities		<u>-</u>	<u>-</u>
4 Current Liabilities			
(a) Short term borrowings		-	-
(b) Trade payables		-	-
(c) Other current liabilities	2	88,069,315	88,082,686
(c) Short Term Provisions		-	-
Total Current Liabilities		<u>88,069,315</u>	<u>88,082,686</u>
Total Liabilities		<u>88,069,315</u>	<u>88,082,686</u>
Total Liabilities and Equity		<u>88,569,315</u>	<u>88,582,686</u>
II ASSETS			
1 Non-current Assets			
(a) Fixed Assets			
(i) Tangible assets		-	-
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		-	-
(iv) Intangible assets under development		-	-
(b) Non-current investments		-	-
(c) Deferred tax assets(net)		-	-
(d) Long-term loans and advances	3	84,657,085	84,657,085
(e) Trade receivable		-	-
(f) Other non-current assets		-	-
Total Non-current Assets		<u>84,657,085</u>	<u>84,657,085</u>
2 Current Assets			
(a) Current investments		-	-
(b) Inventories		-	-
(c) Trade receivables		-	-
(d) Cash and cash equivalents	4	99,053	112,424
(e) Short-term loans and advances	3	3,813,177	3,813,177
(f) Other current assets		-	-
Total Current Assets		<u>3,912,230</u>	<u>3,925,601</u>
Total Assets		<u>88,569,315</u>	<u>88,582,686</u>
SIGNIFICANT ACCOUNTING POLICIES	5		
NOTES FORMING PART OF ACCOUNTS	6		

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

Place : New Delhi

Date : April 21, 2014

SUNIL PANDE

Director

Place : Mumbai

Date : April 17, 2014

NAINA DESAI

Director

VIVEK MADAN

Director

BHILAI POWER SUPPLY COMPANY LIMITED

Particulars	Upto 31.03.2013 ₹	From 01.04.2013 to 31.03.2014 ₹	As at 31.03.2014 ₹
PRELIMINARY AND PRE-OPERATIVE EXPENSES			
PRELIMINARY EXPENSES			
Stamp Duty for MOA/AOA	120	Nil	120
Registration Charges	158,580	Nil	158,580
Miscellaneous	1,750	Nil	1,750
TOTAL - A	160,450	Nil	160,450
PRE-OPERATIVE EXPENSES			
(Project Development Expenses)			
Travelling and Conveyance	16,096,369	Nil	16,096,369
Printing and Stationery	463,723	Nil	463,723
Telephone and Telex	1,180,091	Nil	1,180,091
Advertisement and Business Promotion	1,738,247	Nil	1,738,247
Entertainment	1,266,158	Nil	1,266,158
Professional Fees	201,396,009	1,230	201,397,239
Commitment Charges	24,108,700	Nil	24,108,700
Rent, Rates and Taxes	1,222,727	Nil	1,222,727
Repairs and Maintenance	2,336,467	Nil	2,336,467
Auditors' Remuneration	974,075	40,000	1,014,075
Sundry Expenses	1,950,643	20,871	1,971,514
Total - B	252,733,209	62,101	252,795,310
SUB-TOTAL (A+B)	252,893,659	62,101	252,955,760
Less : Arrangement with Promoters for Reduction of Liabilities :			
(a) Larsen & Toubro Limited	121,786,088	62,101	121,848,189
(b) PSEG Bhilai Energy Company Limited	118,458,461	Nil	118,458,461
Less: SAIL's share of pre-operative expenses recovered	12,649,110	Nil	12,649,110
Total - C	252,893,659	62,101	252,955,760
TOTAL : (A+B) – C	-	-	-

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	2012-13
	₹	₹
A. Cash flow from Operating Activities:	-	-
Net Cash from Operating Activities	-	-
B. Cash flow from Investing Activities:		
Preoperative Expenses (Bank charges)	(13,371)	(1,685)
Refund of Deposit with interest from MPSEB/ CSEB	-	-
Net Cash (used in)/from Investing Activities	(13,371)	(1,685)
C. Cash flow from Financing Activities:		
Repayment of unsecured loan	-	-
Sum received from L&T	-	-
Interest paid on unsecured loan	-	-
Net Cash (used in)/from Financing Activities	-	-
Net (Decrease)/Increase in cash & cash equivalents (A+B+C)	(13,371)	(1,685)
Cash & cash equivalents at the beginning of the year	112,424	114,109
Cash & cash equivalents at the end of the year	99,053	112,424

Notes:

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 : April 21, 2014

For and on behalf of the Board

SUNIL PANDE

Director

NAINA DESAI

Director

VIVEK MADAN

Director

Place : Mumbai

Date : April 17, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
1. SHARE CAPITAL		
Authorised:		
100 Preference Shares of ₹ 10/- each.	1,000	1,000
50,00,000 Equity Shares of ₹ 10/- each.	50,000,000	50,000,000
	50,001,000	50,001,000
Issued, Subscribed and paid-up:		
50,000 Equity Shares of ₹ 10/- each. (Previous year 50,000 equity shares of ₹10/- each)	500,000	500,000
	500,000	500,000

Sub Note (i) : List of shareholders having holding more 5%

Name of shareholder	No of shares as at 31.03.2014	No of shares as at 31.03.2013
Larsen & Toubro Limited (99.9% of equity shares are held by Larsen & Toubro Limited, the Holding Company)	50,000	50,000

2. OTHER LONG TERM / CURRENT LIABILITIES

Particulars	31.03.2014			31.03.2013		
	Long term	Current	Total	Long term	Current	Total
	₹	₹	₹	₹	₹	₹
Investor Education and Protection Fund	-	-	-	-	-	-
- Unclaimed dividend	-	-	-	-	-	-
- Unclaimed matured fixed deposits and interest accrued there on	-	-	-	-	-	-
Due to Directors	-	-	-	-	-	-
Interest accrued but not due on loans	-	-	-	-	-	-
Interest accrued but due on loans	-	-	-	-	-	-
Other liabilities						
- Security deposits	-	-	-	-	-	-
- Others	-	88,069,315	88,069,315	-	88,082,686	88,082,686
Income received in advance	-	-	-	-	-	-
Advance from customer	-	-	-	-	-	-
Due to Customer (Construction Contracts)						
- Progress bills raised	-	-	-	-	-	-
Less: Construction and project related work at realisable value	-	-	-	-	-	-
Due to erstwhile shareholders of acquired subsidiaries	-	-	-	-	-	-
Inter Company sundry creditors (Please specify name of the companies)	-	-	-	-	-	-
	-	88,069,315	88,069,315	-	88,082,686	88,082,686

NOTES FORMING PART OF ACCOUNTS (Contd.)**3. LOANS ADVANCES / RECEIVABLE**

Particulars	31.03.2014			31.03.2013		
	Long term	Current	Total	Long term	Current	Total
	₹	₹	₹	₹	₹	₹
Capital Advances	-	-	-	-	-	-
Security Deposits	-	-	-	-	-	-
Loans and advances						
- Subsidiaries	-	-	-	-	-	-
- Associates	-	-	-	-	-	-
- Holding	-	-	-	-	-	-
- Other related parties	-	-	-	-	-	-
- Employees	-	-	-	-	-	-
- Directors	-	-	-	-	-	-
- Others	84,657,085	3,813,177	88,470,262	84,657,085	3,813,177	88,470,262
Advances recoverable in cash or in kind or for value to be received						
- Considered good	-	-	-	-	-	-
- Considered doubtful	-	-	-	-	-	-
	-	-	-	-	-	-
Less: Provision for doubtful advances	-	-	-	-	-	-
	-	-	-	-	-	-
TOTAL	84,657,085	3,813,177	88,470,262	84,657,085	3,813,177	84,657,085

4. CASH & CASH EQUIVALENT

	As at 31.03.2014 ₹	As at 31.03.2013 ₹
Bank Balance	99,053	112,424
Cheques and drafts on hands	-	-
Cash on hand	-	-
Bank deposits	-	-
Earmarked balances with banks	-	-
TOTAL	99,053	112,424

NOTE - 5**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.

NOTE-6**NOTES FORMING PART OF ACCOUNTS**

- 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 ₹ 62,101/- (Previous Year ₹ 63,439/-) 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.

No Statement of Profit and Loss is prepared as there are no items of income earned or expenses incurred which are to be borne by the Company

NOTES FORMING PART OF ACCOUNTS (Contd.)

2. Auditors' Remuneration (excluding Service Tax) and expenses charged to the accounts includes:-

	2013-14	2012-13
Audit Fee	₹ 40,000	₹ 40,000
Other Services	-	₹ 8,500

3. The Board of Directors of the Company in their meeting held on the 29th June 2000, has not accepted the notice of termination of 25th May 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 31st March 2014 is given accordingly as in past. L&T vide letter dated 16th October 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 since then.
4. The Company has decided to accrue interest on the Security Deposit only upto 26.02.2007 and hence no interest income has been computed on outstanding dues from MPSEB/CSEB amounting to ₹ 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 material impact of this to preoperative expenses or any other heads.
5. In the hearing held on 17.02.2008 for release of balance amount of ₹ 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 15th September, 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".
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 ₹ 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 Ltd.	Holding Company	
b) Name of the related parties with whom transaction were carried out during the year and description of relationship		
Larsen & Toubro Ltd.	Holding Company	
c) Disclosure of related party transactions		
Transaction	Relationship	Value of transaction (₹/lacs)
Paid/Accrued for Pre-operative expenses	Holding Company	0.62 (0.62)
d) Amount due to related parties		
Transaction	Relationship	Amount Due
i) Unsecured loan	Holding Company	719.16 (719.16)
ii) Account payable	Holding Company	116.90 (117.03)

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

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

Place : New Delhi
Date : April 21, 2014

SUNIL PANDE

Director

Place : Mumbai
Date : April 17, 2014

NAINA DESAI

Director

VIVEK MADAN

Director

DIRECTORS REPORT

To,

The Members

The Directors have pleasure in presenting their 7th Annual report and Audited Accounts for the financial year ended March 31, 2014.

1. STATE OF AFFAIRS OF THE COMPANY

Performance of the Company

Commissioning of Unit 1

We are pleased to inform you that your Company commenced commercial operations of Unit 1 in the financial year 2013-14 and Commercial Operations Date (COD) was declared on February 1, 2014. The brief particulars about capacity installed and generation during the financial year is as below:

Particulars	Units
Licensed Capacity	1400 MW
Installed Capacity	700 MW
Actual Generation	379.93 mio units

Fuel

Fuel Supply Agreement (FSA) has been signed between the Company and South Eastern Coalfields Limited (SECL) during the financial year 2013-14 for an annual quantity of 5.55 MTPA.

FINANCIAL RESULTS

Your Directors take pleasure in presenting the financial highlights for the financial year 2013-14 which is as follows:

Particulars	Amount (in ₹ Lakhs)	
	FY 2013-14	FY 2012-13
Revenue from Power Plant Operations	18,772.17	–
Finance Lease Income	10,233.17	–
Sale of O&M of Plant	8,538.32	–
Revenue from Construction Activities	2,64,616.58	3,26,168.69
Total Revenue	2,83,388.75	3,26,168.69
Operating Costs	11,886.47	–
Construction Costs	2,17,174.67	3,04,532.13
Total Costs	2,29,061.14	3,04,532.13
Operating Profit	54,327.61	21,636.56
Add: Other Income	336.62	310.27
Less: Finance Costs	56,938.79	31,631.21
Profit before Depreciation	(2,274.56)	(9,684.38)
Less: Depreciation & Amortization	32.79	23.44
Profit Before Tax	(2,307.34)	(9,707.82)
Less: Tax	–	–
Net Profit / (Loss) after Tax	(2,307.34)	(9,707.82)

Sale of energy: The power generated from Unit 1 as per the Contracted Capacity under the Power Purchase Agreement (PPA) was sold to Punjab State Power Corporation Limited (PSPCL) and the total turnover amounted to ₹ 18,772.17 Lakhs.

Sales during Construction phase: During the year, ₹ 2,64,616.58 lakhs was recognized as Construction Work-in-Progress (WIP) at realizable sales value towards construction costs of Unit 1 & Unit 2.

2. APPROPRIATION

During the year under review, your Company has not made any appropriations.

3. DIVIDENDS

Your Company commenced operations of Unit 1 in the current year and Unit 2 being under construction, your Directors are not recommending dividend for the year 2013-14.

4. CAPITAL AND FINANCE**Long Term Debt**

Secured term loan of ₹ 7,200 Crores has been sanctioned to the Company through syndication of 24 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,462.3 Million.

Working Capital

Your Company has entered into Working Capital arrangement with an existing lender bank for fund based facility of ₹ 150 crs and non-fund facility of ₹ 100 crs during the year to meet the working capital requirements during operations.

Credit Rating

The Company has been rated as 'CARE A1' for its working capital facility and continues to be rated as 'CARE A' for its long term loan facility by Credit Analysis and Research Limited (CARE).

5. CAPITAL EXPENDITURE

As at March 31, 2014, the gross tangible and intangible assets, including capital work-in-progress stood at ₹ 24,08,14,538. Depreciation of ₹ 1,42,11,295 is charged up to March 31, 2014. Additions during the year amounted to ₹ 34,55,219 and deduction of tangible assets ₹ 2,36,756.

6. AUDITORS' REPORT

The Auditors' report does not contain any qualifications. The notes on financial statements referred in the Auditors' report are self-explanatory and do not call for any further comments of the Directors.

7. DEPOSITS

The Company has not accepted any deposits from the public.

8. 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.

- Conservation of energy, technology absorption and foreign exchange earnings and outgo as per form A (rule 2) of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Information as per form A (rule 2) of 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.

9. RISK MANAGEMENT POLICY

A risk management policy has been formulated and implemented to identify, mitigate and review the risks, which in the opinion of the Board, threaten the existence of the Company.

10. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company realizes its responsibility to its stakeholders, especially to the society at large and taken several initiatives towards repaying to the society.

Your Company has contributed to the socio-economic development of the nearby area by undertaking initiatives during the year under review in the following areas:

- a) Up-gradation of Village Infrastructure
- b) Incentivizing birth of female child
- c) Shagan scheme to provide financial assistance
- d) Skill building and development programs
- e) Health and environment programs

During the year, your Company formed a CSR committee in order to formulate, recommend and monitor CSR policy of the Company.

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 1956, read with the Companies (Particulars of Employees) Rules, 1975.

12. SUBSIDIARY COMPANIES

Your Company does not have any subsidiary company under its purview.

13. DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of your Company confirms that:

- i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and loss of the Company for the that period.
- 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 annual accounts on a going concern basis; and
- v. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

14. DIRECTORS

At present, the Board comprises of Mr. Shailendra Roy, Mr. Ashwani Kumar, Mr. Sunil S. Sapre and Mr. Ajit Kumar Samal.

In the ensuing Annual General Meeting, Mr. Shailendra Roy and Mr. Sunil Sapre are liable to retire by rotation and being eligible offer themselves for re-appointment.

The Board met regularly during the year under review.

15. AUDIT COMMITTEE

The Audit Committee consists of three Non-Executive Directors. The present members of the Committee are Mr. Shailendra Roy, Mr. Ashwani Kumar and Mr. Sunil S. Sapre.

The Committee met periodically during the year under review.

16. 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 eligible 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 141(3)(g) of the Companies Act, 2013 .

17. COST AUDITORS

Pursuant to The Companies (Cost Audit Record) Rules, 2011 issued by the Ministry of Corporate Affairs on June 03, 2011, the Company is required to appoint a Cost Auditor and file the Cost Audit Report with the Registrar of Companies. Unit 1 of the plant commenced generation of electricity during the year and hence cost audit is applicable for the financial year 2013-14.

In this regard M/s. R. Nanabhoy & Co, Cost Accountants having Membership Number 0010 were appointed as Cost Auditors vide the Circular Resolution of the Board dated June 4, 2013 for Cost Audit for the financial year 2013-14 .

18. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Regulatory Authorities, employees of the Company and management of the parent company.

For and on behalf of the Board

Place : Mumbai

Date : April 25, 2014

SHAIENDRA ROY

Director

ASHWANI KUMAR

Director

ANNEXURE “A” TO THE DIRECTORS REPORT

[A] CONSERVATION OF ENERGY

Energy Conservation Measures taken

Several Energy Conservation measures have been implemented in the design stage itself and performance of these measures shall be monitored regularly and several other new initiatives will also be launched. Major steps taken towards Energy Conservation during the Construction Phase of the Project are described as under:-

1. Improving Energy effectiveness/ efficiency of Manufacturing Processes

- i. Installation of NDCT in Place of IDCT - Natural Draft Cooling tower has been constructed in place of the conventional Induced Draft Cooling Towers for the units. There is no additional Auxiliary Power Consumption in NDCT to perform the cooling action for the circulating water as against IDCT
- ii. Installation of Turbine Driven Boiler Feed Pump (TDBFP) as against Motor Drive Boiler Feed Pumps (MDBFP) which results in conservation of energy and corresponding improvement in efficiency.
- iii. Vertical Water Wall internally Riffled Tube Construction in Place of Spiral Water Wall which results in lower pressure drop on furnace walls and thus reduces the loading of Boiler feed pumps
- iv. Bypass valve in Secondary Pass of Boiler: The valve provides a bypass to secondary pass and thus results in lower flow in the pass in place of total flow as required in conventional boiler.
- v. Pulveriser with Motorised Rotatory Separator: This provides better control over Coal fineness under variable load conditions and thus contributes to improve the Boiler Efficiency.
- vi. Installation of Online Condenser Tube Cleaning System (OLTCS): OLTCS will improve the efficiency of condenser and thus overall efficiency of the unit is improved.
- vii. Installation of Seal Adjustment Damper in Air Pre Heaters: The damper is used to adjust the seal in order to reduce the air leakages which results in reduction of loading of fans.

2. Improving Energy effectiveness/ efficiency of Equipment

- i. **Use of LED Illumination:** Area illumination has been installed with LED having less energy consumption as compared to conventional Sodium based flood lights.

Additional investments and proposals, if any, being implemented for reduction of consumption of energy

The Company is in the process of identification of the areas of improvement to reduce the Consumption of Energy during its operation phase and is committed to implement the same in near future in order to improve the efficiency of the plant.

Impact of the measures at (A) and (B) above for reduction of energy consumption and consequent impact on the cost of production

- Reduction of Specific Coal consumption
- Impact on the cost of production of goods
- Reduced auxiliary power consumption, Heat Rate improvement
- Reduction of Specific Oil consumption

[B] TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no technology absorption during the year 2013-14.

[C] FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no earnings and outgo in foreign currency during the year 2013-14.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NABHA POWER LIMITED

REPORT ON THE FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Company Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss 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 Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. on the basis of the written representations received from directors of the Company as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

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

MILIND P. PHADKE
Partner
Membership No. 33013

Place: Mumbai
Date: April 25, 2014

ANNEXURE TO THE INDEPENDENT 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 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 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 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 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 has maintained 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) Paragraphs 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 concerning loans granted by the company are not applicable to the Company.
 (b) Paragraphs 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 concerning loans taken by the company are not applicable to the Company.
- (iv) 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 inventory and fixed assets and for the sale of goods and services. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid 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 that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
 (b) in our opinion and according to the 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 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) The Company has not accepted any deposits covered u/s 58A and 58AA or any other provision 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 Central Government has prescribed maintenance of cost records under Clause (d) of sub section (1) 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. 378(E) dated June 27, 2006) which have been maintained by the Company and these have been broadly reviewed by us and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the information and explanations given to us, in our opinion, the Company has been 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, no undisputed amounts were in arrears as at March 31, 2013, for a period of more than six months from the date they become payable.
 (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income tax, sales tax, service tax, excise duty and cess as at March 31, 2014 which have not been deposited on account of dispute:

Particulars	Amount
Income Tax Act, 1961 – Income Tax	
A.Y. 2009-10 (Company is in process of filing appeal before the commissioner of I.T. Dept.)	1,05,64,450

- (x) The Company has suffered cash losses of ₹ 22,71,71,678/- during the year and its accumulated losses at the end of the financial year are ₹ 1,15,34,32,523/-.
- (xi) 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.
- (xii) According to the information and explanations given to us and based on 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) 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) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper

NABHA POWER LIMITED

records have been made 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 bank or financial institutions during the year.
- (xvi) 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.
- (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 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 Companies Act, 1956, during the year 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 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. Accordingly, paragraph 4 (xx) of the Companies (Auditor's Report) Order, 2003 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.
- (xxii) During the course of our examination of books and records of the Unit, 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 Unit, 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*

MILIND P. PHADKE

*Partner
Membership No. 33013*

*Place: Mumbai
Date: April 25, 2014*

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' funds:					
Share Capital	A	23,25,00,00,000		11,47,00,00,000	
Reserves and Surplus	B	(1,15,34,32,523)		(92,26,98,038)	
			22,09,65,67,477		10,54,73,01,962
Share application money pending allotment			-		2,26,00,00,000
Non-Current Liabilities					
Long term borrowings	C (I)	41,81,06,77,282		34,11,98,33,197	
Other Long term liabilities	C (II)	13,36,78,029		-	
			41,94,43,55,311		34,11,98,33,197
Current Liabilities					
Short term borrowings	D(I)	16,61,16,79,685		7,48,50,41,228	
Current Maturities of Long Term Borrowings	D(II)	2,37,88,93,592		-	
Trade Payables	D(III)	10,91,75,38,078		13,52,26,52,011	
Other current liabilities	D(IV)	1,35,36,67,421		46,63,59,180	
Short-term provisions	D(V)	42,32,223		27,05,824	
			31,26,60,10,999		21,47,67,58,243
TOTAL			95,30,69,33,787		68,40,38,93,402
ASSETS					
Non-Current assets					
Fixed Assets					
Tangible assets	E (I)	1,23,59,957		1,24,67,544	
Capital Work in Progress	E (I)	21,42,43,286		21,42,43,286	
			22,66,03,243		22,67,10,830
Long-term loans and advances	G (I) (a)	1,01,65,71,093			1,01,59,97,742
Loans and advances towards financing activities	G (I) (b)		47,63,40,09,608		-
Current Assets					
Current Investments	H(I)	5,91,29,605		40,24,20,843	
Inventories	H(II)	92,77,92,024		-	
Trade receivables	H(III)	1,36,93,58,165		-	
Cash and bank balances	H(IV)	7,04,73,479		4,58,30,241	
Short-term loans and advances	H(V)	1,17,68,94,344		3,35,31,60,139	
Loans and advances towards financing activities	H(V)(a)	25,55,00,097		-	
Other Current Assets	H(VI)	42,57,06,02,130		63,35,97,73,607	
			46,42,97,49,843		67,16,11,84,830
TOTAL			95,30,69,33,787		68,40,38,93,402
CONTINGENT LIABILITIES					
OTHER NOTES FORMING PART OF ACCOUNTS					
SIGNIFICANT ACCOUNTING POLICIES					

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
ICAI Registration No. 000452N
by the hand of**MILIND P. PHADKE**Partner
Membership No. 33013**S R GODBOLE**

F&A Head

J S GILL

Manager

ASHWANI KUMAR

Director

SHAIKENDRA ROY

Director

Place : Mumbai
Date : April 25, 2014Place : Mumbai
Date : April 25, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
		₹	₹	₹	₹
REVENUE					
Revenue from operations	K		28,33,88,74,609		32,61,68,68,949
Total Revenue			3,36,62,241		3,10,51,927
TOTAL REVENUE			28,37,25,36,850		32,64,79,20,876
EXPENSES					
Manufacturing, Construction and Operating expenses	M				
Cost of raw materials and components consumed		15,67,52,78,886		22,61,95,58,730	
Purchase of stock-in-trade		-		-	
Stores, spares and tools Consumed		1,20,11,355		-	
Sub-contracting charges		5,40,64,96,535		5,95,86,56,287	
Change in inventories		-		-	
Other manufacturing, construction and operating expenses		1,78,67,05,053		1,06,79,64,278	
Finance cost - Operating Activity		62,68,79,510		-	
Stock Transfer		-		-	
			23,50,73,71,340		29,64,61,79,295
Employee Benefit Expenses	N		26,40,04,474		17,59,82,224
Sales, administration and other expenses	O		(23,86,66,576)		63,10,76,250
Finance Cost	P		5,06,69,99,290		3,16,31,20,895
Depreciation, amortisation and obsolescence expenses	Q (III)		35,62,807		23,43,772
			35,62,807		23,43,772
TOTAL EXPENSES			28,60,32,71,335		33,61,87,02,436
Profit before exceptional and extraordinary items and taxes			(23,07,34,485)		(97,07,81,560)
Profit before extraordinary items and taxes			(23,07,34,485)		(97,07,81,560)
Profit before tax			(23,07,34,485)		(97,07,81,560)
Tax Expense:					
Profit after tax			(23,07,34,485)		(97,07,81,560)
Balance carried to Balance sheet			(23,07,34,485)		(97,07,81,560)
Basic earnings per equity shares (₹)	Q(XI)		(0.15)		(0.97)
Diluted earnings per equity shares (₹)	Q(XI)		(0.13)		(0.94)
Face value per equity shares (₹)			10		10
OTHER NOTES FORMING PART OF ACCOUNTS	Q				
SIGNIFICANT ACCOUNTING POLICIES	R				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 000452N

by the hand of

MILIND P. PHADKE

Partner

Membership No. 33013

S R GODBOLE

F&A Head

J S GILL

Manager

ASHWANI KUMAR

Director

SHAILENDRA ROY

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014

CASH FLOW STATEMENT FOR YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014 ₹	For the year ended 31.03.2013 ₹
A. Cash flow from operating activities:		
Profit before tax (excluding minority interest, exceptional and extraordinary items)	(23,07,34,485)	(97,07,81,560)
Adjustments for :		
Dividend received	(3,09,52,741)	(3,05,82,008)
(Profit)/loss on sale of investments (net)	(32,443)	(2,32,13,652)
Interest (income)	(20,24,247)	-
Depreciation, amortisation, impairment and obsolescence	35,62,807	23,33,457
Exchange difference on items grouped under financing/investing activity	(24,93,40,604)	(30,92,21,153)
Interest expense	5,64,73,73,466	3,11,89,02,474
(Profit)/loss on obsolescence of fixed assets	1,53,563	-
Operating profit before working capital changes	5,13,80,05,316	1,81,06,51,210
Adjustments for :		
(Increase)/decrease in other current assets	20,78,91,71,477	(32,98,76,01,184)
(Increase)/decrease in Other Loans & Advances	1,92,07,65,698	5,06,19,91,224
(Increase)/decrease in other advances (Non current)	(47,63,45,82,959)	25,38,96,763
(Increase)/ decrease in Debtors	(1,36,93,58,165)	-
(Increase)/ decrease in Inventories	(92,77,92,024)	-
Increase/(decrease) in other payables	(1,58,26,01,264)	8,15,16,12,096
Cash generated from operations before financing activities	(23,66,63,91,921)	(17,70,94,49,891)
(Increase)/decrease in loans and advances towards financing activities		
Cash generated from operations	(23,66,63,91,921)	(17,70,94,49,891)
Direct taxes refund/(paid) (net)	-	-
Net cash (used in)/from operating activities	(23,66,63,91,921)	(17,70,94,49,891)
B. Cash flow from investing activities:		
Purchase of fixed assets	(34,55,219)	(21,93,54,962)
Purchase of intangible assets	-	83,85,979
Profit /(Loss) on Sale of fixed assets	(1,53,563)	-
Purchase/sale of current investments (net)	34,32,91,238	27,05,06,222
Dividend received from other investments	3,09,52,741	3,05,82,008
Profit/(loss) on sale of investments (net)	32,443	-
Interest received	20,24,247	-
Cash (used in)/from investing activities Extraordinary item:	37,26,91,887	9,01,19,248
Extraordinary item:		
Cash received (net of expenses) on sale/transfer of Petroleum Dispensing Pumps & Systems businesses	-	-
Net cash (used in)/ from investing activities (after extraordinary items)	37,26,91,887	9,01,19,248

CASH FLOW STATEMENT FOR YEAR ENDED MARCH 31, 2014 (Contd.)

	For the year ended 31.03.2014 ₹	For the year ended 31.03.2013 ₹
C. Cash flow from financing activities:		
Proceeds from issue of share capital	9,52,00,00,000	4,13,00,00,000
Proceeds from long term borrowings	7,69,08,44,085	16,29,11,71,808
Proceeds from Short term borrowings	11,50,55,32,049	(4,66,47,253)
Translation Reserve on ECB Loan	24,93,40,604	30,92,21,153
Interest paid	(5,64,73,73,466)	(3,11,89,02,474)
Net cash (used in)/ from financing activities	23,31,83,43,272	17,61,14,90,487
Net (decrease)/increase in cash and cash equivalents (A + B + C)	2,46,43,238	(7,840,156)
Cash and cash equivalents at beginning of the year	4,58,30,241	5,36,70,398
Less: Cash and bank balance transferred on subsidiary becoming an associate	-	-
Cash and cash equivalents at end of the year	7,04,73,479	4,58,30,241

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.

- Purchase of fixed assets includes movement of capital work-in-progress during the year. (previous year unrealised loss of ₹ 5.18 crore) on account of translation of foreign currency bank balances.
- For cash and cash equivalents not available for immediate use as on the Balance Sheet date, please refer Note no.G(II) of Notes forming part of consolidated accounts.
- Cash and cash equivalents are reflected in the Balance Sheet as follows:

	For the year ended 31.03.2014	For the year ended 31.03.2013
(a) Cash and cash equivalents disclosed under current assets [Note no.H(IV)]	70,473,479	45,830,241
(b) Cash and cash equivalents disclosed under non-current assets [Note no.G(I)]	-	-
Total cash and cash equivalents as per Cash Flow Statement	45,830,241	53,670,398

- 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. 000452N

by the hand of

MILIND P. PHADKE

Partner

Membership No. 33013

S R GODBOLE

F&A Head

J S GILL

Manager

ASHWANI KUMAR

Director

SHAILENDRA ROY

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014

NOTES FORMING PART OF THE ACCOUNTS

	As at 31.03.2014		As at 31.03.2013	
	Number of shares	₹	Number of shares	₹
NOTE - A SHARE CAPITAL				
Authorised				
Equity shares of ₹ 10 each	2,40,00,00,000	24,00,00,00,000	2,40,00,00,000	24,00,00,00,000
Issued				
Equity shares of ₹ 10 each	2,35,00,00,000	23,50,00,00,000	1,14,70,00,000	11,47,00,00,000
Subscribed and paid up				
Equity shares of ₹ 10 each	2,35,00,00,000	23,50,00,00,000	1,14,70,00,000	11,47,00,00,000
(All shares are held by L&T Power Development Limited and its nominees as at 31.03.2014)				
TOTAL		23,50,00,00,000		11,47,00,00,000

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
NOTE - B RESERVES AND SURPLUS				
Profit and Loss Account				
Opening Balance	(92,26,98,038)		4,80,83,522	
Profit for the period	(23,07,34,485)		(97,07,81,560)	
		(1,15,34,32,523)		(92,26,98,038)
TOTAL		(1,15,34,32,523)		(92,26,98,038)

NOTE - C(I) LONG-TERM BORROWINGS				
Long Term Secured Term Loans				
Long Term Secured Loans from Banks (Refer Note no. Q (XIV) & Q(XV))		41,81,06,77,282		34,11,98,33,197
TOTAL		41,81,06,77,282		34,11,98,33,197

NOTE - C(II) OTHER LONG TERM LIABILITIES				
Forward Contract Payable		13,36,78,029		—
TOTAL		13,36,78,029		—

NOTE - D CURRENT LIABILITIES**NOTE - D(I) SHORT-TERM BORROWINGS:****Secured:**

Loans repayable on demand:

From banks

Secured Loans from Banks - Cash Credits
(Refer Note no. Q(XVI))

41,79,60,281

41,79,60,281

Unsecured:Short Term Loans/Inter-corporate borrowings from Parent
Companies (Refer Note No. Q(XVII))

70,60,00,000

70,60,00,000

Other loans and advances:

From banks

15,48,77,19,404

6,77,90,41,228

16,19,37,19,404

7,48,50,41,228

TOTAL

16,61,16,79,685

7,48,50,41,228

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
D(II) Current maturities of long term borrowings				
Secured :				
Secured Loans from Banks - Current	2,37,88,93,592			
		2,37,88,93,592		
TOTAL		2,37,88,93,592		
D(III) Trade payables:				
Due to L&T Subsidiaries (Refer Note no. Q(IX))		97,48,170		5,68,31,572
Due to L&T (Refer Note no. Q(IX))		10,20,00,35,039		13,43,37,65,177
Others				
Liability for Revenue Goods	1,80,40,916		47,72,245	
Suppliers Ledger - Revenue goods / services	68,97,13,954		2,72,83,017	
		70,77,54,869		3,20,55,262
TOTAL		10,91,75,38,078		13,52,26,52,011
D(IV) Other current liabilities				
Interest Accrued but not Due - Term Loans	3,77,80,929		3,34,03,859	
Interest Accrued but not Due - Others	63,66,27,055			
		67,44,07,984		3,34,03,859
Liability towards gratuity fund - funded plan (refer Note no. Q(V))	7,62,950			
Liability for Service Tax	82,55,661			
Liability to Provident Fund	9,61,393		6,54,379	
Liabilities TDS on Contractors Payment	1,18,09,783		3,12,24,847	
Liabilities TDS Others	1,28,87,820		2,69,25,380	
Security Deposit Received	4,10,000		2,00,000	
Other Payables	11,91,548		7,33,539	
Forward Contract Payable	64,29,80,282		37,32,17,176	
		67,92,59,437		43,29,55,321
TOTAL		1,35,36,67,421		46,63,59,180
D(V) Short term provisions				
Provision for employee benefits:				
Gratuity Unfunded plan			770,432	
Compensated Absences	42,32,223		19,35,392	
		42,32,223		27,05,824
Others:				
Tax Provision				
Less : TDS Certificate Receivables Current Year				
		42,32,223		27,05,824

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**NOTE - E(I) TANGIBLE ASSETS**

FIXED ASSETS - TANGIBLE	COST/VALUATION				DEPRECIATION					BOOK VALUE		
	As at 01.04.2012	Additions	DEDUCTIONS	As at 31.03.2014	As at 01.04.2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Buildings	82,24,725	–	1,28,442	80,96,283	74,28,999	27,482	6,335	–	74,50,146	646,137	7,95,726	
Plant & equipment	27,72,469	6,15,530	–	33,87,999	5,55,294	2,68,558	–	–	8,23,852	25,64,146	22,17,175	
Computers	77,83,784	17,59,389	60,311	94,82,862	16,35,905	27,35,704	60,306	–	43,11,303	51,71,559	61,47,879	
Office Equipments	19,63,979	1,23,404	48,003	20,39,380	2,92,202	1,39,870	16,558	–	4,15,514	16,23,867	16,71,777	
Furniture & fixtures	26,07,832	9,56,896	–	35,64,728	9,72,845	2,37,635	–	–	12,10,480	23,54,248	16,34,987	
Total	2,33,52,789	34,55,219	2,36,756	2,65,71,252	1,08,85,245	34,09,249	83,199	–	1,42,11,295	1,23,59,957	1,24,67,544	
Previous year	1,78,66,561	54,86,228	–	2,33,52,789	85,51,788	23,33,457	–	–	1,08,85,245			
Add: Capital work in progress (net of deductions on account of obsolescence)										21,42,43,286	21,42,43,286	
										22,66,03,243	22,67,10,830	

As at 31.03.2014

As at 31.03.2013

₹

₹

₹

₹

NOTE - G(I) LONG-TERM LOANS AND ADVANCES

Loans and advances :

Unsecured :

Considered good:

Capital Advances :

Inter Company Purchase

48,61,66,658**48,61,66,658**

Security Deposits

48,61,66,658

48,61,66,658

Long term advance recoverable in cash or kind

4,21,39,470

1,04,56,570

Prepaid Expenses

48,82,64,965**51,93,74,514****48,82,64,965**

51,93,74,514

TOTAL**1,01,65,71,093****1,01,59,97,742****G (I) (B) LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES:**

Secured loans:

Unsecured loans:

Finance Lease Receivable (Refer Note no. Q(X))

47,63,40,09,608

–

TOTAL**47,63,40,09,608**

–

NOTE - H CURRENT ASSETS**H(I) Current Investments:**

Mutual funds (Refer Note no. Q(XXII))

5,91,29,605

40,24,20,843

TOTAL**5,91,29,605**

40,24,20,843

H(II) Inventories:(at cost or net realisable value whichever is lower)

Raw Materials

80,31,68,626

–

Raw Materials in Transit

11,01,45,090

–

91,33,13,716

–

Stores Spares Parts (Refer Note no. Q(II))

1,44,78,308

–

TOTAL**92,77,92,024**

–

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
H (III) Trade Receivables				
Unsecured:				
Other debts (debts outstanding for less than 6 months):				
Considered Good		1,36,93,58,165		-
TOTAL		<u>1,36,93,58,165</u>		<u>-</u>
H (IV) Cash and bank balances:				
Cash and Cash Equivalent:				
On current accounts				
Balance with banks				
Balances with Scheduled Banks Current Account	7,04,47,480		4,57,76,325	
Cash on hand	25,999		53,916	
		<u>7,04,73,479</u>		<u>4,58,30,241</u>
TOTAL		<u>7,04,73,479</u>		<u>4,58,30,241</u>
H (V) Short-term Loans and advances :				
Loans and advances :				
Unsecured :				
Others				
Considered good:				
Security Deposit		2,71,500		7,31,000
Advance recoverable in cash or kind				
Advances to Suppliers	83,38,74,385		3,22,02,95,256	
Prepaid Expenses	10,90,83,045		45,629,377	
Sales Tax Advance Payment	27,37,734		-	
Advances to Employees	41,789		3,43,612	
Advances to Others	23,06,83,465		8,61,18,609	
Income Tax Prior Years	-		42,285	
		<u>1,17,64,20,418</u>		<u>3,35,24,29,139</u>
Income tax receivable of current year				
TDS Certificate Receivables Current Year	2,02,426		-	
		<u>2,02,426</u>		<u>-</u>
TOTAL		<u>1,17,68,94,344</u>		<u>3,35,31,60,139</u>
H (v) (a) Loans and advances towards financing activities:				
Secured loans:				
Unsecured loans:				
Considered good:				
Finance Lease Receivable (Refer Note no. Q(X))		25,55,00,097		-
TOTAL		<u>25,55,00,097</u>		<u>-</u>
H (VI) Other current assets				
Due from customers (construction and project related activity)				
Work-in-Progress at Realisable Sales Value (Refer Note no. Q(IV))		42,57,06,02,130		63,35,97,73,607
TOTAL		<u>42,57,06,02,130</u>		<u>63,35,97,73,607</u>
NOTE - I CONTINGENT LIABILITIES:				
Income tax liability (Refer Note No. Q(XII))		1,05,64,450		-
TOTAL		<u>1,05,64,450</u>		<u>-</u>

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	01-04 -2013 to 31-3-2014		01-04 -2012 to 31-3-2013	
	₹	₹	₹	₹
NOTE - K REVENUE FROM OPERATIONS				
Sales & Services				
Construction and project related activity				
Charged for Completed Jobs	47,80,94,87,915		–	
WIP at Close Including Materials at Site	42,57,06,02,130		63,35,97,73,607	
WIP at Commencement Incl. Materials at site	(63,35,97,73,607)		(30,37,21,72,423)	
		27,02,03,16,438		32,98,76,01,184
Income from financing activity/annuity based projects				
Finance lease Income Power Plant		1,02,33,84,597		–
Sales for Operation and Maintenance of Power Plant		85,38,32,098		–
		28,89,75,33,133		32,98,76,01,184
Other Operational Income:				
Miscellaneous Income Other Receipts	–		–	
Premium earned (net) on related forward exchange contracts				
Premium on Forward Contracts	(55,86,58,524)		(37,07,32,235)	
		(55,86,58,524)		(37,07,32,235)
TOTAL		28,33,88,74,609		32,61,68,68,949
NOTE - L OTHER INCOME				
Interest Received on ICD		–		–
Dividend Income:				
Others				
Dividend Income from Mutual Funds	3,09,85,184		3,05,82,008	
Income from Other Investments	20,24,247		–	
		3,30,09,431		3,05,82,008
Miscellaneous income				
Other Receipts		6,52,810		4,69,919
TOTAL		3,36,62,241		3,10,51,927
NOTE - M : MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES:				
Materials consumed:				
Cost of Raw materials and components Consumed				
Purchase Raw Materials Others	1,32,96,10,797		–	
Purchase Components (Inter Company) (Refer Note no. Q(IX))	14,40,86,11,310		22,47,62,37,111	
Purchase Components Others	3,55,38,677		93,66,901	
Freight Inwards	83,46,83,796		14,39,81,005	
Closing Stock Raw Materials	(80,31,68,626)		–	
Closing stock of Raw materials in transit	(11,01,45,090)		–	
	15,69,51,30,865		22,62,95,85,017	
Less: Scrap sales				
Scrap Sales Mfg Scrap	1,98,51,979		1,00,26,287	
		15,67,52,78,886		22,61,95,58,730

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
	₹	₹	₹	₹
Stores, Spares and tools consumed				
Stores, Spares				
Purchase - Stores Spares Others	2,64,89,663		–	
Closing Stock - Stores Spares Others	(1,44,78,308)		–	
		1,20,11,355		–
Sub-contracting charges				
Sub Contracts Others	14,56,94,400		23,78,10,585	
Sub Contracts (Inter Company)	5,26,08,02,135		5,72,08,45,702	
		5,40,64,96,535		5,95,86,56,287
Other manufacturing, construction and operating expenses:				
Power and fuel				
Power	23,97,73,681		1,38,776	
Fuel (Net off Infirm power income ₹ 26,92,81,568)	92,31,96,447		–	
		1,16,29,70,128		1,38,776
Hire Charges Plant Machinery		8,52,192		–
Engineering, professional, technical or consultancy fees				
Engineering Professional Technical or Consultancy Fees	6,51,80,602		3,14,46,688	
Engg. Professional Technical or Consultancy Fees (Inter Company) (Refer Note no. Q(IX))	81,64,495		5,75,97,578	
		7,33,45,097		8,90,44,266
Insurance				
Others		2,35,29,002		1,42,39,736
Rent				
Rent others		20,43,845		14,96,939
Rates Taxes				
Water Charges paid		1,11,551		4,29,280
Travelling and conveyance				
Travelling				
Travel Inland Tickets	60,51,397		56,11,401	
Conveyance				
Conveyance expenses	–		–	
Car hire - Employees local travel	2,35,35,463		1,00,52,334	
		2,95,86,860		1,56,63,735
General repairs and maintenance				
Security services at site	1,18,09,633		63,21,205	
Other repairs maintenance	11,66,492		9,57,867	
		1,29,76,125		72,79,072
Miscellaneous expenses				
Other Manufacturing Construction and Operating Expenses	48,00,04,691		93,89,46,215	
Other Manufacturing Construction and Operating Expenses (Inter Company) (Refer Note no. Q(IX))	12,85,561		7,26,259	
		48,12,90,252		93,96,72,474
Finance cost - Operating Activity				
Interest and other financing charges				
Interest		62,68,79,510		–
TOTAL		23,50,73,71,340		29,64,61,79,295

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
	₹	₹	₹	₹
NOTE - N EMPLOYEE BENEFIT EXPENSES				
Salaries , Wages and bonus				
Salaries				
Salaries	16,32,59,368		7,66,93,659	
Salaries ICO	8,95,82,996		9,32,30,839	
Leave Encashment Paid	2,42,636		25,177	
		25,30,85,000		16,99,49,675
Leave Encashment Provision		22,96,830		15,35,930
		25,53,81,830		17,14,85,605
Contribution to and provision for Provident fund and pension fund				
Contribution Provision to PF Pension RPFC	54,39,524		29,72,053	
Gratuity funds Contribution to Gratuity Fund	93,494		–	
Provision to Gratuity Fund	11,90,957		5,30,676	
		67,23,975		35,02,729
Staff Welfare Expenses		18,98,669		9,93,890
TOTAL		26,40,04,474		17,59,82,224
NOTE - O SALES, ADMINISTRATION AND OTHER EXPENSES				
Miscellaneous expenses				
Corporate Social Responsibility	2,06,05,911		5,42,11,551	
Donations	1,46,392		–	
Others	–		83,85,979	
		2,07,52,303		6,25,97,530
Exchange (gain)/loss				
Exchange Gain Loss - Creditors	20,73,53,449		(14,29,79,844)	
Exchange Gain Loss - Forward Contract Payables	(21,74,31,724)		1,02,06,79,717	
Exchange Gain Loss - Long Term Loans	(24,93,40,604)		(30,92,21,153)	
		(25,94,18,879)		56,84,78,720
TOTAL		(23,86,66,576)		63,10,76,250
NOTE - P FINANCE COST:				
Interest Expenses				
Debentures and fixed loans				
Interest Paid on Term loans from Banks (Refer Note Q(VI))	4,05,70,72,500		3,11,89,02,474	
Other Interest Paid	96,34,21,456		–	
Other borrowing costs				
Borrowing Costs Ancillary	4,65,05,334		4,42,18,421	
TOTAL		5,06,69,99,290		3,16,31,20,895

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**NOTE - Q OTHER NOTES FORMING PART OF ACCOUNTS**

I. The Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss for the year ended March 31, 2014 are drawn and presented as per the new Schedule VI to the Companies Act, 1956.

II. Disclosures pursuant to Accounting Standard (AS2) "Inventories"

Particulars	2013-14	2012-13
	₹	₹
i. Raw Materials	91,33,13,716	–
ii. Stores, Spares and Consumables	1,44,78,308	–

III. Disclosures pursuant to Accounting Standard (AS6) "Depreciation"

The Company has changed depreciation policy for Computers / Laptops as below. The effect of such change in rates on financial statements is ₹ 11,22,221.

Asset Category	Revised Rates	Earlier Rates
Computers	25.00%	16.21%
Computers / Laptops (given to employees under employee scheme)	33.33%	16.21%

IV. Disclosures pursuant to Accounting Standard (AS7) (Revised) "Construction Contracts"

Particulars	2013-14	2012-13
	₹	₹
iii. Contract Revenue recognized for the Financial year	27,020,316,438	32,98,76,01,184
iv. Aggregate amount of Contract costs incurred as at end of Financial year for all contracts in progress as at that date	42,57,06,02,130	63,35,97,73,607
v. Amount of customer advances outstanding for contracts in progress as at end of the Financial year	–	–
vi. Retention amounts due from customers for the contracts in progress as at end of the Financial year	–	–

V. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"

a. Provision for Gratuity ₹ 11,90,957/- (Previous year ₹ 5,30,676) as per the provisions of Payment of Gratuity Act, 1972 is made on actuarial basis as follows:

Amounts recognized in Balance Sheet:

Particulars	2013-14	2012-13
	₹	₹
Present Values of Funded Obligations	19,61,389	–
Present Values of Unfunded Obligations	–	7,70,432
Fair Value of Plan Assets	(11,98,439)	–
Net Liability	7,62,950	7,70,432
Amount in Balance Sheet		
Current Liabilities	–	10,623
Non-Current Liabilities	7,62,950	7,59,809

Expense recognized in statement of Profit & Loss Account:

Particulars	2013-14	2012-13
	₹	₹
Current Service Cost	6,70,806	3,11,487
Interest on Defined Benefit Obligation	1,16,166	47,229
Net Actuarial Losses / (Gains) Recognized in Year	4,03,985	1,71,960
Total	11,90,957	5,30,676

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

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

Particulars	2013-14	2012-13
	₹	₹
Opening balance of Present value of defined benefit obligation	7,70,432	2,39,756
Add:		
Current Service Cost	6,70,806	3,11,487
Interest on Defined Benefit Obligation	1,16,166	47,229
Net Actuarial Losses / (Gains) Recognized in Year	4,03,985	1,71,960
Closing balance of Present value of defined benefit obligation	19,61,389	7,70,432

The changes in the fair value of plan assets representing reconciliation of opening & closing balances thereof are as follows:

Particulars	2013-14	2012-13
	₹	₹
Opening balance of Fair value of Plan Assets	–	–
Add: Contributions by Employer	11,98,439	–
Closing balance of Fair value of Plan Assets	11,98,439	–

Experience Adjustment:

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
	₹	₹	₹	₹	₹
Defined benefit Obligation	19,61,389	7,70,432	2,39,756	–	–
Plan Asset	11,98,439	–	–	–	–
Surplus/ (deficit)	(7,62,950)	(7,70,432)	(2,39,756)	–	–
Exp. Adj. on Plan Liabilities	3,99,012	1,22,986	–	–	–
Exp. Adj. on Plan Asset	–	–	–	–	–

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

Particulars	2013-14		2012-13	
	%	Rupees	%	Rupees
Insurer Managed Funds	100	11,98,439	–	–
Total	100	11,98,439	–	–

Principal actuarial assumption at the Balance Sheet date:

Particulars	2013-14	2012-13
	%	%
(i) Discounting Rate (p.a.)	9.10%	8.09%
(ii) Expected Rate of Return on Assets (p.a.)	7.50%	0.00%
(ii) Salary Escalation Rate (p.a.)	6.00%	5.00%

- (iii) **Discount Rate:** The discount rate is based on the prevailing market yields of Indian government securities as at March 21, 2014 for the estimated term of the obligations.
- (iv) **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.
- (v) **Salary Escalation Rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- (vi) **Retirement Age:** The employees of the Company are assumed to retire at the age of 58 years.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

- vii) **Mortality:** Published rates under the Indian Assured Lives Mortality (2006-08) Ult table. Rates of Indian Assured Lives Mortality table at specimen ages are as shown below:

Age (Years)	Rates
18	0.000800
23	0.000961
28	0.001017
33	0.001164
38	0.001549
43	0.002350
48	0.003983
53	0.006643
58	0.009944

- (viii) **Leaving Service:** Rates of leaving service at specimen ages are as shown below

Age (Years)	Rates
21-25	3%
26-35	6%
36-45	2%
46-57	1%

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

- b. Provision for leave encashment ₹ 22,96,830/- (Previous year ₹ 15,35,930) is made on actuarial basis.

- VI. An amount of ₹ 506,69,99,290 (Previous year ₹ 316,31,20,895) towards borrowing costs for qualifying asset is inventoried during the year.

- VII. Amortization of expenditure:

Financial Closure Expenses are amortized over the tenure of loan. Details as under:

(₹)

Particulars	Expense Amount	Amortization			Balance
		Up to 31.03.2013	For 2013-14	Total	
Financial Closure Expenditure	49,71,44,159	8,28,66,024	3,31,47,276	11,60,13,300	38,11,30,859
ECB Loan Processing Charges	17,68,15,432	1,11,31,809	1,33,58,059	2,44,89,868	15,23,25,564

VIII. **Disclosure pursuant to Accounting Standard (AS) 17 “Segment Reporting”**

Company is engaged in single segment; hence requirement of reporting of primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary/geographical segment reporting does not arise.

IX. **Disclosure pursuant to Accounting Standard (AS) 18 “Related party disclosures”**

- a. List of related parties who can exercise control:

Sr. No.	Name of Related Party	Relationship
1	Larsen & Toubro Limited	Ultimate Holding Company
2	L&T Power Development Limited	Holding Company

- b. 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-MHI Boilers Private Limited	Fellow Subsidiary Company
5.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company
6.	L&T Investment Management Limited	Fellow Subsidiary Company
7.	L&T Uttaranchal Hydropower Limited	Fellow Subsidiary Company
8.	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

c. Disclosure of related party transactions:

S. No.	Name/Relationship/Nature of transaction	2013-14	2012-13
		₹	₹
I	Ultimate Holding company Larsen & Toubro Limited		
	Advance Adjustment - L&T Contract	2,46,52,31,486	(5,28,49,84,133)
	Retention Money - L&T Contract	8,42,03,990	4,35,10,36,410
	Expenses reimbursed	21,34,40,549	12,00,21,223
	Purchase of Goods & Services	19,78,43,76,722	28,42,43,36,607
	Community Welfare	-	4,08,11,000
	Capital WIP	-	21,38,68,734
	Inter Company Deposit	2,33,00,00,000	-
	Interest on Inter Company Deposit	20,24,247	-
II	Holding company L&T Power Development Limited		
	Professional Fees & Business Support Services	4,26,96,334	5,67,43,123
	Inter Company Borrowing		
	Investment in Equity Shares	11,78,00,00,000	1,87,00,00,000
	Advance against equity commitment	9,52,00,00,000	2,26,00,00,000
	Reimbursement of expenses	67,69,157	-
	Asset Transfer	86,055	-
III	Fellow Subsidiary company L&T-Sargent & Lundy Limited		
	Professional Fees & Business Support Services	16,51,692	22,82,235
	Expenses Reimbursement	-	64,409
	L&T Infrastructure Finance Company Limited		
	Professional Fee	-	5,05,62,000
	L&T-MHI Boilers Private Limited		
	Expenses Reimbursement	65,537	91,325
	L&T Investment Management Limited		
	Mutual Fund-Investment	854,95,00,000	454,03,00,000
	Mutual Fund- Redemption	884,36,63,261	4,39,03,74,405
	Mutual Fund- Dividend Received	1,20,60,741	1,22,28,737
	L&T Uttaranchal Hydropower Limited		
	Asset Transfer	23,626	-
Larsen & Toubro Infotech Limited			
Professional Fees	23,25,852	-	

d. Amount due to and due from related parties:

Sl. No.	Particulars	As at 31.03.2014		As at 31.03.2013	
		₹		₹	
		Due to	Due from	Due to	Due from
I	Due to ultimate holding company: Larsen & Toubro Limited	1020,00,14,221	130,11,07,814	1343,37,65,177	369,59,73,904
II	Due to holding company: L&T Power Development Limited (Including ICB)	71,28,41,321	-	71,70,21,548	-
III	Due to fellow subsidiary company: L&T Infrastructure Finance Company Limited			4,55,05,800	-
	L&T-Sargent & Lundy Limited	7,64,363	-	2,42,698	-
	L&T-MHI Boilers Private Limited	-	-	61,526	-
	L&T Investment Management Limited		5,48,27,769	-	33,69,30,289
	L&T Uttaranchal Hydropower Limited	23,626	-	-	-
	Larsen & Toubro Infotech Limited	21,18,852	-	-	-
	Professional Fees				

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**X. Disclosure pursuant to Accounting Standard (AS) 19 “Leases”**

- a. The total gross investment in lease as on 31st March 2014 and the present value of minimum lease payments receivable as on March 31, 2014 is as under:

Particulars	2013-14	2012-13
	₹	₹
1. Receivable not later than 1 year	6,66,87,86,520	NA
2. Receivable later than 1 year and not later than 5 years	28,98,96,88,464	
3. Receivable later than 5 years	114,57,64,44,104	
Gross investment in lease (1+2+3)	150,23,49,19,088	
Less: Unearned finance income	1,02,24,64,79,356	
Present value of receivables	47,98,84,39,732	

- b. Unearned finance income as at March 31, 2014 is ₹ 102,24,64,79,356.
c. Unguaranteed Residual Value accruing to the benefit of the Company is ₹ 4,79,08,40,000.
d. The accumulated provision for uncollectible minimum lease payments receivable is NIL
e. Contingent rents recognized in the Statement of Profit and Loss for the year ended March 31, 2014 is NIL
f. The company has entered into an agreement with Punjab State Power Corporation Limited (formerly, Punjab State Electricity Board) in form of Power Purchase Agreement for sale of 100% power generated from the plant for a long term period of twenty five years.

XI. Basic and diluted earnings per share (EPS) computed in accordance with Accounting Standard 20(AS-20) “Earnings per Share”

Particulars	2013-14	2012-13
Basic		
Profit as per Profit and Loss Account (Rupees) -	(23,07,34,485)	(97,07,81,560)
Average number of equity shares outstanding -	1,51,30,10,929	99,76,85,792
Basic EPS (Rupees)	(0.15)	(0.97)
Diluted		
Profit as per Profit and Loss Account (Rupees) -	(23,07,34,485)	(97,07,81,560)
Average number of equity shares outstanding -	1,81,91,63,934	103,51,99,454
Average number of equity shares to be allotted on conversion of advance towards equity to equity -		
Average number of equity shares to be outstanding -		
Diluted EPS (Rupees) -	(0.13)	(0.94)

XII. Contingent Liabilities:

Income tax liability of ₹ 1,05,64,450 for which Company is in process of filing an appeal.

XIII. In line with the Company’s risk management policy, the financial risks mainly related to changes in exchange rates are hedged by entering into forward contracts.

Particulars of Forward Contracts entered for hedging purpose outstanding as at March 31, 2014:

Particulars	Amount of exposure hedged	
	As at 31-03-2014	As at 31-03-2013
i. Forward Contracts for payables towards firm commitments and highly probable forecasted transactions	1,67,64,82,349	4,56,02,22,901
ii. Forward Contracts for repayment of Foreign currency Loan (ECB)	4,85,96,13,787	1,78,48,74,898

Un-hedged Foreign currency Exposure

Payables including firm commitments and highly probable forecasted transactions:

- b. Firm commitment - ₹ 14,39,154 (Previous year - ₹ 4,61,26,895)
c. ECB Loan - ₹ 53,99,54,601 (Previous year - ₹ 59,49,55,758)

XIV. JPY denominated ECB Loan balance as on March 31, 2014 ₹ 539,95,70,874 (Previous year: ₹ 2,37,98,33,197) includes reinstatement exchange gain amount of ₹ 54,24,18,597 (Previous year loss: ₹ 29,30,98,898)**XV. The Company has got sanctioned secured loan of ₹ 7,200 Crores through syndication of 23 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,46,22,80,000 towards specific purchases.**

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

65% of the INR loan is repayable in 44 structured installments from September 2014 to June 2025 and the balance 35% shall be paid as a bullet repayment at the end of the loan tenor. Interest is payable on a monthly basis

The ECB is repayable in twenty four equitable half yearly installments starting from September 2014 and ending on Mar'2026. Interest is payable half yearly.

XVI. The Company has got sanction from banks for fund & non-fund based secured working capital facilities of ₹ 150 crore and ₹ 100 crore respectively.

XVII. The Company has taken interest free Inter Corporate Borrowing from its holding Company- L&T Power Development Limited. Balance as on March 31, 2014 is ₹ 70,60,00,000 (*Previous year ₹ 70,60,00,000*)

XVIII. As on March 31, 2014, amounts of ₹ 32, 42,903 are due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

XIX. Auditors' remuneration:

Particulars	2013-14	2012-13
	₹	₹
Audit Fees	4,60,675	1,50,000
Other Matters	83,711	67,104
Reimbursement of expenses	14,075	1,68,285
TOTAL	5,58,461	3,85,389

XX. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2014 is ₹ Nil (*Previous year: ₹ Nil*).

XXI. Expenditure in foreign currency:

Foreign Travel: Nil (*Previous Year: ₹ 4,28,373*)

XXII. Aggregate value of unquoted investment is ₹ 5,91,29,604 (*Previous Year: ₹ 40,24,20,843*)

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

BRIEF DESCRIPTION OF THE COMPANY:

Nabha Power Limited (NPL) is setting up a 2 X 700 MW Coal based Supercritical 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 sale of 100% power generated from the plant for a long term period of twenty five years. Unit 1 of the power plant has commenced commercial operations during the financial year (From February 1, 2014)

NOTE NO. R SIGNIFICANT ACCOUNTING POLICIES:

I. 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 prescribed in the Companies (Accounting Standards) Rules, 2006.

The preparation of financial statements in conformity with GAAP requires that the Management of the Company make 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.

II. Presentation of Financial Statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards and the Listing Agreement.

Amounts in the financial statements are presented in Indian Rupees in line with the requirements of Schedule VI. Earnings per share data are presented in Indian Rupees to two decimals places.

III. 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.

- 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.
- Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Wherever the

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

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.

IV. Revenue Recognition

- a. Wherever the asset is constructed by the Company and given on finance lease, the fair value of the asset, representing the net investment in the lease, is recognised as contract revenue in accordance with the Company's revenue recognition policy for construction contracts when the asset is under construction, which is as follows:

Contract revenue is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date to the total estimated contract costs. Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

- b. When the construction of the asset is complete and the same is given on finance lease, the revenue recognition is as under:
The amounts received under the long term Power Purchase Agreement (PPA) are classified under two heads in the following manner:
- a) Capacity Charges
The payments received in the form of capacity charges are treated as lease rentals and split into two components as under:
- Repayment of principal i.e. capital recovery towards net investment in the lease is adjusted against Finance lease receivable; and
 - Finance income over the period of the lease so as to yield a constant periodic rate of return on the net investment in the lease. This is being recognised in the statement of profit and Loss on accrual basis.
- b) Energy Charges
Energy Charges received under the provisions of the PPA, which are towards recovery of fuel and related costs, are recognised in the Statement of Profit and Loss on accrual basis.

V. Tangible Fixed Assets

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

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress".

VI. 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, Air conditioners and computers, 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	Revised Rates
Furniture & Fixtures	10.00%
Office Equipment	6.67%
Computers	25.00%
Computers / Laptops (given to employees under employee scheme)	33.33%
Electrical Equipment	6.67%
Air Conditioner	8.33%
Temporary Building	100%

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

VII. Investments

Current investments are carried at lower of cost and fair value.

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments.

Purchase and sale of investments are recognised based on the trade date accounting.

VIII. Inventories

Inventories of Raw materials, consumables, supplies, fuel, stores and spares and loose tools are valued at lower of cost (on weighted average basis) and net realisable value

IX. 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.

NOTES FORMING PART OF THE 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) 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.

X. 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 amortized ancillary costs incurred in connection with the arrangement of borrowings, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use.

XI. Foreign Currency Transactions, foreign operations, forward contracts and derivatives

- 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.
- c. 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
- d. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.
- e. 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 rate".
- f. Gains and losses arising on account of roll over/ cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.
- g. All other forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statement at fair value as on the Balance sheet date as per Accounting Standard (AS 30) "Financial Instrument: Recognition and Measurement"
- h. The premium paid/received on a foreign currency forward contract is accounted as expense/income over the life of the contract.

XII. Cash Flow Statement

Cash Flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method.

Under Indirect method, the profit is adjusted for effects of:

- i. Transactions of non-cash nature
- ii. Any deferrals or accruals of past or future operating cash receipts or payments and
- iii. Items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance sheet are included under this category with specific disclosure.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 000452N

by the hand of

MILIND P. PHADKE

Partner

Membership No. 33013

S R GODBOLE

F&A Head

J S GILL

Manager

ASHWANI KUMAR

Director

SHAILENDRA ROY

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results for the Financial Year ended March 31, 2014 are as under:

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2014	<i>For the year ended March 31, 2013</i>
Gross Income	2.76	2.71
Profit/ (Loss) before Tax	1.75	1.73
Provision for Tax	0.33	0.24
Deferred Tax (Liability)/ Asset	-	-
Profit / (Loss) after Tax	1.42	1.49
Profit/ (Loss) brought forward from previous years	(62.91)	(64.40)
Surplus / (Deficit) in the statement of Profit and Loss	(61.49)	(62.91)

PERFORMANCE

The Company has made a profit after tax of ₹ 1.42 Lakhs for the financial year ended March 31, 2014 as against ₹ 1.49 Lakhs for the previous financial year and Gross Income for the current year has increased from ₹ 2.71 Lakhs to ₹ 2.76 Lakhs.

DIVIDEND

No dividend has been recommended for the Financial Year ended March 31, 2014.

DIRECTORS

At present, the Board comprises four Directors viz. Mr. Dinanath Dubhashi, Mr. Vasudevan Ramaswami, Mr. G. C. Rangan and Ms. Dipti Advani.

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Accordingly, Ms. Dipti Advani retires by rotation at the ensuing Annual General Meeting and, being eligible, has offered herself for re-appointment as Director of your Company.

AUDITORS

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment for a period of four years.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139(1) of the Companies Act, 2013 ("the Act").

The Company being an unlisted company and having paid up capital less than ₹ 10 Crore, has to comply with the provisions of Section 139(1) of the Act.

Further, since, M/s. Sharp & Tannan had already served as the Statutory Auditors of the Company for a period of one year, they could be further re-appointed for a period of four years.

Accordingly, pursuant to Section 139(1) of the Act, your Directors recommend appointment of the auditor for a period of four years i.e. from the conclusion of 13th AGM till the conclusion of 17th AGM, to be ratified by the Members of the Company at each AGM.

The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

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;
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.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee covered by the provisions of Section 217(2A) of the Companies Act, 1956 and the Rules made there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, 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 or outgo during the year.

HOLDING COMPANY

The Company is a wholly-owned subsidiary of L&T Housing Finance Limited.

Further, the Board of Directors of your Company and the Holding Company have approved the proposal to amalgamate your Company with the Holding Company, subject to obtaining requisite approvals, for better operating efficiencies. Accordingly, the Holding Company has filed an application with the National Housing Bank for granting no objection, post which, the scheme of amalgamation would be filed with the High Court of Delhi for approval.

COMPLIANCE CERTIFICATE

A Secretarial Compliance Certificate required under Section 383A of the Companies Act, 1956 is annexed herewith the Director's Report.

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.

ACKNOWLEDGEMENTS:

Your Directors also wish to thank the Central and State Governments, Regulatory / Government Authorities, Financial Institutions and Banks for their support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 17, 2014

DINANATH DUBHASHI
Director

VASUDEVAN RAMASWAMI
Director

COMPLIANCE CERTIFICATE

To The Members

Consumer Financial Services Limited

We have examined the registers, records, books and papers of Consumer Financial Services Limited (the Company) 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 31st March, 2014 (Financial Year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we 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 there under 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, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company, being Public Limited Company, the comments are not required.
4. The Board of Directors have duly met 4 (Four) times as per Annexure 'C' in respect of which notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members, during the Financial Year.
6. The Annual General Meeting for the Financial Year ended 31st March, 2013 was held on 21st September, 2013 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra-ordinary General Meeting of the members of the company was held during the Financial Year.
8. The Company has not advanced 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 any contracts 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 has not obtained any approvals from the Board of Directors, members or the Central Government.
12. The Company has not issued any duplicate share certificate during the Financial Year.
13. The Company has:
 - (i) Not allotted any shares during the financial year and there was no transfer/ transmission of securities during the financial year.
 - (ii) Not deposited any amount in a separate bank account as no dividend was declared during the Financial Year.
 - (iii) Not posted any warrants to any member of the Company as no dividend was declared during the Financial Year.
 - (iv) No unpaid dividend lying unclaimed /unpaid in a separate bank account.
 - (v) Has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was no cessation or appointment of additional Director, alternate Directors and Directors to fill casual vacancy during the Financial Year under scrutiny.
15. The Company has not appointed any Managing Director/Whole Time Director/Manager during the Financial Year under scrutiny.
16. The Company has not appointed any sole selling agents during the Financial Year under scrutiny.
17. The Company was not required to obtain any approvals from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the Financial Year under scrutiny.
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 there under.
19. The Company has not issued any shares/debentures/other securities during the Financial Year under scrutiny.
20. The Company has not bought back any shares during the Financial Year.
21. There was no redemption of preference shares/ 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 unsecured loans falling within the purview of Section 58A during the Financial Year under scrutiny.
24. The Company has not made any borrowings during the Financial Year.
25. The Company has not made any loans or advances or given any 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 Financial Year under scrutiny.

27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the Financial Year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the Financial Year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the share capital of the Company during the Financial Year under scrutiny.
30. The Company has not altered its Articles of Association during the Financial Year under scrutiny.
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 under scrutiny, for the offences under the Act.
32. The Company has not received any money as security from its employees during the Financial Year under scrutiny.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For and on behalf of
TANUJ VOHRA & ASSOCIATES
 Company Secretaries

TANUJ VOHRA
 Proprietor

Place : New Delhi
 Date : April 15, 2014

ANNEXURE-A

Registers as maintained by the Company:

1. Registers of members' u/s 150 of the Act.
2. Minutes book for the meeting of Shareholders and Board u/s 193 of the Act.
3. Books of Accounts and cost records u/s 209 of the Act.
4. Register of Charge u/s 143 of the Act.
5. Register of Contracts in which Directors are interested u/s 301 of the Act.
6. Register of Managing Director, Director, Manager and Secretary u/s 303 of the Act.
7. Register of Directors' Shareholdings u/s 307 of the Act.
8. Register of Share Transfers and Transmissions.

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 ending on 31st March, 2014:

Sr. No.	Form / Return	Filed u/s of the Act	Purpose of filing	Date of Filing	Whether filed within the prescribed time or not	Additional Fees paid/ not paid.
1.	Form 66	383A	Compliance Certificate for the year ending 31.03.2013	24.09.2013	Yes	N.A.
2.	Form 23AC XBRL	220	Balance Sheet for the year ending 31.03.2013	17.10.2013	Yes	N.A.
3.	Form 23ACA XBRL	220	Profit and Loss Account for the year ending 31.03.2013	17.10.2013	Yes	N.A.
4.	Form 20B	159	Annual Return for the year ending 31.03.2013	14.11.2013	Yes	N.A.
5.	Form 32	303	Appointment/ Cessation of Director	01.10.2013	Yes	N.A.

ANNEXURE – C

The following are the dates of the Board Meetings held during the Financial Year 1.04.2013 to 31.03.2014:

22nd April, 2013, 18th July, 2013, 17th October, 2013, 16th January, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONSUMER FINANCIAL SERVICES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **CONSUMER FINANCIAL SERVICES LIMITED** ("the Company"), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration no.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : April 17, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

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

- (i) The Company does not have any fixed assets. Accordingly, the Paragraph 4 (i) (a), (b) and(c) of the order is not applicable.
- (ii) The Company does not hold any inventory. Accordingly,the Paragraph 4 (ii) (a), (b) and (c) of the Order 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 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, 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, 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. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid 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 the register maintained under Section 301 of the Companies Act, 1956. Accordingly, reporting under Paragraph 4 (v) (b) of the Order is not applicable.
- (vi) According to the information and explanations given to us, 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 Section 58A, 58AA of the Companies Act, 1956 and any other relevant provisions and the rules framed thereunder apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. Accordingly, the 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 the undisputed statutory dues in relation to income tax 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 and other statutory dues as applicable that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The accumulated losses of the Company have exceeded fifty percent of the net worth as at 31 March 2014. The Company 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 information and explanations given to us and the records examined by us, the Company has not availed any facility from financial institution or bank or debenture holder. Accordingly, the Paragraph 4 (xi) of the Order is not applicable.
- (xii) According to the information and explanations given to us and the records examined by 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. Accordingly, the 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, the Paragraph 4 (xiii) of the Order is not applicable.
- (xiv) 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, the Paragraph 4 (xiv) of the Order is not applicable.
- (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. Accordingly, the Paragraph 4 (xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us and the records examined by us, the Company has not availed any term loan during the year. Accordingly, the Paragraph 4 (xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, the Company has not raised any loans during the year. Accordingly, the Paragraph 4 (xvii) of the order is not applicable.
- (xviii) According to the information and explanations given to us and the records examined by us, 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. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year. Accordingly, the Paragraph 4 (xix) of the Order is not applicable.
- (xx) According to the information and explanations given to us and the records examined by us, the Company has not raised any money by public issues during the year. Accordingly, 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 the management.

For **SHARP & TANNAN**
 Chartered Accountants
 Firm's registration no.109982W
 by the hand of

FIRDOSH D. BUCHIA
 Partner
 Membership no. 38332

Place : Mumbai
 Date : April 17, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	31.03.2014		31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	2	100.00		100.00	
Reserves and surplus	3	(61.49)		(62.91)	
			38.51		37.09
Current liabilities					
Other current liabilities	4		0.61		0.35
TOTAL			39.12		37.44
ASSETS					
Non-current assets					
Long term loans and advances	5		5.37		5.42
Current assets					
Cash and bank balances	6	13.56		31.48	
Other current assets	7	20.19		0.54	
			33.75		32.02
TOTAL			39.12		37.44
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	10				

As per our report attached
 For **SHARP & TANNAN**
 Chartered Accountants
 Firm's registration no. 109982W

FIRDOSH D. BUCHIA
 Partner
 Membership no. 38332

Place : Mumbai
 Date : April 17, 2014

For and on behalf of Board

DINANATH DUBHASHI
 Director

VASUDEVAN RAMASWAMI
 Director

Place : Mumbai
 Date : April 17, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
INCOME			
Other Income	8	2.76	2.71
Total		2.76	2.71
EXPENSES			
Other expenses	9	1.01	0.98
Total		1.01	0.98
Profit before tax		1.75	1.73
Tax expense:	10.2		
Current tax		0.33	0.24
Deferred tax		-	-
Profit for the year		1.42	1.49
Earnings per equity share:	10.3		
Basic and Diluted		0.14	0.15
Face value per equity share (₹)		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES FORMING PART OF FINANCIAL STATEMENTS	10		

As per our report attached

For and on behalf of Board

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration no. 109982W

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : April 17, 2014

DINANATH DUBHASHI
Director

VASUDEVAN RAMASWAMI
Director

Place : Mumbai
Date : April 17, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

		2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Cash Flows From Operating Activities			
Profit / (Loss) Before Tax		1.75	1.73
Adjustment for:			
Interest on fixed deposit		(1.01)	(2.71)
Interest on inter-corporate deposits		(1.75)	-
Adjustment for			
(Increase) / Decrease in current assets, loans and advances		(19.65)	1.37
Increase / (Decrease) in current liabilities and provisions		0.26	(1.37)
Cash generated from operations		(20.40)	(0.98)
Less: Income tax paid		(0.28)	(0.27)
Net Cash (Used By) / Generated from Operating Activities	A	(20.68)	(1.25)
Cash Flows From Investing Activities			
Interest on fixed deposit		1.01	2.71
Interest on inter-corporate deposits		1.75	-
Maturity of fixed deposits		19.00	-
Inter corporate deposit placed		-	-
Net Cash Generated From Investing Activities	B	21.76	2.71
Cash Flows From Financing Activities			
Net Cash Generated From Financing Activities	C	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents	(A+B+C)	1.08	1.46
Cash and Cash Equivalents at the beginning of the year		1.48	0.02
Cash and Cash Equivalents at the end of the year		2.56	1.48
Reconciliation of Cash and Cash Equivalents			
Closing Balance as per Balance Sheet		13.56	31.48
Less : Deposits with original maturity for more than 3 months but less than 12 months		11.00	30.00
Cash and cash equivalents at end of period		2.56	1.48

Notes:

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Previous year figures have been regrouped / re-classified wherever applicable.

As per our report attached
 For **SHARP & TANNAN**
 Chartered Accountants
 Firm's registration no. 109982W

For and on behalf of Board

FIRDOSH D. BUCHIA
 Partner
 Membership no. 38332

DINANATH DUBHASHI
 Director

VASUDEVAN RAMASWAMI
 Director

Place : Mumbai
 Date : April 17, 2014

Place : Mumbai
 Date : April 17, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis for preparation**

"These financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention on accrual basis to comply in all material aspects with all the accounting standards notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities."

1.2 Use of estimates

The preparation of Financial Statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of Financial Statements. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Due to the inherent uncertainty involved in estimates, actual results may differ from those estimates under different assumptions or conditions.

1.3 Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the Balance Sheet date and resultant gain or loss is recognised in the Profit and Loss account.

1.4 Interest Income

Interest income is recognized on a time-proportion basis taking into account the amount outstanding and the rate applicable.

1.5 Income Taxes

Current Tax is determined based on the liability computed in accordance with the relevant tax rates and tax laws. Deferred tax for the year is recognized on timing difference, 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 and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized and carried forward only if there is a virtual / reasonable certainty of its realization and are reviewed for appropriateness of their respective carrying values at each Balance Sheet date.

1.6 Provisions and Contingent liabilities

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

1.7 Cash and Cash Equivalents

Cash and Cash Equivalents consist of all the cash balances including time / term deposits placed with banks with maturity of three months or less.

1.8 Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

2. SHARE CAPITAL

The company has issued Equity Share Capital, the details in respect of which are given below

2.1 Number, face value and amount of shares authorised, issued, subscribed and paid-up

	31.03.2014		31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Authorised				
Equity Shares of ₹ 10 each	1,000,000	100.00	1,000,000	100.00
Issued, Subscribed and Paid-up				
Equity Shares of ₹ 10 each fully paid up	1,000,000	100.00	1,000,000	100.00
	1,000,000	100.00	1,000,000	100.00

2.2 Reconciliation of number of shares

Equity Shares	31.03.2014		31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Balance at the beginning of the year	1,000,000	100.00	1,000,000	100.00
Add: Shares issued during the period/year	-	-	-	-
Balance at the end of the period/year	1,000,000	100.00	1,000,000	100.00

2.3 Rights, preference and restrictions attached to shares

Equity Shares:

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.4 Shares held by holding company

Equity Shares	31.03.2014		31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
L&T Housing Finance Limited , the Holding Company along with its nominees	1,000,000	100.00	1,000,000	100.00

2.5 Details of shares held by shareholders holding more than 5% of the aggregate shares

Equity Shares	31.03.2014		31.03.2013	
	No. of Shares	%	No. of Shares	%
L&T Housing Finance Limited , the Holding Company along with its nominees	1,000,000	100%	1,000,000	100%

	31.03.2014		31.03.2013	
	₹ Lakh	₹ Lakh	₹ Lakh	₹ Lakh

3. RESERVES AND SURPLUS

Deficit in the Statement of Profit and Loss as at the beginning of the year	(62.91)		(64.40)	
Add : Profit for the year	1.42		1.49	
Balance as at the end of the year		(61.49)		(62.91)
TOTAL		(61.49)		(62.91)

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

	31.03.2014 ₹ Lakh	31.03.2013 ₹ Lakh
4. OTHER CURRENT LIABILITIES		
Trade Payables		
- Dues to micro and small enterprises	-	-
- Others	0.56	0.35
TDS Payable	0.05	-
TOTAL	0.61	0.35
5. LONG TERM LOANS AND ADVANCES		
Advance taxes (net)	5.37	5.42
TOTAL	5.37	5.42
6. CASH AND BANK BALANCES		
Cash and Cash equivalents		
Cash on hand	-	-
Bank balance in current accounts	2.56	1.48
Other bank balances		
Long-term deposits with maturity period more than three months but less than 12 months	11.00	30.00
TOTAL	13.56	31.48
7. OTHER CURRENT ASSETS		
Unsecured, considered good		
Interest accrued on fixed deposit	0.19	0.54
Current maturity of long term loans & Advance	20.00	-
TOTAL	20.19	0.54
	2013-14	2012-13
	₹ Lakh	₹ Lakh
8. OTHER INCOME		
Interest on fixed deposits	1.01	2.71
Interest on inter-corporate deposit	1.75	-
TOTAL	2.76	2.71
9. OTHER EXPENSES		
Rates and Taxes	0.02	0.05
Auditor's Remuneration		
Audit Fees	0.40	0.30
Limited Review Fees	0.15	
Professional Fees	0.44	0.57
Telephone Expenses	-	0.02
Bank Charges	0.00	0.04
TOTAL	1.01	0.98

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

	2013-14 ₹ Lakh	2012-13 ₹ Lakh
9.1 Payment to auditors		
Audit Fees	0.40	0.30
Limited Review Fees	0.15	-
TOTAL	0.55	0.30

10.1 Related Party Disclosures:

(a) List of related parties:

A. Ultimate Holding Company

Larsen & Toubro Limited

B. Intermediate Holding Company

L&T Finance Holdings Limited

C. Holding Company

L&T Housing Finance Limited

D. Key Management Personnel

Mr. Dinanath Dubhashi, Director

Mr. Vasudevan Ramaswami, Director

Ms. Dipti Advani, Director

Mr. G. C. Rangan, Director

(b) Disclosure of related party transactions:

S . No.	Nature of transactions	2013-14
		₹ Lakh
1	Inter corporate deposits given L&T Housing Finance Limited	20.00
2	Interest received on inter corporate deposits L&T Housing Finance Limited	1.75

10.2 Accounting for Taxes on Income

- (i) Provision for taxation has been made in these financial statements in view of Book Profit u/s 115JB of the Income Tax Act, 1961 for the year.
- (ii) In the absence of virtual / reasonable certainty with regard to availability of taxable profits in the foreseeable future, deferred tax asset arising from carry forward tax losses, unabsorbed depreciation and other deferred tax asset related to timing differences has not been recognised in these accounts.

10.3 Earnings per share (EPS)

Particulars	31.03.2014	31.03.2013
Profit after tax (₹ in Lakhs)	1.42	1.49
Weighted average number of equity of shares outstanding. (Nos)	1,000,000	1,000,000
Basic and diluted earnings per share equity (face value per share ₹ 10) (₹)	0.14	0.15

10.4 Previous year figures have been re-grouped / re-arranged and re-classified wherever necessary.

As per our report attached

For and on behalf of Board

For **SHARP & TANNAN**

Chartered Accountants

Firm's registration no. 109982W

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

Place : Mumbai

Date : April 17, 2014

DINANATH DUBHASHI

Director

Place : Mumbai

Date : April 17, 2014

VASUDEVAN RAMASWAMI

Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Third Annual Report of the Company together with the annual audited statement of accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results for the Financial Year ended March 31, 2014 are as under:

(₹ Lakhs)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Gross Income	613.11	348.59
Profit / (Loss) before Tax	(69.49)	(1,375.06)
Provision for Tax / (Deferred Tax Asset)	(0.81)	(423.50)
Profit / (Loss) after Tax	(68.68)	(951.56)
Surplus / (deficit) in the statement of Profit and Loss	(1,022.46)	(953.78)

CHANGE OF NAME

After obtaining the requisite approvals, the name of the Company has been changed from "L&T Access Financial Advisory Services Limited" to "L&T Access Distribution Services Limited" with effect from March 24, 2014, in order to reflect the nature of the business

PERFORMANCE OF THE COMPANY

The Company continues to be a vehicle for distribution of financial products/services of L&T group companies.

During the year under review, due to increased business operations, the Company earned a gross income of ₹ 613.11 Lakhs as against ₹ 348.59 Lakhs earned by it in the previous year. However, due to higher manpower and technology costs associated with scaling up capacity for handling higher volumes in the future, this resulted in higher expenditure and hence higher losses for the financial year ended March 31, 2014 of ₹ 1,022.46 Lakhs as compared to the loss of ₹ 953.78 Lakhs reported in the previous year.

During the period under review, the following are some of the key milestones achieved by your Company:

- The distribution of General Insurance products crossed 4.8 Crore.
- During the period under review, in SIP ranking across channel partners of L&T Mutual Fund, your Company moved up the ladder from 24th position to 5th position.
- the Company implemented the Contact Centre for the group entities of L&T Financial Services as follows:
 - Contact Centre for L&T Finance Limited offers Outbound and Inbound Calling, Web Service request calling, Email Service Calling and RTGS Calling;
 - Contact Centre for L&T General Insurance Company Limited includes Inbound and Outbound Calling, Ticket Creation and Email support.

DIVIDEND

In view of accumulated losses, the Directors decided not to recommend payment of any dividend for the year under review.

FIXED DEPOSITS

The Company has not accepted any deposits from the public since inception.

DIRECTORS

At present, the Board comprises four Directors viz. Mr. Suneet K. Maheshwari, Mr. Dinanath Dubhashi, Mr. Vasudevan Ramaswami and Mr. G. C. Rangan.

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Accordingly, Mr. Vasudevan Ramaswami and Mr. Suneet K. Maheshwari, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and they being eligible, have offered themselves for re-appointment.

During the year under review, Mr. Suraj Kaeley stepped down from the post of Manager, effective December 30, 2013 and Mr. Satinder Singh Banga has been appointed in the said position, from the same date, for a period of three years. Mr. Banga has over 15 years of experience across Indian financial services and Technology sector. He also have an extensive exposure across retail lending, distribution of financial products & Insurance, trade advance and technology sales.

The Board wishes to place on record their appreciation of the contribution by Mr. Kaeley during his tenure as Manager.

L&T ACCESS DISTRIBUTION SERVICES LIMITED

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

STATUTORY AUDITORS

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment for a period of three years.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139(1) of the Companies Act, 2013 ("the Act") and advised every company (other than listed company or unlisted public company having a paid-up share capital of ₹ 10 Crore or more) to appoint an individual or a firm as an auditor who should hold office from the conclusion of the ensuing Annual General Meeting ("AGM") till the conclusion of its sixth AGM and thereafter till the conclusion of every sixth meeting i.e. for a period of five years and so on. Further, the aforesaid appointment is subject to ratification by Members of the Company at every AGM.

The Company being an unlisted company and having paid up share capital less than ₹ 10 Crore, has to comply with the provisions of Section 139(1) of the Act.

Further, since, M/s. Sharp & Tannan had already served as the Statutory Auditors of the Company for a period of two years, they could be further re-appointed for a period of three years.

Accordingly, pursuant to Section 139(1) of the Act, the Board of Directors of the Company recommend appointment of the auditor for a period of three years i.e. from the conclusion of third AGM till the conclusion of sixth AGM, subject to approval of the Members in the AGM of the Company.

The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made there under is given in a separate Annexure to this Report and forms part of this report. The same would be furnished to the Members on request.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities 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 Company has neither earned nor spent any amount in foreign exchange during the year under review.

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 the Company as at March 31, 2014 and of the profit or loss 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
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.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's management/ 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 wishes 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 and other Regulatory/ Government Authorities, for their support.

For and on behalf of the Board

Place : Mumbai

Date : April 18, 2014

SUNEET K. MAHESHWARI

Director

DINANATH DUBHASHI

Director

CORPORATE GOVERNANCE REPORT

ANNEXURE A TO DIRECTORS' REPORT

BOARD OF DIRECTORS

The Board of Directors along with its Committee provides leadership and guidance to your Company's management and directs, supervises and controls the activities of your Company. At present, the Board comprises four Directors viz. Mr. Suneet K. Maheshwari, Mr. Dinanath Dubhashi, Mr. Vasudevan Ramaswami and Mr. G. C. Rangan. Mr. Suneet K. Maheshwari is Group Executive Vice President – Corporate Affairs, L&T Financial Services. Mr. Dinanath Dubhashi is the Managing Director & Chief Executive of L&T Finance Limited. Mr. Vasudevan Ramaswami is the Manager & Chief Executive of L&T Housing Finance Limited. Mr. G. C. Rangan is the Manager & Chief Executive of Family Credit Limited.

The Board functions either as a full Board or through Audit Committee constituted to oversee specific areas.

A. Audit Committee of the Board

The Audit Committee of Directors was constituted on April 22, 2013. The Committee currently comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Dinanath Dubhashi - Chairman

Mr. Vasudevan Ramaswami

Mr. G. C. Rangan

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee during the year under review were in conformity with Section 292A of the Companies Act, 1956.

During the fiscal year 2013-14, the Committee met three times.

B. Remuneration of Directors

The Directors on the Board, who are/ were in the services of the parent company or other fellow subsidiary companies, drew remuneration from their respective companies. None of the Directors are paid any remuneration from the Company.

C. Independent Directors

The provisions of Section 149 of the Companies Act, 2013, do not require appointment of independent directors by 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 they have confirmed compliance with the same.

E. Responsibilities of the Board

The operations of the Company are run by the Manager under the supervision and the guidance 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 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.

F. Internal Auditor

Internal Audit Department of L&T Finance Limited provides Internal Audit services to your Company.

G. 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.

H. Secretarial Audit

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

L&T ACCESS DISTRIBUTION SERVICES LIMITED

I. Disclosures

During the Financial Year ended March 31, 2014:

- There was no materially significant related party transaction with the Directors that have 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.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified many sections, and the Company is geared up to implement all of them.

For and on behalf of the Board

Place : Mumbai

Date : April 18, 2014

SUNEET K. MAHESHWARI

Director

DINANATH DUBHASHI

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T ACCESS DISTRIBUTION SERVICES LIMITED (Formerly L&T Access Financial Advisory Services Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T ACCESS DISTRIBUTION SERVICES LIMITED** ("the Company"), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai,
Date : April 18, 2014

ANNEXURE TO THE INDEPENDENT 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) In respect of fixed assets as explained to us, all the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us, 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, the Paragraph 4 (ii) (a),(b) and (c) of the Order is 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, the 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, the 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 the services rendered. We have neither come across nor have we been informed of any continuing failure to correct major weaknesses in internal control system of the Company.
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, the Paragraph 4 (v) (b) of the Order is not applicable.
6. According to the information and explanations given to us, 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 Section 58A, 58AA of the Companies Act, 1956 and any other relevant provisions and the rules framed thereunder apply.
7. In our opinion, the Company has an internal audit system commensurate with its 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 Section 209(1)(d) of the Companies Act, 1956. Accordingly, the 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, employees state insurance, staff labour fund, income tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records examined by 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, service tax, cess and other statutory dues as applicable that have not been deposited with the appropriate authorities on account of any dispute
10. The Company was incorporated on 29 November 2011. Accordingly, the Paragraph 4 (x) of the Order is not applicable.
11. According to the information and explanations given to us and the records examined by us, the Company has not availed any facility from financial institution or bank or debenture holders. Accordingly, the Paragraph 4 (xi) of the Order is not applicable.
12. According to the information and explanations given to us and the records examined by 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. Accordingly, the 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, the Paragraph 4 (xiii) of the Order is not applicable.
14. According to the information and explanations given to us and the records examined by us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the Paragraph 4 (xiv) of the Order is not applicable.
15. According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the Paragraph 4 (xv) of the Order is not applicable.
16. According to the information and explanations given to us and the records examined by us, the Company has not availed any term loans during the year. Accordingly, the 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. According to the information and explanations given to us and the records examined by us, 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. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.
19. According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year. Accordingly, the Paragraph 4 (xix) of the Order is not applicable to the Company.
20. According to the information and explanations given to us and the records examined by us, the Company has not raised any money by public issue during the year. Accordingly, the Paragraph 4 (xx) of the Order is not applicable to the Company.
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 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
Firm's registration no.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : *Mumbai,*
Date : *April 18, 2014*

BALANCE SHEET AS AT MARCH 31, 2014

	Note No	As at 31.03.2014		As at 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	2	600.00		600.00	
Reserves and surplus	3	(1,022.46)		(953.78)	
			(422.46)		(353.78)
Non-current liabilities					
Long term provisions	4		10.51		8.97
Current liabilities					
Short term borrowings	5	1,051.00		568.00	
Trade payables	6	21.68		299.38	
Other current liabilities	7	67.15		81.92	
Short term provisions	8	79.26		63.57	
			1,219.09		1,012.87
TOTAL			807.14		668.06
ASSETS:					
Non-current assets					
Fixed Assets					
	9				
Tangible assets		5.31		-	
Deferred tax assets (net)	19.5	424.31		423.50	
Other non-current assets	10	180.62		23.35	
			610.24		446.85
Current assets					
Cash and bank balances	11	-		9.33	
Trade receivables	12	64.26		51.65	
Other current assets	13	132.64		160.23	
			196.90		221.21
TOTAL			807.14		668.06
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	19				

As per our report of even date

For and on behalf of Board

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

SATINDER SINGH BANGA

Manager

SUNEET K. MAHESHWARI

Director

D. M. DUBHASHI

Director

Place : Mumbai

Date : April 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	Year ended 31.03.2014		Year ended 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
INCOME:					
Revenue from operations	14	610.95		347.32	
Other income	15	2.16		1.27	
TOTAL			613.11		348.59
EXPENSES:					
Employee benefits expense	16	467.10		326.44	
Finance costs	17	95.72		32.56	
Depreciation		0.65		-	
Administration and other expenses	18	119.13		1,364.65	
TOTAL			682.60		1,723.65
Loss before tax			(69.49)		(1,375.06)
Tax expense:					
Current tax		-		-	
Deferred tax	19.5	(0.81)		(423.50)	
			(0.81)		(423.50)
Loss for the year			(68.68)		(951.56)
Earnings per equity share:					
Basic	19.4		(1.14)		(69.46)
Diluted			(1.14)		(69.46)
Face value per equity share (₹)			10		10
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	19				

As per our report of even date

For and on behalf of Board

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Director

Place : Mumbai

Date : April 18, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year ended 31.03.2014 (₹ in Lakh)	Year ended 31.03.2013 (₹ in Lakh)
A. Cash flow from operating activities		
Loss before tax as per statement of profit and loss	(69.49)	(1,375.06)
Non-cash Adjustments		
Depreciation	0.65	-
Operating profit before working capital changes	(68.84)	(1,375.06)
Adjustment for :		
Increase/ (decrease) in long term liabilities	1.54	8.97
Increase/ (decrease) in trade payables	(277.70)	297.56
Increase/ (decrease) in other current liabilities	(14.78)	112.47
Increase/ (decrease) in short term provisions	15.69	36.20
(Increase)/ decrease in trade receivables	(12.61)	(51.65)
(Increase)/ decrease in short term loans and advances	27.59	(163.81)
(Increase)/ decrease in other current assets	(105.00)	-
Cash generated from operations	(434.11)	(1,135.32)
Direct taxes paid	(52.26)	(23.35)
Net cash from/(used in) operating activities (A)	(486.37)	(1,158.67)
B. Cash flows from investing activities		
Purchase of fixed tangible assets	(5.96)	-
Net cash from / (used in) investing activities (B)	(5.96)	-
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Short term borrowings (inter corporate borrowings)	483.00	568.00
Proceeds from issue of share capital	-	500.00
Net cash from / (used in) financing activities (C)	483.00	1,068.00
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(9.33)	(90.67)
Cash and cash equivalents as at beginning of the year	9.33	100.00
Cash and cash equivalents as at end of the year	-	9.33

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.
- Previous year figures have been regrouped/reclassified wherever applicable.

As per our report of even date

For and on behalf of Board

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

SATINDER SINGH BANGA

Manager

SUNEET K. MAHESHWARI

Director

D. M. DUBHASHI

Director

Place : Mumbai

Date : April 18, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1.1 Background

L&T Access Financial Advisory Services limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The principal shareholder of the Company as at 31st March, 2013 is L&T Finance Holdings Limited.

The Company's principal activity is to act as a distributor for in-house products and cross sell to existing customers

1.2 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

1.3 Revenue recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

Revenues from the various services that the Company renders 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.

1.4 Employee benefits

Short term

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

Long term

The obligation for long term employee benefits such as long term compensated absences is recognised as defined benefits plan

Defined contribution plans

The Company's provident fund scheme is a defined contribution plan. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related services

Defined benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life.

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 statement of profit and loss.

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. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

1.5 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.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

1.6 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."

1.7 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash and bank balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the cash flow statement

1.8 Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share. Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

1.9 Tangible and Intangible Fixed Assets

Tangible fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative 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 capitalised as a part of the cost of the fixed assets.

1.10 Depreciation and Amortisation

Depreciation on assets carried at historical cost is provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of the Computers, the depreciation is provided at higher rate of 20% in line with their estimated useful life. Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase. Depreciation is charged for the full month in the month of purchase/sale even used for part of the month.

2 SHARE CAPITAL

(I) Share capital authorised, issued and subscribed

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
Authorised Shares				
Equity Shares of ₹ 10 each	10,000,000	1,000.00	10,000,000	1,000.00
Issued, Subscribed & Paid up shares				
Equity Shares of ₹ 10 each fully paid	6,000,000	600.00	6,000,000	600.00
Total Issued, Subscribed & Paid up shares capital	6,000,000	600.00	6,000,000	600.00

(II) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the Company held by the shareholders. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

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

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
Equity Shares				
At the beginning of the year	6,000,000	600.00	1,000,000	100.00
Issued during the year				
- Capital infusion by holding company	-	-	5,000,000	500.00
Outstanding at the end of the period	6,000,000	600.00	6,000,000	600.00

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**(IV) Shares held by holding company**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
L&T Finance Holdings Limited (Holding company)				
Equity Shares of ₹ 10 each fully paid	6,000,000	600.00	6,000,000	600.00

(V) Details of shareholders holding more than 5% shares in the company

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	% holding	No. of Shares	% holding
Equity Shares of ₹ 10 each fully paid				
L&T Finance Holdings Limited (Holding company)	6,000,000	100%	6,000,000	100%

(VI) There are no shares allotted for consideration other than cash since the incorporation date.

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
3 RESERVES AND SURPLUS				
Surplus / (deficit) in the statement of profit and loss				
As per last balance sheet	(953.78)		(2.22)	
Add: net loss for the year	(68.68)		(951.56)	
		(1,022.46)		(953.78)
Balance at the end of the year		(1,022.46)		(953.78)
4 LONG TERM PROVISIONS				
Provision for employee benefits				
Gratuity	10.51		8.97	
		10.51		8.97
TOTAL		10.51		8.97
5 SHORT TERM BORROWINGS				
Inter corporate borrowings (unsecured)				
- L&T Finance Holdings Limited		1,051.00		568.00
TOTAL		1,051.00		568.00
6 TRADE PAYABLES				
Payable to related parties	13.57		14.91	
Others	8.11		284.47	
		21.68		299.38
TOTAL		21.68		299.38
7 OTHER CURRENT LIABILITIES				
Interest accrued but not due on Inter Corporate Borrowings		49.63		29.30
Statutory dues payable		4.58		50.71
Others current liabilities		-		0.16
Bank book credit balance		7.19		-
Accrued expenses		5.75		1.75
TOTAL		67.15		81.92

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
8 SHORT TERM PROVISIONS				
Provision for employee benefits				
Gratuity	0.22		0.15	
Leave encashment	36.45		34.30	
Others	42.59		29.12	
		79.26		63.57
TOTAL		79.26		63.57

9 FIXED ASSETS (AT COST LESS DEPRECIATION)

Description	GROSS BLOCK				DEPRECIATION				NET BOOK VALUE	
	Opening as at 01.04.2013	Additions	Deductions	As at 31.03.2014	Up to	For the year	Deductions	Up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Tangible										
Own Assets										
Computers	-	5.96	-	5.96	-	0.65	-	0.65	5.31	-
Total	-	5.96	-	5.96	-	0.65	-	0.65	5.31	-
<i>Previous Year</i>	-	-	-	-	-	-	-	-	-	-

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
10 OTHER NON-CURRENT ASSETS				
Advance income tax		75.62		23.35
Advance premium deposit with General Insurance		105.00		-
TOTAL		180.62		23.35
11 CASH AND BANK BALANCES				
Balances with banks:				
In current accounts		-		9.33
TOTAL		-		9.33
12 TRADE RECEIVABLES				
Unsecured, considered good				
Others				
Receivable from related parties	64.26		22.97	
Others	-		28.68	
		64.26		51.65
TOTAL		64.26		51.65
13 OTHER CURRENT ASSETS				
Unsecured, considered good				
Service tax credit receivable		132.64		160.23
TOTAL		132.64		160.23

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2014		Year ended 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
14 REVENUE FROM OPERATIONS				
Commission from insurance		259.47		225.15
Brokerage / commission from mutual fund, securities, etc		67.47		116.05
Commission from home loans, auto loans, etc		101.26		6.12
Income from contact centre services		35.75		-
Other operating income				
- Fees for advisory services		147.00		-
TOTAL		610.95		347.32
15 OTHER INCOME				
Interest on fixed deposits		-		0.15
Notice pay recovery		2.16		1.12
TOTAL		2.16		1.27
16 EMPLOYEE BENEFITS EXPENSE				
Salaries		428.34		258.02
Contribution to and provision for				
Provident fund, EDLI, pension fund, ESIC, etc	13.57		10.05	
Gratuity	1.62		9.12	
Leave encashment	2.14		36.96	
		17.33		56.13
Expenses on Employee MGS scheme		4.29		
Staff welfare		17.03		-
Expenses on ESOP		0.11		12.29
TOTAL		467.10		326.44
17 FINANCE COSTS				
Interest on inter corporate borrowings		95.72		32.56
TOTAL		95.72		32.56
18 ADMINISTRATION AND OTHER EXPENSES				
Preliminary expenses		-		0.05
Printing & stationery		0.54		1.76
Telephone and communication expenses		15.77		3.28
Travelling expenses		42.28		15.27
Professional fees		51.53		1,330.25
Payment to auditors:				
Audit fees	0.40		0.40	
Tax audit	0.20		0.20	
Limited review fees	0.15		0.15	
Out of pocket expenses	0.02		-	
		0.77		0.75
Payroll data processing charges		2.40		1.35
Filing fees		0.14		4.53
Rates and Taxes		1.17		-
Stamp duty expenses		-		0.50
Miscellaneous expenses		4.53		6.91
TOTAL		119.13		1,364.65

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

19.1 Disclosure as required under Accounting Standard –15 on “Employee Benefits” is as under:

A Defined contribution plans

The Company makes provident fund contribution to defined contribution plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. An amount of ₹ 13.57 lakh (*previous year nil*) towards contribution to superannuation and pension fund is recognised as an expense and included in employee benefit expenses in the statement of profit and loss. The contributions payable to these plans by the Company are at the rates specified in the rules of the schemes.

B Defined benefit plans

The Company offers the gratuity under employee benefit schemes to its employees.

The following tables sets out the fund status of the defined benefit schemes and the amount recognised in the financials.

(₹ in Lakh)

Gratuity	Year ended 31.03.2014	Year ended 31.03.2014
Defined benefit obligation:		
As at beginning of the year	9.12	–
Service cost	3.56	–
Interest cost	1.10	–
Actuarial losses / (gains)	(4.31)	9.12
Liability assumed on Acquisition	2.14	–
Benefits paid	(0.87)	–
As at end of the year	10.74	9.12
Change in plan assets:		
Fair value of plan assets as at beginning of the year	–	–
Expected returns on plan assets	–	–
Employer's contribution	0.87	–
Benefits paid	(0.87)	–
Actuarial gain / (loss)	–	–
Fair value of plan assets as at end of the year	–	–
Amount recognized in the balance sheet:		
Present value of unfunded obligations	10.74	9.12
Fair value of plan assets as at the end of the year	–	–
Amount recognised in the balance sheet	10.74	9.12

Gratuity	Year ended 31.03.2014	Year ended 31.03.2014
Expenses to be recognised in the Statement of Profit & loss		
Current service cost	3.55	–
Interest on obligation	1.10	–
Expected return on plan assets	–	–
Net actuarial losses / (gains) recognised in the year	(4.30)	9.12
Net cost recognised in the statement of profit and loss	0.35	9.12
Movement in the net liability recognised in the balance sheet:		
Opening net liability	9.12	–
Expenses	1.62	9.12
Contribution	–	–
Closing net liability	10.74	9.12
Gratuity obligation:		
Current	0.22	0.15
Non-current	10.52	8.97
Total	10.74	9.12
Key assumptions:		
Discount rate	9.35%	7.95%
Future salary increase	6.00%	6.00%

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

The discount rate is based on the prevailing market yields of Indian government securities as at 31 March 2014 for the estimated term of the obligations

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

The contribution expected to be made by the Company during the financial year 2014-15 has been ascertained at ₹. 0.22 Lakh The Company has disclosed the above details based on availability of past year's information.

Given below is the Information for Experience adjustment of plan liabilities and plan assets for preceding five year and expected contribution to be made during the year ending on 31st March, 14:

	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Defined Benefit Obligation	10.73	9.12	–	–	–
Plan Assets	–	–	–	–	–
Surplus / (Deficit)	(10.73)	(9.12)	–	–	–
Exp. Adj. on Plan Liabilities	(1.69)	–	–	–	–

(₹ in Lakh)

The contributions expected to be made by the Company during the financial year 2014-15 amounts to ₹ 0.22 lakh (Previous year ₹ 0.14 lakh).

19.2 The Company operates mainly in the business segment of financial product distribution and advisory activity. 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

19.3 Disclosure Pursuant**A Name of the related parties with whom transactions were carried out during the current year / previous year.**

Name of related parties	Relationship
(i) Larsen & Toubro Limited	Ultimate Holding Company
(ii) L&T Finance Holdings Limited	Holding Company
(iii) L&T Housing Finance Limited	Fellow subsidiary (subsidiary of holding company)
(iv) L&T Finance Limited	Fellow subsidiary (subsidiary of holding company)
(v) L&T Investment Management	Fellow subsidiary (subsidiary of holding company)
(vi) L&T General Insurance Company Limited	Subsidiary of the ultimate holding company

Key management personnel

(vii) Mr. Satinder Singh Banga (Manager w.e.f. December 31, 2013)

B. Related party transactions

(₹ in Lakh)

S. No.	Nature of Transactions / Entity name	2013-14	2012-13
1	Subscription of equity shares		
	L&T Finance Holdings Limited	–	500.00
2	ESOP charges		
	L&T Finance Holdings Limited	0.11	12.29
3	Interest on ICB borrowed		
	L&T Finance Holdings Limited	95.16	32.55
4	Professional fees paid		
	Larsen & Toubro Limited	2.70	1.52
5	Expense Recovered		
	L&T Housing Finance Limited	2.21	–
	L&T Finance Limited	27.36	–
6	Deputation Cost recovery		
	L&T Investment Management	2.25	–
7	Commission income earned on home loan		
	L&T Housing Finance Limited	94.35	6.88
	L&T Finance Limited	6.91	–

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

S. No.	Nature of Transactions / Entity name	2013-14	2012-13
8	Commission income earned from Insurance		
	L&T General Insurance Company Limited	259.47	206.51
9	Inter-corporate borrowings taken		
	L&T Finance Holdings Limited	1,051.00	568.00
10	Key Management personnel	10.93	–

C Amount due to/from related parties

(₹ in Lakh)

S.No.	Entity name	2013-14	2012-13
1	Advance premium Deposit		
	L&T General Insurance Company Limited	105.00	–
2	Account receivables		
	L&T Finance Holdings Limited	2.95	–
	L&T Housing Finance Limited	20.26	3.83
	L&T Finance Limited	2.42	–
	L&T General Insurance Company Limited	124.23	19.14
3	Accrued Interest on ICB borrowed		
	L&T Finance Holdings Limited	49.62	29.30
4	Account payables		
	L&T Finance Holdings Limited	1,100.62	609.60
	Larsen & Toubro Limited	16.52	2.62

19.4 Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20 “Earnings Per Share”.

(₹ in Lakh)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Loss for the year (₹ lakh)	(68.68)	(951.56)
Face value of equity shares (₹)	10	10
Weighted average equity shares for basic and diluted earnings per share (Number)	6,000,000	1,369,863
Basic and diluted earnings per share (₹)	(1.14)	(69.46)

19.5 Major components of deferred tax assets and deferred tax liabilities pursuant to Accounting Standard (AS) 22 “Accounting for taxes on Income”.

The Company has recognised deferred tax asset and deferred tax liability as under:

(₹ in Lakh)

Particulars	As at 31.03.2014	As at 31.03.2014
Deferred tax asset		
carry forward losses (refer note below)	409.26	409.26
Employee benefits	15.40	14.24
Deferred tax liability	–	–
Timing difference between book balance and tax balance of fixed assets	0.35	–
Net deferred tax asset	424.31	423.50
Net charge/(credit) to the statement of profit and loss	(0.81)	(423.50)

On the basis of prudence, deferred tax asset on carry forward losses are restricted to ₹ 409.26 lakhs. Additional deferred tax assets of ₹ 20.66 lakhs on current year loss has not been recognised.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

19.6 Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. L&T Finance Holdings Limited), the details of the stock options granted to the employees of the Company are as under:

Company	Status	2013-14	2012-13
L&T Finance Holdings Ltd.	Holding Company	0.11	12.29

19.7 The Company does not have any contingent liability as of 31st March, 2014 (Previous year: Nil).

19.8 Disclosure required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

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.

19.9 Previous year’s figures have been regrouped / reclassified wherever necessary.

As per our report of even date

For and on behalf of Board

SHARP & TANNAN

Chartered Accountants

Firm’s registration no. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

SATINDER SINGH BANGA

Manager

SUNEET K. MAHESHWARI

Director

D. M. DUBHASHI

Director

Place : Mumbai

Date : April 18, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Second Annual Report of the Company together with the annual audited statement of accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results for the Financial Year ended March 31, 2014 are as under:

Particulars	(₹ Lakhs)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Gross Income	1,814.10	Nil
Profit / (Loss) before Tax	(1,134.33)	(159.08)
Provision for Tax	Nil	Nil
Profit / (Loss) after Tax	(1,134.33)	(159.08)
Surplus / (deficit) in the statement of Profit and Loss	(1,293.41)	(159.08)

PERFORMANCE OF THE COMPANY

During the year under review, the Company earned a gross income of ₹ 1,814.10 Lakhs as against Nil income in the preceding financial year, the Company having commenced its business only by the end of the previous financial year.

This being the first full year of operations, the operations have resulted in a loss due to higher manpower costs, associated with scaling up capacity for handling higher volumes in the future. Thus, the losses for the financial year ended March 31, 2014 were ₹ 1,134.33 Lakhs as compared to a loss of ₹ 159.08 Lakhs reported in the previous year.

The Company is in the business of Wealth Management and distributes third party financial products/ services.

During the year, the Company had applied for transfer of Portfolio Management Services ("PMS") license from L&T Capital Company Limited, a Group company to the Company. The same was approved by the Securities and Exchange Board of India (SEBI) and the PMS certificate was transferred to the Company.

Further, during the year, the Company has also applied to Dubai Financial Services Authority to carry on the financial service of operating a Representative Office in or from the Dubai International Financial Centre.

As at the end of the year, the Assets under Service by the Company are at ₹ 5,050 Crore across a Client base of around 1800 as at March 2014.

DIVIDEND

In view of losses during the year, the Directors have decided not to recommend payment of any dividend for the year under review.

RESOURCES

The Authorized Capital of the Company is ₹ 2,000 Lakhs divided into 2,00,00,000 Equity Shares of ₹ 10/- each.

During the year under review, the Company had allotted 1420 Lakhs Equity Shares of ₹ 10/- each to L&T Finance Holdings Limited, the Holding Company. As on March 31, 2014, the paid-up capital of your Company had increased to ₹ 1675 Lakhs.

FIXED DEPOSITS

The Company has not accepted any deposits from the public since inception.

DIRECTORS

At present, the Board comprises four Directors viz. Mr. Ved Prakash Chaturvedi, Mr. Joydeep Roy, Ms. Ashu Suyash and Ms. Raji Vishwanathan.

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Accordingly, Mr. Joydeep Roy and Mr. Ved Prakash Chaturvedi, Directors of your Company, retire by rotation at the ensuing Annual General Meeting. Mr. Joydeep Roy, due to other commitments, has opted not to seek re-election as a Director; Mr. Ved Prakash Chaturvedi, being eligible, has offered himself for re-appointment.

MANAGER

During the year under review, Mr. Ved Prakash Chaturvedi was appointed as Manager of the Company with effect from May 1, 2013 for a period of 3 years.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

Statutory Auditors

The Auditors, S R B C & CO LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company at the First Annual General Meeting ("AGM") to hold office till the conclusion of the Second AGM. However, the Company has received a letter from S R B C & CO LLP regarding their unwillingness to be re-appointed as Statutory Auditor of the Company for the Financial Year 2014-15 and thereafter. Accordingly, the Board of Directors of the Company recommend appointment of S. R. Batliboi & Co. LLP, as the Statutory Auditors of the Company, subject to the approval of the Members.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. The Company being an unlisted company having paid up share capital more than ₹ 10 Crore, it has to comply with the provisions of Section 139(2) of the Act.

Accordingly, the Board of Directors of the Company recommends their appointment from the conclusion of the Second AGM till the conclusion of the Seventh AGM, subject to ratification by the Members in the AGM of the Company. The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is given in a separate Annexure to this Report and forms part of this report. The same would be furnished to the Members 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 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 during the year (*Previous year ₹ Nil*); the foreign exchange used by the Company during the year was ₹ 7.78 Lakhs (*Previous year ₹ Nil*) towards professional/ vendor fees and application fees towards setting up a Representative Office in or from the Dubai International Financial Centre.

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 as at March 31, 2014 and of the profit or loss 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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 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.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's management 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, Securities and Exchange Board of India, Association of Mutual Funds in India and other Regulatory/ Government Authorities, Financial Institutions, Banks, Intermediaries, Asset Management Companies and Trustee Companies for their support.

For and on behalf of the Board

Place : Mumbai
Date : April 22, 2014

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board of Directors along with its Committee provides leadership and guidance to your Company's management and directs, supervises and controls the activities of your Company. At present, the Board comprises four Directors viz. Mr. Ved Prakash Chaturvedi, Mr. Joydeep Roy, Ms. Ashu Suyash and Ms. Raji Vishwanathan. Mr. Ved Prakash Chaturvedi is the Manager of the Company and also Chief Executive of the Capital Markets Group of L&T Financial Services. Mr. Joydeep Roy is a Whole-time Director of L&T General Insurance Company Limited. Ms. Ashu Suyash is the Chief Executive Officer of L&T Investment Management Limited and Ms. Raji Vishwanathan is the Chief Legal Officer - L&T Financial Services.

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 four core Committees constituted by the Board in this connection are:

- Audit Committee of the Board
- Committee of Directors
- Investment Committee
- Product Committee

The Details of various Committees of the Company are as under:

1. Audit Committee of the Board

The Audit Committee of the Directors was constituted on October 17, 2013. During the period under review, the Committee was re-constituted and currently comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Joydeep Roy
Ms. Ashu Suyash
Ms. Raji Vishwanathan

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.

During the fiscal year 2013-14, the Committee met once.

2. Committee of Directors

The Committee of Directors was constituted on February 15, 2013. The Committee comprises 3 Directors as per details given below:

Composition of Committee of Directors

Mr. Ved Prakash Chaturvedi
Mr. Joydeep Roy
Ms. Raji Vishwanathan

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company.

During the fiscal year 2013-14, the Committee met ten times.

3. Investment Committee

The Investment Committee was constituted on July 18, 2013. The Committee comprises 4 Members as per details given below:

Composition of Investment Committee

Head - Private Wealth/ Head Premier Wealth (as the case may be)
Head - Business Development
Head of Products
Head of Operations

Role of the Committee

The Investment Committee is entrusted with the powers to take strategic views on the asset classes - equity, debt, currency and gold and also review the existing products / services.

During the fiscal year 2013-14, the Committee met seven times.

4. Product Committee

The Product Committee was constituted on July 18, 2013. The Committee comprises of 6 Members as per details given below:

Composition of Product Committee

Mr. Ved Prakash Chaturvedi
Head - Private Wealth/ Head Premier Wealth (as the case may be)
Head - Business Development
Head of Products
Head of Operations
Compliance

Role of the Committee

The Product Committee is entrusted with the powers of approving the empanelment of new products/ services.

Remuneration of Directors

The Directors on the Board (except Mr. Ved Prakash Chaturvedi), who are/ were in the services of the parent company or other fellow subsidiary companies, drew remuneration from their respective companies. Mr. Chaturvedi is Manager of the Company and draws remuneration from 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 they have confirmed compliance with the same.

Responsibilities of the Board

The operations of the Company are run by the Manager under the supervision and the guidance 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 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.

Internal Auditor

Internal Audit Department of L&T Finance Limited provides Internal Audit services to your 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 proposed to be conducted by the Corporate Secretarial Department of Larsen & Toubro, which has competent professionals to carry out the said audit.

Disclosures

During the Financial Year ended March 31, 2014:

- There was no materially significant related party transaction with the Directors that have 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.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA has notified many sections, and the Company is geared up to implement all of them.

For and on behalf of the Board

Place : Mumbai
Date : April 22, 2014

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of L&T Capital Markets Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T CAPITAL MARKETS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **S R B C & CO LLP**
 ICAI Firm's Registration Number: 324982E
 Chartered Accountants

per **SHRAWAN JALAN**
 Partner
 Membership No.: 102102

Place : Mumbai
 Date : April 22, 2014

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT - MARCH 31, 2014

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: L&T Capital Markets Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) 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 Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year are fifty per cent or more of its net worth and whether it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding to a financial institution, bank or debenture holder during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order, are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding 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) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised money by public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S R B C & CO LLP**
ICAI Firm's Registration Number: 324982E
Chartered Accountants

per **SHRAWAN JALAN**
Partner
Membership No.: 102102

Place : Mumbai
Date : April 22, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	31.03.2014		31.03.2013	
		(₹ In lakh)	(₹ In lakh)	(₹ In lakh)	(₹ In lakh)
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	3	1,675.00		255.00	
Reserves and surplus	4	(1,293.41)		(159.08)	
			381.59		95.92
Non-current liabilities					
Long-term provisions	5	28.20		0.52	
			28.20		0.52
Current liabilities					
Other current liabilities	6	113.21		127.09	
Short-term provisions	7	451.62		0.73	
			564.83		127.82
TOTAL			974.62		224.26
ASSETS					
Non-current assets					
Fixed Assets					
Tangible assets	8	39.99		-	
Long-term loans and advances - others	9	87.80		55.51	
			127.79		55.51
Current assets					
Current investments	10	429.71		-	
Cash and cash equivalents	11	56.97		150.83	
Short-term loans and advances	12	96.42		17.92	
Trade receivables	13	263.73		-	
			846.83		168.75
TOTAL			974.62		224.26
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	2				

The accompanying notes are an integral part of financial statements
As per our report of even date

For and on behalf of the Board

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm's Registration No.: 324982E

Per **SHRAWAN JALAN**
Partner
Membership No. 102102

Place : Mumbai
Date : April 22, 2014

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

Place : Mumbai
Date : April 22, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Notes	For year ended 31.03.2014 (₹ In lakh)	For the period from 07.02.2013 to 31.03.2013 (₹ In lakh)
INCOME			
Revenue from operations	14	1,804.56	-
Other income	15	9.54	-
Total Income (I)		1,814.10	-
EXPENDITURE			
Employee benefit expenses	16	2,085.81	4.81
Finance costs	17	0.19	0.35
Other expenses	18	856.93	153.92
Depreciation expense		5.50	-
Total Expenditure (II)		2,948.43	159.08
Profit / (Loss) before tax (III) = (I)-(II)		(1,134.33)	(159.08)
Tax Expense (IV)			
Current Tax		-	-
Deferred Tax		-	-
Net profit / (Loss) for the period (III)-(IV)		(1,134.33)	(159.08)
Earnings per equity share			
Nominal value per equity share (₹)		10.00	10.00
Basic (computed on the basis of total loss for the year)		(13.26)	(23.99)
Diluted (computed on the basis of total loss for the year)		(13.26)	(23.99)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	2		

The accompanying notes are an integral part of financial statements
As per our report of even date

For and on behalf of the Board

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm's Registration No.: 324982E

Per **SHRAWAN JALAN**
Partner
Membership No. 102102

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

Place : Mumbai
Date : April 22, 2014

Place : Mumbai
Date : April 22, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For year ended 31.03.2014		For the period from 07.02.2013 to 31.03.2013	
	(₹ In lakh)	(₹ In lakh)	(₹ In lakh)	(₹ In lakh)
Cash flow from operating activities				
Profit/ (Loss) before tax		(1,134.33)		(159.08)
Adjustments for:				
Provision for gratuity	17.30		0.52	
Provision for leave benefits	67.10		0.73	
Profit on sale of current investments (net)	(9.28)		-	
Depreciation on tangible assets	5.50		-	
		80.62		1.25
Operating loss before working capital changes		(1,053.71)		(157.83)
Movements in working capital				
(Increase) / decrease in long term loans and advances	(32.28)		(55.51)	
(Increase) / decrease in short term loans and advances	(84.90)		(17.92)	
(Increase) / decrease in trade receivables	(263.73)		-	
Increase / (decrease) in other current liabilities and provisions	380.30		127.09	
		(0.61)		53.66
Cash used in operating activities		(1,054.32)		(104.17)
Direct taxes paid		6.39		-
Net cash used in operating activities (A)		(1,047.93)		(104.17)
Cash flows from investing activities				
Purchase of tangible assets	(45.49)			-
Purchase of current investments	(2,065.00)			-
Proceeds on sale of current investments	1,644.56			-
Net cash used in investing activities (B)		(465.93)		-
Cash flows from financing activities				
Proceeds from issue of share capital		1,420.00		255.00
Net cash from financing activities (C)		1,420.00		255.00
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(93.86)		150.83
Cash and cash equivalents as at beginning of the period		150.83		-
Cash and cash equivalents as at end of the period		56.97		150.83
Cash and cash equivalents comprises of:				
Cash on hand		0.16		-
Balance with bank		56.81		150.83
Total cash and cash equivalents (refer note 11)		56.97		150.83

As per our report of even date

For and on behalf of the Board

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm's Registration No.: 324982E

Per **SHRAWAN JALAN**
Partner
Membership No. 102102

Place : Mumbai
Date : April 22, 2014

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

Place : Mumbai
Date : April 22, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014**1 CORPORATE INFORMATION**

L&T Capital Markets Limited (the 'Company') is a public company domiciled in India and incorporated on February 7, 2013 under the provisions of the Companies Act, 1956. The principal shareholder of the Company as at March 31, 2014 is L&T Finance Holdings Limited.

The Company's principal activity is distribution of third party investment products and investment advisory services to corporates and high networth individuals.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of Preparation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

2.2 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

2.3 Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

2.4 Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

Particulars	Rates (SLM)	Schedule XIV Rates (SLM)
Computers	20.00%	16.21%
Furniture and fixtures	6.33%	6.33%
Office equipment	10.00%	6.33%

Leasehold improvements are amortised over the primary lease period.

Fixed assets costing upto ₹ 5,000 individually are depreciated fully in the year of purchase.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

2.6 Impairment on tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

2.7 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

2.8 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

2.9 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash in hand, cash at bank and short-term investments with an original maturity of three months or less.

2.10 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Claw-back means recovery of upfront commission on distribution of units of mutual fund. Claw-back occurs when invested money is redeemed / switched out to any other mutual fund scheme or "Direct Plan" before completion of exit load period. Such recovery is made on a pro-rata basis, depending upon the number of days for which the investment continued in the fund before being redeemed / switched out.

Provision towards such claw-back of the upfront commission on distribution of units of mutual fund is made based on management estimate of premature redemption of the mutual fund units by the clients.

2.11 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where company has the unconditional legal and contractual right to defer the settlement for a period beyond twelve months, the same is presented as non-current liability.

2.12 Foreign currency transactions

All transactions in foreign currency are recognized at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year. Exchange difference arising on the settlement of monetary items or on the restatement of company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous year financial statement are recognized as income or as expenses in the year in which they arise.

2.13 Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

2.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

2.15 Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

2.16 Overhead support charges

Overhead support charges represent common costs allocated by group companies pursuant to cost sharing agreements.

2.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3 SHARE CAPITAL

Number, face value and amount of shares authorised, issued, subscribed and paid-up

	31.03.2014 (₹ in lakh)		31.03.2013 (₹ in lakh)	
	No. of Shares	Amount	No. of Shares	Amount
Authorised				
Equity shares of ₹ 10 each	20,000,000	2,000.00	5,000,000	500.00
Issued, subscribed and fully paid-up				
Equity shares of ₹ 10 each fully paid up	16,750,000	1,675.00	2,550,000	255.00
Total	16,750,000	1,675.00	2,550,000	255.00

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

Particulars	31.03.2014 (₹ in lakh)		31.03.2013 (₹ in lakh)	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the period	2,550,000	255.00	–	–
Add : Shares issued during the period	14,200,000	1,420.00	2,550,000	255.00
Less : Shares bought back during the period	–	–	–	–
Balance at the end of the period	16,750,000	1,675.00	2,550,000	255.00

(b) The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholder in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholding.

(c) Shares in the Company held by the holding company

16,750,000 Equity Shares as at March 31, 2014 (*Previous year: 2,550,000 shares*) are held by L&T Finance Holdings Limited, the holding company including 6 Equity Shares as at March 31, 2014 held by nominees of the holding company where the beneficial ownership is with the holding company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)**(d) Shares in the Company held by shareholders more than of 5% of the aggregate equity shares as at the reporting date**

Name of Shareholder	31.03.2014 (₹ in lakh)		31.03.2013 (₹ in lakh)	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
L&T Finance Holdings Limited (including its nominee) (Refer note c above)	16,750,000	100.00%	2,550,000	100.00%

(e) There are no shares allotted for consideration other than cash since the incorporation date.

	31.03.2014 (₹ in lakh)	31.03.2013 (₹ in lakh)
4 RESERVES AND SURPLUS		
Surplus / (deficit) in statement of profit and loss		
Balance as at the beginning of the year / period	(159.08)	–
Add : Net profit/(loss) for the year / period	(1,134.33)	(159.08)
Balance at the end of the year / period	(1,293.41)	(159.08)
5 LONG TERM PROVISIONS		
Provision for employee benefits		
Gratuity	28.20	0.52
TOTAL	28.20	0.52
6 OTHER CURRENT LIABILITIES		
Expenses and other payable	21.92	109.96
Statutory dues payable	57.36	17.13
Employee benefits payable	25.08	–
Others liabilities	8.85	–
TOTAL	113.21	127.09
7 SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for leave benefits	86.33	0.73
Provision for bonus	290.54	–
Provision for claw back of mutual fund brokerage	74.75	–
TOTAL	451.62	0.73

8 FIXED ASSETS

(₹ in lakh)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 01.04.2013	Additions	Sales / Adjustments	As at 31.03.2014	As at 01.04.2013	For the period	Deductions / Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2014	
Tangible Assets											
Computers	–	23.75	–	23.75	–	2.45	–	2.45	21.30	–	
Furniture and fixtures	–	3.04	–	3.04	–	1.55	–	1.55	1.49	–	
Office equipments	–	9.16	–	9.16	–	0.63	–	0.63	8.53	–	
Leasehold improvements	–	9.54	–	9.54	–	0.87	–	0.87	8.67	–	
Total	–	45.49	–	45.49	–	5.50	–	5.50	39.99	–	
Previous Year	–	–	–	–	–	–	–	–	–	–	

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in lakh)	31.03.2013 (₹ in lakh)
9 LONG TERM LOANS AND ADVANCES		
Unsecured, considered good (unless otherwise stated)		
Security deposits	87.80	55.51
TOTAL	87.80	55.51
10 CURRENT INVESTMENTS		
Current investments (valued at lower of cost and fair value; unless stated otherwise)		
Investment in units of unquoted mutual funds		
L&T Liquid Fund	429.71	-
No. of units: 24,744.54 (March 31, 2013: Nil)		
TOTAL	429.71	-
Notes:		
a) Aggregate amount of unquoted investments	429.71	-
b) Aggregate amount of quoted investments	-	-
11 CASH AND CASH EQUIVALENTS		
Cash on hand	0.16	-
Balances with banks -		
In current accounts	56.81	150.83
TOTAL	56.97	150.83
12 Short term loans and advances		
		(₹ in lakh)
	March 31, 2014	March 31, 2013
Unsecured, considered good (unless otherwise stated)		
Advances recoverable in cash or kind		
Cenvat credit	78.64	17.92
Other loans and advances		
Advance income tax	6.39	-
Advance for expenses	3.70	-
Prepaid expenses	7.69	-
TOTAL	96.42	17.92
13 TRADE RECEIVABLES		
Unsecured, considered good (unless otherwise stated)		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others	263.73	0.52
TOTAL	263.73	0.52

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

	For year ended 31.03.2014	<i>For the period from 07.02.2013 to 31.03.2013</i>
	(₹ in lakh)	<i>(₹ in lakh)</i>
14 REVENUE FROM OPERATIONS		
Brokerage and commission on:		
Mutual fund products	1,668.14	–
Equity products	30.45	–
Other products	69.23	–
Referral and other fees	36.74	–
TOTAL	1,804.56	–
15 OTHER INCOME		
Profit on sale of investment	9.27	–
Other income	0.27	–
TOTAL	9.54	–
16 EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	1,926.24	4.15
Contribution to provident and other funds		
Provident fund	63.66	0.14
Super annuation	7.65	–
Pension fund	3.86	–
Gratuity	17.30	0.52
Leave benefits	67.10	–
TOTAL	2,085.81	4.81
17 FINANCE COSTS		
Interest paid on inter-company deposits	0.03	0.35
Bank charges	0.16	0.00
TOTAL	0.19	0.35

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

	For year ended 31.03.2014	For the period from 07.02.2013 to 31.03.2013
	(₹ in lakh)	(₹ in lakh)
18 OTHER EXPENSES		
Rent	145.25	21.24
Rates and taxes	14.28	-
Overhead support charges	307.20	131.03
Legal and professional fees	18.97	0.48
Travelling and conveyance	62.48	0.17
Repairs & maintenance	58.58	-
Electricity charges	10.23	-
Printing and stationery	12.63	-
Membership and subscription	9.44	-
Communication charges	19.26	-
Software running expenses	80.75	-
Profession tax	0.22	-
Outsourced employees cost	6.48	-
Training and recruitment expenses	33.69	-
Business promotion	43.56	-
Insurance	9.45	-
Auditors' remuneration (refer details below)	3.51	1.00
Referral fees paid	14.80	-
Miscellaneous expenses	6.15	-
TOTAL	856.93	153.92
As Auditor:		
Statutory audit	1.75	1.00
Limited review	0.75	-
Other fees	1.01	-
TOTAL	3.51	1.00

19 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the period ended March 31, 2014, no supplier is getting covered under MSMED.

- 20** Pursuant to the Employees Stock Options Scheme established by L&T Finance Holdings Limited ('the holding company'), stock options were granted to the employees of the Company during the financial year 2013-14. The total cost incurred by the holding company, in respect of options granted to employees of the Company amounts to ₹ 19.76 lakh. This sum is being recovered from the Company over the period of vesting. Accordingly, a sum of ₹ 14.87 lakh has been recovered from the Company during the year which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 4.88 lakh will be recovered in future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)**21 EMPLOYEE BENEFIT PLANS****a) Expenses recognized in the Statement of Profit and Loss**

(₹ in lakh)

Particulars	31.03.2014
Current Service Cost	12.62
Past Service Cost	-
Interest Cost	2.12
Expected Return on Plan Assets	-
Actuarial Losses / (Gain)	(6.06)
Losses / (Gains) on "Curtailements and Settlements"	-
Total expense recognized in the statement of profit and loss	8.67

The gratuity expense charged to the statement of profit and loss for the year of ₹ 17.30 lacs includes net benefit expense of ₹ 8.67 lacs (as shown above) and ₹ 8.63 lacs being incurred on account of employees transferred within group companies.

b) Amount recognised in the Balance sheet

(₹ in lakh)

Particulars	31.03.2014
Closing present value of obligations	28.20
Liability recognised in the Balance Sheet	28.20

c) Change in the present value of the defined benefit obligation are as follows:

(₹ in lakh)

Particulars	31.03.2014
Opening Present Value of Obligation	0.52
Add: Liability transfer for Employee transferred from Group Companies	13.22
Current Service Cost	12.62
Interest Cost on Defined Benefit Obligation	2.12
Actuarial Losses/(Gain) recognise	(6.06)
Liabilities assumed on Acquistio/(Settled on Divestiture)	5.78
Benefits paid	-
Closing present value of obligation	28.20

d) Financial assumptions at the valuation date

Particulars	2013-14
Discount Rate (per annum)	9.35%
Salary Escalation Rate (per annum)	6.00%
Mortality Rate	Published rates under the Indian Assured Lives Mortality (2006-08) Ult table.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and othe relevant factors. The above information is certified by the actuary and relied upon by the Auditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)**22 RELATED PARTY DISCLOSURE**

Disclosure as required by AS – 18 “Related Party Disclosure” notified under Companies Act, 1956 is as follows:

(a) List of related parties:**A. Ultimate Holding Company**

Larsen & Toubro Limited

B. Holding Company

L&T Finance Holdings Limited

C. Fellow Subsidiaries

Family Credit Limited

L&T Access Financial Advisory Services Private Limited

L&T Housing Finance Limited

L&T Finance Limited

L&T FinCorp Limited (formerly known as India Infrastructure Developers Limited)

L&T Vrindavan Properties Limited (Formerly L&T Unnati Finance Limited)

Larsen & Toubro Infotech Limited

L&T Infrastructure Finance Company Limited

L&T Capital Company Limited

L&T Realty Limited

L&T PT&D IC International

D. Key Management Personnel

Mr. Ved Prakash Chaturvedi

Director

(b) Details of transactions with related parties

		(₹ in lakh)	
	Nature of transactions	March 31, 2014	<i>March 31, 2013</i>
1	Remuneration paid - KMP		
	Mr. Ved Prakash Chaturvedi	116.95	–
2	Subscription of Equity Shares		
	L&T Finance Holdings Company Limited		
	Balance at the beginning of the period	255.00	–
	Add : Shares issued during the period	1,420.00	<i>255.00</i>
	Balance at the end of the period	1,675.00	<i>255.00</i>
3	Fixed Assets- Purchased		
	L&T Housing Finance	0.60	–
	L&T Capital Company Limited	4.98	–
4	Overhead support charges paid		
	L&T Finance Holdings Company Limited	235.96	–
	L&T Finance Limited	99.69	<i>23.94</i>
	L&T Capital Company Limited	–	<i>107.09</i>
5	ESOP Charges Paid		
	L&T Finance Holdings Company Limited	14.87	–
6	Traveling & lodging expenses reimbursed to		
	Larsen & Toubro Limited	–	<i>0.17</i>
	L&T PT&D IC International	0.33	–
7	Short-term loans and advances accepted		
	L&T Finance Limited	–	<i>55.51</i>
8	Interest on inter-company deposits paid		
	L&T Finance Limited	0.03	<i>0.35</i>
9	Rent paid		
	L&T Vrindavan Properties Limited	7.42	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)

(₹ in lakh)

	Nature of transactions	March 31, 2014	March 31, 2013
10	Reimbursement of Rates & Taxes to		
	L&T Finance Holdings Company Limited	-	4.63
11	Employee deputation cost paid to		
	L&T Finance Limited	9.53	-
12	Other expenses paid to		
	Larsen & Toubro Limited	15.12	-
	Larsen & Toubro Infotech	4.49	-
13	Brokerage & Commission earned from		
	L&T Finance Holdings Company Limited	1.96	-
	L&T Finance Limited	1.79	-
	L&T Capital Company Limited	88.11	-
	L&T Fincorp Limited	7.60	-
	Family Credit Limited	1.11	-
	Larsen & Toubro Ltd (Realty Div)	19.28	-

(c) Amount due to/ from related parties

(₹ in lakh)

	Nature of transactions	March 31, 2014	March 31, 2013
1	Overhead support charges payable		
	L&T Capital Company Limited	-	108.30
2	ESOP charges payable		
	L&T Finance Holdings Company Limited	0.33	-
3	Other expenses payable		
	Larsen & Toubro Limited	5.16	0.17
4	Employee deputation -Gratuity payable		
	L&T Finance Limited	0.64	-
5	Brokerage & Commission receivable		
	L&T Finance Holdings Company Limited	0.14	-
	L&T Finance Limited	1.79	-
6	Security Deposit- Rent		
	L&T Vrindavan Properties Limited	6.60	-
	Note: Transaction shown above are inclusive of Service Tax if any		

23 EARNINGS PER SHARE

Particulars	Unit	31.03.2014	31.03.2013
Net loss after tax	₹ in lakh	(1,134.33)	(159.08)
Nominal value of equity shares	₹	10	10
Weighted average equity shares for basic and diluted earnings per share	No.	8,553,973	663,208
Basic and diluted earnings per share	₹	(13.26)	(23.99)

24 CAPITAL AND OTHER COMMITMENTS

The Company has an outstanding capital commitment amount of ₹ 7.21 lakhs (Previous year : NIL)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2014 (Contd.)**25 EXPENDITURE IN FOREIGN CURRENCY**

(₹ In lakh)

Particulars	31.03.2014	31.03.2013
Professional fees	4.50	–
Other expenses	3.28	–
TOTAL	7.78	–

26 CONTINGENT LIABILITIESThere are no contingent liabilities as on March 31, 2014 (*March 31, 2013: Nil*)**27 PREVIOUS YEAR FIGURES**

Previous period figures have been regrouped / reclassified, wherever necessary, to conform to current year's classification.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm's Registration No.: 324982E

Per **SHRAWAN JALAN**
Partner
Membership No. 102102

Place : Mumbai
Date : April 22, 2014

For and on behalf of the Board

VED PRAKASH CHATURVEDI
Director

JOYDEEP ROY
Director

Place : Mumbai
Date : April 22, 2014

DIRECTORS' REPORT

Dear Members,

The Directors of your Company take pleasure in presenting the Sixth Annual Report together with the annual audited statement of accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

	(₹ Lakhs)	
Particulars	2013-14	2012-13
Total Income	29,122.67	20,067.22
Less: Total Expenses	9,433.44	6,894.06
Profit before Exceptional Items	19,689.23	13,173.16
Exceptional items *	–	23,572.92
Profit before Tax	19,689.23	36,746.08
Less: Tax Expense	50.92	5,613.56
Profit after Tax	19,638.31	31,132.52
Add: Balance brought forward from previous year	17,698.51	5,933.84
Balance Available	37,336.82	37,066.36
Appropriations		
Statutory Reserve	3,928.00	6,250.00
Proposed Dividend on Preference Shares	–	150.00
Proposed Dividend on Equity Shares	12,888.37	12,875.70
Dividend paid for previous year	1.29	–
Dividend Distribution Tax on proposed dividend / dividend paid	3.38	92.15
Interim Dividend on Preference Shares	7,597.50	–
Surplus in the Statement of Profit and Loss	12,918.28	17,698.51

* Exceptional items represent profit on sale of investments net of costs related to integration of acquired entities.

APPROPRIATIONS

The Company proposes to transfer ₹ 3,928.00 lakhs (Previous year ₹ 6,250.00 lakhs) to Special Reserve created u/s 45-IC of the Reserve Bank of India Act, 1934.

The Company proposes to transfer ₹ 12,888.37 lakhs (Previous year ₹ 12,875.70 lakhs) to Dividend Account towards payment of proposed dividend on Equity Shares and ₹ 3.38 lakhs (Previous year ₹ 92.15 lakhs) towards payment of Dividend Distribution Tax (including for dividend paid for the previous year) on the proposed dividend and retain ₹ 12,918.28 lakhs (Previous year ₹ 17,698.51 lakhs) in the Statement of Profit and Loss of the Company.

DIVIDEND

The Board of Directors had declared and paid an interim dividend @ 8.75% (two series) and 9.00% per share (on pro-rata basis for the issuance made during the year) as applicable, on the three series of Cumulative Compulsorily Redeemable Preference Shares of face value of ₹ 100/- each of the Company for the financial year 2013-14, entailing an outflow of ₹ 7,597.50 lakhs (excluding Dividend Distribution Tax).

The Directors are also pleased to recommend a final dividend of ₹ 0.75 per Equity Share of face value of ₹ 10/- each for the financial year 2013-14, entailing an outflow of ₹ 12,888.37 lakhs (excluding Dividend Distribution Tax).

The dividend, if approved at the ensuing Annual General Meeting, would be paid to those members whose name appear in the Register of Members/Beneficial Holders as on July 21, 2014.

CONSOLIDATED FINANCIAL STATEMENTS

The Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Equity Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard. The Auditors' Report to the Shareholders thereupon does not contain any qualification.

- Total income grew by 31% from ₹ 3,99,479.32 lakhs in FY 2012-13 to ₹ 5,23,718.42 lakhs in FY 2013-14.
- Profit before exceptional and extraordinary items and taxes has grown from ₹ 77,061.47 lakhs in FY 2012-13 to ₹ 82,488.07 lakhs in FY 2013-14.
- Profit After Tax (PAT) was ₹ 59,484.16 lakhs in FY 2013-14 compared to ₹ 72,918.77 lakhs in FY 2012-13 due to exceptional income in FY 2012-13 and higher credit costs in the year under review, mainly due to the economic scenario affecting the infrastructure and other corporate sectors.

During the year, the loan book size grew from ₹ 32,20,000.00 lakhs to ₹ 38,96,714.04 lakhs reflecting a growth of 20%.

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The Average Assets Under Management (AAUM) of the Mutual Fund business stood at ₹ 18,25,518.65 lakhs for the quarter ended March 31, 2014 as against ₹ 11,16,937.84 lakhs for the quarter ended March 31, 2013, a growth of 63%.

SHARE CAPITAL

During the year under review, to fund the capital requirements of the subsidiaries from time to time, your Company has issued 2,50,00,000 Listed 9% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of Face Value ₹ 100/- each for cash at par aggregating ₹ 25,000.00 lakhs on private placement basis. The said shares were issued in accordance with the SEBI (Issue and Listing of Non-convertible Redeemable Preference Shares) Regulations, 2013 (SEBI Regulations). The Preference Shares issued by your Company are the first such instruments to be issued on private placement basis and listed pursuant to SEBI Regulations.

During the year, the Company has issued in total 16,88,443 Equity Shares to employees of the Company and its Subsidiary companies pursuant to their exercise of stock options under ESOP Scheme - 2010.

Pursuant to the above issue of Preference Shares and allotment of Equity Shares pursuant to exercise of employee stock options, the paid-up capital of your Company increased to ₹ 2,71,844.90 lakhs (including Preference Share Capital of ₹ 1,00,000.00 lakhs) as at March 31, 2014 from ₹ 2,46,676.05 lakhs as at March 31, 2013.

INVESTMENT IN SUBSIDIARIES

During the year under review, your Company has infused capital in its following subsidiaries by subscribing to the equity shares offered by them :

Name of subsidiary company	Amount of capital subscribed (₹ in lakhs)
L&T FinCorp Ltd.	25,000.00
L&T Housing Finance Ltd.	15,000.00
Family Credit Ltd.	10,000.00
L&T Infra Debt Fund Ltd.	7,100.00
L&T Vrindavan Properties Ltd. (formerly L&T Unnati Finance Ltd.)	1,425.00
L&T Capital Markets Ltd.	1,420.00
L&T Mutual Fund Trustee Ltd.	10.00

REGISTRATION AS CORE INVESTMENT COMPANY

Your Company is now a registered Non-Banking Financial Institution - Core Investment Company (NBFC-CIC) pursuant to the receipt of Certificate of Registration from the Reserve Bank of India (RBI) dated September 11, 2013, under Section 45-IA of the Reserve Bank of India Act, 1934.

STATUTORY DISCLAIMER

The Company is having a valid Certificate of Registration dated September 11, 2013 issued by the Reserve Bank of India under Section 45-IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits / discharge of liabilities by the Company.

FIXED DEPOSITS

The Company has not accepted any deposits from the public since inception.

DIRECTORS

During the year, Mr. R. Gopalakrishnan, Mr. Subramaniam N. and Mr. M. Venugopalan resigned from the Board of Directors and accordingly ceased to be Directors of your Company with effect from August 1, 2013. The Board places on record its appreciation of the valuable services rendered by them during their tenure as Directors of the Company.

Prior to the coming into force of Section 149 of the Companies Act, 2013, six of the Company's Directors, Mr. A. K. Jain, Mr. B. V. Bhargava, Mr. S. V. Haribhakti, Mr. P. V. Bhide, Mr. Harsh Mariwala and Ms. Kamakshi Rao were categorised as Independent Directors in terms of the definition contained in the Equity Listing Agreement.

The provisions of Section 149(4) of the Companies Act, 2013, pertaining to the appointment of Independent Directors have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to the coming into force of Section 149 of the Companies Act, 2013, from April 1, 2014, the Company has re-assessed the status of its Directors with a view to determining their qualifying for classification as Independent Directors in terms of Section 149(6) of the Companies Act, 2013. Accordingly, Mr. B. V. Bhargava, Mr. S. V. Haribhakti, Mr. P. V. Bhide, Mr. Harsh Mariwala and Ms. Kamakshi Rao fulfil the criteria laid out in Section 149(6) of the Companies Act, 2013, in this regard.

Section 149(10) of the Companies Act, 2013, restricts the tenure of Independent Director to two terms of up to ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. The revised Clause 49 of the Equity Listing agreement issued by Securities and Exchange Board of India (SEBI), pursuant to Circular no. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014, also contains the same provisions. Mr. B. V. Bhargava, Mr. S. V. Haribhakti, Mr. P. V. Bhide and Ms. Kamakshi Rao retire by rotation at the forthcoming Annual General Meeting (AGM) and, they, being eligible, have offered themselves for appointment as Independent Directors of your Company pursuant to the provisions of the Companies Act, 2013, to hold office for a period upto March 31, 2019.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, read with the relevant provision in the Articles of Association, Mr. Harsh Mariwala was appointed as an Additional Director by the Board of Directors of the Company with effect from October 23, 2013. He holds office as a Director

up to the date of the forthcoming AGM. Your Company has received a notice in writing from a Member proposing his candidature for the office of Independent Director. Mr. Mariwala qualifies to be an Independent Director pursuant to the provisions of Section 149(6) of the Companies Act, 2013.

Additional Information and brief profile, as stipulated under the Equity Listing Agreement for each of the above Directors seeking re-appointment / appointment, is annexed to the Notice of the AGM. Further, the business items relating to the re-appointment / appointment of above Directors have been included in the Notice of the AGM.

EMPLOYEE STOCK OPTION SCHEME

The disclosures required to be made under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, together with a certificate obtained from the Statutory Auditors, confirming compliance thereto, are provided in Annexure A forming part of this Report.

The Company has also instituted a revised Employee Stock Option Scheme of the Company, known as Employee Stock Option Scheme – 2013 (ESOP Scheme – 2013), which was approved by the Members vide postal ballot in Apr'14.

REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS

The report on Corporate Governance and Management Discussion & Analysis for the year under review, are forming part of the Annual Report. The certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance is annexed to the Corporate Governance Report.

STATUTORY AUDITORS

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

The Ministry of Corporate Affairs has notified the provisions of Section 139 of the Companies Act, 2013,

for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Companies Act, 2013 and the rules made thereunder, no listed Company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by the Members of the Company at every AGM.

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to said Section 139(2) stipulates that every Company existing on or before the commencement of the Companies Act, 2013, has to comply with the requirements of this Section within three years from the date of commencement of this Act. M/s. Sharp & Tannan has already served as Statutory Auditors of the Company for a term of five years.

Pursuant to Section 139(2) of the Companies Act, 2013, the Audit Committee and Board of Directors of the Company have recommended their appointment for a period of one year i.e from the conclusion of the Sixth AGM till the conclusion of the Seventh AGM, subject to approval of the Members in the AGM of the Company. M/s. Sharp & Tannan have confirmed that their re-appointment, if made, will comply with the eligibility criteria in terms of Section 141(3) of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the Annexure II to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the aforesaid information. The said Annexure is available for inspection at the registered office of the Company. Any shareholder interested in the said information may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities 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 during the year (Previous year ₹ Nil); the foreign exchange used by the Company during the year was ₹ 196.48 lakhs (Previous year ₹ 168.11 lakhs) towards professional fees, Directors' sitting fees and travelling expenses.

DEPOSITORY SYSTEM

As the Members are aware, the Company's equity shares are compulsorily tradable in electronic form. As on March 31, 2014, out of the Company's total equity paid-up capital comprising of 1,71,84,48,975 shares, only 14,915 shares were in physical form and the remaining capital is in electronic form. In view of the numerous advantages offered by the Depository system, the Members holding shares in physical form are advised to avail of the facility of dematerialization.

SUBSIDIARY COMPANIES

As of March 31, 2014, the Company had 16 subsidiaries (including step down subsidiaries), which is summarized in the diagram below:

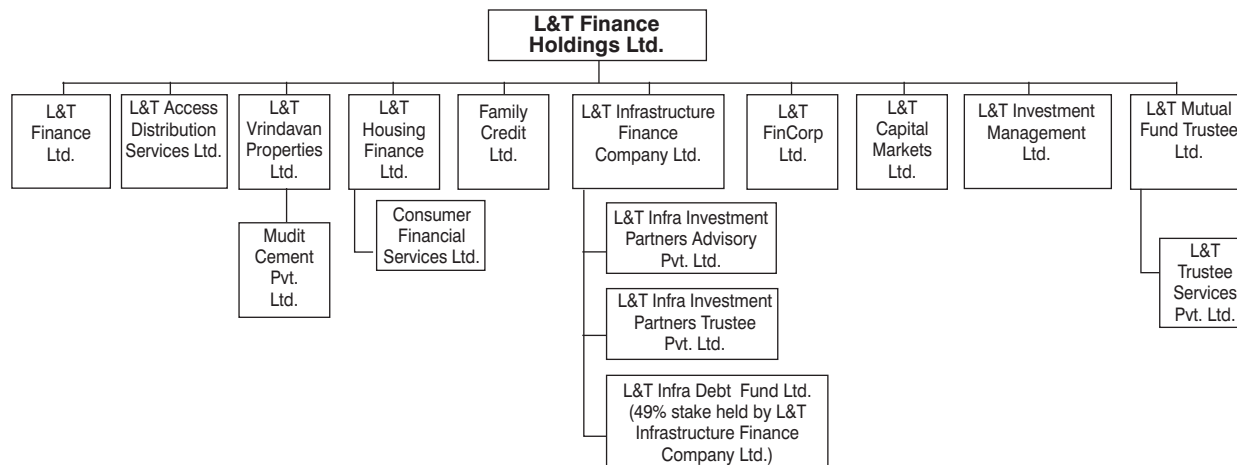
As per the provisions of Section 212 of the Companies Act, 1956, the Company is required to attach, inter alia, the Directors' Report, Balance Sheet and Statement of Profit and Loss of the subsidiaries to its annual report. The Ministry of Corporate Affairs, Government of India vide its circular No. 2/2011 dated February 8, 2011 has provided an exemption to companies from complying with the provisions of Section 212 subject to fulfillment of certain conditions as mentioned in the said circular. Accordingly, the annual report of the Company for the FY 2013-14 does not contain the financial statements of the subsidiaries. As required under the aforesaid circular, the consolidated financial statements of the Company duly audited by the statutory auditors form part of this Annual Report. Your Company shall make available the audited annual accounts and related information of its subsidiaries, to those members who wish to have copies of the same and these documents will also be kept open for inspection by any member

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at the Registered Office of the Company on any working day, except on Saturdays, Sundays & Holidays between 11.00 a.m. and 1.00 p.m. up to the date of the ensuing Annual General Meeting.

During the year under review, as part of management restructuring exercise, L&T Fund Management Pvt. Ltd. (erstwhile FIL Fund Management Private Ltd.) was merged with L&T Investment Management Ltd. in order to create better synergies across the group, optimal utilisation of resources and reduction in regulatory and legal compliances/filings.

The Scheme of Arrangement has been sanctioned by the Honorable High Court of Judicature at Bombay vide its Order dated October 25, 2013.



DIRECTORS' RESPONSIBILITY STATEMENT

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 departures;
- 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, 2014 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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 REGULATIONS

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2014.

ACKNOWLEDGEMENT

Your Directors express their sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited, Ministry of Finance, Ministry of Corporate Affairs, Registrar of Companies, other government and regulatory authorities, lenders, financial institutions and the Company's bankers for the ongoing support extended by them. The Directors also place on record their sincere appreciation for the continued support extended by the Company's stakeholders and trust reposed by them in your Company. Your Directors sincerely appreciate the commitment displayed by the employees of the Company and its subsidiaries across all levels, resulting in successful performance during the year.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 23, 2014

Y. M. DEOSTHALEE
Chairman & Managing Director

N. SIVARAMAN
President and Whole-time Director

ANNEXURE 'A' TO DIRECTORS' REPORT

Information required to be disclosed under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

Employee Stock Option Scheme 2010 (ESOP Scheme 2010)

The Company has formulated Employee Stock Option Scheme 2010 (ESOP Scheme - 2010) in the FY 2010-11. The Scheme is designed to provide stock options to employees of the Company, its subsidiaries and holding company.

This scheme was subsequently ratified by the Shareholders pursuant to Clause 22.2A and all other applicable provisions of SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time. Relevant disclosures are as follows:

Summary of ESOP Disclosure

A	Options Granted	17,548,500
B	Pricing Formula	At a price not below the face value of the equity share and not exceeding the issue price of IPO where the grant is made prior to listing, and at a price not below the face value of the equity share and not exceeding the market price as per SEBI (ESOP & ESPS) guidelines where the grant is made after listing on such terms & conditions as the Board/ Nomination & Remuneration Committee may decide.
C	Options vested	6,942,616
D	Options exercised	3,719,188
E	Total no. of shares arising as a result of exercise of option	3,719,188
F	Options lapsed and/or withdrawn	4,722,687
G	Variation of terms of options	NA
H	Money realised by exercise of options	₹ 1,64,388,110
I	Total number of options in force:	
	Vested	2,839,131
	Unvested	<u>6,267,494</u>
	Total	9,106,625
J	Employee-wise details of options granted to:	
	i. Senior Managerial Personnel	None
	ii. Any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during that year.	None
	iii. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
K	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option	₹ 0.70
L	Disclosure Regarding the Compensation Cost	For calculation of Employee Compensation costs, the Company has been using the intrinsic value method of ESOP valuation (as per SEBI Guidelines). Based on fair value of options as per the Black-Scholes Model, the profits for the year ended March 31, 2014 would have been lower by ₹ Nil (excluding ₹ 183.21 lakhs on account of grants to employees of subsidiary companies (Previous year lower by ₹ Nil). Consequently, the basic and Diluted EPS would have been lower by ₹ Nil (Previous year lower by ₹ Nil) and ₹ Nil (Previous year lower by ₹ Nil) respectively.
M	Weighted average exercise price and Weighted average fair values	Weighted average exercise prices of the options outstanding as at the year end ₹ 44.20 Weighted average fair value of options outstanding as at the year end ₹ 34.53
N	The description of the method and significant assumptions used during the year to estimate the fair value of the options	<ol style="list-style-type: none"> I. Risk-free interest rate – This is the rate offered in the market with virtually zero risk. Normally the yield of Government backed securities with maturity similar to that of the option is taken into consideration. II. Expected life – Full life of the option is the period up to which it can be exercised. III. Expected volatility – Calculated by using the closing market prices of the Company's Shares during the last one year. IV. Expected dividends – Yield has been calculated on the basis of dividend yield of the financial year. V. The price of underlying shares in market at the time of option grant – closing market price on previous trading day on which the warrants are allotted on the Stock Exchange where the volume of shares traded is more.

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AUDITORS' CERTIFICATE ON EMPLOYEE STOCK OPTION SCHEME

We have examined the books of accounts and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Resolution of the Company in General Meeting held on November 29, 2010.

Further, the Scheme was ratified by the shareholders of the Company through Postal Ballot on June 14, 2012.

SHARP & TANNAN
Chartered Accountants
Registration No: 109982W
by the hand of

MILIND P. PHADKE
Partner
Membership No: 033013

Place : Mumbai,
Date : April 23, 2014

ANNEXURE 'B' TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

A. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's policy on Corporate Governance is shaped by the twin objectives of transparency and fairness in its business dealings and an adequate system of checks and controls to ensure that executive decisions benefit all stakeholders. The Company has established systems and procedures to ensure that its Board of Directors is well informed and well equipped to fulfil its overall responsibilities and to provide management with the strategic direction needed to create long-term shareholders' value. The Company has always worked towards building trust with the shareholders, employees, customers, suppliers and other stakeholders. The Company believes that good Corporate Governance is dependent on transparency backed by appropriate disclosures, unbiased monitoring and being fair to all including shareholders, especially minority shareholders.

B. BOARD OF DIRECTORS

1) Composition of the Board:

The Company's Board of Directors ('the Board') is the guardian of fairness, transparency and accountability and provides appropriate directions with regard to leadership, vision, strategy, policies, monitoring, supervision, accountability to shareholders and to achieve greater levels of performance on a sustained basis as well as adherence to the best practices of Corporate Governance. The Board also provides directions and exercises appropriate control to ensure that the Company fulfils stakeholders' aspirations and societal expectations.

Commensurate with the size of the Company, complexity and nature of various underlying businesses, the Board of your Company consists of persons having professional background, varied experience, knowledge and commitment to discharge their responsibilities and duties. Considering the nature and complexities of business, the size of the Board is optimal. The Company's Board plays a pivotal role in creation of stakeholder value by ensuring that the Company is run on sound ethical business practices and that the resources of the Company are optimally used. The Board reviews and approves the strategy and monitors the actions of the management.

The Board comprises Mr. Y. M. Deosthalee, Chairman & Managing Director, Mr. N. Sivaraman, President & Whole-time Director and seven Non-Executive Directors.

Mr. R. Shankar Raman, a Non-Executive Director, is the Chief Financial Officer and a member of the Board of Directors of Larsen & Toubro Limited, the holding company of the Company. Mr. A. K. Jain, Mr. S. V. Haribhakti, Mr. B. V. Bhargava, Mr. P. V. Bhide, Ms. Kamakshi Rao and Mr. Harsh Mariwala were Independent Directors as defined in Clause 49 of the Equity Listing Agreement for the year ended March 31, 2014. Mr. A. K. Jain is also a member of the Board of Directors of Larsen & Toubro Limited. Mr. S.V. Haribhakti, Mr. B.V. Bhargava, Mr. P.V. Bhide, Ms. Kamakshi Rao and Mr. Harsh Mariwala would be seeking appointment as Independent Directors at the said Annual General Meeting.

With six Independent Directors on the Board during the year under review, the Company has met the spirit of Corporate Governance more than that mandated by the law.

2) Board Procedure:

The Board meetings of the Company as well as of its subsidiaries are scheduled in advance and the notice of each such meeting is communicated in writing to their respective Directors. To consider any specific/urgent agenda, urgent meetings are called at a shorter notice. In case of exigencies or urgency, resolutions are also passed by circulation in due compliance with the applicable provisions of the Companies Act, 1956.

The business/department heads communicate with the Company Secretary in advance with regard to matters requiring the approval of the Board to enable inclusion of the same in the agenda for the Board meetings. The detailed agenda as approved by the Chairman together with the relevant attachments is circulated amongst the Directors in advance. All major agenda items are backed by comprehensive background information to enable the Board to take informed decision. Where it is not practicable to circulate any document or if the agenda is of the confidential nature, the same is tabled at the meeting without written material being circulated. In special and exceptional circumstances, consideration of additional or supplementary items is taken up with the approval of the chair. Senior Management Personnel are invited to the Board meeting to provide additional inputs for the items being discussed by the Board of Directors as and when necessary. The Board members interact with Chief Executives of the various operating subsidiary companies frequently at the Board meetings and offsite meetings.

With a view to leveraging technology and reducing paper consumption, the Company has adopted a web-based application for transmitting Board/Committee Agenda. The Directors of the Company receive the Agenda in electronic form through this application. The application meets the high standards of security and integrity that is required for storage and transmission of Board/Committee Agenda in electronic form.

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 incorporated in the Minutes, in consultation with the Chairman. The Minutes are approved by the members of the Board prior to the next meeting and confirmed thereat.

3) Meetings & Attendance:

During the financial year ended March 31, 2014, seven Board meetings were held on April 25, 2013, June 29, 2013, July 23, 2013, October 23, 2013, November 7, 2013, January 23, 2014 and March 21, 2014. The meetings of the Board are generally held at its Corporate Office at City-2, Plot No. 177, C.S.T. Road, Vidyanaigari Marg, Kalina, Santacruz (East), Mumbai – 400098.

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The attendance of the members of the Board at the meetings held during the year and at the last Annual General Meeting (AGM) and also the number of other Directorships & Memberships/Chairmanships of Committees as on March 31, 2014 is as follows:

Name of the Director	Nature of Directorship	Meetings held during the year	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships in other Public companies#	No. of Committee Memberships (Including in the Company)##	
						Member	Chairman
Mr. Y. M. Deosthalee	CMD	7	7	Present	8	4	2
Mr. N. Sivaraman	WTD	7	7	Present	9	5	-
Mr. R. Shankar Raman	NED	7	6	Present	9	9	1
Mr. A. K. Jain	ID	7	7	Present	2	2	1
Mr. S. V. Haribhakti	ID	7	7	Present	11	7	5
Mr. B. V. Bhargava	ID	7	6	Absent	6	7	4
Mr. P. V. Bhide	ID	7	7	Present	6	7	1
Ms. Kamakshi Rao	ID	7	2	Present	-	-	-
Mr. Harsh Mariwala*	ID	7	2	NA	5	1	1
Mr. Subramaniam N.@	ID	7	3	Present	--	--	--
Mr. M. Venugopalan@	ID	7	1**	Present	--	--	--
Mr. R. Gopalakrishnan@	ID	7	0	Absent	--	--	--

Directorships in Foreign companies, Private Limited companies, companies under Section 25 of the Companies Act, 1956 and companies in which the Director holds office as an Alternate Director are excluded for the above purpose.

Memberships include Chairmanships. Only memberships of Audit Committee and Shareholders'/Investors' Grievance Committee are considered.

* Appointed as an Additional Director with effect from October 23, 2013.

** Excluding one meeting attended through video conferencing.

@ Ceased to be a director with effect from August 1, 2013.

CMD – Chairman & Managing Director WTD – Whole-time Director

NED – Non-Executive Director ID – Independent Director

- None of the above Directors is related inter-se.
- The Committee Chairmanships/Memberships are within the limits laid down in Clause 49 of the Equity Listing Agreement.

All the Independent Directors have confirmed to the Board that they qualify to be independent as per the definition of 'Independent Director' stipulated in Clause 49 (I)(A)(iii) of the Equity Listing Agreement. These confirmations are placed before the Board meeting on an annual basis.

4 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 of the Company and its subsidiaries.
- Quarterly results and results of operations of subsidiaries.
- Financing plans of the Company.
- Minutes of meetings of the Board of Directors and Committees of the Board.
- Minutes of the Board Meetings of material subsidiaries.
- Details of potential acquisitions or collaboration agreement.
- Material 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.
- 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.

5) Post-meeting internal communication system:

The important decisions taken at the Board/Committee Meetings are communicated to the concerned departments/subsidiary companies promptly.

C. BOARD COMMITTEES

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas/activities which concern the Company. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by members of the Board, as a part of good governance practice. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. All business transacted by the Board Committees are placed before the Board for noting.

The Board has currently established the following Committees:

- Audit Committee
- Shareholders'/Investors' Grievance Committee
- Nomination & Remuneration Committee
- Committee of Directors
- Asset Liability Management Committee
- Risk Management Committee
- Corporate Social Responsibility Committee

1) Audit Committee

i) Terms of reference:

The role of the Audit Committee includes the following:

- Holding discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review of the quarterly, half yearly and annual financial statements before submission to the Board and also ensuring compliance with internal control systems;
- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees;
- Approving of payment to statutory auditors for other services of non-routine and material nature rendered by them;
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the Directors' Responsibility Statement forming part of the Board's Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956; changes, if any, in accounting policies and practices and reasons for the same; major accounting entries involving estimates based on the exercise of judgment by the management; significant adjustments made in the financial statement arising out of audit findings; compliance with listing and other legal requirements relating to financial statements; disclosure of any related party transactions & qualifications, if any, in the draft audit report;
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- 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, monitoring the utilisation of proceeds of a public or rights issue, reviewing the report submitted by the monitoring agency, and making appropriate recommendations to the Board;
- Reviewing, with the management, performance of statutory & internal auditors and adequacy of the internal control systems;
- Reviewing the adequacy of the internal audit function, 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;
- Discussing with the internal auditors on any significant findings and follow up thereon;
- 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;
- 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;
- 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, if any; and
- Review of information as prescribed under Clause 49 of the Equity Listing Agreement.

ii) Composition:

The Audit Committee of the Board as on March 31, 2014 comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. B. V. Bhargava	Member	Independent
Mr. R. Shankar Raman	Member	Non-Executive

iii) Meetings & Attendance:

The Committee met five times during the year on April 25, 2013, July 23, 2013, October 23, 2013, November 7, 2013 and January 23, 2014. The attendance of members at the meetings was as follows:

Name of the Director	No. of Meetings held during the year	No. of Meetings attended
Mr. S. V. Haribhakti	5	5
Mr. B. V. Bhargava	5	5
Mr. R. Shankar Raman	5	5

L&T FINANCE HOLDINGS LIMITED

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise. The Company Secretary is the Secretary to the Committee.

iv) Internal Audit:

The Internal Audit department of L&T Finance Limited, a wholly-owned subsidiary of the Company, provides internal audit services to the Company.

2) Shareholders'/Investors' Grievance Committee

i) Terms of reference:

The role of the Shareholders'/ Investors' Grievance Committee includes the following:

- Review of cases for refusal of transfer/transmission of shares and debentures;
- Considering and resolving the grievances of shareholders of the Company with respect to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc.;
- Reference to statutory and regulatory authorities regarding investor grievances; and
- Providing guidance and making recommendations to improve investor service levels for the investors.

ii) Composition:

The Shareholders'/ Investors' Grievance Committee of the Board as on March 31, 2014 comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. A. K. Jain	Chairman	Independent
Mr. Subramaniam N.*	Member	Independent
Mr. P. V. Bhide @	Member	Independent
Mr. R. Shankar Raman	Member	Non-Executive

*Ceased to be a Member of the Committee with effect from July 24, 2013.

@Appointed as a Member of the Committee with effect from July 24, 2013.

iii) Meetings & Attendance:

The Committee met four times during the year on April 25, 2013, July 23, 2013, October 23, 2013 and January 23, 2014. The attendance of members at the meetings was as follows:

Name of the Director	No. of Meetings held during the year	No. of Meetings attended
Mr. A. K. Jain	4	4
Mr. Subramaniam N.*	4	2
Mr. P. V. Bhide @	4	2
Mr. R. Shankar Raman	4	4

*Ceased to be a Member of the Committee with effect from July 24, 2013.

@Appointed as a Member of the Committee with effect from July 24, 2013.

iv) Details of Shareholders' Requests/Complaints:

During the year under review, the Company has resolved investor grievances expeditiously. During the year under review, the Company/its Registrar received the following complaints from SEBI/Stock Exchanges and queries from the shareholders, which were resolved within the time frame laid down by SEBI:

Particulars	Opening Balance	Received	Resolved	Pending
Complaints :				
SEBI/Stock Exchanges*	Nil	16	15	1#
Queries :				
Transmission/Transfer	Nil	1	1	Nil
Demat/Remat	Nil	24	24	Nil

*SEBI – 11 (1 Pending), Stock Exchange – 5

Subsequently resolved

Pursuant to the coming into force of Section 178 of the Companies Act, 2013, from April 1, 2014, the Company has co-designated the Committee as "Stakeholders Relationship Committee" with a view to comply with the provisions of the Companies Act, 2013, as well as the Clause 49 of the Equity Listing Agreement.

The Board has delegated the powers to approve transfer/transmissions of physical shares and to approve remat of shares to a Share Transfer Committee comprising of three Senior Executives. This Committee held eight meetings during the year for conducting the business delegated to it.

3) Nomination & Remuneration Committee

i) Terms of reference:

The role of the Nomination & Remuneration Committee includes the following:

- To review the overall compensation policy, service agreements and other employment conditions of Executive Directors and Senior Executives just below the Board of Directors and make appropriate recommendations to the Board of Directors;
- To review the overall compensation policy for Non-Executive Directors and Independent Directors and make appropriate recommendations to the Board of Directors;
- To make recommendations to the Board of Directors on the increments in the remuneration of the Directors;
- To assist the Board in developing and evaluating potential candidates for Senior Executive positions and to oversee the development of executive succession plans;
- To review and approve on an annual basis the corporate goals and objectives with respect to compensation for the Senior Executives and make appropriate recommendations to the Board of Directors;
- To evaluate at least once in a year the Senior Executive Officer's performance in the light of these established goals and objectives and based on these evaluations, set the Senior Executive Officer's annual compensation, including salary, bonus and equity and non-equity incentive compensation;
- To review and make appropriate recommendations to the Board of Directors on an annual basis, on the evaluation process and compensation structure for the Company's officers just below the level of the Board of Directors;
- To evaluate the performance of the Company's Senior Executives just below the level of the Board of Directors and to recommend to the Board of Directors the annual compensation, including salary, bonus and equity and non-equity incentive compensation, for such Senior Executives, based on initial recommendations from the Managing Director;
- To provide oversight of management's decisions concerning the performance and compensation of other officers of the Company;
- To review incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and Senior Executive compensation;
- To maintain regular contact with the leadership of the Company, including interaction with the Company's human resources department, review of data from the employee survey and regular review of the results of the annual leadership evaluation process; and
- To formulate the Employee Stock Option Scheme (ESOS), decide the terms and conditions, make appropriate recommendations to the Board of Directors and administer and superintend ESOS.

ii) Composition:

The Nomination & Remuneration Committee of the Board as on March 31, 2014 comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. Subramaniam N.*	Member	Independent
Mr. M. Venugopalan*	Member	Independent
Mr. Y. M. Deosthalee	Member	CMD
Mr. P. V. Bhide @	Member	Independent

*Ceased to be a Member of the Committee with effect from July 24, 2013.

@Appointed as a Member of the Committee with effect from July 24, 2013.

iii) Meetings & Attendance:

The Committee met six times during the year on April 25, 2013, July 23, 2013, August 1, 2013, September 2, 2013, October 21, 2013 and January 23, 2014. The attendance of members at the meetings was as follows:

Name of the Director	No. of Meetings held during the year	No. of Meetings attended
Mr. S. V. Haribhakti	6	6
Mr. Subramaniam N.*	6	2
Mr. M. Venugopalan*	6	1
Mr. Y. M. Deosthalee	6	6
Mr. P. V. Bhide@	6	4

*Ceased to be a Member of the Committee with effect from July 24, 2013.

@Appointed as a Member of the Committee with effect from July 24, 2013.

iv) Board Membership Criteria:

The Board of Directors is collectively responsible for selection of a member of the Board. The Nomination & Remuneration Committee of the Company follows a defined criteria for identification, screening, recruiting and recommending candidates for election as a

Director on the Board. While screening, selecting and recommending to the Board new members, the Committee ensures that the Board is objective in its selection, there is absence of conflict of interest and the Board composition ensures availability of diverse perspectives, business experience, legal, financial & other expertise, integrity, managerial qualities, practical wisdom, ability to read and understand financial statements, commitment to ethical standards and values of the Company and ensure healthy debates and sound decision.

The Independent Directors comply with the definition as given under Clause 49 of the Equity Listing Agreement. While appointing/re-appointing any Non-Executive Directors on the Board, the Committee considers the criteria as laid down in the Equity Listing Agreement.

v) Remuneration Policy:

The remuneration of the Board members is based on the Company's size, its economic and financial position, industrial trends and compensation paid by peer companies. Compensation reflects each Board member's responsibility and performance. The level of compensation to Executive Directors is designed to be competitive in the market for highly qualified executives. The Director on the Board who is in the service of Larsen & Toubro Limited draws remuneration from Larsen & Toubro Limited and is not paid any commission, or sitting fees separately for attending the meetings of the Board and/any Committee of the Company.

The Company pays remuneration to Executive Directors by way of salary, perquisites, retirement benefits (fixed components) and variable remuneration, based on the recommendations of the Nomination & Remuneration Committee, approval of the Board and the shareholders.

The Non-Executive Directors are paid remuneration by way of commission & sitting fees. The Company pays sitting fees of ₹ 20,000 per meeting to the Non-Executive Directors for attending the meetings of the Board and Committees. The commission is paid as per limits approved by the shareholders, subject to a limit not exceeding 1% p.a. of the profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956).

As required by the provisions of Clause 49 of the Equity Listing Agreement, the criteria for payment to Non-Executive Directors is made available under the Investors Section of the Company's website i.e. www.ltfinanceholdings.com.vi) Details of remuneration paid/payable to Directors for the year ended March 31, 2014:

(vi) Details of remuneration paid/payable to Directors for the year ended March 31, 2014:

(a) Executive Directors:

The details of remuneration paid / payable to the Executive Directors are as follows:

(₹ Lakhs)

Name of the Director	Salary & Perquisites	Variable Remuneration* (up to)	Retirement Benefits	Total
Mr. Y. M. Deosthalee	177.76	Nil #	18.36	196.12
Mr. N. Sivaraman	111.89	300.00@	117.23	529.12

* based on guidelines formulated by the Nomination & Remuneration Committee and approved by the Board.

Pursuant to voluntary waiver of the same by the CMD for FY 14. The CMD had earlier waived the same for FY 12 and FY 13 also.

@ Represents provision for FY 14 excluding reversal of provision of ₹ 72.17 lakhs for FY 13.

- Notice period for termination of appointment of Chairman & Managing Director and the other Whole-time Director is six months on either side.
- No severance pay is payable on termination of appointment.

(b) Non-Executive Directors:

The details of remuneration paid / payable to the Non-executive Directors are as follows:

(₹ Lakhs)

Name of the Director	Sitting Fees for Board Meeting	Sitting Fees for Committee Meeting	Commission (up to)*	Total
Mr. R. Shankar Raman	Nil	Nil	Nil	Nil
Mr. A. K. Jain	1.40	0.80	10.20	12.40
Mr. S. V. Haribhakti	1.40	2.20	15.20	18.80
Mr. B. V. Bhargava	1.20	1.00	6.50	8.70
Mr. Subramaniam N.#	0.60	0.80	6.40	7.80
Mr. M. Venugopalan #	0.40	0.20	4.40	5.00
Mr. P. V. Bhide	1.40	1.20	9.50	12.10
Ms. Kamakshi Rao	0.40	-	9.00	9.40
Mr. R. Gopalakrishnan#	-	-	-	-
Mr. Harsh Mariwala	0.40	-	4.50	4.90

#Ceased to be a Director of the Company with effect from August 1, 2013.

*to be decided by the Board based on the recommendations of the Nomination & Remuneration Committee.

Details of shares held by the Non-Executive Directors as on March 31, 2014 are as follows:

Name of the Director	No. of Shares
Mr. R. Shankar Raman	24,461
Mr. A. K. Jain	Nil
Mr. S. V. Haribhakti	Nil
Mr. B. V. Bhargava	Nil
Mr. P. V. Bhide	Nil
Ms. Kamakshi Rao	Nil
Mr. Harsh Mariwala	Nil
Ms. Kamakshi Rao	Nil
Mr. R. Gopalakrishnan	Nil

(4) Committee of Directors**i) Terms of reference:**

The Committee of Directors of the Company was constituted to facilitate the operational decisions within the broad framework laid down by the Board, such as borrowing power, additional investment in subsidiaries, etc.

ii) Composition:

The Committee of Directors as on March 31, 2014 comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Y. M. Deosthalee	Member	CMD
Mr. N. Sivaraman	Member	WTD
Mr. R. Shankar Raman	Member	Non-Executive

iii) Meetings & Attendance:

The Committee met sixteen times during the year on May 17, 2013, July 31, 2013, August 2, 2013, September 23, 2013, October 9, 2013, October 15, 2013, October 16, 2013, October 23, 2013, December 19, 2013, December 24, 2013, January 6, 2014, January 30, 2014, February 11, 2014, March 14, 2014, March 21, 2014 and March 28, 2014. The attendance of members at the meetings was as follows:

Name of the Director	No. of Meetings held during the year	No. of Meetings attended
Mr. Y. M. Deosthalee	16	13
Mr. N. Sivaraman	16	13
Mr. R. Shankar Raman	16	13

5) Asset Liability Management Committee**i) Terms of reference:**

The role of the Asset Liability Management Committee includes the following:

- Formalizing the ALM system in the Company;
- 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;
- Monitoring 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; and
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks.

ii) Composition:

The Asset Liability Management Committee as on March 31, 2014 comprises:

Name of the Member	Designation in the Committee
Mr. N. Sivaraman	Chairman
Mr. R. Govindan	Member
Mr. Suneet K. Maheshwari	Member
Mr. Dinanath Dubhashi	Member
Mr. N. Suryanarayanan	Member
Mr. G. K. Shettigar	Member
Mr. C. S. Damle#	Member

Inducted during the year in place of Mr. V. V. Subramanian.

iii) **Meetings:**

The Committee met ten times during the year on April 30, 2013, July 11, 2013, August 08, 2013, September 17, 2013, October 11, 2013, November 22, 2013, December 31, 2013, January 14, 2014, February 28, 2014 and March 31, 2014.

(6) **Risk Management Committee**

i) **Terms of reference:**

The role of the Risk Management Committee includes the following:

- To manage the integrated risk which would include Liquidity Risk, Interest Rate Risk, Currency risk, etc.; and
- To devise policies and guidelines for identification, measurement, monitoring and controlling all major risk categories.

ii) **Composition:**

The Risk Management Committee as on March 31, 2014 comprises:

Name of the Member	Designation in the Committee
Mr. N. Sivaraman	Member
Mr. R. Shankar Raman	Member
Mr. R. Govindan	Member
Mr. Dinanath Dubhashi	Member
Mr. Suneet K. Maheshwari	Member

iii) **Meetings:**

During the year, one Meeting was held on March 28, 2014.

(7) **Corporate Social Responsibility Committee**

i) **Terms of reference:**

The functions of the Corporate Social Responsibility (CSR) Committee are as follows:

- Formulation of CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and recommendation of the same to the Board;
- Recommending to the Board the amount to be spent on CSR from time to time; and
- Monitoring the CSR Policy of the Company from time to time.

ii) **Composition:**

The Board of Directors at their meeting held on March 21, 2014, has constituted the Corporate Social Responsibility Committee in accordance with the provisions of Section 135 of the Companies Act, 2013. The Committee as on March 31, 2014 comprises:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Y. M. Deosthalee	Chairman	CMD
Mr. N. Sivaraman	Member	WTD
Mr. Harsh Mariwala	Member	Independent

D. DIRECTORS ON BOARDS OF MATERIAL SUBSIDIARIES

Atleast 1 independent director of the Company is a Director on the Board of each Material Subsidiary of the Company. As at March 31, 2014, Mr. P. V. Bhide is a Director on the Board of L&T Finance Limited; Mr. A. K. Jain and Mr. B. V. Bhargava are Directors on the Board of L&T Infrastructure Finance Company Limited.

E. OTHER INFORMATION

Training of Directors:

All Directors of the Company are aware and are also updated as and when required, of their roles, responsibilities & liabilities.

Information to Directors:

The Board of Directors has complete access to the information within the Company, which inter alia, includes items as mentioned in point no. B4 of the Corporate Governance Report. Presentations are made regularly to the Board and its Committees, where Directors get an opportunity to interact with the management. Independent Directors have the freedom to interact with the Company's management.

Statutory Auditors:

The Board has recommended to the shareholders, the re-appointment of Sharp & Tannan (S&T) as Statutory Auditors. S&T has furnished a declaration confirming their independence as well as their arm's length relationship with the Company, also declaring that they have not taken up any prohibited non-audit assignments for the Company.

Mr. Firdosh D. Buchia has signed the audit report for FY 2013-14 on behalf of S&T.

Code of Conduct:

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel. The Code of Conduct is available on the website of the Company i.e. www.ltfinanceholdings.com. The declaration of the Chairman & Managing Director is given below:

To the members of L&T Finance Holdings Limited

Sub: Compliance with Code of Conduct

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company as adopted by the Board of Directors.

Y. M. Deosthalee

Date: April 23, 2014

Place: Mumbai

General Body Meetings:

The Annual General Meeting of the Company for financial year 2010-11 was held at L&T House, Ballard Estate, Mumbai – 400 001, the Registered Office of the Company. The Annual General Meetings of the Company for financial years 2011-12 and 2012-13 were held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020, the details of which are as under:

Year	Date	Time
2010-11	June 30, 2011	11.00 AM
2011-12	August 9, 2012	03.00 PM
2012-13	August 1, 2013	03.00 PM

The following Special Resolutions were passed by the Shareholders during the past three Annual General Meetings:

Year	Date	Resolution
2010-11	June 30, 2011	Appointment of Mr. N. Sivaraman as President & Whole-time Director of the Company

Postal Ballot:

Following Special Resolutions were passed through Postal Ballot in the Financial Year 2013-14:

Date of Declaration of Results	Subject matter of the Resolution	Voting Pattern				Total
		No. of Votes cast / %	Assent	Dissent	Abstained	
April 4, 2014	Issue of Cumulative Non-Convertible Redeemable Preference shares	Votes	1,465,508,366	6,320,155	38,183,251	1,510,011,772
		%	97.05	0.42	2.53	100
	Approval of Employee Stock Option Scheme of the Company known as Employee Stock Option Scheme – 2013	Votes	1,462,962,157	8,852,039	38,197,695	1,510,011,891
		%	96.88	0.59	2.53	100
	Approval of extension of benefits of ESOP Scheme – 2013 to the eligible employees of the holding company, subsidiaries and if permitted by law, associate companies of the Company.	Votes	1,462,844,279	8,964,291	38,192,501	1,510,001,071
		%	96.88	0.59	2.53	100

The Company had appointed Mr. S. N. Ananthasubramanian, Practising Company Secretary, as the Scrutinizer for conducting the Postal Ballot process to ensure carrying out the Postal Ballot process in a fair and transparent manner. The results of Postal Ballot were also displayed on the Notice board at the Registered Office of the Company and hosted on the website of the Company i.e. www.ltfinanceholdings.com, besides being communicated to the Stock Exchanges where the shares of the Company are listed.

Procedure for Postal Ballot:

For conducting a Postal Ballot, notice specifying the resolutions proposed to be passed through Postal Ballot as also the relevant explanatory statement & the postal ballot forms are dispatched to all the shareholders alongwith self addressed postage prepaid envelope. The Shareholders are requested to send back the postal ballot forms duly filled up & signed in the postage prepaid envelopes provided to them by the Company, so as to reach the Scrutinizer (in whose name the envelopes are made) on or before the 30th day from the date of issue of notice by the Company.

The Scrutinizer compiles the Postal Ballot Result out of the postal ballot forms found valid and hands over the results to the Chairman. The Chairman thereupon declares Result of the Postal Ballot and the same are also displayed on a notice at the Registered Office of the Company. The Company also offers the facility of e-Voting.

Disclosures:

- During the year, there were no transactions of material nature with the Directors, Management, their relatives or the subsidiaries, that had potential conflict with the interests of the Company.
- Details of all related party transactions form a part of the accounts as required under Accounting Standards (AS) 18 and the same forms part of the Annual Report.
- The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2011 while preparing the Financial Statements.
- There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

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Means of Communication:

- Quarterly Results are communicated through a Press Release and newspaper advertisements in prominent national and regional dailies like The Economic Times, Business Standard, Hindu Business Line, DNA Money, Free Press Journal, Navabharat and Navshakti.
- The financial results, official news releases and presentations are also displayed on the website of the Company i.e. www.ltfinanceholdings.com.
- The Annual Report is circulated to all the shareholders and all others like auditors, equity analysts, etc.
- Management Discussion & Analysis forms a part of the Annual Report which is mailed to the shareholders of the Company.

General Shareholders' Information:

Annual General Meeting	July 24, 2014 at 3.00 P.M. Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020.
Financial Year	April 1, 2013 to March 31, 2014.
Date of Book Closure	Tuesday, July 22, 2014 to Thursday, July 24, 2014 (both days inclusive).
Dividend Payment	The dividend of ₹ 0.75 per Equity Share of face value ₹ 10/- each, if approved by the Shareholders at the ensuing Annual General Meeting, will be credited/ dispatched before August 22, 2014.
Listing on Stock Exchanges (Equity Shares)	1. BSE Limited 2. National Stock Exchange of India Limited The Company has paid the listing fees to the Stock Exchanges.
Listing of Preference Shares	The 9%, Cumulative Compulsorily Redeemable Preference Shares (CCRPS) issued by the Company on private placement basis on October 15, 2013 are listed on BSE Limited. The Company is in the process of listing two tranches of unlisted privately placed CCRPS issued earlier.
Stock Code (Equity)	BSE : 533519 NSE : L&TFH
Stock Code (Preference)	BSE : 9LTFIN18PRF
Listing of Debt Securities	The Unsecured, Redeemable, Non-Convertible Debentures issued by the Company are listed on the Wholesale Debt Market (WDM) of National Stock Exchange of India Limited (NSE).
Debenture Trustees	GDA Trusteeship Limited GDA House, S.No.94/95, Plot No-85, Bhusari Colony (Right), Paud Road, Pune-411 038. CIN L67120MH2008PLC181833

Financial Calendar

First quarter*	During 4th week of July 2014
Second quarter*	During 4th week of October 2014
Third quarter*	During 4th week of January 2015

* Tentative

Market Price Data and Performance in comparison to broad based indices

Month	LTFH BSE Price(₹)			BSE SENSEX		
	High(₹)	Low(₹)	Month Close	High	Low	Month Close
Apr-2013	79.55	71.45	77.65	19,504.18	18,226.48	19,504.18
May-2013	83.55	76.75	76.75	20,286.12	19,575.64	19,760.30
Jun-2013	80.35	74.95	78.50	19,610.48	18,540.89	19,395.81
Jul-2013	80.15	61.35	61.35	20,302.13	19,177.76	19,345.70
Aug-2013	62.45	54.10	55.45	19,367.59	17,905.91	18,619.72
Sep-2013	69.45	55.70	64.55	20,646.64	18,234.66	19,379.77
Oct-2013	82.55	65.35	82.55	21,164.52	19,517.15	21,164.52
Nov-2013	83.15	73.15	74.85	21,239.36	20,194.40	20,791.93
Dec-2013	76.55	68.00	74.70	21,326.42	20,612.14	21,170.68
Jan-2014	75.20	67.45	68.55	21,373.66	20,498.25	20,513.85
Feb-2014	78.00	67.60	76.85	21,120.12	20,193.35	21,120.12
Mar-2014	85.20	70.95	73.60	22,386.27	20,946.65	22,386.27

Month	LTFH NSE Price(₹)			CNX-NIFTY		
	High(₹)	Low(₹)	Month Close	High(₹)	Low(₹)	Month Close
Apr-2013	79.35	71.50	77.55	5,930.20	5,495.10	5,930.20
May-2013	83.70	76.80	76.80	6,187.30	5,944.00	5,985.95
Jun-2013	80.35	75.00	78.70	5,939.30	5,588.70	5,842.20
Jul-2013	80.10	61.45	61.45	6,077.80	5,742.00	5,742.00
Aug-2013	62.65	53.90	55.45	5,742.30	5,285.00	5,471.80
Sep-2013	69.55	55.60	64.50	6,115.55	5,341.45	5,735.30
Oct-2013	82.45	65.45	82.45	6,299.15	5,780.05	6,299.15
Nov-2013	83.05	73.20	74.80	6,317.35	5,989.60	6,176.10
Dec-2013	76.65	67.95	74.80	6,363.90	6,139.05	6,304.00
Jan-2014	75.20	67.25	68.65	6,345.65	6,073.70	6,089.50
Feb-2014	78.05	67.70	77.00	6,276.95	6,000.90	6,276.95
Mar-2014	85.25	70.95	73.55	6,704.20	6,221.45	6,704.20

Registrar and Share Transfer Agent	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072. Tel: +91 22 6191 5400/412 Fax: +91 22 6191 5444 E-mail: sharepro@shareproservices.com
Share Transfer System	The Board has delegated the authority for approving transfer, transmission etc. of the Company's securities to the Share Transfer Committee. The Company obtains from a Company Secretary in practice, half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Equity Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

Distribution of Shareholdings as on March 31, 2014:

Category (Shares)	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	373,596	85.05%	66,578,866	3.88%
501-1000	33,920	7.72%	26,765,115	1.56%
1001-2000	18,201	4.14%	26,121,629	1.52%
2001-3000	5,114	1.16%	13,069,075	0.76%
3001-4000	2,210	0.50%	7,989,258	0.46%
4001-5000	1,749	0.40%	8,248,658	0.48%
5001-10000	2,498	0.57%	18,465,130	1.07%
10001 and above	1,968	0.45%	1,551,211,244	90.27%
Total	439,256	100.00%	1,718,448,975	100.00%

Categories of the Shareholders as on March 31, 2014:

Category	Total Shares	% to Equity
Promoters	1,316,589,609	76.61%
Financial Institutions	8,322,902	0.48%
Foreign Institutional Investors	129,579,221	7.54%
Mutual Funds	836,573	0.05%
Bodies Corporate	52,477,032	3.05%
Directors & Relatives	822,474	0.05%
Resident Individuals & Trusts	199,247,428	11.60%
Banks	4,636,341	0.27%
Non Resident Indians	5,937,395	0.35%
Total	1,718,448,975	100.00%

Dematerialisation of Shares:

The Company's shares are required to be compulsorily traded on the Stock Exchanges in dematerialised form. The number of shares held in dematerialised and physical mode are as under:

	No. of Shares	% of Total Capital Issued
NSDL	1,648,755,460	95.94%
CDSL	69,678,600	4.05%
Physical	14,915	0.01%
Total	1,718,448,975	100.00%

Dematerialization of shares and liquidity	As on March 31, 2014 almost the entire equity capital was held in the dematerialized form with NSDL and CDSL. Only 14,915 shares were held in physical form.
Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company does not have any Outstanding GDRs/ADRs/Warrants or any other Convertible instrument as on date.
Plant Locations	As the Company is engaged in the business of Non Banking Financial Services, this Section is not applicable.
Address for correspondence	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072. Tel: +91 22 6191 5400/412 Fax: +91 22 6191 5444 E-mail: sharepro@shareproservices.com
Address of the Compliance Officer	Mr. N. Suryanarayanan, Company Secretary L&T Finance Holdings Limited City - 2, Plot No. 177, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai - 400 098. Phone No.: 022 - 6621 7300/400 Fax No.: 022 - 6621 7509 E-mail : igrc@ltfinanceholdings.com

Unclaimed Shares lying in the Suspense Accounts:

In terms of Clause 5A the Equity Listing Agreement, the Company reports the following details in respect of equity shares lying in the suspense account which were issued in demat form:

Sr. No.	Particulars	No. of Shareholders	No. of Equity Shares Outstanding
(i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year April 01, 2013	7	789
(ii)	Number of shareholders who approached issuer for transfer of shares from suspense account during the year 2013-14	0	0
(iii)	Number of shareholders to whom shares were transferred from suspense account during the year 2013-14	0	0
(iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year March 31, 2014.	7	789

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Transfer of Amounts to Investor Education and Protection Fund:

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend/interest/refund of applications which remains unclaimed/ unpaid for a period of seven years from the date of transfer to the unpaid dividend/interest/refund account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company after the said transfer.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on August 01, 2013 (date of last Annual General Meeting) on the website of the Company i.e. www.ltfinanceholdings.com, as also on the Ministry of Corporate Affairs website.

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. 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 are prevented from dealing in the Company's shares during the closure of Trading Window. To deal in securities beyond the specified limit, permission of the 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 / or 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's shares.

Mr. Shekhar Prabhudesai, Head – Secretarial & Compliance has been designated as the Compliance Officer for monitoring compliances with this code.

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.

As stipulated by SEBI, a Qualified Practising Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialised form and in physical form.

**CHIEF EXECUTIVE OFFICER (CEO) AND
CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**
(Issued in accordance with the provisions of Clause 49 of the Equity Listing Agreement)

To the Board of Directors of L&T Finance Holdings Limited

Dear Sirs,

We have reviewed the financial statements read with the Cash Flow Statement of L&T Finance Holdings Limited for the year ended March 31, 2014 and that to the best of our knowledge and belief, we state that;

- a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
(ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or propose to be taken for rectifying these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
 - (iii) there have been no instances of fraud of which we have become aware.

Yours sincerely,

C. S. DAMLE
Chief Financial Officer

Y. M. DEOSTHALEE
Chairman & Managing Director

*Place: Mumbai
Date : April 23, 2014*

AUDITORS CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the members of L&T Finance Holdings Limited

We have examined the compliance of conditions of corporate governance by L&T Finance Holdings Limited for the year ended March 31, 2014 as stipulated in Clause 49 of the Equity Listing Agreement entered into by the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above mentioned Equity Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

SHARP & TANNAN
*Chartered Accountants
Registration No. 109982W
by the hand of*

*Place: Mumbai
Date : April 23, 2014*

FIRDOSH D. BUCHIA
*Partner
Membership No. 38332*

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T FINANCE HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **L&T FINANCE HOLDINGS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September 2013, of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31st March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31st March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
Registration No. 109982W
by the hand of

Firdosh D. Buchia
Partner
Membership No. 38332

Place : Mumbai
Date: April 23, 2014

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, all the fixed assets have been physically verified by the Management during the year, 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 off 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, paragraph 4 (ii) (a), (b) and (c) of the Order is 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 or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 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, firms or 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 to the Company.
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. During the course of audit, we have neither come across nor have we 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, paragraph 4 (v) (b) of the Order is not applicable to the Company.
6. According to the information and explanations given to us, 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 of the Companies Act, 1956 and any other relevant provisions and the rules framed there under apply.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Company is a Non-Banking Finance Company. Accordingly, paragraph 4 (viii) of the Order is not applicable to the Company.
9. (a) According to the information and explanations given to 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, 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, service tax, cess and other statutory dues as applicable that have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has no accumulated losses as at 31st March 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanations given to us and the records examined by 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.
12. 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. Accordingly, 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, paragraph 4 (xiii) of the Order is 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. The Company has invested surplus fund in the schemes of mutual funds and other investments. 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.
15. According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, paragraph 4 (xv) of the Order is not applicable to the Company.
16. In our opinion and according to the information and explanations given to us, the Company has not obtained any term loans from banks or financial institutions. Accordingly, 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. According to the information and explanations given to us and the records examined by us, 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. Accordingly, paragraph 4 (xviii) of the Order is not applicable to the Company.

19. According to information and explanations given to us and records examined by us, the Company has not issued any secured debentures during the year. Accordingly, paragraph 4 (xix) of the Order is not applicable to the Company.
20. According to information and explanations given to us and records examined by us, the Company has not raised any money by public issue during the year. Accordingly, paragraph 4 (xx) of the Order is not applicable to the Company.
21. 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 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
Registration No. 109982W
by the hand of

Place : Mumbai
Date: April 23, 2014

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

BALANCE SHEET AS AT MARCH 31, 2014

	Note No	As at March 31, 2014		As at March 31, 2013	
		₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
EQUITY AND LIABILITIES:					
Shareholders' funds					
(a) Share capital	2	271,844.90		246,676.05	
(b) Reserves and surplus	3	180,851.22		181,378.87	
			452,696.12		428,054.92
Non-current liabilities					
(a) Long term borrowings	4	20,000.00		10,000.00	
(b) Other long-term liabilities	5	13.58		13.58	
(c) Long term provisions	6	34.73		828.56	
			20,048.31		10,842.14
Current liabilities					
(a) Short Term borrowings	7	36,031.41		29,561.33	
(b) Current maturity of long term borrowings	4	10,000.00		34,900.00	
(c) Other current liabilities	8	1,178.46		34,037.97	
(d) Short term-provisions	9	13,385.97		13,660.17	
			60,595.84		112,159.47
TOTAL			533,340.27		551,056.53
ASSETS:					
Non - current assets					
(a) Fixed assets	10				
(i) Tangible assets		40.65		49.83	
(ii) Intangible assets		1.10		2.71	
		41.75		52.54	
(b) Non-current investments	11	472,701.11		412,256.11	
(c) Deferred tax assets (net)	12	133.76		176.49	
(d) Long term loans and advances	13	5,797.13		49,059.92	
			478,673.75		461,545.06
Current assets					
(a) Current investments	14	19,843.90		75,291.61	
(b) Cash and bank balances	15	4,634.91		4,893.89	
(c) Short term loans and advances	16	28,689.22		8,403.00	
(d) Other current assets	17	1,498.49		922.97	
			54,666.52		89,511.47
TOTAL			533,340.27		551,056.53
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	24				

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

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

N. SURYANARAYANAN
Company Secretary

C.S. DAMLE
Chief Financial Officer

Y.M. DEOSTHALEE
Chairman & Managing
Director

N. SIVARAMAN
President & Whole-time
Director

Place : Mumbai
Date : April 23, 2014

Place : Mumbai
Date : April 23, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14		2012-13	
		₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
INCOME					
Revenue from operations	18	25,757.14		17,197.61	
Other income	19	3,365.53		2,869.61	
Total Income			29,122.67		20,067.22
EXPENSES					
Employee benefits expense	20	708.10		1,509.01	
Finance costs	21	6,610.91		2,777.18	
Administration and other expenses	22	2,139.99		2,528.31	
Provisions and contingencies	23	(37.00)		70.00	
Depreciation and amortisation		11.44		9.56	
Total Expenses			9,433.44		6,894.06
Profit before exceptional and extraordinary items and taxes			19,689.23		13,173.16
Exceptional items			-		23,572.92
Profit before extraordinary items and taxes	24.9		19,689.23		36,746.08
Extraordinary Items			-		-
Profit before tax			19,689.23		36,746.08
Tax expense:	24.18				
- Current tax		8.20		5,735.00	
- Deferred tax		42.72		(121.44)	
			50.92		5,613.56
Profit for the year			19,638.31		31,132.52
Earnings Per Equity Share:					
Basic earnings per equity share (₹)	24.5		0.70		1.81
Diluted earnings per equity share (₹)			0.70		1.80
Face value per equity share (₹)			10.00		10.00
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	24				

As per our report of even date

For and on behalf of the Board

SHARP & TANNANChartered Accountants
Registration No. 109982W
by the hand of**FIRDOSH D. BUCHIA**
Partner
Membership No. 38332**N. SURYANARAYANAN**
Company Secretary**C.S. DAMLE**
Chief Financial Officer**Y.M. DEOSTHALEE**
Chairman & Managing
Director**N. SIVARAMAN**
President & Whole-time
DirectorPlace : Mumbai
Date : April 23, 2014Place : Mumbai
Date : April 23, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 (₹ Lakhs)	2012-13 (₹ Lakhs)
A. Cash flow from operating activities		
Profit/(loss) before tax as per Statement of Profit and Loss	19,689.23	36,746.08
Adjustment for:		
Provision on Standard Assets	(37.00)	70.00
Provision for employee benefits	(196.40)	871.20
Depreciation and amortisation	11.44	9.56
Profit on sale of investment in perpetual debt	-	(646.42)
Profit on sale of investment in equity shares	-	(23,792.09)
Operating profit before working capital changes	19,467.27	13,258.33
Changes in working capital		
(Increase)/ Decrease in current and non-current assets	23,101.08	(26,820.78)
Increase/ (Decrease) in current and non-current liabilities and provisions	(33,466.61)	33,409.41
Cash generated from operations	9,101.74	19,846.96
Direct taxes paid	(705.41)	(5,921.81)
Net cash from/(used in) operating activities (A)	8,396.33	13,925.15
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Sale of investment in equity shares	-	38,955.72
Sale of current investments (net)	55,447.72	-
Sale of investment in perpetual debt	-	20,646.42
	55,447.72	59,602.14
Less : Outflow for investing activities		
Purchase of shares of subsidiary companies	60,445.00	134,341.95
Purchase of current investments (net)	-	75,291.62
Purchase of Tier II debt of subsidiary company	-	8,400.00
Purchase of Fixed Assets	0.65	8.28
	60,445.65	218,041.85
Net cash from/(used in) investing activities (B)	(4,997.93)	(158,439.71)
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	25,899.26	76,064.51
Proceeds from long term borrowings	-	44,900.00
Proceeds from other borrowings (net)	6,467.28	29,561.33
	32,366.54	150,525.84
Less : Outflows for financing activities		
Share/Debenture issue expenses	407.27	1,511.37
Dividend paid (including dividend distribution tax)	20,716.65	-
Proceeds from long term borrowings	14,900.00	-
	36,023.92	1,511.37
Net cash generated from/(used in) financing activities (C)	(3,657.38)	149,014.47
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(258.98)	4,499.91
Cash and cash equivalents as at beginning of the year	4,893.89	393.98
Cash and cash equivalents as at end of the year	4,634.91	4,893.89

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.
- Previous year 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

Registration No. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership No. 38332

N. SURYANARAYANAN

Company Secretary

C.S. DAMLE

Chief Financial Officer

Y.M. DEOSTHALEE

Chairman & Managing

Director

N. SIVARAMAN

President & Whole-time

Director

Place : Mumbai

Date : April 23, 2014

Place : Mumbai

Date : April 23, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, ("the 1956 Act") (which continues to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. Further the Company follows the directions issued by the Reserve Bank of India (RBI) for Core Investment Companies (CIC) and Non Banking Financial Companies (NBFC) as applicable.

1.2 Use of estimates

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. Actual results could differ from these estimates. Any change in such estimates is recognised prospectively.

1.3 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 licenses 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 licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

1.4 Revenue recognition

- Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- Interest income on deposits and debentures is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Profit/loss on sale of investments is recognised at the time of actual sale/redemption.
- Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

1.5 Depreciation/Amortisation

Depreciation/Amortisation is provided on Straight-Line Method (SLM) which reflects the Management's estimate of the useful life of the respective assets.

Rates used for depreciation

- Motor car 15%.
- Computers 20%
- Specialized software amortized over a period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.

1.6 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'.

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution, other than temporary, on an individual investment basis.

'Current Investments' are carried at lower of the cost or fair value on an individual investment basis.

1.7 Leases

Where the Company is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

1.8 Retirement and other employee benefits

Short term employee benefits:

All employee benefits falling due 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 estimated variable remuneration are recognized in the period in which the employee renders the related service.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Post employment benefits:

(a) Defined contribution plans:

The Company's provident fund, pension and superannuation scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related services.

(b) Defined benefit plan

The Company's gratuity scheme is defined benefit plan. The employee gratuity obligation is determined based on actuarial valuation using 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 recognised immediately in the Statement of Profit and Loss.

1.9 Income taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of the 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.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the Statement of Profit and Loss.

1.10 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 events 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 their 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 assets are not recognised.

1.11 Employee Stock Option Schemes

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options (excess of the market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

1.12 Share and Debenture issue expense

Expenses incurred on issue of shares and debentures are written off against securities premium account.

1.13 Cash flow statement

The Cash Flow Statement is prepared in accordance with indirect method as explained in the Accounting Standard on Cash Flow Statements (AS) 3 issued by the ICAI.

1.14 Cash and cash equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

1.15 Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

1.16 Impairment of Assets

Tangible fixed 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.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**1.17 Commitments**

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- a. Estimated amount of contracts remaining to be executed on capital account are not provided for.
- b. Other non cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the Management.

1.18 Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to the financial statements.

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
2) SHARE CAPITAL				
(I) Share capital authorised, issued and subscribed				
Authorised				
Equity Share of ₹ 10 each	5,000,000,000	500,000.00	5,000,000,000	500,000.00
Preference Shares of ₹ 100 each	100,000,000	100,000.00	100,000,000	100,000.00
Issued, Subscribed & Paid up				
Equity Share of ₹ 10 each fully paid	1,718,448,975	171,844.90	1,716,760,532	171,676.05
8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid	75,000,000	75,000.00	75,000,000	75,000.00
9.00% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid	25,000,000	25,000.00	–	–
Total Issued, Subscribed & Paid up capital		271,844.90		246,676.05

(II) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the Company held by the shareholders. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

(III) Terms/rights attached to preference shares

The CRPS will not have voting rights other than in respect of matters directly affecting it. In the event any due and payable dividends remain unpaid for aggregate period of at least 2 years prior to the start of any general meeting of the equity shareholders, CRPS holders shall have voting rights in line with their voting rights of the equity shareholders. The CRPS will be redeemed at the end of 3 years from the date of allotment. Provided that the tenure may be extended by a further period, not exceeding 5 days from the Proposed Tenure, which shall be notified to the Investors at the time of allotment.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**(IV) Reconciliation of the shares outstanding at the beginning and at the end of the year**

Equity Shares	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
At the beginning of the year	1,716,760,532	171,676.05	1,714,761,612	171,476.16
Issued during the year				
- Issued under ESOP	1,688,443	168.85	1,998,920	199.89
Outstanding at the end of the year	1,718,448,975	171,844.90	1,716,760,532	171,676.05
8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid				
At the beginning of the year	75,000,000	75,000.00	-	-
Issued during the year	-	-	75,000,000	75,000.00
Outstanding at the end of the year	75,000,000	75,000.00	75,000,000	75,000.00
9.00% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid				
At the beginning of the year	-	-	-	-
Issued during the year	25,000,000	25,000.00	-	-
Outstanding at the end of the year	25,000,000	25,000.00	-	-
(V) Equity shares in the Company held by the holding company				
Larsen & Toubro Limited and it's nominee	1,316,589,609	131,658.96	1,417,024,221	141,702.42
	1,316,589,609	131,658.96	1,417,024,221	141,702.42
(VI) Details of shareholders holding more than 5% shares in the company				
Larsen & Toubro Limited and it's nominee	1,316,589,609	76.61%	1,417,024,221	82.54%
	1,316,589,609		1,417,024,221	

Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% holding	No. of Shares	% holding
Shree Cement Limited	7,296,136	7.30%	-	-
Azim Hashma Premji	10,109,420	10.11%	9,131,304	12.18%
Azim Premji Trust	5,109,420	5.11%	6,087,536	8.12%
ICICI Securities Primary Dealership Limited	4,546,594	4.55%	7,913,796	10.55%

(VII) Details of shares reserved to be issued under ESOP

Equity Shares	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
Equity Shares of ₹ 10 each	9,106,625	910.66	11,125,955	1,112.60
	9,106,625	910.66	11,125,955	1,112.60

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at March 31, 2014		As at March 31, 2013	
	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)
3) RESERVES AND SURPLUS				
a. Securities Premium Account				
As per last Balance sheet	155,257.87		155,904.62	
Add: Premium on issue of equity shares	730.43		864.62	
Less: Share issue expenses adjusted during the year	385.93		1,498.12	
Less: Debenture issue expenses adjusted during the year (net of tax)	21.32		13.25	
Closing Balance		155,581.05		155,257.87
b. Employee Stock Option Outstanding Account				
As per last Balance sheet	676.03		554.56	
Add: Addition during the year	149.43		302.61	
Less: Stock options exercised	148.03		181.14	
Closing Balance		677.43		676.03
c. Reserve u/s 45-IC of Reserve Bank of India Act, 1934				
As per last Balance sheet	7,734.26		1,484.26	
Add: Transferred from surplus in the Statement of Profit and Loss	3,928.00		6,250.00	
Closing Balance		11,662.26		7,734.26
d. General Reserve				
As per last Balance sheet	12.20		12.20	
Add: Transferred from surplus in the Statement of Profit and Loss	-		-	
Closing balance		12.20		12.20
e. Surplus in the Statement of Profit and Loss				
As per last Balance sheet	17,698.51		5,933.84	
Add: Profit for the year	19,638.31		31,132.52	
Less : Appropriations				
Proposed dividend on equity shares	12,888.37		12,875.70	
Tax on proposed equity dividend	3.17		92.15	
Dividend paid for previous year	1.29		-	
Tax on dividend paid for previous year	0.21		-	
Interim dividend on Cumulative Compulsorily Redeemable Preference Shares	7,597.50		-	
Proposed dividend on Cumulative Compulsorily Redeemable Preference Shares	-		150.00	
Transfer to reserve u/s 45-IC of Reserve Bank of India Act,1934	3,928.00		6,250.00	
Closing Balance		12,918.28		17,698.51
TOTAL RESERVES & SURPLUS		180,851.22		181,378.87

(₹ Lakhs)

	As at March 31, 2014		As at March 31, 2013	
	Non- Current	Current Maturity	Non- Current	Current Maturity
4) LONG-TERM BORROWINGS				
Unsecured				
Redeemable Non-Convertible Debentures (Refer Note A)	-	10,000.00	10,000.00	34,900.00
Inter Corporate Borrowing (Refer Note A)	20,000.00	-	-	-
TOTAL LONG TERM BORROWINGS	20,000.00	10,000.00	10,000.00	34,900.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**Note A :-****I. Unsecured Redeemable Non-Convertible Debentures : Private Placement**

Series	Face value per Debentures	Date of allotment	Amount (₹ Lakhs)	Non Current Portion (₹ Lakhs)	Current Maturities (₹ Lakhs)	Interest rate % P.a.	Date of Redemption	Redeemable term
Series A	₹ 10 Lakh each	November 15, 2012	10,000.00	–	10,000.00	10.07%	May 16, 2014	Redeemable at par on maturity
Total			10,000.00	–	10,000.00			

II. Inter Corporate Borrowing

Amount (₹ Lakhs)	Non current Portion (₹ Lakhs)	Current maturities (₹ Lakhs)	Interest rate % p.a. (₹ Lakhs)	Date of redemption (₹ Lakhs)	Redeemable term
20,000.00	20,000.00	–	10.25%	June 11, 2015	Redeemable at par on maturity

	As at March 31, 2014		As at March 31, 2013	
	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)
5 OTHER LONG TERM LIABILITIES				
Security Deposit		13.58		13.58
TOTAL OTHER LONG TERM LIABILITIES		13.58		13.58
6 LONG TERM PROVISION				
For Employee benefits				
- Gratuity		–		706.16
For contingent provisions against standard assets		34.73		122.40
TOTAL LONG TERM PROVISION		34.73		828.56
7 SHORT TERM BORROWINGS				
Unsecured				
Commercial Papers				
Face Value	36,000.00		30,000.00	
Less : Unexpired discount	435.87		438.67	
		35,564.13		29,561.33
Cash Credit		467.28		–
TOTAL SHORT TERM BORROWINGS		36,031.41		29,561.33
8 OTHER CURRENT LIABILITIES				
Interest accrued but not due on borrowings		430.35		1,619.09
Statutory dues		56.18		261.18
Accrued expenses		492.74		1,957.95
Refundable for excess application for CRPS		–		30,041.00
Interest payable on CRPS Application Refund / Allotment		–		62.41
Unclaimed dividend		26.77		–
Other liabilities		172.42		96.34
TOTAL OTHER CURRENT LIABILITIES		1,178.46		34,037.97

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at March 31, 2014		As at March 31, 2013	
	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)
9 SHORT-TERM PROVISIONS				
For employee benefit				
- Gratuity	-		0.18	
- Leave Encashment	345.04		432.70	
- Super Annuation Fund	77.11		87.84	
		422.15		520.72
Proposed dividend on equity shares		12,888.37		12,875.70
Proposed dividend on Cumulative Compulsorily Redeemable Preference Shares		-		150.00
Tax on proposed equity dividend		3.17		92.15
Contingent provisions against standard assets		72.28		21.60
TOTAL SHORT-TERM PROVISIONS		13,385.97		13,660.17

10) FIXED ASSETS (AT COST LESS DEPRECIATION)

(₹ Lakhs)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at April 1, 2013	Additions	Deductions	As at Mar 31, 2014	Upto Mar 31, 2013	For the year	Deductions	Upto Mar 31, 2014	As at Mar 31, 2014	As at Mar 31, 2013
Tangible Assets										
Motor Car	50.11	-	-	50.11	8.15	7.52	-	15.67	34.44	41.96
Computers	8.28	-	-	8.28	0.41	1.66	-	2.07	6.21	7.87
Office Equipment	-	0.65	-	0.65	-	0.65	-	0.65	-	-
Intangible Assets										
Computer Software	4.88	-	-	4.88	2.17	1.61	-	3.78	1.10	2.71
Total	63.27	0.65	-	63.92	10.73	11.44	-	22.17	41.75	52.54
Previous year	54.99	8.28	-	63.27	1.17	9.56	-	10.73	52.54	

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares / Debentures	₹ in Lakh	No. of Shares / Debentures	₹ in Lakh
11 NON CURRENT INVESTMENTS				
Trade Investments (valued at cost unless stated otherwise)				
A. Unquoted equity instruments				
(I) Investment in subsidiaries				
L&T Finance Limited (Equity Shares of ₹ 10 each fully paid)	238,422,269	116,598.16	238,422,269	116,598.16
L&T Infrastructure Finance Company Limited (Equity Shares of ₹ 10 each fully paid)	829,233,000	137,509.85	829,233,000	137,509.85
L&T FinCorp Limited (Equity Shares of ₹ 10 each fully paid)	272,966,428	65,105.91	199,437,017	40,105.91
L&T Vrindavan Properties Limited (formerly : L&T Unnati Finance Limited) (Equity Shares of ₹ 10 each fully paid)	18,750,000	1,875.00	4,500,000	450.00
L&T Access Distribution Services Limited (formerly : L&T Access Financial Advisory Services Limited) (Equity Shares of ₹ 10 each fully paid)	6,000,000	600.00	6,000,000	600.00
L&T Housing Finance Limited (Formerly Indo Pacific Housing Finance Limited) (Equity Shares of ₹ 10 each fully paid)	81,423,078	26,799.38	43,923,072	11,799.38
Family Credit Limited (Equity Shares of ₹ 10 each fully paid)	204,309,160	25,205.89	154,309,610	15,205.89
L&T Capital Markets Limited (Equity Shares of ₹ 10 each fully paid)	16,750,000	1,675.00	2,550,000	255.00
L&T Investment Management Limited (Equity Shares of ₹ 10 each fully paid)	235,857,200	81,326.92	235,857,200	81,326.92
L&T Mutual Fund Trustee Company Limited (Equity Shares of ₹ 10 each fully paid)	150,000	15.00	50,000	5.00
L&T Infra Debt Fund Limited (Equity Shares of ₹ 10 each fully paid)	71,000,000	7,100.00	-	-
(II) Investment in associate:				
NAC Infrastructure Equipment Limited (Equity Shares of ₹ 10 each fully paid)	4,500,000	450.00	4,500,000	450.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares / Debentures	₹ in Lakh	No. of Shares / Debentures	₹ in Lakh
B. Quoted investment in Debentures				
L&T Finance Limited (Debentures of ₹ 1,000,000 each)	139	1,390.00	840	8,400.00
Family Credit Limited (Debentures of ₹ 1,000,000 each)	700	7,000.00	-	-
L&T Vrindavan Properties Limited (Debentures of ₹ 2,500,000 each)	20	500.00	-	-
Total		473,151.11		412,706.11
Less : Provision for diminution in the value of Investments	-	450.00		450.00
TOTAL NON CURRENT INVESTMENTS		472,701.11		412,256.11
Aggregate amount of quoted investments [Market value of ₹ 8,400.00 lakh (previous year ₹ 8,400.00 lakh)]		8,890.00		8,400.00
Aggregate amount of unquoted investments		464,261.11		404,306.11

	As at March 31, 2014		As at March 31, 2013	
	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)
12 DEFERRED TAX ASSETS (NET)				
Deferred tax assets				
For contingent provisions against standard assets		36.37		48.95
Difference between book and tax depreciation		0.34		-
Other items giving rise to timing difference		97.05		129.57
Total		133.76		178.52
Deferred tax liabilities				
Difference between book and tax depreciation		-		2.03
Total		-		2.03
Total deferred tax assets (net)		133.76		176.49
13 LONG TERM LOANS AND ADVANCES				
Advance taxes (net)		797.13		99.92
Loan to a subsidiary company		5,000.00		48,960.00
TOTAL LONG TERM LOANS AND ADVANCES		5,797.13		49,059.92

	As at March 31, 2014		As at March 31, 2013	
	No. of Units	₹ in Lakh	No. of Units	₹ in Lakh
14 CURRENT INVESTMENTS				
Non Trade Investments (valued at cost unless stated otherwise)				
Unquoted Investments in Mutual Fund				
L&T Ultra Short Term Fund Direct Plan - Growth	72,723,711	15,156.13	-	-
L&T Liquid Fund Direct Plan - Growth	113,806	2,000.00	-	-
L&T Flexi Bond Fund Direct Plan - Growth	20,677,541	2,687.77	-	-
L&T Ultra STF - Daily Dividend Reinvestment Plan	-	-	100,547,830	10,214.45
L&T Liquid Fund - Daily Dividend Reinvestment Plan	-	-	3,215,170	32,525.78
L&T Cash Fund - Daily Dividend Plan	-	-	2,932,282	30,006.04
L&T Flexi Bond Fund - Dividend Option Plan	-	-	25,302,304	2,545.34
TOTAL CURRENT INVESTMENTS		19,843.90		75,291.61

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at March 31, 2014 (₹ Lakhs)	As at March 31, 2013 (₹ Lakhs)
15 CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with Banks:		
In Current Accounts	4,634.53	4,893.68
Cash on hand	0.38	0.21
TOTAL CASH AND BANK BALANCES	4,634.91	4,893.89
16 SHORT TERM LOANS AND ADVANCES		
Inter corporate deposits	28,689.22	8,393.00
Advance to subsidiary company	-	10.00
TOTAL SHORT TERM LOANS AND ADVANCES	28,689.22	8,403.00
17 OTHER CURRENT ASSETS		
Receivable from group companies	149.86	174.33
Other receivables	-	69.67
Interest accrued but not due	886.76	274.88
Security deposits	326.26	295.63
Advances recoverable in cash or in kind	135.61	108.46
TOTAL OTHER CURRENT ASSETS	1,498.49	922.97
	2013-14	2012-13
	(₹ Lakhs)	(₹ Lakhs)
18 REVENUE FROM OPERATIONS		
Dividend Income:		
From subsidiary companies	21,492.46	12,003.89
From other companies	-	911.56
	21,492.46	12,915.45
Interest income	4,264.68	4,282.16
TOTAL REVENUE FROM OPERATIONS	25,757.14	17,197.61
19 OTHER INCOME		
Profit on sale of current investments	1,102.16	-
Profit on sale of investment in perpetual debt	-	646.42
Dividend / Interest income on current investments	483.37	867.19
Management fees	1,780.00	1,264.00
Overhead charges recovered from subsidiaries	-	92.00
TOTAL OTHER INCOME	3,365.53	2,869.61

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	2013-14		2012-13	
	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)	(₹ Lakhs)
20 EMPLOYEE BENEFITS EXPENSE				
Salaries		718.95		597.64
Contribution to and provision for:				
Provident fund	106.71		58.73	
Gratuity fund	(108.74)		581.98	
Leave encashment	(87.66)		289.22	
Pension fund	–		(109.06)	
Superannuation fund	77.11		87.84	
		(12.58)		908.71
Staff welfare		1.73		2.66
TOTAL EMPLOYEE BENEFITS EXPENSE		708.10		1,509.01
21 FINANCE COSTS				
Interest on debentures		4,121.53		1,619.09
Commercial paper discounting charges		2,169.80		871.69
Interest on short term borrowing		209.99		97.67
Interest on CRPS Application Refund / Allotment		45.25		174.23
Others		64.34		14.50
TOTAL FINANCE COSTS		6,610.91		2,777.18
22 ADMINISTRATION AND OTHER EXPENSES				
Professional fees		1,168.04		664.92
Rent		–		98.59
Travelling and conveyance		94.18		125.69
Printing and stationery		127.83		111.67
Telephone, postage and telegrams		127.23		157.23
Advertising and publicity		334.21		1,093.99
Filing fees		0.10		0.23
Directors' sitting fees		14.08		17.42
Non Executive Directors' Remuneration		70.17		66.53
Auditors remuneration				
Audit fees	2.00		2.00	
Tax Audit Fees	0.75		0.75	
Limited Review Fees	4.50		4.50	
Other Services	2.95		5.92	
		10.20		13.17
Rates & Taxes		47.24		57.95
Repairs & Maintenance		9.71		11.64
Listing and Custodian fees		59.49		58.50
Donations		50.00		8.00
Miscellaneous expenses		27.51		42.78
TOTAL ADMINISTRATION AND OTHER EXPENSES		2,139.99		2,528.31
23 PROVISIONS AND CONTINGENCIES				
Provision for standard assets		(37.00)		70.00
TOTAL PROVISIONS AND CONTINGENCIES		(37.00)		70.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**24 NOTES ON FINANCIAL STATEMENTS****24.1 Stock Options Scheme**

- a) In respect of stock options granted pursuant to Company's Stock Options Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation over the vesting period.
- b) The grant of options to the employees under the Stock Option Schemes is on the basis of their performance and other eligibility criteria. The options are vested over a period of 4 years in ratio of 15%, 20%, 30% and 35% respectively from the date of grant, subject to the discretion of the Management and fulfillment of certain conditions.
- c) Options can be exercised anytime within a period of 7 years from the date of grant and would be settled by way of equity. Management has discretion to modify the exercise period.
- d) The details of the grants under the aforesaid schemes are summarised below:

Sr. No.	Series reference	2010	
		2013-14	2012-13
1	Grant price	₹ 44.20	
2	Grant date	November 30, 2010 onwards	
3	Vesting commenced on	November 30, 2011 onwards	
4	Options granted and outstanding at the beginning of the year	11,125,955	13,572,440
5	Options granted during the year	983,000	905,000
6	Options cancelled/ lapsed during the year	1,313,887	1,352,565
7	Options exercised during the year	1,688,443	1,998,920
8	Options granted and outstanding at the end of the year of which –		
	– Options vested	2,839,131	1,498,419
	– Options yet to vest	6,267,494	9,627,536
9	Weighted average remaining contractual life of options (in years)	4.33	5.03

- e) During the year, the Company has recovered ₹ 149.43 Lakh (previous year ₹ 302.61 Lakh) from its subsidiary companies towards the stock options granted to their employees, pursuant to the employee stock option schemes.
- f) Total carrying amount of liabilities arising from employee share-based payment plans as on March 31, 2014 is ₹ 975.27 Lakh (previous year: ₹ 927.23 Lakh), including ₹ 254.89 Lakh (previous year : ₹ 135.80 Lakh) for which the options have vested to employees as on March 31, 2014.
- g) Weighted average fair values of option granted during the year is ₹ 34.53 (previous year: ₹ 15.37) per Option.
- h) The Fair value has been calculated using the Black-Scholes Option Pricing Model and the significant assumptions and inputs to estimate the fair value of options granted during the year are as follows:

	Particulars	2013-2014	2012-2013
a)	Weighted average risk-free interest rate	8.43%	8.17%
b)	Weighted average expected life of options	2.85 years	3.68 years
c)	Weighted average expected volatility	35.46%	33.82%
d)	Weighted average expected dividends	₹ 2.14 per option	₹ 1.84 per option
e)	Weighted average share price	₹ 69.51 per option	₹ 44.30 per option
f)	Weighted average exercise price	₹ 44.20 per share	₹ 44.20 per share
g)	Method used to determine expected volatility	Expected volatility is based on the historical volatility of the Company shares price applicable to the expected life of each option.	

24.2 Disclosure pursuant to Accounting Standard (AS) 15 Revised "Employee Benefits" :**i) Defined Contribution Plans :**

Amount of ₹ 183.82 Lakh (previous year ₹ 37.51 Lakh) is recognized as an expense and included in employee benefits expenses in the Statement of Profit and Loss.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**ii) Defined Benefit Plans (Gratuity):**

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2014	As at March 31, 2013
A. Amount to be recognized in Balance Sheet		
Present Value of Defined Benefit Obligation		
– Wholly Funded	545.11	–
– Wholly Unfunded	–	706.34
Less: Fair value of Plan Assets	(842.31)	–
Amount not recognised as an assets [limits in para 59(b)]	101.01	–
B. Amounts reflected in the Balance Sheet		
– Liability	–	706.34
– Assets	196.19	–
Net liability/(asset)	(196.19)	706.34

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	2013-14	2012-13
1 Current Service Cost	58.87	48.93
2 Interest on Defined Benefit Obligation	60.44	8.96
3 Expected Return on Plan Assets	–	–
4 Actuarial Losses/(Gains)	(329.06)	524.09
5 Amount not recognised as an assets [limits in para 59(b)]	101.01	–
6 Total, included in “Employee Benefit Expenses”	(108.74)	581.98
Actual Return on Plan Assets	48.53	–

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2014	As at March 31, 2013
Opening balance of the present value of Defined Benefit Obligation	706.34	93.88
Add: Current Service Cost	58.87	48.93
Add: Interest Cost	60.44	8.96
Add/(less): Actuarial Losses/(Gain)	(280.54)	524.09
Add: Past service cost	–	–
Add: Transferred from holding Company	–	30.48
Add : Actuarial losses / (Gain) due to curtailments	–	–
Add: Liabilities Extinguished on Settlements	–	–
Less: Benefits paid	–	–
Closing balance of the present value of Defined Benefit Obligation	545.11	706.34
Expected employer’s contribution next year	20.00	30.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2014	As at March 31, 2013
Opening balance of the fair value of the plan assets	-	-
Add: Expected Return on plan assets*	-	-
Add/(less): Actuarial gains/(losses)	48.52	-
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	793.79	-
Add: Assets Acquired on Acquisition/(Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	-	-
Closing balance of the plan assets	842.31	-

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.

* Based used to determine the overall expected return:

The trust formed by the Company manages the investment of provident fund and gratuity fund. Expected return on plan assets 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 increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

- e) The broad categories of plan assets as a percentage of total plan assets, are as follows:

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2014	As at March 31, 2013
1 Government of India Securities	0%	0%
2 Corporate Bonds	0%	0%
3 Special Deposit Scheme	0%	0%
4 Equity Shares of Listed Companies	0%	0%
5 Property	0%	0%
6 Insurer Managed Funds	100%	0%
7 Others	0%	0%

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

Particulars	Gratuity Plan	
	As at March 31, 2014	As at March 31, 2013
1. Discount rate	9.20%	7.90%
2. Expected return on plan assets	8.00%	8.00%
3. Salary escalation rate	6.00%	6.00%

- g) The amounts pertaining to experience adjustments are as follows:

(₹ Lakhs)

Particulars	As at March 31				
	2014	2013	2012	2011	2010
- Defined Benefit Obligation	(545.11)	(706.34)	(93.87)	-	-
- Plan Assets	842.31	-	-	-	-
- Surplus /(Deficit)	297.20	(706.34)	(93.87)	-	-
Experience Adjustment on Plan Liabilities	(214.53)	472.07	-	-	-
Experience Adjustment on Plan Asset	48.52	-	-	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**24.3 Segment Reporting : Accounting Standard – 17**

The Company operates mainly in the business segment of investment activity. 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'.

24.4 Related Party Disclosures: Accounting Standard - 18**a. List of Related Parties and Relationships****A. Holding Company**

1. Larsen & Toubro Limited

B. Subsidiary Companies

1. L&T Finance Limited
2. L&T Infrastructure Finance Company Limited
3. L&T FinCorp Limited
4. L&T Vrindavan Properties Limited (formerly: L&T Unnati Finance Limited)
5. L&T Access Distribution Services Limited (formerly: L&T Access Financial Advisory Services Limited)
6. L&T Investment Management Limited
7. L&T Mutual Fund Trustee Limited
8. L&T Infra Investment Partners Advisory Private Limited
9. L & T Infra Investment Partners Trustee Private Limited
10. L&T Housing Finance Limited
11. Family Credit Limited
12. L&T Capital Markets Limited
13. L&T Trustee Services Private Limited
14. Consumer Financial Services Limited
15. L&T Infra Debt Fund Limited
16. Mudit Cement Private Limited (w.e.f December 27, 2013)

C. Fellow Subsidiary (with whom Company has undertaken transactions during current or previous year)

1. L&T Capital Company Limited
2. Larsen & Toubro InfoTech Limited
3. L&T Metro Rail (Hyderabad) Limited
4. L&T Infrastructure Development Projects Limited
5. L&T General Insurance Company Limited

D. Associate Company

1. NAC Infrastructure Equipment Limited
2. Feedback Infrastructure Services Private Limited

E. Key Management Personnel

1. Y. M. Deosthalee – Chairman & Managing Director
2. N. Sivaraman – President & Whole-time Director

b. Related Party Transactions:

(Inclusive of service tax)

Sr. No.	Nature of Transactions	(₹ Lakhs)	
		2013-14	2012-13
1	Subscription to Equity shares of		
	• L&T FinCorp Limited	25,000.00	9,999.91
	• L&T Vrindavan Properties Limited	1,425.00	250.00
	• L&T Capital Markets Limited	1,420.00	255.00
	• Family Credit Limited	10,000.00	15,205.89
	• L&T Housing Finance Limited	15,000.00	11,799.38
	• L&T Infra Debt Fund Limited	7,100.00	–
	• L&T Mutual Fund Trustee Limited	10.00	–
	• L&T Infrastructure Finance Company Limited	–	14,999.85
	• L&T Access Distribution Services Limited	–	500.00
	• L&T Investment Management Limited	–	64,643.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

		(₹ Lakhs)	
Sr. No.	Nature of Transactions	2013-14	2012-13
2	Purchase of Investments from • L&T Finance Limited	–	16,688.92
3	Sale of Investments to • L&T Vrindavan Properties Limited	–	3,338.88
4	Inter Corporate Borrowing taken • Larsen & Toubro Limited	20,000.00	–
5	Inter Corporate Deposits given • L&T Finance Limited • L&T Infrastructure Finance Company Limited • L&T FinCorp Limited • L&T Access Distribution Services Limited • Family Credit Limited • L&T Vrindavan Properties Limited • L&T Housing Finance Limited	1,55,527.00 45,200.00 73,850.00 1,153.00 66,650.00 32,835.00 16,750.00	278,651.36 166,400.00 100,056.00 568.00 32,500.00 – –
6	Investment in Non Convertible Debentures (NCD) • L&T Finance Limited • Family Credit Limited • L&T Vrindavan Properties Limited	1,390.00 7,000.00 500.00	8,400.00 – –
7	Security Deposit given • L&T Vrindavan Properties Limited	30.63	–
8	Interest paid on Inter Corporate Borrowing • Larsen & Toubro Limited	67.40	–
9	Professional Fees paid • Larsen & Toubro Limited	2.02	2.02
10	Reimbursement of expenses to • Larsen & Toubro Limited • L&T Capital Markets Limited	2.77 1.96	18.25 –
11	Reimbursement of expenses from • L&T Finance Limited • L&T Metro Rail (Hyderabad) Limited • L&T Investment Management Limited • Larsen & Toubro InfoTech Limited • L&T Infrastructure Development Projects Limited • L&T Infrastructure Finance Company Limited	2.63 2.55 4.00 3.55 2.36 –	0.32 – 0.32 2.02 – 4.35
12	ESOP charges recovered • L&T Finance Limited • L&T Infrastructure Finance Company Limited • L&T Access Distribution Services Limited • L&T Infra Investment Partners Advisory Private Limited • L&T Vrindavan Properties Limited • L&T FinCorp Limited • L&T Capital Markets Limited • L&T Investment Management Limited • L&T Housing Finance Limited • Family Credit Limited	87.64 28.47 0.11 2.75 7.22 0.69 14.87 3.16 2.93 1.59	212.22 63.42 12.29 11.17 – 3.49 – 0.02 – –
13	Interest Income on Inter Corporate Deposits • L&T Finance Limited • L&T Infrastructure Finance Company Limited • L&T FinCorp Limited • L&T Access Distribution Services Limited • Family Credit Limited • L&T Housing Finance Limited • L&T Vrindavan Properties Limited	302.71 31.11 140.73 95.16 121.04 34.40 2,915.19	531.67 485.17 1,002.14 32.56 192.98 – 64.37

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

(₹ Lakhs)			
Sr. No.	Nature of Transactions	2013-14	2012-13
14	Interest Income on NCD		
	• L&T Finance Limited	592.87	1,713.97
	• Family Credit Limited	30.61	–
	• L&T Vrindavan Properties Limited	0.85	–
15	Rent recovered		
	• L&T Finance Limited	–	62.02
	• L&T Infrastructure Finance Company Limited	–	20.67
	• L&T Capital Company Limited	–	20.67
16	Management fees income		
	• L&T Finance Limited	660.00	710.12
	• L&T Infrastructure Finance Company Limited	660.00	694.38
	• L&T Investment Management Limited	250.00	–
	• L&T Capital Markets Limited	210.00	–
	• L&T FinCorp Limited	–	15.73
17	Dividend income		
	• L&T Finance Limited	10,919.74	10,013.74
	• L&T Infrastructure Finance Company Limited	10,572.72	1,990.16
18	Deputation cost recovered		
	• L&T General Insurance Company Limited	257.53	–
19	Managerial remuneration #		
	• Y.M. Deosthalee	196.12	194.03
	• N. Sivaraman	456.95	625.60

Managerial Remuneration excludes provision for gratuity, pension and leave encashment, since it is provided on actuarial basis for the Company as a whole.

The variable remuneration for previous year has been reversed in the current year on account of waiver of variable remuneration on actual payment to President & Director. Accordingly, previous year figures have been restated.

The Chairman & Managing Director has waived his variable remuneration in the current year as well. Hence, no provision has been made there-against.

c. Amount due to/from related parties:

(₹ Lakhs)			
Sr. No.	Nature of Transactions	As at March 31, 2014	As at March 31, 2013
1	Receivable from		
	• L&T Finance Limited	60.82	39.35
	• L&T Infrastructure Finance Company Limited	3.03	11.57
	• L&T FinCorp Limited	0.11	0.26
	• L&T Investment Management Limited	65.61	0.34
	• L&T Vrindavan Properties Limited	1.75	–
	• L&T General Insurance Company Limited	23.10	–
	• Family Credit Limited	0.04	–
	• L&T Capital Markets Limited	0.21	–
	• Larsen & Toubro Limited	–	107.89
	• L&T Access Distribution Services Limited	–	12.29
	• L&T Infra Partners Advisory Private Limited	–	1.29
	• Larsen & Toubro Infotech Limited	–	2.02
2	Interest accrued but not due on inter corporate deposit given		
	• L&T Access Distribution Services Limited	49.62	29.30
	• L&T Vrindavan Properties Limited	808.52	11.29
	• L&T Finance Limited	–	6.50

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

(₹ Lakhs)

Sr. No.	Nature of Transactions	As at March 31, 2014	As at March 31, 2013
3	Interest accrued but not due on NCD given		
	• L&T Vrindavan Properties Limited	0.85	–
	• L&T Finance Limited	1.97	227.79
	• Family Credit Limited	30.61	
4	Outstanding Balance of Inter-Corporate Deposits		
	• L&T Finance Limited	1,752.00	7,825.00
	• L&T Access Distribution Services Limited	1,051.00	568.00
	• L&T Vrindavan Properties Limited	25,886.22	48,960.00
5	Outstanding Balance of Loans & Advances given to		
	• L&T Investment Management Limited	5,000.00	–
	• L&T Mutual Fund Trustee Limited	–	10.00
6	Outstanding Balance of NCD		
	• Family Credit Limited	7,000.00	–
	• L&T Finance Limited	1,390.00	8,400.00
	• L&T Vrindavan Properties Limited	500.00	–
7	Payable to		
	• Larsen & Toubro Limited	27.60	–
	• L&T Access Distribution Services Limited	2.95	–
	• L&T Infra Partners Advisory Private Limited	3.93	–
	• L&T Housing Finance Limited	0.25	–
8	Interest accrued but not due on Inter-Corporate Borrowings		
	• Larsen & Toubro Limited	60.66	–
9	Outstanding Balance of Inter-Corporate Borrowings		
	• Larsen & Toubro Limited	2,000.00	–

24.5 Earnings Per Share Accounting Standard-20

(₹ Lakhs)

		2013-14	2012-13
Basic			
Profit after tax (₹ Lakh)		19,638.31	31,132.55
Less : Dividend on Cumulative Compulsorily Redeemable Preference Shares		7,597.50	150.00
Profit attributable to equity shareholders (₹ Lakh)	A	12,040.81	30,982.55
Number of equity shares			
Weighted average number of equity shares outstanding	B	1,717,349,584	1,715,261,068
Basic EPS before and after extraordinary items (₹)	A/B	0.70	1.81
Diluted			
Profit after tax (after deducting proposed preference dividend) (₹ Lakh)	A	12,040.81	30,982.55
Add: Weighted average number of equity shares outstanding	B	1,717,349,584	1,715,261,068
Add: Weighted average no. of potential equity shares on account of employee stock options	C	2,440,556	1,353,606
Weighted average number of shares outstanding for diluted EPS	D=B+C	1,719,790,140	1,716,614,674
Diluted EPS before and after extraordinary items (₹)	A/D	0.70	1.80
Face value of shares (₹)		10.00	10.00

24.6 The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2014.

24.7 Expenditure in foreign currency:

For Professional Fees	₹ 189.03 Lakh (previous year ₹ 163.42 Lakh)
For Directors Sitting Fees and commission	₹ 7.45 Lakh (previous year ₹ 4.69 Lakh)

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

- 24.8** The Company does not have contingent liability as at March 31, 2014 except performance guarantee of ₹ 945.00 Lakh (previous year ₹ 945.00 Lakh).
- 24.9** Exceptional items during the previous year represent profit on sale of investment in Federal Bank Limited amounting to ₹ 23,792.92 Lakh and expenditure of ₹ 220.00 Lakh incurred towards employee cost in connection with acquisition of L&T Fund Management Private Limited (formerly: FIL Fund Management Private Limited).
- 24.10** During the year, the Company has allotted 1,688,443 equity shares of ₹ 10 each, fully paid up, on exercise of options by employees, in accordance with the Company's stock option schemes.
- 24.11** The directors recommend payment of final dividend of ₹ 0.75 per equity share of ₹ 10 each on the number of shares outstanding on the record date. Provision for final dividend has been made in the books of accounts for the 1,718,448,975 equity shares outstanding as at March 31, 2014 amounting to ₹ 12,888.37 Lakh.
- 24.12** In terms of provision of sub-section 1A of Section 115O of the Income Tax Act, 1961, dividend distribution tax payable by the Company is net of dividend distribution tax paid by its subsidiary companies amounting to ₹ 3,478.41 Lakh, relating to dividend of ₹ 20,467.24 Lakh declared by them.
- 24.13** The Company, during the current year has issued 25,000,000, 9.00% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid up.
- 24.14** 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) Capital Risk Adequacy Ratio :

	Items	2013-14	2012-13
i)	CRAR (%)	85.49%	78.15%
ii)	CRAR – Tier I Capital (%)	66.55%	64.41%
iii)	CRAR – Tier II Capital (%)	18.93%	13.74%

2) Exposure to Real Estate Sector

(₹ Lakhs)

	Category	2013-14	2012-13
a)	Direct exposure	Nil	Nil
	(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 ₹ 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).		

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**3) Asset Liability Management:****Maturity pattern of certain items of assets and liabilities**

(₹ Lakhs)

	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
Liabilities:									
Borrowings from banks	-	-	-	-	-	-	-	-	-
Market Borrowings	15,467.28	28,000.00	-	3,000.00	-	20,000.00	-	-	66,467.28
Assets:									
Advances	8,655.22	315.00	-	30.00	19,689.00	5000.00	-	-	33,689.22
Investments	19,843.90	-	-	-	-	-	-	472,701.11	492,545.01

24.15 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

Liability Side:

1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid

(₹ Lakhs)

	Particular	Amount Outstanding	Amount Overdue
(a)	Debentures : – Secured – Unsecured (Other than falling within the meaning of Public Deposits)	- 10,369.69	- -
(b)	Deferred Credits	-	-
(c)	Term Loans	-	-
(d)	Inter-Corporate Loans and borrowings	20,060.66	-
(e)	Commercial Paper	35,564.13	-
(f)	Other Loans (Cash Credit)	467.28	-

Asset Side:

2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]

(₹ Lakhs)

		Amount Outstanding
(a)	Secured	-
(b)	Unsecured	33,689.22

3. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities

(₹ Lakhs)

	Amount Outstanding
(i) Lease assets including lease rentals under sundry debtors: (a) Financial Lease (b) Operating Lease	Nil
(ii) Stock on hire including hire charges under sundry debtors (a) Assets on Hire (b) Repossessed Assets	Nil
(iii) Other loans counting towards AFC activities (a) Loans where assets have been repossessed (b) Loans other than (a) above	Nil

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**6. Other Information**

(₹ Lakhs)

Particulars	Amount
(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	-

24.16 "The Company has obtained the Certificate of Registration from the RBI as a Non-Banking Financial Institution - Core Investment Company (NBFC-CIC) on September 11, 2013 under Section 45-IA of the Reserve Bank of India Act, 1934

24.17 Core Investment Company ("CIC") Compliance Ratios:

S r No.	Particulars	As at March 31,2014	As at March 31,2013
i.	Investments & Loans to group companies as a proportion of Net Assets (%)	99.70%	N.A
ii.	Investments in equity shares & compulsorily convertible instruments of group companies as a proportion of Net Assets (%)	91.31%	N.A
iii.	Capital Adequacy Ratio(%) [Adjusted Net Worth/Risk Weighted Assets]	66.55%	N.A
iv.	Leverage Ratio(Times) [Outside Liabilities /Adjusted Net worth]	0.23	N.A

24.18 Provision for Income Tax for previous year has been made in accordance with Section 115 JB of Income Tax Act, 1961.

24.19 Previous year figures have been regrouped/ reclassified wherever necessary.

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

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

N. SURYANARAYANAN
Company Secretary

C.S. DAMLE
Chief Financial Officer

Y.M. DEOSTHALEE
Chairman & Managing
Director

N. SIVARAMAN
President & Whole-time
Director

Place : Mumbai
Date : April 23, 2014

Place : Mumbai
Date : April 23, 2014

SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES UNDER SECTION 212 (8) OF COMPANIES ACT, 1956

(₹ Lakhs)

Sr No.	Name of Subsidiaries	Capital	Reserves	Total assets	Total liabilities	Investment	Total Income	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend
1	L&T Finance Limited	23,842.23	195,461.20	1,648,729.25	1,648,729.25	10,632.23	224,550.91	30,478.06	10,355.40	20,122.66	-
	- (previous year)	23,482.23	187,046.86	1,491,739.33	1,491,739.33	7,613.81	207,939.99	31,340.86	10,238.00	21,102.86	1,025.22
2	L&T Infrastructure Finance Company Limited	82,923.30	163,952.85	1,710,577.16	1,710,577.16	187,889.57	186,996.04	39,724.01	10,511.00	29,213.01	-
	- (previous year)	82,923.30	147,355.67	1,524,832.61	1,524,832.61	77,058.20	159,977.81	46,994.42	12,573.00	34,421.42	-
3	L&T FinCorp Limited	27,296.64	46,430.90	433,582.35	433,582.35	17,028.97	37,762.22	8,666.23	2,900.10	5,766.13	-
	- (previous year)	19,943.70	23,048.13	230,175.36	230,175.36	-	17,404.73	2,685.17	(476.17)	3,161.34	-
4	L&T Investment Management Limited	23,585.72	31,758.83	62,831.51	62,831.51	6,850.00	9,081.37	(6,991.95)	-	(6,991.95)	-
	- (previous year)	23,585.72	41,233.87	68,679.03	68,679.03	65,704.78	3,426.78	(5,849.23)	-	(5,849.23)	-
5	L&T Mutual Fund Trustee Limited	15.00	(9.48)	6.87	6.87	1.00	5.35	(1.19)	-	(1.19)	-
	- (previous year)	5.00	(8.29)	12.72	12.72	3.18	5.00	(4.89)	0.71	(5.60)	-
6	L&T Access Distribution Services Limited	600.00	(1,022.46)	(807.14)	(807.14)	-	613.11	(69.49)	(0.81)	(68.68)	-
	- (previous year)	600.00	(953.78)	671.64	671.64	-	348.59	(1,375.06)	(423.50)	(951.56)	-
7	L&T Vrindavan Properties Limited	1,875.00	(1,927.25)	48,041.68	48,041.68	9,316.72	461.92	(2,231.72)	(332.06)	(1,899.67)	-
	- (previous year)	450.00	(27.58)	50,126.30	50,126.30	23,354.74	38.40	(31.93)	(6.58)	(25.35)	-
8	L&T Infra Investment Partners Trustee Private Limited	10.00	(5.91)	6.49	6.49	-	2.02	(1.00)	-	(1.00)	-
	- (previous year)	10.00	(4.91)	6.84	6.84	-	-	(3.84)	-	(3.84)	-
9	L&T Infra Investment Partners Advisory Private Limited	500.00	(712.09)	1,683.48	1,683.48	676.59	963.78	(62.22)	(342.00)	279.79	-
	- (previous year)	500.00	(991.88)	1,146.89	1,146.89	52.69	5.10	(530.58)	-	(530.58)	-
10	L&T Trustee Services Private Limited	1.00	164.47	166.49	166.49	-	10.65	9.71	3.00	6.71	-
	- (previous year)	1.00	157.76	162.39	162.39	-	26.35	23.64	7.28	16.36	-
11	L&T Capital Markets Limited	1,675.00	(1,293.41)	974.63	974.63	429.71	1,814.11	(1,134.33)	-	(1,134.33)	-
	- (previous year)	255.00	(159.08)	224.26	224.26	-	-	(159.08)	-	(159.08)	-
12	L&T Housing Finance Limited	8,142.31	22,163.03	215,694.48	215,694.48	25,092.57	14,355.40	1,504.66	497.56	1,007.10	-
	- (previous year)	4,392.31	9,939.91	36,806.75	36,806.75	115.27	1,860.21	29.23	8.89	20.35	-
13	Consumer Financial Services Limited	100.00	(61.51)	39.12	39.12	-	2.76	1.73	0.33	1.40	-
	- (previous year)	100.00	(62.91)	37.44	37.44	-	1.29	0.70	0.24	0.46	-
14	Family Credit Limited	20,430.96	26,855.92	325,317.33	325,317.33	20,800.00	45,327.15	6,535.93	(1,099.54)	7,635.46	-
	- (previous year)	15,430.96	14,228.46	181,466.73	181,466.73	-	7,965.67	964.70	(1,593.31)	2,558.01	-
15	L&T Infra Debt Fund Limited	30,400.00	1,888.12	32,308.48	32,308.48	-	2,729.59	2,348.12	460.00	1,888.12	-
	- (previous year)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
16	Mudit Cement Private Limited	210.48	(106.97)	3,051.67	3,051.67	-	-	(102.42)	-	(102.42)	-
	- (previous year)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

For and on behalf of the Board

N. SURYANARAYANAN
Company Secretary
C.S. DAMLE
Chief Financial Officer
Y.M. DEOSTHALEE
Chairman & Managing Director
N. SIVARAMAN
President & Whole-time Director

Place : Mumbai
Date : April 23, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report of the Company with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the Financial Year ended March 31, 2014 are as under:

(₹ In Lakh)		
Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Gross Income	224, 550.91	206,806.51
Profit before Tax	30,478.06	31,340.86
Provision for Tax	14,756.00	10,522.50
Deferred tax	(4,400.60)	(284.50)
Profit after Tax	20,122.66	21,102.86
Add: Balance brought forward from previous years	51,559.47	17,525.18
Profit available for appropriation	71,682.13	38,628.04
Appropriations:		
Interim Dividend	9,894.52	10,013.74
Proposed final dividend	-	1,025.22
Dividend Distribution Tax	1,681.58	1,798.71
Transfer to General Reserve	2,012.27	2,110.30
Transfer to Special Reserve U/S 45-IC of RBI Act, 1934	4,024.56	4,220.60
Transfer to / (from) Debenture Redemption Reserve	3,434.00	(32,100.00)
Net surplus in the statement of Profit and Loss	50,635.20	51,559.47

APPROPRIATIONS

Your Company proposes to transfer ₹ 2,012.27 Lakhs (*Previous year: ₹ 2,110.30 Lakhs*) to General Reserve. Your Company also proposes to transfer ₹ 4,024.56 Lakhs (*Previous Year: ₹ 4,220.60 Lakhs*) to Special Reserve Created U/S 45- IC of the Reserve Bank of India Act, 1934. ₹ 3,434.00 Lakhs has been transferred to Debenture Redemption Reserve from surplus in the statement of Profit and Loss as against the previous year appropriation of ₹ 32,100.00 Lakhs from Debenture Redemption Reserve.

It is proposed to retain ₹ 50,635.20 Lakhs (*Previous Year ₹ 51,559.47 Lakhs*) in the statement of Profit and Loss of the Company.

DIVIDEND

During the year, your Company had declared an interim dividend of ₹ 4.15 per equity share of ₹ 10/- each. The total outgo on account of payment of interim dividend was ₹ 11,576.10 Lakhs (inclusive of dividend distribution tax amounting to ₹ 1,681.58 Lakhs).

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 final dividend has therefore been recommended for the Financial Year ended March 31, 2014.

PERFORMANCE OF THE COMPANY

Financial Performance of the Company

The Company has, during the year, decided to strategically exit the car financing business (now carried out through a fellow subsidiary) to focus on the B2B segment. Consequently, the financial data for the 2 years is not fully comparable.

The Company has achieved enhanced business performance during the year under review, in comparison to the year ended March 31, 2013, in spite of the challenging economic environment and slowdown in several sectors. Gross portfolio assets recorded 9.29% growth from ₹ 1,434,942.23 Lakhs as at March 2013, to ₹ 1,568,317.66 Lakhs as at March 2014.

Income from operations has grown from ₹ 204,719.66 Lakhs in the year ended March 31, 2013 to ₹ 219,981.73 Lakhs in the year under review, an increase of 7.46%. Total income has also grown 8.58% from ₹ 206,806.51 Lakhs to ₹ 224, 550.91 Lakhs in the same period.

Profitability was lower, due to higher provisioning in construction equipment, commercial vehicles and corporate lending businesses.

L&T FINANCE LIMITED

Initiatives undertaken during the year

During the Financial Year 2014, your Company had undertaken several initiatives with an objective to enhance customer reach & centricity, multi channel reach, build scalability, manage risks effectively, attain process excellence & business continuity and aid cost flexibility.

Some of the initiatives that the Company had undertaken were:

Tablet Project: The project is aimed at making the loan application process paperless. This would help the Company to reduce reliance on physical infrastructure and assist in deepening the presence of the Company. For the customer, it will mean substantially better turnaround time for the processing of their loan.

Call Centre: Implementation of Call Centre was started from May 18, 2013. It supports 100% call recording, campaign and volume based dial out and is also available in 7 languages.

Web channel: Implementation of Web Channel as Alternate Delivery Channels was started from June 30, 2013. The website is customer friendly and service oriented and includes service offerings to customers for various purposes like request for product details etc.

Corporate/ Strategic initiatives

Business Unit ("BU") based structure: L&T Financial Services has some more entities engaged in Retail financing. Hence, it was felt prudent by the Management to have synergies within the Group.

Accordingly, the integration process for the functional teams within the Retail Platform were completed during the year which would enable improve operating efficiencies, reduce operating cost and build up a leadership pool at various levels.

In the area of Technology, it is proposed to migrate to 100% usage of Tablet, integration with 3rd party collection centres and collection score card for propensity prediction.

Performance of businesses:

Consumer and Auto Loans

This includes products such as car/ used car, farm equipment, light and small commercial vehicles.

The farm equipment business showed an appreciable gain in market share. During the year, the Company, in order to focus on asset financing, has strategically exited the car financing business, which is now carried out by a fellow subsidiary.

Micro and Small Enterprises

This includes products such as construction equipment, medium and small commercial vehicles and working capital.

The growth of the Company in this business was strategically moderated due to deterioration of risk profile of the industry caused by overall economic slowdown, leading to lower asset quality and certain external factors. We focused on business giving good yield at an acceptable risk profile.

Mid and Large Corporations

This includes products such as lease, term loans, channel finance and loan against securities.

Deal origination and self sourcing capabilities have improved; risk monitoring of portfolio has been increased in frequency and made more intensive. However, this sector has delivered sub-par returns due to increased credit costs.

Microfinance Business has returned to profitability, though the Company is following a policy of cautious growth.

RESOURCES

The growth in Loans and Advances towards financing activities has led to increased funding requirement.

The Company has raised funds through a mix of borrowings. During the year, the net borrowings have increased from ₹ 11,80,517.54 Lakhs as at March 2013, to ₹ 13,29,046.21 Lakhs as at March 2014.

FUND RAISING

During the year under review, the Company met its funding requirements through issue of Non-Convertible Debentures ("NCDs"), Commercial Paper ("CPs") and Bank borrowings.

The aggregate debt (NCDs, CPs and Bank borrowings) outstanding as on March 31, 2014 was ₹ 13,24,101.21 Lakhs.

CREDIT RATING

During the year under review, the Company had its issue of debentures rated and re-affirmed at CARE AA+ and [ICRA] AA+/Stable by CARE & ICRA respectively.

FIXED DEPOSITS

The Company had stopped accepting fresh deposits as well as renewal of existing deposits several years earlier, and as such, during the year, the Company has not accepted any public deposits.

The Company has outstanding unclaimed fixed deposits of ₹ 0.15 Lakhs pertaining to 2 deposit holders. The Company had received claims from the respective Fixed Deposit Holder / Legal heirs for the 2 matured deposits and awaits completion of the necessary formalities for repayment of the redeemed amounts.

MANAGING DIRECTOR

The Board at its Meeting held on July 22, 2013, appointed Mr. Dinanath Dubhashi as Managing Director & Chief Executive of the Company for

a period of five years with effect from July 22, 2013. He earlier held the position of Chief Executive & Manager of the Company. Pursuant to his appointment as Managing Director & Chief Executive, he has stepped down from the position of Manager on the same date.

COMPANY SECRETARY

During the year, Mr. Manoj Harlalka (ACS No. 12938) had resigned from the post of Company Secretary with effect from September 30, 2013. Your Directors place on record their appreciation of the valuable contribution made by him to the function.

The Board at its Meeting held on January 20, 2014, appointed Mr. Kailash Purohit (ACS No. 28740) as Company Secretary of the Company with effect from January 20, 2014.

DIRECTORS

Mr. Subramaniam N., who had expressed his desire not to seek re-election at the previous Annual General Meeting, subsequently reinstated his candidature at the request of a member and was re-elected as Director at the said Annual General Meeting.

Prior to the coming into force of Section 149 of the Companies Act, 2013 (the "Act"), three of the Company's Directors, Mr. P.V. Bhide, Mr. Subramaniam N. and Mr. M. Venugopalan were categorized as Independent Directors in terms of the definition contained in the Equity Listing Agreement, though the Company did not have its equity shares listed.

The provisions of Section 149(4) of the Act, pertaining to the appointment of Independent Directors have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to the coming into force of Section 149 of the Act, from April 1, 2014, the Company has re-assessed the status of its directors with a view to determining their qualifying for classification as Independent Directors in terms of Section 149(6) of the Act. Accordingly, Mr. P. V. Bhide, Mr. Subramaniam N. and Mr. M. Venugopalan fulfill the criteria laid out in Section 149(6) of the Act in this regard.

Section 149(10) of the Act, restricts the tenure of Independent Director to two terms of ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. Mr. P. V. Bhide and Mr. Subramaniam N. retire by rotation at the forthcoming Annual General Meeting ("AGM") and, they, being eligible, have offered themselves for appointment as Independent Directors of your Company pursuant to the provisions of the Act, to hold office for a period upto March 31, 2019.

Pursuant to the provisions of Section 161 of the Act, read with the relevant provision in the Articles of Association, Mr. M. Venugopalan was appointed as an Additional Director by the Board of Directors of the Company with effect from September 27, 2013. He holds office as a Director up to the date of the forthcoming AGM. Your Company has received a notice in writing from a Member proposing his candidature for the office of Independent Director.

Mr. Venugopalan, being eligible, has offered himself for appointment as Independent Director of your Company pursuant to the provisions of Section 149(6) of the Act, to hold office for a period upto March 31, 2019.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

However, considering M/s. Sharp & Tannan has already served as Statutory Auditors of the Company for a period of more than 10 years, the Board of Directors of the Company recommend their appointment from the conclusion of the Nineteenth AGM till the conclusion of the Twentieth AGM, subject to approval by the Members in the AGM of the Company. The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Act.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is given in a separate Annexure to this report and forms part of this report. The same would be furnished to the Members on request.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & 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 during the year. Information on outgo is furnished in the notes to accounts.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

L&T FINANCE LIMITED

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;
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 GUIDELINES

The Company continues to comply with all the requirements prescribed by the Reserve Bank of India, from time to time, as applicable to it.

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
Chairman

DINANATH DUBHASHI
Managing Director & Chief Executive

Place : Mumbai
Date : April 21, 2014

Registered Office:
L&T House, Ballard Estate,
Mumbai - 400001

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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 Eight Directors viz. Mr. Y. M. Deosthalee, Mr. P. V. Bhide, Mr. Mannil Venugopalan, Mr. Subramaniam N., Mr. S. Raghavan, Mr. N. Sivaraman, Mr. R. Shankar Raman and Mr. Dinanath Dubhashi.

Currently, the Board comprises Mr. Dinanath Dubhashi, Managing Director & Chief Executive and 7 Non-Executive Directors. Mr. Deosthalee is the Non-Executive Chairman. Mr. Deosthalee, is the Chairman and Managing Director of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same. Mr. R. Shankar Raman is the Chief Financial Officer of Larsen & Toubro Limited, the ultimate Holding Company while Mr. S. Raghavan was associated during the year with Larsen & Toubro Limited. Mr. Bhide is an Independent Director on the Board of L&T Finance Holdings Limited. Mr. P.V. Bhide, Mr. Subramaniam N. and Mr. M. Venugopalan are Independent Directors on the Company's Board.

During the period under review, six meetings of the Board of Directors were held on April 23, 2013, July 22, 2013, September 27, 2013, October 21, 2013, January 20, 2014 and March 20, 2014.

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 eight core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Investment Committee
- Corporate Social Responsibility Committee

The Details of various Committees of the Company are as under:

1) Audit Committee:

The Audit Committee has been set up pursuant to Section 292A of the Companies Act, 1956, as well as the RBI directions for NBFCs. During the year, the Committee was re-constituted.

During the year, the Committee, was re-constituted The Committee comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. P.V. Bhide – Chairman
Mr. Mannil Venugopalan
Mr. S. Raghavan

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. During the fiscal year 2013-14, the Committee met 5 times.

2) Committee of Directors:

During the year, the Committee was re-constituted. The Committee currently comprises 3 Directors as per details given below.

Composition of Committee of Directors (COD)

Mr. Y. M. Deosthalee
Mr. N. Sivaraman
Mr. Dinanath Dubhashi

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company.

During the fiscal year 2013-14, the Committee met 30 times.

3) Asset-Liability Management Committee (ALCO):

During the year, the Committee was re-constituted. The Committee is chaired by Mr. N. Sivaraman, and comprises Mr. Dinanath Dubhashi and other members holding senior executive positions in the Company, group companies and the ultimate parent company.

Role of the Committee

1. 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;
2. Reviewing the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
3. 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;
4. Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
5. Product pricing for financial assistance, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions;
6. Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
7. Deciding on the source and mix of liabilities and recommending the desired asset mix.

During the fiscal year 2013-14, the Committee met 12 times.

4) Credit Committee:

The Credit Committee was re-constituted during the year. The Credit Committee of the Company is broad-based, consisting of Mr. N. Sivaraman, Mr. Dinanath Dubhashi, Mr. Subramaniam N. and senior executives from the Company, Group Company and the ultimate parent Company.

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.

During the fiscal year 2013-14, the Committee met 39 times.

5) Nomination and Remuneration Committee:

The nomenclature of the Committee was changed from "Nomination & Compensation Committee" to "Nomination and Remuneration Committee" during the year.

Further, the Committee was also re-constituted during the year. The Committee currently comprises the following members:

Mr. P. V. Bhide - Chairman

Mr. M. Venugopalan

Mr. Y. M. Deosthalee

Mr. Sunil Prabhune - Secretary

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 focus on evaluating senior level employees, their remuneration, promotions, etc.

6) Risk Management Committee:

During the year, the Risk Management Committee was re-constituted. The Committee currently comprises Mr. Sivaraman, Mr. Dinanath Dubhashi and other members.

Role of the Committee

The Risk Management Committee is responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk.

7) Investment Committee

During the year, the Investment Committee was re-constituted. The Investment Committee comprises Mr. N. Sivaraman, Mr. Dinanath Dubhashi and other members.

Role of the Committee

- To evaluate proposals for buyback of instruments issued by the Company and approve the same and decide on extinguishing of the instrument or holding as investment.
- The Committee decides on investments in/ divestments of:
 - Units of Mutual Fund Schemes
 - Units of collective investment schemes

- Inter-corporate deposits
- Government securities and Treasury Bills
- Debentures
- Bank Fixed deposits
- Inter Corporate Deposits (to group companies). The Investment Committee sets up limits for investments in individual companies subject to regulatory norms.

8) Corporate Social Responsibility Committee

The Corporate Social Responsibility ("CSR") Committee was constituted in March 2014. The Committee currently comprises the following members:

Mr. Y. M. Deosthalee

Mr. M. Venugopalan

Mr. N. Sivaraman

Role of the Committee

- Formulation of CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and recommendation of the same to the Board;
- Determine the amount to be spent on CSR from time to time and recommend the same to the Board;
- Monitoring the CSR Policy of the Company from time to time.

Separation of Offices of Chairman and Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. Y. M. Deosthalee is the Non-Executive Chairman of the Board whereas Mr. Dinanath Dubhashi is the Managing Director & Chief Executive of the Company.

Remuneration of Directors

The Managing Director receives salary & allowances from the Company in terms of his contract of employment with the Company. The Directors on the Board who are / were in the services of the parent holding companies, Larsen and Toubro Limited and L&T Finance Holdings Limited, drew remuneration from their respective companies. Other Directors on the Board are paid sitting fees for attending the meetings of the Board and / or any Committee thereof and commission on net profits.

Independent Directors

Mr. Y. M. Deosthalee and Mr. N. Sivaraman are associated with the Holding Company, L&T Finance Holdings Limited and play a strategic and supervisory role over the Company. Mr. R. Shankar Raman is the CFO of the ultimate parent, Larsen & Toubro Limited while Mr. S. Raghavan was earlier associated with Larsen & Toubro Limited. Mr. P. V. Bhide, Mr. Subramaniam N. and Mr. M. Venugopalan were Independent Directors during the year ended March 31, 2014.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, which came into force on April 1, 2014, Mr. P. V. Bhide, Mr. Subramaniam N. and Mr. M. Venugopalan meet the criteria for independence laid out in Section 149(6) of the Companies Act, 2013, and are Independent Directors.

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 them 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 the 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.

Disclosures

During the Financial Year ended March 31, 2014:

- There was no materially significant related party transaction with the Directors that have 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.

L&T FINANCE LIMITED

- 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 Equity Listing Agreement.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA has notified many sections, and the Company is geared up to implement all of them.

Means of Communication

- Half Yearly Results are published in one daily English newspaper of national prominence.
- The investors (debenture holders) are also communicated the "Half Year Communication" as per the Debt Listing Agreement.
- Annual Reports, official news releases and presentations are also displayed on the website of the Company <http://www.ltfinance.com>.

Internal Auditors

The Company has an internal audit department which provides 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.

For and on behalf of the Board of Directors

Y. M. DEOSTHALEE
Chairman

DINANATH DUBHASHI
Managing Director & Chief Executive

Place : Mumbai
Date : April 21, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T FINANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **L&T FINANCE LIMITED** ("the Company"), which comprise the balance sheet as at 31st March 2014, and the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March 2014;
- b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of

Firdosh D. Buchia
Partner
Membership no.38332

Place : Mumbai
Date : April 21, 2014

ANNEXURE TO INDEPENDENT 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) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management, in accordance with a phased program of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. In respect of leased assets the Company has formulated the program of physical verification for all the fixed assets over the period of three years which in our opinion is reasonable having regard to 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 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, paragraph 4 (ii) (a), (b) and (c) of the Order is 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 or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 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, firms or 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 to the Company.
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. During the course of audit, we have neither come across nor have we 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, paragraph 4 (v) (b) of the Order is not applicable to the Company
6. According to the information and explanations given to us, 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 of the Companies Act, 1956 and any other relevant provisions and the rules framed thereunder apply.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Company is a non-banking finance company. Accordingly, paragraph 4 (viii) of the Order is not applicable to the Company.
9. (a) According to the information and explanations given to us, in our opinion, 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 sales tax as at 31st March 2014 which have not been deposited on account of dispute pending, are as under:

Name of the Statute	Nature of the disputed dues	Amount (₹ Lakh)	Period to which the amount relates	Forum where disputes are pending
Income Tax Act, 1961	Tax, interest and penalty	59.57		
		2006-07		
		CIT		
		12.17	2009-10	CIT
		1,880.70	2010-11	CIT
	320.72	2011-12	CIT(A)	
	Fringe benefits	101.44	2009-10	Assessing Officer
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Disallowance of exemption claimed for deemed sale in the course of inter state and import transactions	301.97	1995-96 to 1996-97, 2000-01, 2004-05, 2009-10	Joint Commissioner (Appeal)
		96.73	1995-96 to 1998-99, 2000-01	Deputy. Commissioner (Appeal)
		32.95	1995-96 to 1999-00	High Court
		223.44	2007-08, 2010-11	Appellate Board
		14.04	1996-97, 2003-04	Tribunal
	5.51	2013-14	Joint Commissioner (Appeal)	
	Refusal of input tax credit (ITC)	5.51	2013-14	Joint Commissioner (Appeal)
	Local hire purchase turnover made taxable	7.04	1999-00	High Court
Service Tax under Finance Act, 1994	Service tax levied on receipt of interest on delayed payment	90.14	2005-06 to 2011-12	Appellate Authority

10. The Company has no accumulated losses as at 31st March 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanations given to us and the records examined by 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.
12. According to the information and explanations given to us and the records examined by us, 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.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company. Accordingly, paragraph 4 (xiii) of the Order is 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. The Company has invested surplus fund in the schemes of 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 investment in marketable securities and mutual funds has been held by the Company in its own name.
15. According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, paragraph 4 (xv) of the Order is not applicable to the Company.
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. According to the information and explanations given to us and the records examined by us, 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. Accordingly, paragraph 4 (xviii) of the Order is not applicable to the Company.
19. According to information and explanations given to us and records examined by us, securities have been created in respect of debentures issued.
20. According to information and explanations given to us and records examined by us, the Company has not raised any money by public issue during the year. Accordingly, paragraph 4 (xx) of the Order is not applicable to the Company.
21. We were informed by management there were fourteen cases of frauds against the Company detected during the year aggregating to ₹ 84.43 lakhs. The amounts recovered during the year were ₹ 0.60 lakhs and the provision during the year was ₹ 57.16 lakhs (including ₹ 23.38 lakhs for the earlier year).

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of

Firdosh D. Buchia
Partner
Membership no.38332

Place : Mumbai
Date : April 21, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at March 31, 2014		As at March 31, 2013	
		(₹ Lakh)	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	2	23,842.23		23,842.23	
Reserves and surplus	3	195,461.21		187,046.86	
			219,303.44		210,889.09
Non-current liabilities					
Long-term borrowings	4	696,351.63		618,192.78	
Other long term liabilities	5	15,935.75		14,558.94	
Long-term provisions	6	2,205.10		1,886.00	
			714,492.48		634,637.72
Current liabilities					
Short-term borrowings	7	274,075.08		201,088.40	
Current maturities of long term borrowings	4	358,619.50		361,236.36	
Trade payables	8	12.06		12.95	
Other current liabilities	9	80,217.68		81,788.47	
Short-term provisions	10	2,009.02		5,063.33	
			714,933.34		649,189.51
TOTAL			1,648,729.26		1,494,716.32
ASSETS:					
Non-current assets					
Fixed assets	11				
Tangible assets		31,481.10		27,512.64	
Intangible assets		1,094.94		549.31	
Capital work-in-progress		95.93		565.17	
Non-current investments	12	10,632.23		7,613.81	
Deferred tax assets (net)	13	8,474.40		4,073.80	
Long-term loans and advances	14	3,526.87		6,085.35	
Long-term loans and advances towards financing activities	15	911,896.94		769,137.52	
Other non-current assets	16	1,402.54		3,644.53	
			968,604.95		819,182.13
Current assets					
Trade receivables	17	944.45		757.70	
Cash and bank balances	18	22,063.46		10,578.73	
Current maturities of long-term loans and advances towards financing activities	15	489,954.94		456,173.09	
Short-term Loans and advances towards financing activities	19	124,903.67		176,909.65	
Other current assets	20	42,257.79		31,115.02	
			680,124.31		675,534.19
TOTAL			1,648,729.26		1,494,716.32
SIGNIFICANT ACCOUNTING POLICIES	1				
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF FINANCIAL STATEMENTS.	27				

As per our report attached

For and on behalf of Board

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Y.M. DEOSTHALEE
Chairman

N. SIVARAMAN
Director

Firdosh D. Buchia
Partner
Membership no. 38332

DINANATH DUBHASHI
Managing Director & Chief Executive

KAILASH PUROHIT
Company Secretary

Place : Mumbai
Date : April 21, 2014

Place : Mumbai
Date : April 21, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14 (₹ Lakh)	2012-13 (₹ Lakh)
INCOME:			
Income from operations	21	219,981.73	204,719.66
Other income	22	4,569.18	2,086.85
Total Income		224,550.91	206,806.51
EXPENSES:			
Finance costs	23	127,292.06	120,242.46
Employee benefits expense	24	9,825.73	10,199.03
Administration and Other expenses	25	27,120.92	20,217.37
Allowances and write offs	26	22,838.22	18,763.87
Depreciation and amortisation expense		6,995.92	6,042.92
Total Expenses		194,072.85	175,465.65
Profit before tax		30,478.06	31,340.86
Tax expense:			
Current tax		14,756.00	10,522.50
Deferred tax		(4,400.60)	(284.50)
Profit after tax		20,122.66	21,102.86
Earnings per equity share before and after extraordinary items:	27.7		
Basic earnings per equity share (₹) (*not annualised)		8.44	8.85
Diluted earnings per equity share (₹) (*not annualised)		8.44	8.85
Face value per equity share (₹)		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	1		
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF FINANCIAL STATEMENTS.	27		

As per our report attached

For and on behalf of Board

SHARP & TANNANChartered Accountants
Firm's registration no. 109982W
by the hand of**Y.M. DEOSTHALEE**

Chairman

N. SIVARAMAN

Director

Firdosh D. BuchiaPartner
Membership no. 38332**DINANATH DUBHASHI**

Managing Director & Chief Executive

KAILASH PUROHIT

Company Secretary

Place : Mumbai
Date : April 21, 2014Place : Mumbai
Date : April 21, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 (₹ Lakh)	2012-13 (₹ Lakh)
A. Cash flow from operating activities		
Profit before taxes as per Statement of Profit & Loss	30,478.06	31,340.86
Adjustment for:		
Depreciation and amortisation	6,995.92	6,042.92
(Profit)/ Loss on sale of investments (net)	(2,396.77)	(429.63)
(Profit)/ Loss on sale of fixed assets (net)	2,086.19	2,090.03
Cumulative interest on long term NCDs, payable at maturity	2,515.18	6,446.17
Provision for diminution in value of investments	7.52	(1.92)
Provision for non-performing assets	5,613.52	(2,628.07)
Provision for standard assets	281.10	185.00
Operating profit before working capital changes	45,580.72	43,045.36
Adjustment for :		
(Increase)/ Decrease in trade and other receivables and advances	(9,315.30)	(5,871.17)
Increase/ (Decrease) in trade and other payables	(2,902.43)	11,231.57
Cash (used in) / generated from operations	33,362.99	48,405.76
Direct taxes paid	(12,262.69)	(8,702.11)
Cash Generated from Operations	21,100.30	39,703.65
Loans disbursed (net of repayment)	(130,148.82)	(148,707.34)
Net cash flow from operating activities (A)	(109,048.52)	(109,003.69)
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Proceeds/Adjustments from sale of fixed assets	1,794.59	19,989.35
Sale of investments	811.43	11,228.30
Sale of shares of subsidiary/associate companies	-	16,688.92
	2,606.02	47,906.57
Less : Outflow from investing activities		
Purchase of fixed assets	14,786.17	6,144.37
Interest Capitalised	-	390.89
investment in the shares of subsidiary companies	-	4,500.00
Purchase of investments (net)	1,440.60	-
	16,226.77	11,035.26
Net cash from investing activities (B)	(13,620.75)	36,871.31
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from long term borrowings	2,242,900.00	2,542,500.00
Proceeds / repayment of short term borrowings (net)	84,653.35	69,046.66
	2,327,553.35	2,611,546.66
Less : Outflows from financing activities		
Repayment of long term borrowings	2,179,024.68	2,527,635.25
Debenture Issue Expenses	200.29	288.27
Interim dividend tax paid	3,480.28	425.47
Interim dividend paid	10,919.73	10,013.74
	2,193,624.98	2,538,362.73
Net cash flow from financing activities (C)	133,928.37	73,183.93
Net cash increase / (decrease) in cash and cash equivalents (A+B+C)	11,259.10	1,051.55
Cash and cash equivalents as at beginning of the year	10,494.25	9,442.70
Cash and cash equivalents as at end of the year	21,753.35	10,494.25
Reconciliation of Cash and Cash Equivalents		
Closing Balance as per Balance Sheet	22,063.46	10,578.73
Less : Deposits with original maturity for more than 3 months	310.11	84.48
Cash and Cash Equivalents as at end of the year	21,753.35	10,494.25

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, bank balances and deposits with maturity period of less than 3 months.
- Purchase of investments (net) includes net of Mutual fund purchase and sale during the year.
- Previous year end figures have been regrouped/reclassified wherever applicable.

As per our report attached

For and on behalf of Board

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Y.M. DEOSTHALEE
Chairman

N. SIVARAMAN
Director

Firdosh D. Buchia
Partner
Membership no. 38332

DINANATH DUBHASHI
Managing Director & Chief Executive

KAILASH PUROHIT
Company Secretary

Place : Mumbai
Date : April 21, 2014

Place : Mumbai
Date : April 21, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014

1 SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements have been prepared in accordance with the generally accepted accounting principles in India ('Indian GAAP'), Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provision of the Companies Act, 1956 along with the applicable guidelines issued by Reserve Bank of India ("RBI") as applicable to a Non Banking Financial Company (AFC - NBFC). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

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 and differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

C. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

D. Cash flow Statement

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Company are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

E. Investments

The Company being regulated as a Non-Banking Financial Company (AFC - 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 Accounting Standard (AS) 13 on 'Accounting for Investments' as notified under the Companies (Accounting Standard) Rules 2006.

All investments are initially recorded at cost. The cost of an investment includes purchase price and directly attributable acquisition charges reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Statement of Profit and Loss.

Current investments are individually carried at the lower of cost and fair value / market value. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investment is amortised over the life of the investment.

F. Loans

In accordance with the RBI guidelines, all loans are classified under any of the four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

G. Tangible 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 and impairment losses, if any. Profit or loss arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation up to the month of disposal and are recognised in the Statement of Profit and Loss.

H. Intangible Assets

Intangible Fixed assets comprising of software licenses are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated amortisation and impairment losses, if any. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

I. Depreciation and Amortisation

Depreciation/ Amortisation on fixed assets is calculated on a straight-line basis which reflects the Management's estimate of the useful life of respective fixed assets and are greater than or equal to the corresponding rate prescribed in Schedule XIV of the Companies Act 1956, The assets for which higher rates are used are as follows.

Particulars	Nature	Rates (SLM)	Schedule XIV Rates (SLM)
Office Equipment	Owned use / Operating Lease	10%	4.75%
Computer	Owned use / Operating Lease	20%	16.21%
Plant & Equipment	Operating Lease	11.31%	4.75%
Motor car	Operating Lease	15%	9.5%
Vehicles	Operating Lease	16.21%	9.5%

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

- Leasehold improvements are amortized over the period of lease term.
- Specialized software amortized over period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of installation.
- Depreciation is charged for the full month in the month of purchase/sale even used for part of the month.

J. Impairment of assets

Tangible 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. Revenue Recognition

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. In addition, the following criteria must also be met before revenue is recognised:

- (a) Interest from interest-bearing assets is recognised on an accrual basis except in case of non-performing loans where it is recognised upon realization, as per the income and assets classification norms prescribed by RBI.
- (b) Additional finance charges / overdue interest are treated to accrue only on realisation, due to uncertainty of realisation and are accounted accordingly.
- (c) Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- (d) Front end fees on processing of loans are recognised upfront as income.
- (e) Revenues from the various services that the Company renders 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.
- (f) Profit / loss on sale of investments is recognised on trade date basis.
- (g) Gains arising on direct assignment of assets/receivable are recognized over the residual life of the loans in terms of the RBI guidelines. Loss, if any is recognised upfront.
- (h) Dividend is accounted when the right to its receipt is established.

L. 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 services.

Post Employment Benefits

- Defined-Contribution Plans

The Company's superannuation scheme and pension scheme are defined contribution plans. The Contribution paid/payable under the scheme is recognized during the period in which the employee renders the related services.

- Defined-Benefits Plans

The employee's gratuity fund scheme and provident fund scheme managed by trust 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 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.

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.

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:

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the Projected Unit Credit Method at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

M. Borrowing Costs

Borrowing cost includes interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs are charged to Statement of Profit & Loss in the year in which they are incurred.

N. Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items:

Unallocated items include income and expenses which are not allocated to any reportable business segment.

Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

O. Leases

Where the Company is lessee

Operating lease:

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term in accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006. Initial direct costs incurred specifically for operating leases are recognised as expenses in the year in which they are incurred.

Where the Company is lessor

Finance Lease:

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the Statement of profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

Operating Lease:

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of Profit and Loss.

P. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share. Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

Q. 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

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

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.

R. 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 translations of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

Premium in respect of forward contracts is charged to Statement of Profit and Loss over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

S. Provisions, Contingent liabilities and Contingent assets**Provision against Loans and advances:**

The policy of provisioning against non performing loans and advances has been decided by the Management considering norms prescribed by the RBI under Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted, the provision against sub standard assets are created on a conservative basis, taking into account Management's perception of the higher risk associated with the business of the Company. Certain non performing loans and advances are considered as loss assets and full provision has been made against such assets.

Provision against restructured loans is computed in accordance with the RBI guidelines.

Contingent provision against standard assets is made at 0.25% of the outstanding standard assets in accordance with the RBI guidelines.

Other Provisions:

- A provision is recognised when the Company has a present legal or constructive 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 reliable estimate can be made. Provisions are not discounted to their 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 and Assets:

- A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent Assets are not recognised.

T. Employee Stock Option Plan

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of L&T Finance Holdings Limited (the holding company) and Larsen & Toubro Limited (the ultimate holding company) to employees of the company. The Scheme provides that employees are granted an option to subscribe to equity share of the holding company that vest in a graded manner. The options may be exercised with specified period. The holding company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognized in the Statement of Profit and Loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

U. Securities Issue Expenses

Securities issue expenses are adjusted against the Securities Premium Account as permissible under section 78 (2) of the Companies Act, 1956, to the extent balance is available for utilization in the Securities Premium Account.

2 SHARE CAPITAL

The Company has issued Equity Share Capital, the details in respect of which are given below

2. I. Number, face value and amount of shares authorised, issued, subscribed and paid-up

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Authorised				
Equity shares of ₹ 10 each	<u>2,000,000,000</u>	<u>200,000.00</u>	<u>2,000,000,000</u>	<u>200,000.00</u>
Issued, Subscribed & Paid up				
Equity shares of ₹ 10 each	<u>238,422,269</u>	<u>23,842.23</u>	<u>238,422,269</u>	<u>23,842.23</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**2.II. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period****Equity Shares**

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Balance at the beginning of the year	238,422,269	23,842.23	238,422,269	23,842.23
Issued during the year	—	—	—	—
Balance at the end of the year	238,422,269	23,842.23	238,422,269	23,842.23

2.III. Terms/rights attached to equity shares

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

2.IV. Shares held by holding company

L&T Finance Holdings Limited and its nominees (Equity Shares of ₹ 10 each fully paid)	238,422,269	23,842.23	238,422,269.0	23,842.23
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2.V. Details of shareholders holding more than 5% shares in the Company

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares*	% holding	No. of Shares*	% holding
Equity Shares of ₹ 10 each fully paid	238,422,269	100%	238,422,269	100%

*Held by L&T Finance Holdings Limited (Holding company) and its nominee.

3 RESERVES & SURPLUS**3.I. Capital redemption reserve**

Balance as per last financial statements	82.25	82.25
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3.II. Securities premium account

Balance as per last financial statements	89,860.14	90,088.05
Less: Debenture issue expenses adjusted during the year / period {Net of tax ₹ 68.07 Lakh (Previous year ₹ 60.36 Lakh)}	132.21	227.91
Closing Balance	89,727.93	89,860.14

3.III. Debenture redemption reserve

Balance as per last financial statements	12,600.00	44,700.00
Add: Transferred from/ (to) surplus in the statement of Profit and Loss	3,434.00	(32,100.00)
Closing Balance	16,034.00	12,600.00

Debenture redemption reserve has been maintained in accordance with Section 117C of the Companies Act, 1956 read with Circular no, 11/02/2012-CL-V(A) dated 11th February 2013 in respect of public issue of debentures.

3.IV. Reserve u/s 45-IC of Reserve Bank of India Act, 1934

Balance as per last financial statements	23,852.79	19,632.19
Add: Transferred from surplus in the Statement of Profit and Loss	4,024.56	4,220.60
Closing Balance	27,877.35	23,852.79

3.V. General reserve

Balance as per last financial statements	9,092.21	6,981.91
Add: Transferred from surplus in the Statement of Profit and Loss	2,012.27	2,110.30
Closing Balance	11,104.48	9,092.21

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
3.VI. Surplus in the statement of Profit and Loss		
Balance as per last financial statements	51,559.47	17,525.18
Add: Net Profit for the year / period	20,122.66	21,102.86
Less : Appropriations		
Interim equity dividend (amount per share ₹ 4.15 (March 31, 2013 : ₹ 4.20)	9,894.52	10,013.74
Proposed final dividend (amount per share ₹ Nil (March 31, 2013 : ₹ 0.43)	-	1,025.22
Tax on equity dividend	1,681.58	1,798.71
Transferred to/ (from) debenture redemption reserve	3,434.00	(32,100.00)
Transferred to reserve u/s 45-IC of Reserve Bank of India Act, 1934	4,024.56	4,220.60
Transferred to General Reserve	2,012.27	2,110.30
Net surplus in the statement of Profit and Loss	50,635.20	51,559.47
Total reserves and surplus	195,461.21	187,046.86

	As at March 31, 2014 (₹ in Lakh)		As at March 31, 2013 (₹ in Lakh)	
	Non current portion	Current maturities	Non current portion	Current maturities
4 LONG-TERM BORROWINGS				
I. Secured				
Redeemable non convertible debentures	199,533.44	152,366.56	240,615.28	108,434.72
Less : Buy Back	(1,263.81)	(831.73)	(922.50)	(584.72)
	198,269.63	151,534.83	239,692.78	107,850.00
Term loans				
- From banks	238,082.00	207,084.67	113,500.00	253,386.36
TOTAL I	436,351.63	358,619.50	353,192.78	361,236.36
II. Unsecured				
Redeemable non convertible debentures	40,000.00	-	35,000.00	-
From banks	200,000.00	-	210,000.00	-
Perpetual debt	20,000.00	-	20,000.00	-
TOTAL II	260,000.00	-	265,000.00	-
TOTAL (I + II)	696,351.63	358,619.50	618,192.78	361,236.36

Note No.

- 4(I) (a) 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.
- (b) During the year, the Company has bought back and extinguished NIL (Previous Year 45,195) nos. of debentures of ₹ 1,000 each aggregating to ₹ NIL (Previous Year ₹ 451.95 Lakh). Apart from this, the Company has bought back and is holding 58,832 nos. (Previous Year 150,722 nos.) debentures of ₹ 1000 each aggregating to ₹ 588.32 Lakh (Previous Year ₹ 1,507.22 Lakh) as on March 31, 2014, pending extinguishment / re-issue of the same.
- (c) 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.
- (d) Term loan from bank is secured by hypothecation of specified lease/term loan receivables.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**Particulars of terms of redemption / repayment****Secured :****Non Current :****Note 4.(I).(i) Secured Redeemable Non-convertible Debentures : Private Placement**

Series	Face value per Debenture	Date of allotment	Amount	Non Current Portion (₹)	Current Maturities (₹)	Interest rate % p.a.	Date of redemption	Redeemable term
A of FY 2013-14	₹ 10 lakhs each	5 April 2013	40,000.00	40,000.00	-	9.05%	5 April 2018	Redeemable at par at the end of 1826 days from the date of allotment
F of FY 2013-14	₹ 1 Crores each	10 July 2013	10,000.00	10,000.00	-	Base Rate -15 bps	10 July 2017	Redeemable at par at the end of 1461 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	17,400.00	17,400.00	-	9.95%	28 October 2016	Redeemable at par at the end of 1095 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	1,000.00	1,000.00	-	NSE M+155 bps	28 October 2016	Redeemable at par at the end of 1095 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	500.00	500.00	-	9.95%	20 October 2016	Redeemable at par at the end of 1087 days from the date of allotment
G of FY 2013-14	₹ 25 lakhs each	11 October 2013	10,500.00	10,500.00	-	10.20%	11 October 2016	Redeemable at par at the end of 1096 days from the date of allotment
D of FY 2013-14	₹ 10 lakhs each	20 May 2013	5,500.00	5,500.00	-	8.90%	20 May 2016	Redeemable at par at the end of 1096 days from the date of allotment
D of FY 2013-14	₹ 10 lakhs each	20 May 2013	5,000.00	5,000.00	-	8.90%	20 May 2016	Redeemable at par at the end of 1096 days from the date of allotment
L of FY 2012-13	₹ 10 lakhs each	18 December 2012	2,500.00	2,500.00	-	9.45%	18 December 2015	Redeemable at par at the end of 1095 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	1,500.00	1,500.00	-	9.95%	29 October 2015	Redeemable at par at the end of 730 days from the date of allotment
C of FY 2013-14	₹ 10 lakhs each	17 May 2013	10,000.00	10,000.00	-	8.90%	15 May 2015	Redeemable at par at the end of 728 days from the date of allotment
C of FY 2013-14	₹ 10 lakhs each	17 May 2013	5,000.00	5,000.00	-	8.90%	15 May 2015	Redeemable at par at the end of 728 days from the date of allotment
J of FY 2013-14	₹ 25 Lakhs each	27 March 2014	15,000.00	15,000.00	-	9.80%	27 April 2015	Redeemable at par at the end of 396 days from the date of allotment
B of FY 2013-14	₹ 10 Lakhs each	15 April 2013	2,500.00	2,500.00	-	9.20%	15 April 2015	Redeemable at par at the end of 730 days from the date of allotment
J of FY 2013-14	₹ 25 Lakhs each	27 March 2014	1,600.00	1,600.00	-	9.59%	8 April 2015	Redeemable at par at the end of 377 days from the date of allotment
J of FY 2013-14	₹ 25 Lakhs each	27 March 2014	10,900.00	10,900.00	-	9.59%	7 April 2015	Redeemable at par at the end of 376 days from the date of allotment
J of FY 2013-14	₹ 25 Lakhs each	27 March 2014	500.00	500.00	-	9.59%	6 April 2015	Redeemable at par at the end of 375 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15 December 2011	3,000.00	-	3,000.00	10.04%	15 December 2014	Redeemable at par at the end of 1096 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5 December 2011	5,000.00	-	5,000.00	10.25%	4 November 2014	Redeemable at par at the end of 1065 days from the date of allotment
G of FY 2012-13	₹ 10 lakhs each	18 October 2012	5,000.00	-	5,000.00	9.48%	17 October 2014	Redeemable at par at the end of 729 days from the date of allotment
H of FY 2012-13	₹ 10 lakhs each	19 October 2012	1,500.00	-	1,500.00	9.48%	17 October 2014	Redeemable at par at the end of 728 days from the date of allotment
F of FY 2012-13	₹ 10 lakhs each	8 October 2012	5,000.00	-	5,000.00	9.75%	8 October 2014	Redeemable at par at the end of 730 days from the date of allotment
B of FY 2009-10	₹ 10 lakhs each	29 September 2009	11,500.00	-	11,500.00	9.62%	29 September 2014	Redeemable at par at the end of 1826 days from the date of allotment
D of FY 2012-13	₹ 10 lakhs each	27 July 2012	3,500.00	-	3,500.00	9.97%	25 July 2014	Redeemable at par at the end of 728 days from the date of allotment

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Series	Face value per Debenture	Date of allotment	Amount	Non Current Portion (₹)	Current Maturities (₹)	Interest rate % p.a.	Date of redemption	Redeemable term
C of FY 2012-13	₹ 1 Crores each	29 June 2012	15,000.00	-	15,000.00	Base Rate	29 June 2014	Redeemable at par at the end of 730 days from the date of allotment
B of FY 2012-13	₹ 10 lakhs each	14 June 2012	22,000.00	-	22,000.00	10.15%	13 June 2014	Redeemable at par at the end of 729 days from the date of allotment
B of FY 2012-13	₹ 10 lakhs each	14 June 2012	7,500.00	-	7,500.00	10.15%	13 June 2014	Redeemable at par at the end of 729 days from the date of allotment
A of FY 2011-12	₹ 10 lakhs each	31 May 2011	10,000.00	-	10,000.00	NSE M+245 bps	31 May 2014	Redeemable at par at the end of 1096 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22 March 2012	2,500.00	-	2,500.00	9.83%	30 April 2014	Redeemable at par at the end of 769 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22 March 2012	1,100.00	-	1,100.00	9.83%	29 April 2014	Redeemable at par at the end of 768 days from the date of allotment
A of FY 2012-13	₹ 10 lakhs each	27 April 2012	12,500.00	-	12,500.00	9.80%	25 April 2014	Redeemable at par at the end of 728 days from the date of allotment
A of FY 2012-13	₹ 10 lakhs each	27 April 2012	1,000.00	-	1,000.00	9.80%	25 April 2014	Redeemable at par at the end of 728 days from the date of allotment
G of FY 2012-13	₹ 10 lakhs each	18 October 2012	5,000.00	-	5,000.00	9.41%	17 April 2014	Redeemable at par at the end of 546 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22 March 2012	1,400.00	-	1,400.00	9.84%	3 April 2014	Redeemable at par at the end of 742 days from the date of allotment
Total			251,900.00	139,400.00	112,500.00			

4.(I).(ii) Secured Redeemable Non-convertible Debentures : Public Issue

Series	Face value per Debentures	Date of allotment	Amount	Non Current Portion (₹)	Current Maturities (₹)	Interest rate % Pa.	Date of redemption	Redeemable term
NCD 2009 Series 4	₹ 1000 each	17 September 2009	46,485.51	46,485.51	-	10.24%	17 September 2019	Redeemable at par at the end of 120 months from the date of allotment
NCD 2009 Series 3	₹ 1000 each	17 September 2009	12,384.12	12,384.12	-	9.95%	17 January 2017	Redeemable at par at the end of 88 months from the date of allotment
NCD 2009 Series 2	₹ 1000 each	17 September 2009	28,817.92	-	28,817.92	9.62%	17 September 2014	Redeemable at par at the end of 60 months from the date of allotment
NCD 2009 Series 1	₹ 1000 each	17 September 2009	10,216.91	-	10,216.91	9.51%	17 September 2014	Redeemable at par at the end of 60 months from the date of allotment
			97,904.46	58,869.63	39,034.83			
Grand Total			349,804.46	198,269.63	151,534.83			

4.(I).(iii) Term loans from Bank :

Repayment terms	Tenure	Non Current Portion (₹)	Current Maturities (₹)
Bullet	upto 5 years	92,500.00	100,000.00
Quarterly	upto 5 years	145,582.00	107,084.67
		-	-
Grand Total		238,082.00	207,084.67

Unsecured :**Non Current :****4.(II).(i) Unsecured Redeemable Non-convertible Subordinate Debt :**

Series	Face value per Debentures	Date of allotment	Amount	Non Current Portion (₹)	Current Maturities (₹)	Interest rate % Pa.	Date of redemption
I of FY 2013-14	₹ 10 lakhs each	27 March 2014	5,000.00	5,000.00	-	10.35%	27 March 2024
J of FY 2012-13	₹ 10 lakhs each	21 December 2012	27,500.00	27,500.00	-	9.80%	21 December 2022
H of FY 2007-08	₹ 10 lakhs each	20 February 2008	7,500.00	7,500.00	-	10.50%	20 February 2018
			40,000.00	40,000.00	-		

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**4.(II).(ii) Term loans from Bank :**

Repayment terms	Tenure	Average Rate of Interest	Non Current Portion (₹)
Bullet	upto 5 years	Fixed	200,000
Grand Total			200,000

4.(II).(iii) Perpetual debt

Series	Face value per Debentures	Date of allotment	Amount	Non Current Portion (₹)	Current Maturities (₹)	Interest rate % p.a.
F of FY 2011-12	₹ 10 lakhs each	30 December 2011	20,000	20,000	-	11.50%

Note :

Outstanding balance of perpetual debt is 8.84% of Tier I Capital of ₹ 226,265.98 lakhs as at March 31, 2014.

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
5 OTHER LONG TERM LIABILITIES				
Interest accrued but not due on non convertible debentures		7,504.19		11,153.01
Long term obligations		4,210.77		-
Security deposits and margin money received		2,486.25		2,287.07
Deferred income on assignment		819.55		718.86
Other long term liabilities		914.99		400.00
TOTAL		15,935.75		14,558.94
6 LONG TERM PROVISIONS				
Contingent provision against standard assets		2,205.10		1,886.00
TOTAL		2,205.10		1,886.00
7 SHORT-TERM BORROWINGS				
I. Secured				
Term loans				
- from banks		45,000.00		15,000.00
Loans repayable on demand				
- Cash Credit		-		5,000.00
- Working Capital demand Loans		5,400.00		-
Total I		50,400.00		20,000.00
II. Unsecured				
Term loans				
- from banks		-		10,000.00
Bank Overdraft		-		3,971.16
Working Capital Demand Loan		22,000.00		-
Commercial papers	200,500.00		150,995.00	
Less : Unexpired discounting charge	3,769.92		2,627.03	
		196,730.08		148,367.97
Loans and advances from related parties				
- Inter corporate borrowings		4,945.00		18,749.27
Total II		223,675.08		181,088.40
TOTAL (I + II)		274,075.08		201,088.40

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**Short Term borrowings****Secured****7.(I) (i) Term loans from Bank**

Repayment terms	Tenure	Average Rate of Interest	
Bullet	7 to 12 month	Base Rate + predetermined margin	45,000.00
Grand Total			45,000.00

Short Term borrowings**Unsecured****7.(II) (i) Term loans from Bank**

Repayment terms	Tenure	Average Rate of Interest	
Bullet	7 to 12 month	Base Rate + predetermined margin	22,000.00
Grand Total			22,000.00

7.(II) (ii) Inter corporate borrowings

(₹ in Lakh)

Name of Lender	Relation	Date of Financing	₹ Lakh	Date of redemption	Redemption Terms
L&T Finance Holdings Limited	Holding Company	31 March 2014	252.00	31 March 2015	Bullet
L&T Finance Holdings Limited	Holding Company	28 March 2014	500.00	28 March 2015	Bullet
L&T Finance Holdings Limited	Holding Company	14 March 2014	1,000.00	14 March 2015	Bullet
L&T Capital Company Limited	Fellow subsidiary	28 February 2014	115.00	28 February 2015	Bullet
Metro Tunnelling Group	Fellow Associate	11 January 2014	3,000.00	11 January 2015	Bullet
L&T Capital Company Limited	Fellow subsidiary	2 January 2014	78.00	2 January 2015	Bullet
Grand Total			4,945.00		

As at 31.03.2014 *As at 31.03.2013***8 TRADE PAYABLES**

- Dues to Micro Enterprises and Small Enterprises

- Others

TOTAL

-	-
12.06	12.95
12.06	12.95

(₹ in Lakh)

As at 31.03.2014 *As at 31.03.2013***9 OTHER CURRENT LIABILITIES**

Interest accrued but not due on borrowings

Security deposits and margin money received

Short term obligations

Deferred income on assignment

Bank book credit balance

Other liabilities

Advance from customers

Trade payable for capital goods

Provision for Expenses

Statutory liabilities

Other liabilities

18,467.87	15,297.81
602.90	813.44
26,576.53	33,640.57
620.12	613.17
9,173.67	12,087.72
7,593.33	6,257.45
89.42	36.12
4,771.15	3,413.87
3,118.23	2,893.53
9,204.46	6,734.79
80,217.68	81,788.47

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at 31.03.2014	As at 31.03.2013
10 SHORT-TERM PROVISIONS		
Contingent provision against standard assets	1,540.00	1,578.00
For Employee benefits		
- Gratuity	3.90	126.16
- Leave Encashment	465.12	535.24
Proposed final dividend	-	1,025.22
For Tax on equity dividend	-	1,798.71
TOTAL	2,009.02	5,063.33

11 FIXED ASSETS

Particulars	Gross Block (at cost)				Depreciation / Amortisation				Net Block	
	As at 01.04.2013	Additions	Sales	As at 31.03.2014	Upto 31.03.2013	For the Year	Deductions	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Tangible Assets										
Owned Assets										
Buildings	3,117.71	-	-	3,117.71	533.50	50.82	-	584.32	2,533.39	2,584.21
Office equipment	872.44	157.60	1.31	1,028.73	411.23	116.11	0.76	526.58	502.15	461.21
Furniture and fixtures	1,182.91	140.43	98.81	1,224.53	366.45	103.92	28.72	441.65	782.88	816.46
Leasehold renovation	280.34	591.25	1.97	869.62	45.49	302.02	1.66	345.85	523.77	234.85
Computers	3,039.19	1,071.13	0.25	4,110.07	1,750.99	574.62	0.12	2,325.49	1,784.58	1,288.20
Owned Assets Leased out										
Plant and machinery	6,911.27	4,914.17	2,178.28	9,647.16	2,777.40	1,087.21	762.97	3,101.64	6,545.52	4,133.87
Office equipment	65.97	150.38	13.08	203.27	16.12	18.92	6.58	28.46	174.81	49.85
Furniture and fixtures	1,550.85	-	120.00	1,430.85	330.57	94.37	23.42	401.52	1,029.33	1,220.28
Motor cars	19,762.51	5,658.06	3,699.66	21,720.91	5,172.19	3,143.63	1,685.94	6,629.88	15,091.03	14,590.32
Vehicles	904.80	-	-	904.80	363.22	144.58	-	507.80	397.00	541.58
Computers	4,677.57	1,629.60	1,048.13	5,259.04	3,085.76	827.18	770.54	3,142.40	2,116.64	1,591.81
(A)	42,365.56	14,312.62	7,161.49	49,516.69	14,852.92	6,463.38	3,280.71	18,035.59	31,481.10	27,512.64
Intangible Assets										
Owned Assets										
Specialised software	2,378.37	1,078.17	-	3,456.54	1,829.06	532.54	-	2,361.60	1,094.94	549.31
(B)	2,378.37	1,078.17	-	3,456.54	1,829.06	532.54	-	2,361.60	1,094.94	549.31
(A) + (B)	44,743.93	15,390.79	7,161.49	52,973.23	16,681.98	6,995.92	3,280.71	20,397.19	32,576.04	28,061.95
Previous Year	63,230.94	9,149.33	27,636.34	44,743.93	16,195.99	6,042.92	5,556.93	16,681.98		
Add : Capital Work-in-Progress									95.93	565.17
									32,671.97	28,627.12

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	Face value (fully paid up)	As at 31.03.2014		As at 31.03.2013	
	₹ per share / unit	No. of shares/ units	₹ in Lakh	No. of shares / units	₹ in Lakh
12 NON-CURRENT INVESTMENTS					
12. I. Other Investments (valued at cost unless stated otherwise)					
Quoted instruments					
Investment in Debentures					
Infrastructure Development Finance Company Limited					
IDFC Ltd (M+150bps) 16 May 2017	1,000,000	400	4,683.98	400	4,683.98
Investment in equity					
Integrated Digital Info Services Limited	10	383,334	11.73	383,334	11.73
Monnet Industries Limited	10	5,640	2.26	5,640	2.26
Monnet Ispat and Energy Limited	10	3,008	0.75	3,008	0.75
Monnet Project Developers Limited	10	11,280	4.51	11,280	4.51
Elque Polyesters Limited	10	194,300	19.43	194,300	19.43
Glodyne Technoserve Limited	6	319,262	22.67	–	–
Less : Provision for diminution in the value of investments		–	(38.68)	–	(31.16)
Unquoted instruments					
Investment in equity shares					
Invent Assets Securitisation & Reconstruction Private Limited	10	7,100,000	1,597.51	7,100,000	1,597.51
Alpha Micro Finance Consultants Private Limited	10	200,000	20.00	200,000	20.00
Metropoli Overseas Limited	10	99,400	14.91	99,400	14.91
Anil Chemicals and Industries Limited	10	40,000	8.00	40,000	8.00
L&T Infra Debt Fund Limited	10	20,000,000	2,000.00	–	–
Less : Provision for diminution in the value of investments		–	(22.91)	–	(22.91)
Investment in Government/ Trust securities					
LTFI Securitisation Trust 2002			0.01		0.01
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)			0.04		0.04
Other investments					
Phoenix ARC Private Limited					
Security receipt					
Phoenix ARF Scheme 5	–	–	–	8,501	76.93
Phoenix ARF Scheme 6	1,000	9,843	98.43	9,843	98.43
Phoenix ARF Scheme 7	257	23,238	59.71	23,238	228.89
Phoenix ARF Scheme 8	–	–	–	38,195	208.16
Phoenix ARF Scheme 9	970.00	6,612	64.14	6,612	66.12
Phoenix ARF Scheme 10	1,000	18,889	188.89	18,889	188.89
Phoenix ARF Scheme 11	1,000	44,208	442.08	–	–
Phoenix ARF Scheme 13	1,000	27,404	274.04	–	–
Phoenix ARF Scheme 14	1,000	34,882	348.82	–	–
Phoenix ARF Scheme 15	1,000	10,691	106.91	–	–
Security application money paid pending allotment	–	–	–	–	437.33
Investment in Units					
KKR India debt Opportunities Fund III	1,000	72,500	725.00	–	–
Total			10,632.23		7,613.81

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	Face value (fully paid up)	As at 31.03.2014		As at 31.03.2013	
	₹ per share / unit	No. of shares/ units	₹ in Lakh	No. of shares / units	₹ in Lakh
Note:					
Aggregate amount of quoted investments					
Book value			4,745.33		4,722.66
Market value			4,700.42		4,691.50
Aggregate amount of unquoted investments					
Book value			5,948.49		2,945.22
Aggregate provision for diminution in the value of Investments			61.59		54.07

13 DEFERRED TAX ASSETS (NET)

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 assets (net) in the Statement of Profit & Loss on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

Component	(₹ in Lakh)	
	As at 31.03.2014	As at 31.03.2013
Deferred tax liability		
Difference between book depreciation and tax depreciation	–	161.80
Other item giving rise to timing difference	543.84	721.60
	543.84	883.40
Deferred tax assets		
Difference between book depreciation and tax depreciation	661.29	–
Provision for NPA / Advances	6,782.00	3,597.90
Unpaid statutory liabilities /provision for leave encashment	158.09	181.90
Other item giving rise to timing difference	1,416.86	1,177.40
	9,018.24	4,957.20
Net deferred tax assets / (liability)	8,474.40	4,073.80

14 LONG-TERM LOANS AND ADVANCES

Unsecured (Considered goods)		
Capital Advances	193.63	329.01
Advances recoverable in cash or in kind or for value to be received	528.29	535.67
Advance taxes (net)	2,804.95	5,220.67
TOTAL	3,526.87	6,085.35

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	Non current portion#	Current maturities	Non current portion#	Current maturities
	(₹ in Lakh)			
15 LONG-TERM LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES				
I. Secured				
Term loans	819,735.23	442,253.34	686,322.64	416,802.29
Finance Lease	8,372.33	5,459.25	9,167.49	5,576.03
Debentures	12,922.51	5,400.00	14,333.33	5,666.67
	841,030.07	453,112.59	709,823.46	428,044.99
Less : Allowance for non performing assets	13,799.41	–	7,286.88	–
Total I	827,230.66	453,112.59	702,536.58	428,044.99
II. Unsecured				
Term loans	87,074.65	36,842.35	65,908.32	28,128.10
Debentures	–	–	4,000.00	–
	87,074.65	36,842.35	69,908.32	28,128.10
Less : Allowance for non performing assets	2,408.37	–	3,307.38	–
Total II	84,666.28	36,842.35	66,600.94	28,128.10
Total (I + II)	911,896.94	489,954.94	769,137.52	456,173.09

#Borrower wise loans and advances towards financing activity under the NPA category has been treated as non-current.

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
	(₹ in Lakh)			
16 OTHER NON-CURRENT ASSETS				
Income accrued but not due on NCD and loans		1,402.54		3,644.53
TOTAL		1,402.54		3,644.53
17 TRADE RECEIVABLES				
Secured				
Considered good				
Debts outstanding for a period exceeding six months	–	–	–	–
Others	563.78		418.60	
		563.78		418.60
Considered doubtful				
Debts outstanding for a period exceeding six months	1,021.07		358.78	
Less : Provision for doubtful debts	(1,021.07)		(358.78)	
		–		–
Unsecured				
Considered good				
Debts outstanding for a period exceeding six months	154.04		139.83	
Others	226.63		199.27	
		380.67		339.10
TOTAL		944.45		757.70

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	2013-14		2012-13	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
22 OTHER INCOME				
Income from investments				
- Interest and dividend on securities	493.53		1,089.90	
- Profit on sale / redemption of investments (net)	2,396.77		429.63	
		2,890.30		1,519.53
Others		1,678.88		567.32
TOTAL		4,569.18		2,086.85
23 FINANCE COSTS				
Interest on debentures		42,946.74		40,366.48
Interest on term loans	49,361.03		54,623.13	
Interest on inter corporate borrowings	634.65		964.53	
Commercial paper discounting charges	32,760.63		23,322.85	
		82,756.31		78,910.51
Interest on bank overdraft / Cash Credit		450.59		126.30
Exchange difference on foreign currency borrowings/ derivatives (to the extent regarded as borrowing cost)		250.95		305.40
Others		887.47		533.77
TOTAL		127,292.06		120,242.46
24 EMPLOYEE BENEFITS EXPENSES				
Salaries		10,224.52		10,038.00
Contribution to and provision for:				
Provident fund and Pension fund	407.88		392.87	
Gratuity fund	19.28		126.16	
Superannuation fund	47.57		54.36	
Compensated absences/ leave encashment	77.04		231.48	
		551.77		804.87
Expenses on ESOP		87.64		213.06
Welfare and other expenses		318.53		252.96
Shared service cost recovered		(1,356.73)		(1,109.86)
TOTAL		9,825.73		10,199.03

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	2013-14		2012-13	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
25 ADMINISTRATION AND OTHER EXPENSES				
Travelling and conveyance		1,739.22		1,569.32
Printing and stationery		354.08		290.50
Telephone and Communication		1,196.48		1,045.60
Directors' Sitting fees		32.07		3.96
Brokerage		4,346.37		1,329.23
Collection agency payout		116.77		-
Stamping charges		167.66		166.12
Advertising and publicity		68.97		449.96
Repairs and maintenance		1,700.52		1,593.46
Rent		2,184.84		2,306.45
Rates and taxes		166.32		235.22
Electricity charges		390.87		340.08
Insurance charges		277.46		293.33
Auditors remuneration				
Audit fees	10.00		10.00	
Tax audit fees	2.50		2.50	
Limited review fees	6.00		6.00	
Certification	1.30		6.79	
Expenses reimbursed	2.11		1.72	
		21.91		27.01
Professional fees		9,577.80		6,599.12
Bank Charges		9.16		0.69
Corporate support charges		700.79		671.08
Loss on sale of fixed assets		2,086.19		2,090.03
Brand license fees		1,148.82		649.60
Corporate social responsibilities expenses		319.08		109.07
Miscellaneous expenses		712.92		614.02
Shared service cost recovered		(197.38)		(166.48)
TOTAL		27,120.92		20,217.37
26 ALLOWANCES AND WRITE OFFS				
Allowance for standard assets		281.10		185.00
Allowance for non-performing assets		5,613.52		(2,628.07)
Provision for advances and receivables		4,053.00		-
Allowance for diminution in value of investments		7.52		(1.92)
Loss on foreclosure of loans (net)		6,998.11		3,030.40
Bad debts write off		5,884.97		18,178.46
TOTAL		22,838.22		18,763.87

27 NOTES ON FINANCIAL STATEMENTS**27.1 Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"****i) Defined Contribution Plans :**

Amount of ₹ 147.42 lakh (previous year ₹ 156.55 lakh) towards contribution to superannuation and pension fund is recognized as an expense and included in Employee benefits Expenses in the Statement of Profit and Loss.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**ii) Defined Benefit Gratuity Plans :**

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

(₹ in Lakh)

Particulars		Gratuity Plan	
		As at 31.03.2014	As at 31.03.2013
A.	Amount to be recognized in Balance Sheet		
	Present Value of Defined Benefit Obligation		
	- Wholly Funded	417.66	415.03
	- Wholly Unfunded	-	-
	Less: Fair value of Plan Assets	(413.76)	(288.87)
	Unrecognised Past Service Costs	-	-
	Amount to be recognised as liability or (asset)	3.90	126.16
B.	Amounts reflected in the Balance Sheet		
	Liability	3.90	126.16
	Assets	-	-
	Net Liability/(asset)	3.90	126.16

b) The amount recognised in the Statement of Profit and Loss are as follows:

(₹ in Lakh)

Particulars		Gratuity Plan	
		2013-14	2012-13
1	Current Service Cost	108.19	91.45
2	Interest on Defined Benefit Obligation	41.29	33.18
3	Expected Return on Plan Assets	(25.34)	(18.12)
4	Actuarial Losses/(Gains)	(104.86)	19.65
5	Past Service Cost	-	-
	Total included in Employee Benefit Expenses	19.28	126.16
	Actual Return on Plan Assets	17.64	19.87

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

(₹ in Lakh)

Particulars		Gratuity Plan	
		As at 31.03.2014	As at 31.03.2013
	Opening balance of the present value of Defined Benefit Obligation	415.03	297.11
	Add: Current Service Cost	108.19	91.45
	Add: Interest Cost	41.29	33.18
	Add/(less): Actuarial Losses/(Gain)	(112.56)	21.40
	Liability Assumed on acquisition / (Settled on Divestitures)	(15.38)	--
	Less: Benefits paid	(18.91)	(28.11)
	Closing balance of the present value of Defined Benefit Obligation	417.66	415.03

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

(₹ in lakh)

Particulars		Gratuity Plan	
		As at 31.03.2014	As at 31.03.2013
	Opening balance of the fair value of the plan assets	288.87	196.43
	Add: Expected Return on plan assets	25.34	18.13
	Add/(less): Actuarial gains/(losses)	(7.70)	1.75
	Add: Contributions by Employer	126.16	100.67
	Less: Benefits Paid	(18.91)	(28.11)
	Closing balance of the plan assets	413.76	288.87
	Expected Employers Contribution Next Year	70.00	70.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

- e) The broad categories of plan assets as a percentage of total plan assets, are as follows:

Particulars		Gratuity Plan			
		As at March 31, 2014		As at March 31, 2013	
		%	(₹ in Lakh)	%	(₹ in Lakh)
1	Government of India Securities	66%	274.37	52%	150.5
2	Corporate Bonds	18%	73.50	30%	87.29
3	Special Deposit Scheme	6%	24.11	8%	21.28
4	Equity Shares of Listed Companies	7%	28.80	10%	29.67
5	Property	0%	-	-	-
6	Insurer Managed Funds	0%	-	-	-
7	Others	3%	12.99	-	0.14

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 at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

- f) Principal actuarial assumptions at the balance sheet date : (₹ in Lakh)

Particulars		As at 31.03.2014	As at 31.03.2013
1.	Discount rate	9.35%	8.00%
2.	Expected return on plan assets	8.00%	8.00%
3.	Salary growth rate :	6.00%	6.00%

- g) The amounts pertaining to experience adjustments are as follows: (₹ in Lakh)

Particulars	As at March 31,				
	2014	2013	2012	2011	2010
Gratuity Plan					
Defined Benefit Obligation	417.66	415.03	297.12	200.69	125.26
Plan Assets	413.76	288.87	196.43	119.32	97.35
Surplus/(Deficit)	(3.90)	(126.16)	(100.69)	(81.37)	(27.91)
Exp. Adj. on Plan Liabilities	(34.29)	(28.11)	27.20	33.84	(11.17)
Exp. Adj. on Plan Assets	(7.70)	1.75	0.76	(2.36)	(1.25)

- iii) Defined Benefit Provident Fund Plan:

- a) The amounts recognised in Balance Sheet are as follows: (₹ in Lakh)

Particulars		Provident Fund Plan	
		As at 31.03.2014	As at 31.03.2013
A.	Net (Liability) / Asset recognized in the Balance Sheet		
	Present Value of Funded Obligation	(3,417.87)	(2,653.31)
	Present Value of Unfunded obligation	(63.15)	(19.37)
	Less: Fair value of Plan Assets	3,399.45	2,632.27
	Amount to be recognised in the Balance Sheet as (liability) or asset	(81.57)	(40.41)
B.	Amounts to be recognised in the Balance Sheet		
	Liability	(81.57)	40.41
	Assets	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

- b) Expenses recognised in the Statement of Profit & Loss: (₹ in Lakh)

Particulars		Provident Fund Plan	
		2013-14	2012-13
1	Current Service Cost	349.54	295.76
2	PF Transfer In	-	20.42
3	Interest on Defined Benefit Obligation	224.18	156.64
4	Expected Return on Plan Assets	(224.18)	(156.64)
5	Net Actuarial Losses/(Gains)	(11.83)	3.57
6	(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	11.83	(3.57)
7	Expenses recognized in the Statement of Profit & Loss	349.54	316.18
8	Actual Return on Plan Asset	231.72	163.73

- c) The changes in value of defined benefit Obligation representing reconciliation of opening and closing balance thereof are as follows: (₹ in Lakh)

Particulars		Provident Fund Plan	
		As at 31.03.2014	As at 31.03.2013
	Opening balance of the present value of Defined Benefit Obligation	2,672.68	2,011.73
	Add: Current Service Cost	349.54	316.18
	Add: Interest Cost	224.18	156.64
	Add: Contribution by Plan Participants	512.84	428.52
	Add: Actuarial Losses / (Gain)	(19.37)	(3.52)
	Less: Benefits paid	(322.00)	(236.87)
	Closing balance of the present value of Defined Benefit Obligation	3,417.87	2,672.68

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

Particulars		Provident Fund Plan	
		As at 31.03.2014	As at 31.03.2013
	Opening balance of the fair value of the plan assets	2,632.27	1,962.86
	Add: Expected Return on plan assets	224.18	156.64
	Add/(less): Actuarial gains/(losses)	7.54	7.09
	Add: Contributions by Employer	347.49	314.05
	Add: Contribution by Plant participants	509.97	428.50
	Less: Benefits Paid	(322.00)	(236.87)
	Closing balance of the plan assets	3,399.45	2,632.27

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

Particulars		Provident Fund Plan	
		As at 31.03.2014	As at 31.03.2013
1	Government of India Securities	24%	24%
2	State Government Scheme	15%	13%
3	Special Deposit Scheme	12%	14%
4	Public Sector Unit Bond	41%	42%
5	Corporate Bonds	8%	7%
		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 Statement of Profit and Loss as actuarial losses. Pursuant to the guidance note issued by the Institute of Actuaries, ₹ 40.79 lakh has been recognised in Statement of Profit & Loss on account of interest rate guarantee on Exempt Provident fund.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

iv) General description of defined benefit plans:

1. Gratuity Plan:

The Company operates 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. i.e. 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 180 days.

27.2 Borrowing Cost : Accounting Standard (AS) 16

Borrowing costs capitalised during the year are ₹ NIL (previous year ₹ 390.89 lakh)

27.3 Segment Reporting : Accounting Standard (AS) 17

Primary Segment (Business Segment)

The Company operates mainly in the business segment of fund based financing activity. 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 AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

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.

27.4 Related Party Disclosures: Accounting Standard (AS) - 18

(a) List of Related Parties (with whom transactions were carried out during current or previous year)

A. Ultimate Holding Company

1. Larsen & Toubro Limited

B. Holding Company

2. L&T Finance Holdings Limited

C. Fellow Subsidiary Companies

3. L&T Infrastructure Finance Company Limited
4. L&T FinCorp Limited
5. Larsen & Toubro Infotech Limited
6. L&T Capital Company Limited
7. L&T Capital Markets Limited
8. L&T General Insurance Company Limited
9. L&T Housing Finance Limited
10. L&T Access Distribution Services Limited (Formerly L&T Access Financial Advisory Services Limited)
11. L&T Investment Management Limited
12. L&T Vrindavan Properties Limited (Formerly L&T Unnati Finance Limited)
13. L&T Infra Debt Fund Limited
14. Family Credit Limited
15. Ewac Alloys Limited

D. Fellow Associates

16. Feedback Infrastructure Services Private Limited
17. Metro Tunneling Group
18. Salzer Electronics Limited

E. Key Management Personnel

19. Mr. Dinanath M. Dubhashi – Managing Director & Chief Executive

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**(b) Disclosure of related party transactions :-**

Sr. No.	Nature of Transaction	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Assets:			
1	Account Receivable		
	Family Credit Limited	3.39	-
	L&T General Insurance Company Limited	-	203.76
	L&T Vrindavan Properties Limited	400.55	725.15
	Larsen & Toubro Limited	0.14	-
	L&T FinCorp Limited	-	123.98
	L&T Capital Markets Limited	0.64	-
2	Interest / redemption premium accrued but not due on NCD		
	Feedback Infrastructure Services Private Limited	814.95	52.40
3	Interest accrued on Inter Corporate Deposit Given		
	L&T FinCorp Limited	-	0.55
4	Investment made in Equity shares		
	L&T Infra Debt Fund Limited	2,000.00	4,500.00
5	Loan Outstanding balance		
	Ewac Alloys Limited	2,400.00	2,480.00
	Feedback Infrastructure Services Private Limited	4,000.00	4,000.00
	Salzer Electronics Limited	398.85	-
6	Outstanding Balance of Inter Corporate Deposit Given		
	L&T FinCorp Limited	-	242.62
7	Recovery of Capital WIP Cost		
	L&T Vrindavan Properties Limited	-	963.81
8	Sale of Immovable property to		
	L&T Vrindavan Properties Limited	-	25,635.51
9	Sale of Investment to		
	L&T Finance Holdings Limited	-	16,688.92
10	Interest accrued but not due on Term Loan given		
	Ewac Alloys Limited	71.02	71.01
	Salzer Electronics Limited	3.50	-
Liabilities:			
11	Account Payables		
	Family Credit Limited	3,063.13	222.82
	L&T Access Distribution Services Limited	2.42	-
	L&T Finance Holdings Limited	60.82	39.35
	L&T General Insurance Company Limited	162.64	-
	L&T Infrastructure Finance Company Limited	3.81	-
	L&T Investment Management Limited	6.06	-
	Larsen & Toubro Limited	1,543.74	1,822.65
	L&T FinCorp Limited	3,179.04	5,934.82
	L&T Capital Markets Limited	1.79	-
	Larsen & Toubro Infotech Limited	23.66	38.59
12	Interest accrued but not due on Inter corporate deposit taken		
	Family Credit Limited	-	1.56
	L&T Finance Holdings Limited	-	6.50
	L&T FinCorp Limited	-	3.88
13	Interest accrued but not due on NCD		
	L&T Finance Holdings Limited	1.98	227.79
	Larsen & Toubro Limited	189.74	189.84

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Sr. No.	Nature of Transaction	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
14	Outstanding balance of Inter corporate deposit taken		
	Family Credit Limited	–	1,524.27
	L&T Finance Holdings Limited	1,752.00	7,825.00
	L&T Housing Finance Limited	–	2,000.00
	L&T Capital Company Limited	193.00	–
	Metro Tunneling Group	3,000.00	–
	L&T FinCorp Limited	–	4,400.00
15	Outstanding balance of NCD Issued		
	L&T Finance Holdings Limited	1,390.00	8,400.00
	Larsen & Toubro Limited	3,695.70	3,697.70
	Income:		
16	Corporate support charges recovered from		
	Family Credit Limited	209.20	146.29
	L&T Finance Holdings Limited	3.61	2.79
	L&T General Insurance Company Limited	215.59	242.67
	L&T Housing Finance Limited	221.36	224.72
	L&T Infrastructure Finance Company Limited	538.84	681.83
	L&T Investment Management Limited	–	138.81
	L&T FinCorp Limited	58.56	137.08
	L&T Capital Markets Limited	88.73	26.89
17	Employee Deputation cost recovered from		
	L&T General Insurance Company Limited	3.40	–
	L&T Housing Finance Limited	197.25	–
	L&T Infrastructure Finance Company Limited	6.00	–
	L&T Investment Management Limited	7.15	–
	Larsen & Toubro Limited	–	4.65
	L&T FinCorp Limited	17.02	–
	L&T Capital Markets Limited	8.49	–
18	Interest income on Inter corporate deposits		
	Family Credit Limited	69.92	0.25
	L&T Housing Finance Limited	7.93	–
	L&T Infrastructure Finance Company Limited	45.50	79.37
	L&T Vrindavan Properties Limited	508.85	–
	L&T FinCorp Limited	234.06	72.70
	L&T Capital Markets Limited	0.04	–
19	Interest income on NCD		
	Feedback Infrastructure Services Private Limited	538.52	404.69
	Family Credit Limited	9.93	–
20	Interest income on Term loan given		
	Ewac Alloys Limited	368.62	298.26
	Salzer Electronics Limited	39.27	–
21	Networking charges recovered from		
	Larsen & Toubro Limited	8.62	31.14
22	Other Income		
	Family Credit Limited	24.32	–
	L&T FinCorp Limited	31.85	–
23	Rent income on operating lease		
	L&T General Insurance Company Limited	375.47	–
	Larsen & Toubro Limited	3.82	–
	Larsen & Toubro Infotech Limited	14.15	5.81

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Sr. No.	Nature of Transaction	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
24	Rent recovered from		
	Family Credit Limited	57.25	-
	L&T General Insurance Company Limited	-	33.51
	L&T Housing Finance Limited	108.50	5.66
	L&T Infrastructure Finance Company Limited	295.68	352.13
	L&T Investment Management Limited	36.01	81.20
	Larsen & Toubro Limited	0.13	14.73
	Expenses:		
25	Brand license fees paid to		
	Larsen & Toubro Limited	1,042.53	649.60
26	Corporate Support charges paid to		
	L&T Access Distribution Services Limited	30.93	-
	L&T Finance Holdings Limited	2.60	0.32
	L&T Investment Management Limited	-	0.96
	Larsen & Toubro Limited	273.64	275.44
27	Data Centre charges Paid to		
	Larsen & Toubro Limited	242.29	94.35
28	Data processing charges paid to		
	Larsen & Toubro Limited	58.70	60.09
29	Dividend Paid		
	L&T Finance Holdings Limited	9,894.53	10,013.74
30	Employee deputation cost Paid to		
	L&T Investment Management Limited	6.85	-
	Larsen & Toubro Limited	6.25	84.17
31	ESOP cost Debited by		
	L&T Finance Holdings Limited	87.64	212.22
	Larsen & Toubro Limited	-	0.84
32	Interest paid to		
	Family Credit Limited	20.06	2.04
	L&T Finance Holdings Limited	902.84	2,473.43
	L&T Housing Finance Limited	5.04	2.03
	Larsen & Toubro Limited	378.65	378.13
	L&T Capital Company Limited	2.62	36.83
	Metro Tunneling Group	270.79	-
	L&T FinCorp Limited	26.22	103.48
33	Management fees paid to		
	L&T Finance Holdings Limited	660.00	710.12
34	Professional fees paid to		
	Larsen & Toubro Infotech Limited	92.34	186.98
35	Rent paid to		
	Family Credit Limited	29.04	-
	L&T Finance Holdings Limited	-	62.02
	L&T Housing Finance Limited	16.36	0.70
	L&T Investment Management Limited	-	24.25
	L&T Vrindavan Properties Limited	92.00	-
	Larsen & Toubro Limited	217.80	298.76
	L&T FinCorp Limited	539.57	578.48

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Sr. No.	Nature of Transaction	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
36	Managerial Remuneration		
	D.M. Dubhashi	147.51	110.56
37	Brokerage Paid to		
	L&T Access Distribution Services Limited	6.92	-
	L&T Capital Markets Limited	1.60	-
	Transaction:		
38	Inter corporate borrowings taken		
	Family Credit Limited	11,368.87	2,124.27
	L&T Finance Holdings Limited	155,527.00	278,651.36
	L&T Housing Finance Limited	7,620.00	2,000.00
	L&T Capital Company Limited	193.00	48.30
	L&T FinCorp Limited	27,957.43	39,525.00
	Metro Tunneling Group	3,000.00	-
39	Inter corporate deposit given		
	Family Credit Limited	43,000.00	500.00
	L&T Housing Finance Limited	4,700.00	-
	L&T Infrastructure Finance Company Limited	42,600.00	68,850.00
	L&T Vrindavan Properties Limited	13,623.63	-
	L&T FinCorp Limited	81,400.00	43,461.62
	L&T Capital Markets Limited	7.25	-
40	NCD Issued to		
	L&T Finance Holdings Limited	1,390.00	8,400.00
41	Operating lease given		
	Larsen & Toubro Infotech Limited	-	18.84
	L&T General Insurance Company Limited	1,605.00	-
42	Purchase of Operating lease Assets		
	L&T General Insurance Company Limited	1,605.00	-
43	Sale of Loan Portfolio to		
	Family Credit Limited	46,192.16	42,440.14
	L&T Infrastructure Finance Company Limited	12,021.79	27,369.38
	L&T FinCorp Limited	26,700.04	82,979.46
44	Term Loan Given		
	Ewac Alloys Limited	-	3,200.00
	Salzer Electronics Limited	1,403.85	-
45	Security Deposit Given		
	L&T Vrindavan Properties Limited	399.27	-
46	Receivable Discounting		
	Larsen & Toubro Limited	9,896.27	-
47	Investment in NCD		
	Family Credit Limited	5,900.00	-
48	Sale of NCD		
	L&T Investment Management Limited	5,900.00	-

Note: Transactions shown above are excluding of Service Tax, if any.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**27.5 Finance Lease:**

In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Finance Leases are made:

Assets given on lease:

The Company has given assets on finance lease to its customers with respective underlying assets as security. The details of gross investments, unearned finance income and present value of rentals as at March 31, 2014 in respect of these assets are as under:

Particulars	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Gross Investments :		
- Within one year	6,896.14	6,405.54
- Later than one year and not later than five years	9,311.36	11,259.79
- Later than five years	256.17	23.68
Total	16,463.67	17,689.01
Unearned Finance Income :		
- Within one year	1,437.06	1,505.18
- Later than one year and not later than five years	1,193.61	1,654.93
- Later than five years	1.42	1.20
Total	2,632.09	3,161.31
Present Value of Rentals :		
- Within one year	5,459.08	4,900.36
- Later than one year and not later than five years	8,117.75	9,604.86
- Later than five years	254.75	22.48
Total	13,831.58	14,527.70

27.6 Operating Lease :

In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating Leases are made:

- (i) The Company has taken vehicles for certain employees under Operating Leases, which expire between September 2014 to November 2018 (*Previous year September 2014 to February 2018*). Salaries include gross rental expenses of ₹ 40.80 lakh (*previous year ₹ 53.44 lakh*). The total of future minimum lease payments under non-cancellable operating leases are :

Particulars	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Minimum Lease Payments		
- Within one year	0.45	50.76
- Later than one year and not later than five years	105.53	139.24
- Later than five years	-	-
Total	105.98	190.00

- (ii) The Company has taken premises on non-cancellable operating lease. Lease Payments includes ₹ 2,144.03 lakh (*previous year ₹ 2,253.01 lakh*) recognised in the Statement of Profit and Loss. The total of future minimum lease payments under non-cancellable operating leases are :

Particulars	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Minimum Lease Payments		
- Within one year	225.34	487.19
- Later than one year and not later than five years	131.93	218.99
- Later than five years	10.75	-
Total	368.02	706.18

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**Assets given on lease:**

The total of future minimum lease payments under non-cancellable operating leases are:

Particulars	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Minimum Lease		
- Within one year	14,879.85	7,336.35
- Later than one year and not later than five years	22,010.42	10,909.39
- Later than five years	1,779.91	12.42
Total	38,670.18	18,258.16

27.7 Basic and Diluted Earnings Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings Per Share":

		2013-14	2012-13
Basic			
Profit after tax as per Statement of Profit and Loss (₹ in Lakh)	A	20,122.66	21,102.86
Weighted average number of equity shares outstanding during the year (Nos.)	B	238,422,269	238,422,269
Basic EPS (₹)	A/B	8.44	8.85
Diluted			
Profit after tax as per Statement of Profit and Loss (₹ lakh)	A	20,122.66	21,102.86
Add: Weighted average number of equity shares outstanding (Nos.)	B	238,422,269	238,422,269
Add: Weighted average no. of equity shares on account of share application money (Nos.)	C	-	-
Weighted average number of shares outstanding during the year	D=B+C	238,422,269	238,422,269
Diluted EPS (₹)	A/D	8.44	8.85
Face value of shares (₹)		10.00	10.00

27.8 Contingent Liabilities and commitments: Accounting Standard (AS) - 29

	As at 31.03.2014 (₹ In Lakh)	As at 31.03.2013 (₹ In Lakh)
Contingent Liabilities:		
a) Claim against the Company not acknowledged as debt:		
- Income Tax matter in dispute	9,684.66	9,083.47
- Sales tax/ VAT / Service Tax matter in dispute	869.04	896.34
- Legal matter in dispute	67.60	121.06
b) Bank Guarantees;	200.00	237.69
c) Other money for which the Company is contingently liable:		
Liability towards Letter of Credit	31,050.14	24,604.62
Commitments		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	2,844.58	206.96
b) Undisbursed Commitment*	22,182.00	69,298.00

*This disclosure is given pursuant to the notification no. DNBS.CC.PD.No.252/03.10.01/2011-12 dated 26th December, 2011 issued by Reserve Bank of India.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**27.9 Assignment of Receivables :**

The Company has assigned/sold receivables amounting to ₹ 83,560.70 lakh (*previous year ₹ 153,001.67 lakh*). This assignment/sale are without recourse to the Company.

Particulars	2013-14 (₹ In Lakh)	2012-13 (₹ In Lakh)
Loans & receivables Assigned / Sold		
Total Number of Loan	11,767	12,656
Book Value of Loan	83,560.70	153,001.67
Sale Consideration Received	84,384.20	152,787.45
Gain / (Loss) on Sale	745.35	876.01
Gain / (Loss) Amortised to P&L	672.57	795.54
Form and Quantum (outstanding value) of services provided by way of		
Credit Enhancement	NIL	NIL
Liquidity Support	NIL	NIL
Post-Securitisation Asset Servicing	NIL	NIL

27.10 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), the details of the stock options granted to the employees of the Company are as under:

(₹ In Lakh)

Company	Status	Incurred during the year
Larsen & Toubro Limited	Ultimate Holding Company	NIL
		(0.84)
L&T Finance Holdings Limited	Holding Company	87.64
		(212.22)

(previous year figures in bracket)

27.11 Expenditure in foreign currency:

Interest payment ₹ NIL (*previous year ₹ 71.54 lakh*)
On other matters ₹ 32.00 lakh (*previous year ₹ 23.77 lakh*)

27.12 During the year, the Company has sold fixed assets including capital work in progress aggregating to ₹ NIL to L&T Vrindavan Properties Limited (formerly known as L&T Unnati Finance Limited), a fellow subsidiary company (*previous year ₹ 25,635.50 lakh*).

27.13 Disclosure relating to frauds committed against the Company:

No of fraud occurred during the year: : 14
Amount involved : ₹ 84.44 lakh
Amount recovered : ₹ 0.60 lakh
Amount provided : ₹ 57.16 lakh

27.14 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.

27.15 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.

LIABILITY SIDE:

1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid

(₹ in Lakh)

Particular	Amount Outstanding	Amount Overdue
(a) Debentures :		
- Secured	349,804.46	-
- Unsecured	40,000.00	-
(b) Deferred Credits	-	-
(c) Term Loans	717,566.67	-
(d) Inter-Corporate Loans and borrowings	4,945.00	-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

		(₹ in Lakh)	
Particular		Amount Outstanding	Amount Overdue
(e)	Commercial Paper	200,500.00	–
(f)	Other Loans (Perpetual debt, Bank overdraft and Cash Credit)	20,000.00	–
(g)	Lease Finance	–	–
(h)	Accrued Interest on above borrowings (a) to (g)	25,972.06	–

ASSET SIDE:**1. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities**

		(₹ in Lakh)	
		Amount Outstanding	
(i)	Lease assets including lease rentals under sundry debtors :		
	(a) Financial Lease		364.66
	(b) Operating Lease		–
(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		8,149.86
	(b) Loans other than (a) above		1,024,933.66

2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]

		(₹ in Lakh)	
		Amount Outstanding	
(a)	Secured		1,280,579.59
(b)	Unsecured		246,175.96

3. Break-up of Investments

		(₹ in Lakh)	
		Amount Outstanding	
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)		–
LONG TERM INVESTMENTS			
1. Quoted			
(i)	Shares : (a) Equity		22.67
	(b) Preference		–

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

(₹ in Lakh)

	Amount Outstanding
(ii) Debentures and Bonds	4,683.98
(iii) Units of Mutual Funds	–
(iv) Government Securities	–
(v) Others (please specify)	–
2. Unquoted	
(i) Shares :	
(a) Equity	3,617.51
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of Mutual Funds	–
(iv) Government Securities	0.05
(v) Others (please specify) Security receipts	2,308.02

4. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):
(₹ in Lakh)

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	–	–
(b) Companies in the same group	–	–
(c) Other related parties	2,000.00	2,000.00
2. Other than related parties	8,626.00	8,632.23
Total	10,626.00	10,632.23

5. Borrower group-wise classification of assets financed:

(₹ in Lakh)

	Secured	Unsecured
1. Related Parties		
(a) Subsidiaries	–	–
(b) Companies in the same group	–	–
(c) Other related parties	6,400.00	–
2. Other than related parties	1,274,179.59	246,175.96
Total	1,280,579.59	246,175.96

6. Other Information

(₹ in Lakh)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	–
(b) Other than related parties	44,953.24
(ii) Net Non-Performing Assets	
(a) Related parties	–
(b) Other than related parties	28,745.46
(iii) Assets acquired in satisfaction of debt	22.67

27.16 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) Capital Risk Adequacy Ratio (CRAR) :

Items	2013-14	2012-13
i) CRAR (%)	16.28%	17.36%
ii) CRAR – Tier I Capital (%)	13.83%	14.92%
iii) CRAR – Tier II Capital (%)	2.45%	2.44%

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**2) Exposures :****Exposure to Real Estate Sector**

Category		2013-14	2012-13
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 ₹ 15 lakh may be shown separately)		
(ii)	Commercial Real Estate -	25,679.63	35,975.00
	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

(₹ in Lakh)

	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months up 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
Liabilities									
Borrowings from Banks	80,500.00	68,000.00	62,000.00	85,535.00	45,944.50	101,784.00	57,500.00	98,985.63	600,249.13
Market Borrowings	11,875.00	28,333.00	15,625.00	142,084.00	96,568.00	438,082.00	–	–	732,567.00
Assets									
Advances	69,153.56	62,847.19	83,570.13	144,150.08	259,631.04	610,763.18	226,421.47	95,573.23	1,552,109.88
Investments	–	–	–	–	–	1,583.00	4,707.00	4,342.23	10,632.23

27.17 Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report attached

For and on behalf of Board

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
Director

Firdosh D. Buchia
Partner
Membership no. 38332

DINANATH DUBHASHI
Managing Director & Chief Executive

KAILASH PUROHIT
Company Secretary

Place : Mumbai
Date : April 21, 2014

Place : Mumbai
Date : April 21, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Third Annual Report of your Company with the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results for the year ended March 31, 2014 are as under:

Particulars	(₹ lakh)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Gross Income	963.78	5.10
Profit before Tax/(Loss)	(62.21)	(530.58)
Provision for Tax	(342.00)	-
Profit after Tax(Loss)	279.79	(530.58)
Add: Balance brought forward from previous year	(991.88)	(461.30)
Balance available for appropriation	(712.09)	(991.88)
Surplus (Deficit) in the Statement of Profit and Loss	(712.09)	(991.88)

PERFORMANCE OF THE COMPANY

During the year, based on firm commitments received from investors, the Company announced the first close of the Private Equity Fund on 10th June 2013 with a corpus of ₹ 544 Crore. The Fund corpus has subsequently increased to ₹ 549 Crore on the basis of an additional commitment received. Accordingly, the Company has earned management fees of ₹ 8.87 Crore.

DIRECTORS

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Y. M. Deosthalee 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.

MANAGER

During the year under review, the Company has appointed Mr. Akshay A. Singh as the Manager of the Company for a period of 3 years w.e.f July 20, 2013.

CORPORATE GOVERNANCE

Corporate Governance Report is forming part of this Report.

AUDITORS

M/s. B. B. S. R. & Co, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. They have intimated the Company of their unwillingness to seek reappointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014.

In view of the fact that M/s. B. B. S. R. & Co. cannot be considered for re-appointment, the Board of Directors recommend the appointment of M/s. BSR & Co, LLP as the Statutory Auditors of the Company for a period of five years in accordance with the provisions of Section 139(1) of the Act, subject to ratification by the members in the AGM of the Company. They have confirmed that their appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Act.

PARTICULARS OF EMPLOYEES

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 a separate Annexure to this report and forms part of this report. 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.

There were no Foreign Exchange earnings or outgo during the period.

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

L&T INFRA INVESTMENT PARTNERS ADVISORY PRIVATE LIMITED

and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit 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 the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 22, 2014

SUNEET K. MAHESHWARI
Director

AKSHAY A. SINGH
Director

ANNEXURE 'A' TO DIRECTORS' REPORT 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 six Directors viz. Mr. Y. M. Deosthalee, Mr. N. Sivaraman, Mr. Suneet K. Maheshwari, Mr. Akshay A. Singh, Mr. M. Damodaran and Mr. Dhananjay Mungale. Mr. Damodaran is the Non-Executive Chairman of the Board.

All the members of the Board are non-executive. Mr. Deosthalee is the Chairman & Managing Director of L&T Finance Holdings Limited (LTFH), the ultimate Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same company. Mr. Suneet K. Maheshwari is a Director of L&T Infrastructure Finance Company Limited (L&T Infra), the Holding Company and is holding a senior position in LTFH. Mr. Akshay A Singh is holding a senior position in L&T Infra. Further, Mr. M. Damodaran is on the Boards of Larsen & Toubro Limited (L&T), the parent company of L&T Finance Holdings Limited and L&T Infrastructure Finance Company Limited, the Company's parent.

Mr. Akshay A. Singh has been appointed as the Manager of your Company during the year to comply with the provisions of the Companies Act, 1956.

Separation of Offices of Chairman and Chief Executive

The roles and offices of the Chairman and Manager are separated. Mr. M. Damodaran is Non-Executive Chairman of the Board whereas Mr. Akshay A Singh is the Manager of your Company.

Remuneration of Directors

The Directors on the Board who are in the services of LTFH and L&T Infra draw remuneration from the respective companies. 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.

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 they have confirmed Compliance with the same.

Responsibilities of the Board

Presentations to the Board in areas such as business prospects, budgets, business strategy & operations, asset quality, and financial results, etc. give the Directors, an opportunity, in addition to the Manager, to interact with senior managers and other functional heads. Directors are also updated about their respective roles and responsibilities.

Your Company ensures provision of necessary perspective 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 all relevant information in a form and of a quality appropriate to effectively enable/discharge his duties. The Directors are given time to study the information 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 attributes required of prospective candidates for election to the Board.

The systems of risk assessment and compliance with statutory requirements are in place.

Internal Auditors

M/s. PKF Sridhar Santhanam are Internal Auditors 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.

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 business associates for their support to the growth of your Company.

For and on behalf of the Board of Directors

Place : Mumbai

Date : April 22, 2014

SUNEET K. MAHESHWARI

Director

AKSHAY A. SINGH

Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T INFRA INVESTMENT PARTNERS ADVISORY PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INFRA INVESTMENT PARTNERS ADVISORY PRIVATE LIMITED** (the Company'), which comprises the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (30) of section 211 of the Companies Act, 1956 ("the Act") which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the balance sheet, the statement of profit and loss 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 profit and loss and the cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013); and
 - e. on the basis of written representations received from the Directors as on 31 March 2014, and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **B B S R & Co**
Chartered Accountants
Firm's Registration No: 131332W

VIJAY MATHUR
Partner
Membership No: 046476

Place : Mumbai
Date : April 22, 2014

BALANCE SHEET AS AT MARCH 31, 2014

		(Currency: Indian ₹)	
	Note No	Year ended 31.03.2014	Year ended 31.03.2013
I EQUITY AND LIABILITIES			
Shareholders' fund			
Share capital	3	50,000,000	50,000,000
Reserves and surplus	4	(71,209,347)	(99,187,911)
Non-current Liabilities			
Long term borrowings	5	174,848,766	160,448,767
Long term provisions	6	2,570,553	2,556,285
Current liabilities			
Other current liabilities	7	12,137,748	872,231
TOTAL		168,347,719	114,689,372
II ASSETS			
Non-current assets			
Fixed Assets			
Intangible fixed assets	8	21,038	41,038
Non-current investments	9	10,000	-
Long term loan & advances	10	10,138,768	24,180
Deferred tax asset	20(4)	34,200,093	-
Other non-current assets	11	1,608,577	1,876,673
Current Assets			
Current investments	12	67,659,145	5,268,558
Cash and bank balances	13	53,899,303	103,770,142
Other current assets	14	810,795	3,708,781
TOTAL		168,347,719	114,689,372
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	2		

The notes referred to above form an integral part of the financial statements
As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No. 131332W

VIJAY MATHUR
Partner
Membership No. 046476

Place : Mumbai
Date : April 22, 2014

SUNEET K. MAHESHWARI
Director

Place : Mumbai
Date : April 22, 2014

AKSHAY A. SINGH
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	Year ended 31.03.2014	(Currency: Indian ₹) Year ended 31.03.2013
Revenue from operations:			
Revenue from operations	15	88,755,000	-
Other Income	16	7,622,528	510,358
Total Revenue		96,377,528	510,358
Expenses :			
Employee benefit expense	17	75,387,257	43,291,148
Finance cost	18	16,000,000	498,630
Depreciation	8	20,000	8,962
Other expenses	19	11,191,799	9,769,262
Total Expenses		102,599,056	53,568,001
(Loss) before tax		(6,221,529)	(53,057,643)
Tax expenses :			
(1) Current tax		-	-
(2) Deferred tax benefit		34,200,093	-
Profit for the year from continuing operations		27,978,564	(53,057,643)
Profit for the period		27,978,564	(53,057,643)
Earning per equity share (Face Value of ₹ 10 per share)	20(3)		
(1) Basic		5.60	(54.87)
(2) Diluted		5.60	(54.87)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	2		

The notes referred to above form an integral part of the financial statements
As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No. 131332W

VIJAY MATHUR
Partner
Membership No. 046476

Place : Mumbai
Date : April 22, 2014

SUNEET K. MAHESHWARI
Director

Place : Mumbai
Date : April 22, 2014

AKSHAY A. SINGH
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Note No	Year ended 31.03.2014	(Currency: Indian ₹) Year ended 31.03.2013
Cash flows from operating activities			
Profit / (Loss) before taxation		(6,221,529)	(53,057,643)
Adjustments			
Depreciation		20,000	8,962
Amortisation of expenses		268,096	268,096
Dividend income		(6,201,717)	(241,800)
Interest income		(1,420,811)	(268,558)
Interest on Cumulative Compulsory Convertible Debentures (CCCD's - net of TDS)		14,400,000	448,767
Operating cash flows before working capital changes		844,040	(52,842,176)
Adjustments for			
(Increase)/Decrease in current assets		(7,216,603)	(222,005)
Increase/(Decrease) in current liabilities		11,279,785	(48,357,477)
Cash used in operations		4,907,222	(101,421,658)
Income taxes paid (incl TDS)		-	-
Net cash flows used in operating activities	A	4,907,222	(101,421,658)
Cash flows from Investing Activities			
Dividend received		6,201,717	268,558
Interest received		1,420,811	241,800
Purchase of Computer Software		-	(50,000)
Net Investment in Mutual Fund		(62,400,588)	(5,268,558)
Net cash used in investing activities	B	(54,778,060)	(4,808,200)
Cash flows from financing activities			
Proceeds from issue of Cumulative Compulsory Convertible Debentures		-	160,000,000
Interest paid		-	-
Proceeds from receipt of share application money		-	49,900,000
Net cash generated from financing activities	C	-	209,900,000
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	(49,870,839)	103,670,142
Cash and cash equivalents as at the beginning of the period		103,770,142	100,000
Cash and cash equivalents as at the end of the period		53,899,303	103,770,142
Notes to cash flow statement			
Components of cash and cash equivalents:			
Cash on hand		34,762	62,163
Balances with banks			
- Current accounts		3,864,541	207,979
- Deposit accounts (demand deposits and deposits having original maturity of 3 months or less)		50,000,000	103,500,000
		53,899,303	103,770,142

As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No. 131332W

VIJAY MATHUR
Partner
Membership No. 046476

Place : Mumbai
Date : April 22, 2014

SUNEET K. MAHESHWARI
Director

Place : Mumbai
Date : April 22, 2014

AKSHAY A. SINGH
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**1. BACKGROUND**

L&T Infra Investment Partners Advisory Private Limited ('the Company') was incorporated on 30 May 2011 under the Companies Act, 1956 and obtained certificate of commencement of business on the same date. The Company is a 100% subsidiary of L&T Infrastructure Finance Company Limited.

The Company is engaged in the business of providing investment advisory / management services.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of financial statements**

The accompanying financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting, and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 ('the Rules') and the requirements of the Companies Act, 1956 ('the Act'), other accounting principles generally accepted in India and to the extent applicable to the Company. The financial statements are presented in Indian Rupees.

2.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the application, accounting policies and reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from the estimates and assumptions used in preparing the accompanying financial statements. Estimates and assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Employee benefits**Provident fund**

The Company contributes to an approved provident fund (defined contribution scheme) for all its employees. Provident fund dues are recognised as expenditure in the statement of profit and loss during the period when the employee renders the service.

Gratuity

The Company's gratuity benefit scheme is defined benefit plan. The Company has contracted to pay gratuity to employees who retire or resign after a minimum period of five years of continuous services. The Company recognises all actuarial gains and losses arising from the defined benefit plan immediately in the statement of profit and loss. All expenses related to the defined benefit plan are recognised in employee benefits expense in the statement of profit and loss.

Actuarial Valuation of the gratuity liability is determined by an independent actuary appointed by the Company. In accordance with the gratuity fund rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Compensated Absences

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the year in which the employees render the related service and are also not expected to be utilised wholly within twelve months after the end of such year, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Employee Stock Options schemes

The Employees Stock Options Scheme ("the Scheme") has been established by the ultimate holding company (i.e. L&T Finance Holdings Limited). The Scheme provides that employees are granted an option to subscribe to equity share of the ultimate holding company that vest in a graded manner. The options may be exercised within specified period. Measurement and disclosure of Employee Share-based Payment Plan is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Stock options were granted to the employees of the Company during the financial year 2010-11, 2011-12 and 2012-13. The cost incurred by the holding company, in respect of options granted to employees of the Company are being charged to the statement of profit and loss during the period and recovered by the holding Company.

2.5 Revenue Recognition

Advisory fees are recognised quarterly on an accrual basis, in accordance with the terms of contract entered into between the Company and the counterparties. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

2.6 Investments

Investments that are readily realisable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

expected to be realised within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current/non-current classification scheme of revised Schedule VI. Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., equity shares, preference shares, convertible debentures etc.

2.7 Intangible Fixed Assets

Intangible assets are amortised in the statement of profit and loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortised on straight line basis. The amortisation rates for Computer software classified under intangible fixed assets is 40% per annum.

2.8 Professional Fees

Professional fees paid by the Company to underwriters / placement agencies to secure capital commitments, which are incremental and directly related to obtain investment commitments, are capitalized and amortized over the life of the fund, i.e. ten years.

2.9 Income Taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax

Provision for income tax is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Income Tax Act, 1961.

Deferred Tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws 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 a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

2.10 Provisions and contingent liabilities

The Company recognises a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

2.11 Earnings per share ('EPS')

The basic EPS is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting year. Number of equity shares used in computing diluted EPS comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares, which would have been issued on the conversion of all dilutive potential shares. The amount of equity shares to be issued by the Company on conversion of the cumulative compulsory convertible debentures ('CCCD') is currently not determinable. Hence the effect on the same is not considered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	(Currency: Indian ₹)	
	<u>31.03.2014</u>	<u>31.03.2013</u>
3 SHARE CAPITAL		
Authorised		
50,00,000 equity shares of ₹ 10 each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and fully paid up		
50,00,000 equity shares of ₹ 10 each	<u>50,000,000</u>	<u>50,000,000</u>
	<u>50,000,000</u>	<u>50,000,000</u>
Reconciliation of number of shares outstanding at the beginning and at end of the period		
Number of shares at the beginning	<u>5,000,000</u>	10,000
Addition during the quarter	-	<u>4,990,000</u>
Number of shares at the end	<u>5,000,000</u>	<u>5,000,000</u>

Terms / Rights attached to Equity shares

The Company has only one class of Equity shares having a par value of ₹ 10 per share. All these shares have the same rights and preferences with respect to payment of dividend repayment of capital and voting. In the event of liquidation of the Company the holders of the equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity Shares held by Holding Company and its Associates

The entire issued, subscribed and paid up equity shares of 50,00,000 is held by the holding company, L&T Infrastructure Finance Company Limited and its nominees. (Previous year 50,00,000)

Details of shareholding more than 5% shares in the Company

L&T Infrastructure Finance Company Limited (100%)

	(Currency: Indian ₹)	
	<u>31.03.2014</u>	<u>31.03.2013</u>
4 RESERVES AND SURPLUS		
Statement of profit and loss		
Balance at the beginning of the year	<u>(99,187,911)</u>	<u>(46,130,268)</u>
Additions during the period	<u>27,978,564</u>	<u>(53,057,643)</u>
Balance at the end of the period	<u>(71,209,347)</u>	<u>(99,187,911)</u>
5 LONG TERM BORROWINGS		
Unsecured		
Cumulative Compulsory Convertible Debentures (CCCD's)	<u>174,848,766</u>	<u>160,448,767</u>
TOTAL	<u>174,848,766</u>	<u>160,448,767</u>

Details of Long term Cumulative Compulsory Convertible Debentures (CCCD's) are as follows:

Sr. No.	Date of allotment	Date of conversion	Rate of Interest*	Amount
1	20.03.2013	20.03.2025	10%	60,000,000
2	21.03.2013	21.03.2025	10%	100,000,000

* Rate of Interest is 10% per annum (or pooled rate of interest but subject to an upper cap of 10%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

(Currency: Indian ₹)

	<u>31.03.2014</u>	<u>31.03.2013</u>
6 LONG TERM PROVISIONS		
Gratuity	1,108,169	546,339
Leave Encashment	1,462,384	2,009,946
TOTAL	<u>2,570,553</u>	<u>2,556,285</u>
7 OTHER CURRENT LIABILITIES		
Payable to statutory auditors	180,000	90,000
Payable to internal auditors	81,000	67,500
Payable to holding company	63,000	128,567
Payable to other group company	499,584	133,961
Other payables	90,000	108,000
Other provisions	11,221,841	250,000
TDS and Service tax payable	2,323	94,203
TOTAL	<u>12,137,748</u>	<u>872,231</u>

8 INTANGIBLE FIXED ASSETS

(Currency: Indian ₹)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening balance as at 01.04.2013	Additions	Deletions/ Adjustments	Closing Balance as at 31.03.2014	Opening balance as at 01.04.2013	Depreciation for the year	Deletions/ Adjustments	Closing Balance as at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Computer Software (accounting software)	50,000	-	-	50,000	8,962	20,000	-	28,962	21,038	41,038
Total	50,000	-	-	50,000	8,962	20,000	-	28,962	21,038	41,038
As at 31st March 2013	-	50,000	-	50,000	-	8,962	-	8,962	-	41,038

(Currency: Indian ₹)

	<u>31.03.2014</u>	<u>31.03.2013</u>
9 NON CURRENT INVESTMENTS		
Sponsoror's contribution to trustee	10,000	-
TOTAL	<u>10,000</u>	<u>-</u>
10 LONG TERM LOANS AND ADVANCES		
Advance Tax FY 2012-2013 (TDS)	24,180	24,180
Advance Tax FY 2013-2014 (TDS)	10,114,588	-
TOTAL	<u>10,138,768</u>	<u>24,180</u>
11 OTHER NON CURRENT ASSETS		
Unamortised professional fees (Placement Fees)	1,608,577	1,876,673
TOTAL	<u>1,608,577</u>	<u>1,876,673</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	(Currency: Indian ₹)	
	<u>31.03.2014</u>	<u>31.03.2013</u>
19 OTHER EXPENSES		
Legal and professional charges	2,738,219	3,153,606
Travel expenses	6,141,183	3,754,727
Amortization of professional fees	268,096	268,096
Filing fees	4,889	710,000
Repairs and maintenance - others	-	-
Registration expenses	60,460	11,060
Sitting fees to directors	123,708	127,416
Mobile expenses	264,263	204,676
Staff welfare	-	-
Conference fees, membership & subscription fees	1,224,467	975,650
Printing & stationery	90,956	140,144
Books & periodicals	12,596	20,799
Miscellaneous expenses	7,734	150,967
Payment to auditors		
As auditors	100,000	250,000
For taxation matters	-	-
For company law matters	-	-
For management services	-	-
For other services	150,000	-
For reimbursement of expenses	5,228	2,121
TOTAL	<u>11,191,799</u>	<u>9,769,262</u>

20. NOTES TO ACCOUNTS

(1) The Company does not have any contingent liabilities / capital commitments as at 31 March 2014 (Previous Year: Nil)

(2) Staff benefits**Gratuity:**

The following disclosures have been set out in accordance with the requirements of Accounting Standard 15 (revised 2005) on "Employee Benefits" prescribed by the Companies Accounting Standards Rules, 2006.

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below

Particulars	(in ₹)	
	Year Ended 31.03.2013	Year Ended 31.03.2014
Change in Defined Benefit Obligation	243,485	546,339
Opening Defined Benefit Obligation	217,906	573,932
Current Service Cost	39,164	90,636
Interest Cost	45,784	(102,738)
Actuarial Losses / (Gain)	-	-
Past Service Cost	-	-
Actuarial Losses / (Gain) 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	546,339	1,108,169
Change in Fair Value of Assets	-	-
Opening Fair Value of Plan Assets	-	-
Expected Return on Plan Assets	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

(in ₹)

Particulars	Year Ended 31.03.2013	Year Ended 31.03.2014
Actuarial Gain / (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	-	-
Expected Employer's Contribution Next Year	-	-

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) Expected 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.

Experience adjustments for five years are given below:

Particulars	31.03.2010	31.03.2011	31.03.2012	31.03.2013	31.03.2014
Defined benefit obligation	-	-	243,485	534,339	1,108,169
Plan assets	-	-	-	-	-
Surplus / (Deficit)	-	-	-	-	-
Exp adjustment on Plan	-	-	(243,485)	(546,339)	(1,108,169)
Liabilities	-	-	-	16,377	94,459
Exp adjustment on Plan	-	-	-	-	-
Assets	-	-	-	-	-

(3) Earnings per share ('EPS')

EPS is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the period.

	2013-14	2012-13
Profit available to equity shareholders (A)		
Profit / (Loss) after tax	27,978,565	(53,057,643)
Weighted average number of equity shares		
Number of shares at the beginning of the year	5,000,000	10,000
Shares issued during the year	-	4,990,000
Total number of equity shares outstanding at the end of the year	5,000,000	5,000,000
Weighted average number of equity shares (B)	5,000,000	966,986
Nominal value of equity shares	10/-	10/-
Basic earnings per share [(A)/(B)]	5.60	(54.87)
Diluted earnings per share [(A)/(B)]	-	-

(4) Deferred Tax

The deferred tax asset on unabsorbed losses is recognized based on future taxable profit considering the recurring committed investment management fees receivable from L&T Infra Investment Partners based on the Investment Management agreement.

Particulars	Deferred tax asset at 01.04.2013	Credit for the period	Deferred tax assets at 31.03.2014
Deferred tax assets on:			
-Carry forward of unabsorbed tax losses	Nil	34,200,093	34,200,093
Total	Nil	34,200,093	34,200,093

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**(5) Related party disclosures**

Related parties with whom a controlling relationship exists and/or with whom transactions have taken place:

A	Holding Company	L & T Infrastructure Finance Company Limited
B	Subsidiaries	Nil
C	Fellow Subsidiaries	Nil
D	Ultimate Holding Company	L&T Finance Holdings Ltd.
	Managing Director	Key Management Personnel

Details for Related Party transactions

	31.03.2014	31.03.2013
(a) Holding Company :		
L&T Infrastructure Finance Company Limited		
Interest on CCCDs	14,400,000	448,767
CCCD's	174,848,766	160,448,767
Balances as at year end		
Outstanding Payable		
L&T Infrastructure Finance Company Limited (CCCDs)	174,848,766	160,448,767
(b) Ultimate Holding Company :		
L&T Finance Holdings Ltd.		
ESOP Costs	250,583	1,116,643
Balances as at year end		
Outstanding Payable		
L&T Finance Holdings Ltd.	63,000	128,567

(6) Micro and Small Enterprises:

There are no dues to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 which are outstanding as at the Balance Sheet date. This information has been determined on the basis of information available with the Company.

(7) Share based payments

Pursuant to the Employees Stock Options Scheme established by the ultimate holding company (i.e. L&T Finance Holdings Limited), stock options were granted to the employees of the Company during the financial year 2013-14 and 2012-13. The total cost incurred by the ultimate holding company, in respect of options granted to employees of the Company amounts to ₹ 14.50 lakhs (₹ 14.50 lakhs for F.Y. 2012-13). This sum is being recovered from the Company over the period of vesting. Accordingly, sum of ₹ 2.75 lakhs has been recovered from the Company during the year (₹ 11.17 lakhs during F.Y. 2012-13), which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 0.59 lakhs (₹ 3.33 lakhs in F.Y. 2012-13) will be recovered in future periods.

(8) Segment Information

The Company is engaged in the business of providing investment advisory / management services. During the year, the Company was engaged in only one business segment and no geographical segments; therefore, these financial statements pertain to one business segment.

(9) Previous comparatives

Previous year figures have been regrouped and reclassified wherever necessary to conform to the current year's classification.

As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No. 131332W

VIJAY MATHUR
Partner
Membership No. 046476

Place : Mumbai
Date : April 22, 2014

SUNEET K. MAHESHWARI
Director

Place : Mumbai
Date : April 22, 2014

AKSHAY A. SINGH
Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Third Annual Report of your Company with the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results for the year ended March 31, 2014 are as under:

Particulars	(₹ lakh)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Gross Income	2.02	–
Profit / (Loss) before Tax	(1.00)	<i>(3.84)</i>
Provision for Tax	–	–
Profit / (Loss) after Tax	(1.00)	<i>(3.84)</i>
Add: Balance brought forward from previous year	(4.92)	<i>(1.08)</i>
Balance available for appropriation	(5.92)	<i>(4.92)</i>
Surplus / (Deficit) in the statement of profit and loss	(5.92)	<i>(4.92)</i>

DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. S. V. Subramanian, Director of your Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

CORPORATE GOVERNANCE

As regards Corporate Governance, the practice followed by your Company on voluntary basis is forming part of this Report.

AUDITORS

M/s. B. B. S. R. & Co, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. M/s. B. B. S. R. & Co, Chartered Accountants have intimated the Company of their unwillingness to seek reappointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014.

In view of the fact that M/s. B. B. S. R. & Co. cannot be considered for re-appointment, the Board of Directors recommend the appointment of M/s. BSR & Co, LLP as the Statutory Auditors of the Company for a period of five years in accordance with the provisions of Section 139(1) of the Act, subject to ratification by the members in the AGM of the Company. They have confirmed that their appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Act.

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 in this category during the year.

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.

There were no Foreign Exchange earnings or outgo during the period.

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 the Company as at March 31, 2014 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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.

COMPLIANCE CERTIFICATE

A Secretarial Compliance Certificate required under Section 383A of the Companies Act, 1956 is annexed herewith the Directors' Report.

CORPORATE GOVERNANCE REPORT

The Board of Directors 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 two Directors viz. Mr. S. V. Subramanian and Mr. T. S. Sundaresan.

Remuneration of Directors

The Directors are paid sitting fees for attending the meetings of the Board and do not draw any other remuneration.

Independent Directors

The Company does not require to have Independent Directors as per applicable provisions of the Companies Act, 2013.

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 the Directors do comply with the same.

For and on behalf of the Board of Directors

Place : Mumbai

Date : April 18, 2014

S. V. SUBRAMANIAN

Director

T. S. SUNDARESAN

Director

COMPLIANCE CERTIFICATE

THE MEMBERS OF L&T INFRA INVESTMENT PARTNERS TRUSTEE PRIVATE LIMITED

We have examined the registers, records, books and papers of **L&T INFRA INVESTMENT PARTNERS TRUSTEE PRIVATE LIMITED** (the Company) as required to be maintained under the Companies Act, 1956 and the applicable provisions of the Companies Act, 2013 and the rules made thereunder (hereinafter referred to as "the Act") and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2014. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company is registered under CIN No. U67190MH2011PTC220896 with the Registrar of Companies, Maharashtra and having its Registered Office at 3B, Laxmi Towers, C - 25, ' G ' Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400051 has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns prescribed under the Act and the rules made thereunder as stated in Annexure 'B' to this certificate with the Registrar of Companies, Maharashtra or other authorities within the time prescribed under the Act.
3. The Company has the minimum prescribed paid-up capital and members as required under the Act and the Rules made thereunder.
4. The Board of Directors duly met 4 (Four) times on the under mentioned dates:
24th April, 2013
20th July, 2013
22nd October, 2013 and
20th January, 2014
in respect of which meeting proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the year.
6. The Annual General Meeting for the financial year ended on 31st March, 2013 was held on 28th August, 2013 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes book of the Company.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to directors or persons or firms or companies referred to under Section 185 of the Companies Act, 2013.
9. The Company has not entered into contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there are no instances which are covered by the provisions of Section 314 of the Act the Company was not required to obtain any approval from the Board of Directors, Members and Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company has:
 - (i) there was no allotment/transfer/transmission of securities during the financial year.
 - (ii) not deposited any amount in separate Bank Account as no dividend was declared during the financial year.
 - (iii) not required to post warrants to any member of the Company as no dividend was declared during the financial year.
 - (iv) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There were no appointment of additional director, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company was not required to appoint Managing or Whole-time Director or Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the year.
17. During the year, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies, Maharashtra or such other authorities as are prescribed under the various provisions of the Act.
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, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares nor any debentures, hence 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, right shares and bonus shares pending registration of transfer of shares.

L&T INFRA INVESTMENT PARTNERS TRUSTEE PRIVATE LIMITED

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.
25. The Company has not made any loans or advances or given guarantees or provided securities to other body corporate.
26. The Company has not altered the provisions of the Memorandum of Association 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 of Association with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association of the Company during the year under scrutiny.
31. There was no prosecution initiated against the Company nor were any show cause notices received by the Company and no fines or penalties or any other punishment has been imposed on the Company during the financial year for offences, if any, under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. As there were no employees during the financial year the Company has not deducted any contribution to Provident Fund.

Place : Mumbai
Date : 18th April, 2014
Office Address :
Annex-103, Dimple Arcade,
Asha Nagar, Kandivli (E),
Mumbai 400101.

ALWYN D'SOUZA & Co.,
Company Secretaries

(Alwyn P D'souza FCS. 5559)
(Proprietor)
(Certificate of Practice No.5137)

ANNEXURE A

Annexed to the Compliance Certificate dated 18th April, 2014

Registers as maintained by the Company

- 1 Application for and Allotment of Shares Register
- 2 Register of Members U/s. 150.
- 3 Register of Charges U/s.143
- 4 Register of Transfers
- 5 Register of Directors, Managing Directors etc. U/s. 303.
- 6 Register of Directors Shareholdings U/s. 307.
- 7 Register of Contracts U/s. 301.
- 8 Register of Contracts, Companies and Firms in which Directors are interested U/s. 301(3).
- 9 Board Minutes Book and General Body Minutes Book Under Section 193.
- 10 Books of Accounts U/s.209.

Note :

The Company has not maintained the following registers as there were no entries / transactions to be recorded therein

1. Register of Investments under Section 49(7)
2. Register of Deposits under Section 58A

ANNEXURE B

Annexed to the Compliance Certificate dated 18th April, 2014

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2014.

1. Form No.66 i.e., Compliance Certificate filed under Section 383A(1) for the year ended 31st March, 2013 with normal filing fees.
2. Form No. 23AC-XBRL and Form 23ACA-XBRL i.e., Balance sheet filed under Section 220 of the Companies Act, 1956 for the year ended 31st March, 2013 with normal filing fees.
3. Form No. 20B i.e., Annual Return filed under Section 159 of the Companies Act, 1956 made upto 28th August, 2013 with normal filing fees.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T INFRA INVESTMENT PARTNERS TRUSTEE PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INFRA INVESTMENT PARTNERS TRUSTEE PRIVATE LIMITED** ('the Company'), which comprises the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013).. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the balance sheet, the statement of profit and loss 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 profit and loss and the cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 which as per a clarification issued by the Ministry of Corporate Affairs continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013); and
- e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **BBSR & Co.**
Chartered Accountants
Firm's Registration No: 131332W

VIJAY MATHUR
Partner
Membership No: 046476

Place : Mumbai
Date : April 18, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No	31.03.2014	31.03.2013
(Currency: Indian ₹)			
I EQUITY AND LIABILITIES			
Shareholders' Fund			
Share capital	3	1,000,000	1,000,000
Reserves and surplus	4	(591,322)	(491,503)
Current liabilities			
Trade payable	5	-	-
Other current liabilities	5	240,268	175,000
TOTAL		648,946	683,497
II ASSETS			
Non-current assets		-	-
Current assets			
Cash and cash equivalents	6	604,390	656,104
Other current assets	7	44,556	27,393
TOTAL		648,946	683,497
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	2		

The notes referred to above form an integral part of the financial statements
As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No: 131332W

VIJAY MATHUR
Partner
Membership No: 046476

Place : Mumbai
Date : April 18, 2014

S. V. SUBRAMANIAN
Director

Place : Mumbai
Date : April 18, 2014

T. S. SUNDARESAN
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	31.03.2014	31.03.2013
(Currency: Indian ₹)			
Revenue from operations:			
Revenue from operations	8	202,083	-
Other Income		-	-
Total Revenue		202,083	-
Expenses :			
Other expenses	9	301,902	383,771
Total Expenses		301,902	383,771
(Loss) before tax		(99,819)	(383,771)
Tax expenses :		-	-
(1) Current tax		-	-
(2) Deferred tax		-	-
Loss for the year from continuing operations		(99,819)	(383,771)
Loss for the year		(99,819)	(383,771)
Earning per equity share (Face Value of ₹ 10 per share)	10(4)		
(1) Basic		(1.00)	(14.08)
(2) Diluted		(1.00)	(14.08)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	2		

The notes referred to above form an integral part of the financial statements
As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No: 131332W

VIJAY MATHUR
Partner
Membership No: 046476

Place : Mumbai
Date : April 18, 2014

S. V. SUBRAMANIAN
Director

Place : Mumbai
Date : April 18, 2014

T. S. SUNDARESAN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	(Currency: Indian ₹)	
	31.03.2014	31.03.2013
Cash flows from operating activities		
Profit / (Loss) before taxation	(99,819)	(383,771)
Adjustments		
Depreciation	-	-
Fixed assets write off	-	-
Interest income on fixed deposits	-	-
Operating cash flows before working capital changes	(99,819)	(383,771)
Adjustments for		
(Increase) / Decrease in current assets	(17,163)	(17,725)
Increase / (Decrease) in current liabilities	65,268	59,114
Increase in provisions	-	-
Cash used in operations	(51,714)	(342,382)
Income taxes paid (incl TDS)	-	-
Net cash flows used in operating activities	A (51,714)	(342,382)
Net cash generated from investing activities	-	-
Interest received	-	-
Investment in Mutual Fund	-	-
Net cash generated from investing activities	B -	-
Cash flow from financing activities		
Proceeds from issue of share capital	-	900,000
Net cash generated from financing activities	C -	900,000
Net Increase in cash and cash equivalents	(A+B+C) (51,714)	557,618
Cash and cash equivalents as at the beginning of the year	656,104	100,000
Cash and cash equivalents as at the end of the year	604,390	657,618
Note: Cash and cash equivalents comprise of balances with bank		

As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**
Chartered Accountants
Firm's Registration No: 131332W

VIJAY MATHUR
Partner
Membership No: 046476

Place : Mumbai
Date : April 18, 2014

S. V. SUBRAMANIAN
Director

Place : Mumbai
Date : April 18, 2014

T. S. SUNDARESAN
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**1. BACKGROUND**

L&T Infra Investment Partners Trustee Private Limited ('the Company') was incorporated on 12 August 2011 under the Companies Act, 1956 and obtained the certificate of commencement of business on the same date. The Company is a 100% subsidiary of L&T Infrastructure Finance Company Limited.

The Company is engaged in the business of providing trusteeship services.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of financial statements**

The accompanying financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting, and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 ('the Rules') and the requirements of the Companies Act, 1956 ('the Act'), other accounting principles generally accepted in India and to the extent applicable to the Company. The Financial Statements are presented in Indian Rupees.

2.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the application, accounting policies and reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from the estimates and assumptions used in preparing the accompanying financial statements. Estimates and assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Revenue Recognition

Trustee fee is recognised in the statement of profit and loss on an accrual basis, in accordance with the terms of contract entered into between the Company and the Fund.

2.4 Income Taxes

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in profit and loss statement except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

Current tax

Income tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law). Provision for income tax is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Income Tax Act, 1961

2.5 Provisions and contingent liabilities

The Company recognises a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

2.6 Earnings per share ('EPS')

The basic EPS is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting year. Number of equity shares used in computing diluted EPS comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares, which would have been issued on the conversion of all dilutive potential shares. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be anti-dilutive

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

		(Currency: Indian ₹)	
		<u>31.03.2014</u>	<u>31.03.2013</u>
3	SHARE CAPITAL		
	Authorised		
	1,00,000 (Previous year : 10,000) equity shares of ₹ 10 each	<u>1,000,000</u>	<u>1,000,000</u>
		<u>1,000,000</u>	<u>1,000,000</u>
	Issued, subscribed and fully paid up		
	1,00,000 (Previous year : 10,000) equity shares of ₹ 10 each	<u>1,000,000</u>	<u>1,000,000</u>
		<u>1,000,000</u>	<u>1,000,000</u>
	Reconciliation of number of shares outstanding at the beginning and at end of the year		
	Number of shares at the beginning	<u>100,000</u>	<u>10,000</u>
	Addition during the year	<u>-</u>	<u>90,000</u>
	Number of shares at the end	<u>100,000</u>	<u>100,000</u>
	Terms / Rights attached to Equity shares		
	The Company has only one class of Equity shares having a par value of ₹ 10 per share. All these shares have the same rights and preferences with respect to payment of dividend repayment of capital and voting.		
	In the event of liquidation of the Company the holders of the equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.		
	Equity Shares held by Holding Company and its Associates		
	The entire issued, subscribed and paid up equity shares of 1,00,000 is held by the holding company, L&T Infrastructure Finance Company Limited and its nominees. (Previous year 1,00,000)		
	Details of shareholding more than 5% shares in the Company		
	L&T Infrastructure Finance Company Limited (100%)		
		(Currency: Indian ₹)	
		<u>31.03.2014</u>	<u>31.03.2013</u>
4	RESERVES AND SURPLUS		
	Balance in the statement of profit and loss		
	At the beginning of the year	<u>(491,503)</u>	<u>(107,732)</u>
	Additions during the year	<u>(99,819)</u>	<u>(383,771)</u>
	Balance at the end of the year	<u>(591,322)</u>	<u>(491,503)</u>
5	OTHER CURRENT LIABILITIES		
	Payable to Group Company	<u>7,399</u>	
	Payable to auditors	<u>165,000</u>	<u>125,000</u>
	Other payables	<u>67,869</u>	<u>50,000</u>
	TOTAL	<u>240,268</u>	<u>175,000</u>
6	CASH AND BANK BALANCE		
	Cash in hand	<u>-</u>	<u>-</u>
	Balances with bank		
	- in current account	<u>604,390</u>	<u>656,104</u>
	- in fixed deposit		
	TOTAL	<u>604,390</u>	<u>656,104</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

		(Currency: Indian ₹)	
		31.03.2014	31.03.2013
7	OTHER CURRENT ASSETS		
	Service tax credit receivable	21,849	27,393
	Advance Tax FY 2013-2014	22,707	
	TOTAL	44,556	27,393
8	REVENUE FROM OPERATIONS		
	Trusteeship fees	202,083	-
	TOTAL	202,083	-
9	OTHER EXPENSES		
	Legal and professional charges	92,312	42,405
	Filing Fees	-	24,480
	Sitting Fees to Directors	80,000	40,000
	Miscellaneous expenses	372	1,050
	Payment to auditors		-
	As Auditors	50,000	112,500
	For Taxation Matters	-	37,500
	For Company Law Matters	-	-
	For Management Services	-	-
	For Other Services	75,000	-
	For Reimbursement of expenses	4,218	-
	TOTAL	301,902	257,935

10. NOTES TO ACCOUNTS**(1) Contingent liability / capital commitment**

The Company does not have any contingent liabilities / capital commitments as at 31 March 2014 (*Previous Year: ₹ Nil*).

(2) Segment Reporting

The Company operates in only one business segment viz. trustees to private equity fund and all of its operations are in India. Accordingly, the financial statements are reflective of the information required by Accounting Standard 17 on Segment Reporting prescribed by the Companies (Accounting Standards) Rules, 2006.

(3) Micro and Small Enterprises:

There are no dues to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 which are outstanding as at the balance sheet date. This Information has been determined on the basis of information available with the Company.

(4) Earnings per share

In accordance with Accounting Standard 20 on Earnings per share as prescribed under the Companies (Accounting Standard) Rules, 2006, the computation of earnings per share is set out below:

			(Currency: Indian ₹)	
	2013-14	2012-13		
Profit available to equity shareholders (A)				
Loss after tax	(99,819)	(383,771)		
Weighted average number of equity shares				
Number of shares at the beginning of the year	100,000	10,000		
Shares issued during the year	-	90,000		
Total number of equity shares outstanding at the end of the year	100,000	100,000		
Weighted average number of equity shares (B)	100,000	27,260		
Nominal value of equity shares	10/-	10/-		
Basic earnings per share [(A)/(B)]	(1.00)	(14.08)		
Diluted earnings per share [(A)/(B)]	(1.00)	(14.08)		

The basic and diluted earnings per shares are the same as there are no dilutive / potential equity shares issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**(5) Related party disclosures**

Related parties with whom a controlling relationship exists and/or with whom transactions have taken place:

A Holding Company	L&T Infrastructure Finance Company Limited
B Subsidiaries	Nil
Fellow Subsidiaries	Nil
Key Management Personnel	Nil
Details of Related Party transactions	

(Currency: Indian ₹)

	31.03.2014	<i>31.03.2013</i>
Holding Company :		
L&T Infrastructure Finance Company Limited		
Subscription to Equity Shares of the Company	1,000,000	<i>1,000,000</i>
Reimbursement of Expenses Incurred	Nil	<i>Nil</i>
Balances as at period ended		
Outstanding payable		
L&T Infrastructure Finance Company Limited	Nil	<i>Nil</i>

(6) Prior period figures have been regrouped and reclassified wherever necessary to confirm with the current year's presentation.

As per our report of even date attached.

For and on behalf of the Board

For **B B S R & Co**

Chartered Accountants

Firm's Registration No: 131332W

VIJAY MATHUR

Partner

Membership No: 046476

Place : Mumbai

Date : April 18, 2014

S. V. SUBRAMANIAN

Director

Place : Mumbai

Date : April 18, 2014

T. S. SUNDARESAN

Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Eighth Annual Report of the Company with the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

Particulars	(₹ in Lakh)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Gross Income	186,996.02	159,977.81
Profit before Tax	39,723.99	46,994.42
Provision for Tax	10,511.00	12,573.00
Profit after Tax	29,212.99	34,421.42
Add : Balance brought forward from previous year	51,792.04	39,694.63
Balance available for appropriation	81,005.03	74,116.05
Appropriations:		
Interim Dividend	10,572.72	1,990.16
Dividend Distribution Tax	1,796.83	322.85
Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	5,850.00	6,885.00
Special Reserve u/s 36(1) (viii) of the Income Tax Act, 1961	6,440.00	9,226.00
Transfer to Debenture Redemption Reserve	8,215.00	3,900.00
Transfer to General Reserve	1,470.00	---
Surplus in the Statement of Profit and Loss	46,660.48	51,792.04

APPROPRIATIONS

The Company proposes to transfer ₹ 5,850 lakhs (Previous year: ₹ 6,885.00 lakhs) to Special Reserve created u/s 45 – IC of Reserve Bank of India Act, 1934; ₹ 6,440 lakhs (Previous year: 9,226.00 lakhs) to Special Reserve created u/s 36 (1)(viii) of the Income Tax Act, 1961; ₹ 8,215 lakhs (Previous year: 3,900.00 lakhs) to Debenture Redemption Reserve; ₹ 1,470 lakhs to General Reserve (Previous year : Nil) and retain ₹ 46,660.48 lakhs (Previous year: 51,792.04 lakhs) in the Statement of Profit and Loss of the Company.

DIVIDEND

During the year under review, the Board of Directors had declared and paid two interim dividends aggregating to 12.75% (₹1.275) per equity share of ₹ 10/- each. The total outgo on account of dividend declaration was ₹ 12,369.55 Lakhs including dividend distribution tax.

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 final dividend has therefore been recommended for the year ended March 31, 2014.

PERFORMANCE OF THE COMPANY

The business environment for a large part of the year was challenging in terms of corporate defaults due to tight liquidity, rating downgrade of a few corporates in the Infrastructure segment and many companies opting for Corporate Debt Restructuring. The sector was also affected due to delayed approvals resulting in delayed project completions and postponement of investment in greenfield projects leading to dearth of opportunities in project finance.

In the backdrop of such a subdued business scenario and rise in the Non-Performing Assets across the sector in general, your Company has focused on selective opportunities, closely monitored its asset portfolio and followed innovative strategies to work with clients to maintain its margins.

During the year, the Company has assigned a few loan assets to group companies as a part of its strategic initiatives and to focus on infrastructure funding.

The highlights of the Company's performance are given below:-

Gross Assets against grant of financial assistance grew 5.94% from ₹ 1,478,643.08 Lakhs as at March 31, 2013 to ₹ 15,66,509.58 Lakhs as at March 31, 2014.

- Total income grew by 16.89% from ₹ 159,977.81 Lakhs in 2012-13 to ₹ 186,996.02 Lakhs in 2013-14.
- Higher provisions and contingencies on loan assets, caused by economic conditions, and assignment of loan assets have been the main factor behind Profit Before Tax (PBT) moving down from ₹ 46,994.42 Lakhs in 2012-13 to ₹ 39,723.99 Lakhs in 2013-14.

L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

- Consequently, Profit After Tax (PAT) has also dropped from ₹ 34,421.42 Lakhs in 2012-13 to ₹ 29,212.99 Lakhs in 2013-14.

RESOURCES

The growth in your Company's portfolio has led to increased funding requirements and the Company has accessed borrowed funds from different sources for varying tenors.

During the year under review, the Company met its funding requirements mainly through issue of Non-Convertible Debentures (NCDs).

The foregoing raising of resources led to aggregate borrowings as at March 31, 2014 increasing to ₹ 1,395,356.42 Lakhs from 1,251,203.50 Lakhs as at the end of the preceding financial year.

CREDIT RATING

During the year under review, the Company had its issue of debentures rated and re-affirmed at AA+ by Credit Analysis and Research Limited and ICRA Limited.

FIXED DEPOSITS

The Company being a Non Deposit taking Non Banking Financial Company since inception, has not accepted any deposits from the public during the year under review.

DIRECTORS

Mr. Suneet K Maheshwari who had been associated with the Company since inception, has moved to a senior position in the parent company and has therefore opted to relinquish charge as Managing Director and Chief Executive of the Company effective from March 21, 2014. He would however continue to be a Non-Executive Director of the Company. The Board appreciates the leadership provided by Mr. Maheshwari in the establishment and growth of the Company and places on record his immense contribution to the overall growth of the Company over the years.

Prior to the coming into force of Section 149 of the Companies Act, 2013 (the "Act"), four of the Company's Directors, Mr. M. Damodaran, Mr. B.V. Bhargava, Mr. A.K. Jain and Mr. S.H. Bhojani were categorized as Independent Directors in terms of the definition contained in the Equity Listing Agreement, though the Company did not have its equity shares listed.

The provisions of Section 149(4) of the Act pertaining to the appointment of Independent Directors have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to the coming into force of Section 149 of the Act from April 1, 2014, the Company has re-assessed the status of its directors with a view to determining their qualifying for classification as Independent Directors in terms of Section 149(6) of the Act. Accordingly, Mr. M Damodaran, Mr. B V Bhargava and Mr. S H Bhojani fulfill the criteria laid out in Section 149(6) of the Act in this regard.

Section 149(10) of the Act restricts the tenure of Independent Director to two terms of up to ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. Mr. M. Damodaran, Mr. B. V. Bhargava and Mr. S. H. Bhojani retire by rotation at the forthcoming Annual General Meeting (AGM) and they, being eligible, have offered themselves for appointment as Independent Directors of your Company pursuant to the provisions of the Companies Act, 2013 to hold office for a period upto March 31, 2019.

MANAGER

Consequent to Mr. Suneet K. Maheshwari relinquishing charge as Managing Director and Chief Executive of the Company on March 21, 2014, the Company has appointed Mr. G. Krishnamurthy as the Manager and Chief Executive of the Company for a period of 5 years from March 22, 2014.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. They have confirmed that their re-appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Companies Act, 2013.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Since M/s. Deloitte Haskins & Sells LLP, has already served as the Statutory Auditors of the Company for a period of eight years, the Audit committee and Board of Directors have recommended the re-appointment of M/s. Deloitte Haskins & Sells LLP as the Statutory Auditors of the Company for a period of two years in accordance with the provisions of Section 139(2) of the Companies Act, 2013, subject to ratification by the member in the AGM of the Company.

PARTICULARS OF EMPLOYEES

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 a separate Annexure to this Report and forms part of this report. 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 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.

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 the Company as at March 31, 2014 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 the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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.

SUBSIDIARY AND ASSOCIATE COMPANIES

The two wholly owned subsidiaries in the nature of Asset Management Company (AMC) and Trustee Company formed by the Company for operationalising the Domestic Infrastructure Private Equity (PE) Fund sponsored by the Company have started their operations and the PE Fund has achieved its first close on 10th June 2013 with a corpus of ₹ 544 Crore.

The Company holds 48% of the equity capital of its associate company, L&T Infra Debt Fund Limited (L&T IDF), with the balance stake owned by a few fellow subsidiaries along with the parent company. L&T IDF is an Infrastructure Debt Fund – Non Banking Financial Company (IDF-NBFC) registered* with the Reserve Bank of India (RBI) and is in the business of offering debt refinance solutions to operational infrastructure Public Private Partnership (PPP) projects which have completed at least 1 year of satisfactory operations in sectors like Road, Port, Airport and Urban Infrastructure. The year represents the maiden year of its operations.

*STATUTORY DISCLAIMER

"RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for discharge of liabilities by the company.

Neither is there any provision in law to keep, nor does the company keep any part of the deposits with the Reserve Bank and by issuing the Certificate of Registration to the Company, the Reserve Bank neither accepts any responsibility nor guarantees for the payment of the deposit amount to any depositor."

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, 2014.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the dedication and commitment of your 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 towards the growth of the 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 22, 2014

Y. M. DEOSTHALEE
Chairman

SUNEET K. MAHESHWARI
Director

ANNEXURE A TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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 the Company. At present, the Board comprises seven Directors viz. Mr. Y. M. Deosthalee, Mr. N. Sivaraman, Mr. B.V. Bhargava, Mr. A. K. Jain, Mr. M. Damodaran, Mr. S. H. Bhojani and Mr. Suneet K. Maheshwari. Mr. Deosthalee is the Non - Executive Chairman of the Board and also the Chairman & Managing Director of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same. Mr. B.V. Bhargava and Mr. A. K. Jain are also on the Board of L&T Finance Holdings Limited, the parent company. Further, Mr. A.K. Jain and Mr. M. Damodaran are also on the Board of Larsen & Toubro Limited (L&T), the parent company of L&T Finance Holdings Limited.

Mr. G. Krishnamurthy is the Manager & 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 eight Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Investment and Credit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Securities Transfer Committee
- Corporate Social Responsibility Committee

The details of various committees of the Company (particulars relevant to the financial year ended on March 31, 2014) are as under:

1) Audit Committee

The Audit Committee has been set up pursuant to Section 292A of the Companies Act, 1956 ('the Act') as well as the RBI's Directions for NBFCs. The Committee currently comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. M. Damodaran - Chairman

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 5 times during the year.

2) Committee of Directors

The Committee currently comprises 3 Directors as per details given below.

Composition of Committee of Directors (COD)

Mr. Y. M. Deosthalee

Mr. N. Sivaraman

Mr. Suneet K. Maheshwari

Role of the Committee

The COD has been entrusted with the powers of general management of the affairs of the Company.

The Committee met 35 times during the year.

3) Asset - Liability Management Committee

The Committee is chaired by Mr. Sivaraman. Apart from Mr. Suneet K. Maheshwari and Mr. G. Krishnamurthy, the Committee consists of members holding senior executive positions in various functional areas in Larsen & Toubro Limited, L&T Finance Limited, and other subsidiaries in L&T group's financial services business.

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;
- Reviewing the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and agreed risk management objectives in respect of the Company's resources & liabilities;
- Reviewing the effects of various possible changes in the market conditions related to the balance sheet and recommending the action needed to adhere to the Company's internal limits;
- Taking cognizance of 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
- Reviewing & recommending on the source and mix of liabilities or portfolio sale of loan assets.

The ALCO met 10 times during the year under review.

4) Investment and Credit Committee (ICC)

The Investment & Credit Committee (ICC) of the Company is chaired by Mr. B.V. Bhargava and also comprises Mr. Y.M. Deosthalee, Mr. N. Sivaraman, Mr. Suneet K. Maheshwari, Mr. G. Krishnamurthy, Mr. Hemant Joshi (independent member), Mr. Ramesh Bhujang and Mr. C.S. Damle. The Head of Risk & Asset Management team of the Company functions as its Ex-officio Member-Secretary and Head of Project Finance Group is a Permanent Invitee. The Heads of Debt, Financial Advisory & Equity Businesses as well Treasury are regularly invited as special Invitees.

Role of the Committee

The ICC reviews all credit/investment proposals seeking financial assistance from the Company. The Committee takes decisions in accordance with the Investment and Credit Policy approved by the Board.

The Committee met 17 times during the year under review.

5) Nomination and Remuneration Committee

The Committee currently comprises 4 members as per details given below.

Composition of Nomination and Remuneration Committee

Mr. B. V. Bhargava, Chairman

Mr. Y. M. Deosthalee

Mr. S. H. Bhojani

Head – HR, L&T Financial Services - Secretary

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.

The Committee met once during the year under review.

6) Risk Management Committee

The Committee currently comprises 4 members as per details given below.

Composition of Risk Management Committee

Mr. S. H. Bhojani – Chairman

Mr. N. Sivaraman

Mr. R. Govindan

Mr. Ramesh M. Bhujang

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 is chaired by an Independent Director and consists of 3 other members.

The Committee met thrice during the year under review.

L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

7) Securities Transfer Committee

The Securities Transfer Committee of the Company consists of 3 senior executives i.e. Mr. Ramesh Bhujang, Mr. N. Suryanarayanan and Mr. G. K. Shettigar.

Role of the Committee

The Securities Transfer Committee approves requests pertaining to Issuance of Physical Certificates on account of Rematerialization and Duplicate Bond Certificates.

The Committee met 46 times during the year under review.

8) Corporate Social Responsibility Committee (CSR Committee)

The Corporate Social Responsibility Committee has been set up pursuant to Section 135 of the Companies Act, 2013. As at March 31, 2014, the Committee comprised 3 Directors as per details given below:

Composition of CSR Committee

Mr. Y. M. Deosthalee

Mr. N. Sivaraman

Mr. A. K. Jain

Separation of Offices of Chairman and Chief Executive

The roles and offices of the Chairman and Chief Executive are separated. Mr. Y. M. Deosthalee is Non-Executive Chairman of the Board whereas Mr. G. Krishnamurthy is the Manager & Chief Executive of the Company.

Remuneration of Directors

The Directors on the Board who are in the services of L&T Finance Holdings Limited draw remuneration from L&T Finance Holdings Limited. The Managing Director was paid remuneration as per the terms of his contract with the Company. All other Directors on the Board are paid sitting fees for attending the meetings of the Board and/or any committee thereof and commission on net profits.

Independent Directors

Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. Suneet K. Maheshwari are associated with the Holding Company, L&T Finance Holdings Limited and play a strategic and supervisory role over the Company. Mr. B.V. Bhargava, Mr. A.K. Jain, Mr. M. Damodaran and Mr. S.H. Bhojani were Independent Directors during the year ended March 31, 2014.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, which came into force on April 1, 2014, B. V. Bhargava, Mr. M. Damodaran and Mr. S. H. Bhojani meet the criteria for independence laid out in Section 149(6) of the Act.

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 them to comply with the same.

Responsibilities of the Board

Presentations to the Board in areas such as business prospects, budgets, business strategy & operations, asset quality, and financial results, etc. give the Directors, an opportunity, in addition to the Manager & Chief Executive, to interact with senior managers and other functional heads. Directors are also updated about their respective roles and responsibilities.

The Company ensures provision of necessary perspective 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 all relevant information in a form and of a quality appropriate to effectively enable/discharge his duties. The Directors are given time to study the information 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 attributes required of prospective candidates for election to the Board.

The systems of risk assessment and compliance with statutory requirements are in place.

Internal Auditors

The Internal Audit Department of L&T Finance 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 is conducted annually by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

Disclosures

During the financial year ended March 31, 2014:

- 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 generally ensures adherence to the various mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Listing Agreement.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("**MCA**") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified several sections and the Company is geared up to implement all of them.

Means of Communication

- Half Yearly Results are published in one daily English newspaper of national prominence.
- The investors (Debenture Holders) are also communicated the "Half Yearly Communication" as per the Debt Listing Agreement.
- Annual Reports, official news releases and presentations are displayed on the website of the Company <http://www.ltinfra.com>

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 22, 2014

Y. M. DEOSTHALEE
Chairman

SUNEET K. MAHESHWARI
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INFRASTRUCTURE FINANCE COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Statement of Profit and Loss, 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 Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA
Partner
(Membership No. 48791)

Place : Mumbai
Date : April 22, 2014

ANNEXURE TO THE AUDITORS' REPORT*(Referred to in paragraph 1 of our Report on Other Legal and Regulatory Requirement of even date)*

- (i) Having regard to the nature of the Company's business/ activities during the year, clauses (viii), (xiii), (xiv) and (xx) 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.
- (iii) In our opinion and according to the information and explanations given to us the Company does not hold 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 system 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 Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (viii) In our opinion, the Company generally 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 sum payables 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, 2014 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise Duty and Cess which have not been deposited on account of any dispute as on March 31, 2014 is given below as applicable:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ in lakh)
The Income Tax Act, 1961	Income Tax	Commissioner of Income Tax	AY 2011-12	1,300.10

- (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) In our opinion and according to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
- (xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are prima facie, not prejudicial to the interests of the Company.
- (xiv) 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.
- (xv) 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.
- (xvi) According to the information and explanations given to us, during the year, 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.
- (xvii) According to the information and explanations given to us, and the records examined by us, securities / charges have been created in respect of all debentures issued during the year..
- (xviii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA
Partner
(Membership No. 48791)

Place : Mumbai
Date : April 22, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note no.	As at 31.03.2014 ₹ Lakhs	As at 31.03.2013 ₹ Lakhs
A. EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share capital	2	82,923.30	82,923.30
Reserves and surplus	3	163,952.86	147,355.67
		246,876.16	230,278.97
2. Non - current liabilities			
Long - term borrowings	4	1,159,005.42	1,074,629.92
Other long - term liabilities	5	30,738.49	20,764.63
Long - term provisions	6	14,665.20	9,060.64
		1,204,409.11	1,104,455.19
3. Current liabilities			
Short - term borrowings	7	2,200.00	67,238.58
Trade payables	8	260.78	272.51
Other current liabilities	9	255,977.77	125,563.73
Short - term provisions	10	853.35	1,205.26
		259,291.90	194,280.08
Total equity and liabilities		1,710,577.17	1,529,014.24
B. ASSETS			
1. Non - current assets			
Fixed assets	11		
Tangible assets		204.41	150.72
Intangible assets (software)		176.31	276.82
Intangible assets under development		-	-
		380.72	427.54
Non - current investments	12	101,559.74	53,059.15
Deferred tax assets (net)	4(i)	7,406.00	4,974.00
Long - term loans towards financing activities	13	1,309,913.54	1,230,495.42
Long - term loans and advances	14	15,311.57	9,791.44
Other non - current assets	15	6,018.41	1,869.11
		1,440,209.26	1,300,189.12
2. Current assets			
Current investments	16	86,329.82	23,999.05
Trade receivables	17	1,324.86	1,341.58
Cash and cash equivalents	18	1,544.48	1,138.18
Current maturities of long - term loans towards financing activities	19	168,159.94	185,065.80
Short-term loans and advances	20	3,404.23	2,940.91
Other current assets	21	9,223.86	13,912.06
		269,987.19	228,397.58
TOTAL ASSETS		1,710,577.17	1,529,014.24
See accompanying notes forming part of the financial statements	1 to 42		

In terms of our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA

Partner

(Membership No. 48791)

Place : Mumbai

Date : April 22, 2014

Y. M. DEOSTHALEE

Chairman

G. KRISHNAMURTHY

Manager & Chief Executive

N. SIVARAMAN

Director

SUNEET K. MAHESHWARI

Director

Place : Mumbai

Date : April 22, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note no.	Year ended 31.03.2014 ₹ Lakhs	Year ended 31.03.2013 ₹ Lakhs
INCOME:			
1	22	179,480.41	159,149.80
2	23	7,515.61	828.01
3		186,996.02	159,977.81
EXPENSES:			
	24	3,298.65	2,778.89
	25	123,375.41	97,837.78
		186.53	176.42
	26	5,986.91	4,750.96
	27	14,424.53	7,439.34
4		147,272.03	112,983.39
5		39,723.99	46,994.42
6			
		12,943.00	15,300.00
		(2,432.00)	(2,727.00)
		10,511.00	12,573.00
7		29,212.99	34,421.42
	1 (4)		
		3.52	4.28
		3.52	4.28
		10.00	10.00
See accompanying notes forming part of the financial statements		1 to 42	

In terms of our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA

Partner

(Membership No. 48791)

Place : Mumbai

Date : April 22, 2014

Y. M. DEOSTHALEE

Chairman

G. KRISHNAMURTHY

Manager & Chief Executive

Place : Mumbai

Date : April 22, 2014

N. SIVARAMAN

Director

SUNEET K. MAHESHWARI

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	Year ended 31.03.2014 ₹ Lakhs	Year ended 31.03.2013 ₹ Lakhs
Cash flow from operating activities:		
Profit Before Taxation	39,723.99	46,994.42
Adjustment for:		
Depreciation / Amortisation	186.53	176.42
Provision for compensated absences	24.35	48.99
Provision for gratuity	5.13	42.86
Loss of tangible assets	0.10	0.08
Gain on sale of Investments	(6,008.04)	-
Provision on Investments	1,008.34	199.98
Provision on standard assets	1,822.16	2,401.47
Provision on restructured assets	3,838.21	3,060.34
Provision on interest receivable (FITL)	5,086.76	-
Bad debts written off	1,644.87	570.99
Provision on Non-Performing Assets	6,110.95	1,206.56
Operating profit before working capital changes:	53,443.35	54,702.11
Adjustment for:		
Increase/(decrease) in liabilities and provisions	15,559.98	12,365.14
Decrease/(Increase) in loans and advances	2,084.38	(2,151.28)
Decrease/(Increase) in other assets	538.92	(6,037.36)
Decrease/(Increase) in trade receivables	16.72	(1,289.42)
Sale of Preference shares	2,098.26	-
Redemption of Preference shares	3,878.57	-
Decrease/(Increase) in loans towards financing activities	(78,308.86)	(371,244.19)
Cash generated from/(used in) operations	(688.68)	(313,655.00)
Direct taxes paid	(17,224.51)	(15,925.29)
Net cash flow from/(used in) operating activities (A)	(17,913.19)	(329,580.29)
Cash flows from investing activities:		
Purchase of fixed assets including intangible assets (Net of corresponding liabilities)	(139.76)	(159.66)
Proceeds from sale of fixed assets	0.09	0.05
Proceeds from investment in fixed deposits (maturity greater than 3 months upto 12 months)	-	5.00
Purchase of current investments	(4,974,496.67)	(277,471.52)
Redemption of current investments	4,915,550.06	257,044.37
Proceeds from sale of non-current investments	7,296.01	-
Investment in equity shares of subsidiaries / associates	(14,700.00)	(508.00)
Investment in equity shares of other Co's	(8.24)	(7,300.69)
Investment in units of funds	(10,539.69)	(200.00)
Investment in security receipts	(10,614.35)	-
Investment in debentures	(21,455.92)	(6,065.73)
Net cash from / (used in) investing activities (B)	(109,108.47)	(34,656.18)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	Year ended 31.03.2014 ₹ Lakhs	Year ended 31.03.2013 ₹ Lakhs
Cash flows from financing activities:		
Proceeds from issue of share capital (including share premium)	(492.51)	14,999.85
Proceeds from long-term borrowings	463,300.35	1,292,493.00
Repayment of long-term borrowings	(257,768.35)	(986,051.52)
(Repayments)/Proceeds from short-term borrowings	(65,038.58)	46,066.02
Debenture issue expenses	119.45	(336.98)
Dividend distribution tax	(2,119.69)	(441.26)
Dividend paid on equity shares	(10,572.72)	(1,990.16)
Net cash generated from / (used in) financing activities (C)	127,427.95	364,738.95
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	406.29	502.48
Cash and cash equivalents as at beginning of the year	1,138.18	635.70
Cash and cash equivalents as at end of the year (refer note below)	1,544.47	1,138.18
Net (Decrease)/Increase in cash and cash equivalents	406.29	502.48
Foot notes:		
1. Cash and cash equivalent as per AS - 3		
Cash and bank balance as at end of the year*	1,544.48	1,138.18
Less: Term deposits with original maturity greater than 3 months	-	-
Cash and cash equivalents as at end of the year	1,544.48	1,138.18

* includes balance in earmarked accounts ₹ 887.86 lakhs (previous year ₹ 1,135.84 lakhs).

2. Non cash items

Net cash used in investing activities excludes investment aggregating ₹ 2,839.69 lakhs (previous year ₹ 471.88 Lakhs) acquired against claims.

In terms of our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA

Partner

(Membership No. 48791)

Place : Mumbai

Date : April 22, 2014

Y. M. DEOSTHALEE

Chairman

G. KRISHNAMURTHY

Manager & Chief Executive

Place : Mumbai

Date : April 22, 2014

N. SIVARAMAN

Director

SUNEET K. MAHESHWARI

Director

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions thereof along with the applicable guidelines issued by Reserve Bank of India ("RBI").

B. Use of Estimates

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. Actual results could differ from these estimates. Any change in such estimates is recognised prospectively.

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 licenses 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 licenses for support and maintenance payable annually are charged to the statement of Profit and Loss.

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'.

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual investment basis.

'Current Investments' are carried at the lower of cost and fair value on an individual investment 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 / corporate debt restructure 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 statement of Profit and Loss.

The Company has exercised the option granted under notification F.No.17/33/2008/CL-V dated March 31, 2009, issued by the Ministry of Corporate Affairs and subsequent Notification No G.S.R.913(E) (F.No. 17/133/2008-CL.V) dated December 29, 2011 and is accordingly, amortising the foreign currency translation differences on long term foreign currency monetary items over the shorter of their maturity period and the balance period upto March 31, 2020. The unamortised balance as at the period end is presented as "Foreign Currency Monetary Item Translation Difference Account" on the assets side of the Balance Sheet.

Premium in respect of forward contracts is charged to statement of Profit and Loss over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

G. Derivative contracts

Currency interest rate swaps

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked to market. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

H. 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. Interest and other dues in the case of non-performing loans is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- (c) Revenues from the various services that the Company renders 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.
- (e) Guarantee fees is recognised on pro-rata basis over the period of the guarantee.

I. Employee Benefits

Defined-Contribution Plans

The Company offers its employees 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 statutory / 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 statement of Profit and Loss.

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 period / 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.

J. 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 ₹ 5,000 each are written off in the year of capitalisation.

- Intangible Assets

Computer software are amortised over the estimated useful life not exceeding 3 years.

K. Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan.

L. 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.

M. 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 statement of Profit and Loss, on a straight line basis, over the lease term.

N. 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

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.

O. 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 events 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 their 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 assets are not recognised.

P. Cash Flow Statement

The Cash Flow Statement is prepared in accordance with indirect method as explained in the Accounting Standard on Cash Flow Statements (AS) 3 issued by the Institute of Chartered Accountants of India.

Q. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

R. Employee Stock Option Plan

The Employees Stock Options Scheme ("the Scheme") has established by the holding company (i.e. L&T Finance Holdings Limited). The Scheme provides that employees are granted an option to subscribe to equity share of the company that vest in a graded manner. The options may be exercised with in specified period. Measurement and disclosure of Employee Share-based Payment Plan is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. The company follows the intrinsic value method to account for its stock based employee compensation plans. Stock options were granted to the employees of the Company during the financial year 2010-11, 2011-12, 2012-13 and 2013-14. The cost incurred by the holding company, in respect of options granted to employees of the Company are being charged to the statement of profit and loss during the period and recovered by the holding Company.

S. Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilizing the credits.

T. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

U. Share Issue Expenses

Share issue expense is charged to the statement of Profit & Loss in the year in which it is incurred.

V. Debenture Issue Expenses

Expenses incurred on issue of debentures are charged-off against the securities premium account in accordance with the provisions of section 78 of the Companies Act, 1956.

	As at 31.03.2014		As at 31.03.2013	
	Number	₹ in lakhs	Number	₹ in lakhs
2 SHARE CAPITAL				
Authorised				
Equity shares of ₹ 10 each	2,000,000,000	200,000.00	2,000,000,000	200,000.00
Issued, Subscribed & Paid up shares				
Equity shares of ₹ 10 each	829,233,000	82,923.30	829,233,000	82,923.30
Total Issued, Subscribed & Paid up shares capital	829,233,000	82,923.30	829,233,000	82,923.30

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014		As at 31.03.2013	
	Number	₹ in lakhs	Number	₹ in lakhs
(I) Reconciliation of the shares and amount outstanding at the beginning and at the end of the reporting year				
Shares outstanding at the beginning of the year	829,233,000	82,923.30	795,900,000	79,590.00
Shares issued during the year	–	–	33,333,000	3,333.30
Shares outstanding at the end of the year	829,233,000	82,923.30	829,233,000	82,923.30

(II) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the Company held by the shareholders. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. During the year, the Company has declared and paid interim dividend of ₹ 0.60 and ₹ 0.675 per equity share in September 2013 and December 2013 respectively. (March 31, 2013 : ₹ 0.24 per equity share).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

	As at 31.03.2014		As at 31.03.2013	
	Number	₹ in lakhs	Number	₹ in lakhs
(III) Equity shares in the Company held by the holding company				
Equity Shares of ₹ 10 each fully paid held by L&T Finance Holdings Limited (Holding company) directly or through its beneficially nominees.	829,233,000	82,923.30	829,233,000	82,923.30

	As at 31.03.2014		As at 31.03.2013	
	Number	% holding	Number	% holding
(IV) Details of shareholders holding more than 5% shares in the Company				
Equity Shares of ₹ 10 each fully paid held by L&T Finance Holdings Limited (Holding company) directly or through its beneficially nominees.	829,233,000	100%	829,233,000	100%

	As at	As at
	31.03.2014	31.03.2013
	₹ in lakhs	₹ in lakhs
3 RESERVES & SURPLUS		
(I) Securities Premium Account		
As per last Balance sheet	48,183.93	36,745.03
Add : Addition during the year	–	11,666.55
Less : Debenture issue expenses adjusted during the year (Net of tax ₹ 126.80 lakhs, previous year ₹ 109.33 lakhs) (refer note 40)	246.25	227.65
Closing balance	47,937.68	48,183.93
(II) Debenture Redemption Reserve		
As per last Balance sheet	12,500.00	8,600.00
Add : Transferred from surplus in the Statement of Profit and Loss	8,215.00	3,900.00
Closing balance	20,715.00	12,500.00
(III) Reserve u/s 45-IC of Reserve Bank of India Act, 1934		
As per last Balance sheet	20,967.70	14,082.70
Add : Transferred from surplus in the Statement of Profit and Loss	5,850.00	6,885.00
Closing balance	26,817.70	20,967.70

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014 ₹ in lakhs	As at 31.03.2013 ₹ in lakhs
(IV) Reserve u/s 36(1)(viii) of Income tax Act, 1961		
As per last Balance sheet	13,912.00	4,686.00
Add : Transferred from surplus in the Statement of Profit and Loss	6,440.00	9,226.00
Closing balance	20,352.00	13,912.00
(V) General reserves		
As per last Balance sheet	-	-
Add : Transferred from surplus in the Statement of Profit and Loss	1,470.00	-
Closing balance	1,470.00	-
(VI) Surplus in the Statement of Profit and Loss		
As per last Balance sheet	51,792.04	39,694.63
Less : Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961 for financial year 2011-12	-	1,630.00
Balance available	51,792.04	38,064.63
Add : Profit for the year	29,212.99	34,421.42
Less : Transfer to reserve u/s. 45-IC of Reserve Bank of India Act, 1934	5,850.00	6,885.00
Less : Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961	6,440.00	7,596.00
Less : Transfer to general reserves	1,470.00	-
Less : Interim Dividend	10,572.72	1,990.16
Less : Interim Dividend Distribution Tax	1,796.83	322.85
Less : Transfer to debenture redemption reserve	8,215.00	3,900.00
Closing balance	46,660.48	51,792.04
Total reserves and surplus	163,952.86	147,355.67

	Non current portion		Current maturities	
	As at 31.03.2014 ₹ in lakhs	As at 31.03.2013 ₹ in lakhs	As at 31.03.2014 ₹ in lakhs	As at 31.03.2013 ₹ in lakhs
4 LONG-TERM BORROWINGS				
(I) Secured				
Redeemable non convertible debentures (refer note 4a)	436,946.67	373,946.67	57,500.00	34,500.00
Term Loans (refer note 4b)				
External Commercial Borrowings	26,961.75	35,285.25	11,983.00	-
From banks	569,997.00	545,498.00	164,668.00	74,835.00
Total (I)	1,033,905.42	954,729.92	234,151.00	109,335.00
(II) Unsecured				
Redeemable non convertible debentures (refer note 4a)	35,000.00	20,000.00	-	-
Term Loans (refer note 4b)				
From banks	90,100.00	99,900.00	-	-
Total (II)	125,100.00	119,900.00	-	-
Total (III) = (I) + (II)	1,159,005.42	1,074,629.92	234,151.00	109,335.00
Less: Amount disclosed under the head "other current liabilities" (refer note 9)	-	-	234,151.00	109,335.00
Total long-term borrowings	1,159,005.42	1,074,629.92	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

4a

As at 31.03.2014

A) Secured, Redeemable, Non Convertible Debentures (privately placed)

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.2014 (₹ in lakh)	Current Maturities (₹ in lakhs)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Date of redemption	Redeemable term
Series "C" of 2010-11	10.00	16-Apr-10	7,500.00	7,500.00	-	8.91% p.a.	16-Apr-14	At the end of 4 years from the date of allotment
Series "C" of 2012-13	10.00	30-Nov-12	25,000.00	25,000.00	-	9.1282%p.a.	28-Nov-14	2 years from deemed date of allotment, call option exercised 17 months from deemed date of allotment
Series "P" of 2013-14 - OPT I	25.00	14-Mar-14	2,500.00	-	2,500.00	9.976% p.a	2-Apr-15	Bullet payment on redemption date i.e., 02.04.15
Series "P" of 2013-14 - OPT IV	25.00	14-Mar-14	30,000.00	-	30,000.00	9.99% p.a	6-Apr-15	Bullet payment on redemption date i.e., 06.04.15 and Call Option date is 16.06.14 which ever is earlier
Series "P" of 2013-14 - OPT II	25.00	14-Mar-14	1,600.00	-	1,600.00	9.9706% p.a	7-Apr-15	Bullet payment on redemption date i.e., 07.04.15
Series "P" of 2013-14 - OPT III	25.00	14-Mar-14	2,000.00	-	2,000.00	9.9695% p.a	8-Apr-15	Bullet payment on redemption date i.e., 08.04.15
Series "D" of 2010-11	10.00	16-Apr-10	7,500.00	-	7,500.00	8.91% p.a.	16-Apr-15	At the end of 5 years from the date of allotment
Series "P" of 2013-14 - OPT V	25.00	14-Mar-14	5,000.00	-	5,000.00	9.9616% p.a	16-Apr-15	Bullet payment on redemption date i.e., 16.04.15
Series "A" of 2013-14	10.00	2-May-13	12,500.00	-	12,500.00	8.95% p.a	4-May-15	Bullet payment on redemption date i.e., 04.05.15
Series "B" of 2013-14	10.00	15-May-13	25,000.00	-	25,000.00	8.95% p.a	15-Jun-15	Bullet payment on redemption date i.e., 15.06.15
Series "N" of 2013-14	25.00	28-Feb-14	15,000.00	-	15,000.00	9.99% p.a	31-Aug-15	Bullet payment on redemption date i.e., 31.08.15
Series "E" of 2010-11	10.00	16-Apr-10	7,500.00	-	7,500.00	8.91% p.a.	16-Apr-16	At the end of 6 years from the date of allotment
Series "G" of 2013-14	25.00	9-Dec-13	4,300.00	-	4,300.00	9.9% p.a	9-Dec-16	Bullet payment on redemption date i.e., 09.12.16
Series "H" of 2013-14 - OPT I	25.00	16-Jan-14	1,500.00	-	1,500.00	9.8% p.a	16-Jan-17	Bullet payment on redemption date i.e., 16.01.17
Series "F" of 2010-11	10.00	16-Apr-10	7,500.00	-	7,500.00	8.91% p.a.	15-Apr-17	At the end of 7 years from the date of allotment
Series "E" of 2013-14	100.00	10-Jul-13	20,000.00	-	20,000.00	9.85% p.a	10-Jul-17	Bullet payment on redemption date i.e., 10.07.17
Series "B" of 2012-13	10.00	11-Sep-12	25,000.00	25,000.00	-	9.35%p.a.	11-Sep-17	At the end of 5 years from the date of allotment, Put call option 2 years from date allotment
Series "G" of 2010-11	10.00	16-Apr-10	7,500.00	-	7,500.00	8.91% p.a.	16-Apr-18	At the end of 8 years from the date of allotment
Series "D" of 2013-14	10.00	30-May-13	5,000.00	-	5,000.00	8.35% p.a	30-May-18	Bullet payment on redemption date i.e., 30.05.18
Series "F" of 2013-14	25.00	12-Nov-13	5,100.00	-	5,100.00	9.7% p.a	12-Nov-18	Bullet payment on redemption date i.e., 12.11.18
Series "H" of 2013-14 - OPT II	25.00	16-Jan-14	5,000.00	-	5,000.00	9.8% p.a	16-Jan-19	Bullet payment on redemption date i.e., 16.01.19
Series "E" of 2012-13	10.00	9-Jan-13	45,000.00	-	45,000.00	9.0%p.a.	11-Jan-23	10 years from Deemed date of Allotment, redemption date is 11th Jan 23
Series "C" of 2013-14	10.00	29-May-13	11,000.00	-	11,000.00	8.35% p.a	29-May-23	Bullet payment on redemption date i.e., 29.05.23
Series "A" of 2011-12	10.00	18-Oct-11	50,000.00	-	50,000.00	9.70%p.a.	18-Oct-28	At the end of 17 years from the date of allotment, Put call option at the end of 10 years
Total (A)			328,000.00	57,500.00	270,500.00			

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**B) Long Term Infrastructure Bonds - Secured, Redeemable, Non Convertible Debentures (public issue)**

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.14 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Redeemable term
Series 2010A - 1	0.01	2-Dec-10	1,908.20	-	1,908.20	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 - 2	0.01	2-Dec-10	4,717.17	-	4,717.17	7.75% p.a. compounded annually payable at maturity	
Series 2010A - 3	0.01	2-Dec-10	6,289.78	-	6,289.78	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 - 4	0.01	2-Dec-10	12,706.40	-	12,706.40	7.50% p.a. compounded annually payable at maturity	
Series 2011A - 1	0.01	23-Mar-11	9,069.27	-	9,069.27	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 - 2	0.01	23-Mar-11	30,930.73	-	30,930.73	8.30% p.a. compounded annually payable at maturity	
Series 2011 B - 1	0.01	10-Jan-12	15,184.82	-	15,184.82	9 % p.a. payable annually	
Series 2011 B - 2	0.01	10-Jan-12	37,755.81	-	37,755.81	9 % p.a., compounded annually payable at maturity	
Series 2012 A - 1	0.01	24-Mar-12	12,129.31	-	12,129.31	8.70 % p.a. payable annually	
Series 2012 A - 2	0.01	24-Mar-12	35,755.18	-	35,755.18	8.70 % p.a. compounded annually payable at maturity	
Total (B)			166,446.67	-	166,446.67		
Total Redeemable non convertible debentures (secured) (A+B)			494,446.67	57,500.00	436,946.67		

The debentures covered in (A) and (B) above are secured by mortgage of an immovable property created under the terms of its operating lease arrangement and hypothecation of specific receivables.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**C) Unsecured, Redeemable, Non Convertible Debentures (privately placed)**

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.14 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Date of redemption	Redeemable term
Series "A" 2012-13	100.00	30-Apr-12	20,000.00	–	20,000.00	9.90%	29-Apr-22	Bullet payment on redemption date i.e., 29.04.22
Series "I" 2013-14	100.00	29-Jan-14	5,000.00	–	5,000.00	10.35%	29-Jan-24	Bullet payment on redemption date i.e., 29.01.24
Series "J" 2013-14	100.00	31-Jan-14	2,500.00	–	2,500.00	9.73%	31-Jan-24	Bullet payment on redemption date i.e., 31.01.24
Series "K" 2013-14	100.00	10-Feb-14	2,000.00	–	2,000.00	9.73%	9-Feb-24	Bullet payment on redemption date i.e., 09.02.24
Series "L" 2013-14	100.00	18-Feb-14	2,000.00	–	2,000.00	9.73%	16-Feb-24	Bullet payment on redemption date i.e., 16.02.24
Series "O" 2013-14	100.00	4-Mar-14	500.00	–	500.00	9.73%	4-Mar-24	Bullet payment on redemption date i.e., 04.03.24
Series "M" 2013-14	100.00	14-Mar-14	3,000.00	–	3,000.00	9.73%	14-Mar-24	Bullet payment on redemption date i.e., 14.03.24
Total (C)			35,000.00	–	35,000.00			

D) Secured, Redeemable, Non Convertible Debentures (privately placed)

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.2013 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Date of redemption	Redeemable term
Series "B" 2010-11	10.00	16-Apr-10	7,500.00	7,500.00	–	8.91% p.a.	16-Apr-13	At the end of 3 years from the date of allotment
Series "D" of 2012-13	10.00	21-Dec-12	17,000.00	17,000.00	–	9.18%p.a.	21-Mar-14	Bullet payment on redemption date i.e., 21.03.14
Series "C" of 2010-11	10.00	16-Apr-10	7,500.00	–	7,500.00	8.91% p.a.	16-Apr-14	At the end of 4 years from the date of allotment
Series "C" of 2012-13	10.00	30-Nov-12	25,000.00	–	25,000.00	9.1282%p.a.	30-Apr-14	2 years from deemed date of allotment, call option exercised 17 months from deemed date of allotment
Series "F" of 2012-13 (Refer foot note)	10.00	28-Mar-13	25,000.00	–	25,000.00	9.60%p.a.	27-Mar-15	24 months from deemed date of Allotment, call date on 28th Jun13

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**D) Secured, Redeemable, Non Convertible Debentures (privately placed) Contd...**

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.14 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Date of redemption	Redeemable term
Series "D" of 2010-11	10.00	16-Apr-10	7,500.00	–	7,500.00	8.91% p.a.	16-Apr-15	At the end of 5 years from the date of allotment
Series "E" of 2010-11	10.00	16-Apr-10	7,500.00	–	7,500.00	8.91% p.a.	16-Apr-16	At the end of 6 years from the date of allotment
Series "B" of 2011-12	10.00	31-Oct-11	10,000.00	10,000.00	–	9.40%p.a.	31-Oct-16	At the end of 5 years from the date of allotment, Put call option at the end of 18 months
Series "F" of 2010-11	10.00	16-Apr-10	7,500.00	–	7,500.00	8.91% p.a.	15-Apr-17	At the end of 7 years from the date of allotment
Series "B" of 2012-13	10.00	9-Nov-12	25,000.00	–	25,000.00	9.35%p.a.	7-Nov-17	At the end of 5 years from the date of allotment, Put call option 2 years from date allotment
Series "G" of 2010-11	10.00	16-Apr-10	7,500.00	–	7,500.00	8.91% p.a.	16-Apr-18	At the end of 8 years from the date of allotment
Series "E" of 2012-13	10.00	11-Jan-13	45,000.00	–	45,000.00	9.0%p.a.	11-Jan-23	10 years from Deemed date of Allotment, redemption date is 11th Jan 23
Series "A" of 2011-12	10.00	18-Oct-11	50,000.00	–	50,000.00	9.70%p.a.	18-Oct-28	At the end of 17 years from the date of allotment, Put call option at the end of 10 years
Total (D)			242,000.00	34,500.00	207,500.00			

E) Long Term Infrastructure Bonds - Secured, Redeemable, Non Convertible Debentures (public issue)

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31 .03.2013 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Redeemable term
Series 2010A – 1	0.01	2-Dec-10	1,908.20	–	1,908.20	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 – 2	0.01	2-Dec-10	4,717.17	–	4,717.17	7.75% p.a. compounded annually payable at maturity	
Series 2010A – 3	0.01	2-Dec-10	6,289.78	–	6,289.78	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 – 4	0.01	2-Dec-10	12,706.40	–	12,706.40	7.50% p.a. compounded annually payable at maturity	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.2013 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Redeemable term
Series 2011A - 1	0.01	23-Mar-11	9,069.27	-	9,069.27	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 - 2	0.01	23-Mar-11	30,930.73	-	30,930.73	8.30% p.a. compounded annually payable at maturity	
Series 2011 B - 1	0.01	10-Jan-12	15,184.82	-	15,184.82	9 % p.a. payable annually	
Series 2011 B - 2	0.01	10-Jan-12	37,755.81	-	37,755.81	9 % p.a., compounded annually payable at maturity	
Series 2012 A - 1	0.01	24-Mar-12	12,129.31	-	12,129.31	8.70 % p.a. payable annually	
Series 2012 A - 2	0.01	24-Mar-12	35,755.18	-	35,755.18	8.70 % p.a. compounded annually payable at maturity	
Total (E)			166,446.67	-	166,446.67		
Total Redeemable non convertible debentures (secured) (D+E)			408,446.67	34,500.00	373,946.67		

The debentures covered in (D) and (E) above are secured by mortgage of an immovable property created under the terms of it's operating lease arrangement and hypothecation of specific receivables.

F) Unsecured, Redeemable, Non Convertible Debentures (privately placed)

Series	Face Value per debenture (₹ in lakh)	Date of allotment	Balance as at 31.03.2013 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Interest Rate (%)	Date of redemption	Redeemable term
Series "A" 2012-13	100.00	30-Apr-12	20,000.00	-	20,000.00	9.90%	29-Apr-22	Bullet payment on redemption date i.e., 29th Apr 22
Total (F)			20,000.00	-	20,000.00			

4b Term loans from bank (Secured)

Repayment terms	Balance as at 31.03.14 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Tenure	Range of rate of interest
Bullet repayment	133,966.00	41,983.00	91,983.00	15 months to 5 years	Base Rate plus Spread (0% to 0.25%)
Equated annual installments	30,000.00	10,000.00	20,000.00	4 year	Base Rate
Equated semi annual installments	241,811.75	35,168.00	206,643.75	5 years to 6 years	Base Rate plus Spread (0% to 0.20%) & 5 Yr G-Sec plus Spread (1.25%)
Equated quarterly installments	367,832.00	89,500.00	278,332.00	5 years to 7 years	Base Rate plus Spread (0% to 0.90%)
Total	773,609.75	176,651.00	596,958.75		

Above loans are secured by first exclusive charge on specific receivables.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**Term loans from bank (Unsecured)**

Repayment terms	Balance as at 31.03.2014 (₹ in lakh)	Current Maturities (₹ in lakh)	Non Current Portion (₹ in lakh)	Tenure	Range of rate of interest
Bullet repayment	90,100.00	-	90,100.00	15 months	Base Rate plus Spread (0% to 0.25%)
Total	90,100.00	-	90,100.00		

Term loans from bank (Secured)

Repayment terms	Balance as at 31.03.2013 (₹ in lakh)	Current maturities (₹ in lakh)	Non current portion (₹ in lakh)	Tenure	Range of rate of interest
Bullet repayment	161,714.00	30,000.00	131,714.00	15 months to 5 years	Base Rate plus Spread (0% to 1.50%)
Equated annual installments	30,000.00	-	30,000.00	4 year	Base Rate plus Spread (0% to 0.25%)
Equated semi annual installments	181,571.25	6,167.00	175,404.25	5 years to 6 years	Base Rate plus Spread (0% to 0.60%) & 5 Yr G-Sec plus Spread (1.25%)
Equated quarterly installments	282,333.00	38,668.00	243,665.00	5 years to 7 years	Base Rate plus Spread (0% to 0.90%) & 5 Yr G-Sec plus Spread (1.74%)
Total	655,618.25	74,835.00	580,783.25		

Above loans are secured by first exclusive charge on specific receivables.

Term loans from bank (Unsecured)

Repayment terms	Balance as at 31.03.2013 (₹ in lakh)	Current maturities (₹ in lakh)	Non current portion (₹ in lakh)	Tenure	Range of rate of interest
Bullet repayment	99,900.00	-	99,900.00	15 months	Base Rate plus Spread (0% to 1.50%)
Total	99,900.00	-	99,900.00		

(₹ in Lakh)

Component**As at 31-03-2014****As at 31-03-2013****Assets****Liabilities****Assets****Liabilities****Note 4(i): Deferred tax assets (net)**

Timing difference between book balance and tax balance of fixed assets

-

60.10

-

67.38

Provision on loan assets/interest receivable

7,372.40

-

4,958.71

-

Employee benefits

93.70

-

82.67

-

7,466.10

60.10

5,041.38

67.38

Net Deferred Tax Asset

7,406.00

4,974.00

Note :

- a) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

		(₹ in Lakh)	
		<u>As at 31.03.2014</u>	<u>As at 31.03.2013</u>
5	OTHER LONG-TERM LIABILITIES		
	Others		
	Deferred income on loan processing	2,740.84	3,329.32
	Interest accrued but not due on debentures / bonds	27,997.65	17,435.31
	TOTAL OTHER LONG-TERM LIABILITIES	<u>30,738.49</u>	<u>20,764.63</u>
6	LONG-TERM PROVISIONS		
	For employee benefits:		
	Gratuity	93.09	80.58
	Others:		
	For contingent provisions against standard assets	5,303.72	4,798.43
	For interest capitalised on restructured assets*	9,268.39	4,181.63
	TOTAL LONG-TERM PROVISIONS	<u>14,665.20</u>	<u>9,060.64</u>
	* Includes interest capitalised on Non-Performing Restructured Assets of ₹ 194 lakhs (previous year ₹ 212 lakhs).		
7	SHORT-TERM BORROWINGS		
	(I) Secured*		
	Bank overdraft/ Cash Credit	-	20,856.46
	TOTAL I	<u>-</u>	<u>20,856.46</u>
	(II) Unsecured		
	Term loan from Banks	2,200.00	-
	Commercial paper	-	46,382.12
	(Net of unexpired discount - Nil (previous year ₹ 1,117.88 lakhs))		
	TOTAL II	<u>2,200.00</u>	<u>46,382.12</u>
	TOTAL SHORT-TERM BORROWINGS (I+II)	<u>2,200.00</u>	<u>67,238.58</u>
	*Secured by first exclusive charge on specific receivables.		
8	TRADE PAYABLE		
	For services (Other than Micro and Small Enterprises)	260.78	272.51
		<u>260.78</u>	<u>272.51</u>

Note: On the basis of replies received by the Company in response to enquiries made, there are no dues payable 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

		(₹ in Lakh)	
		As at 31.03.2014	As at 31.03.2013
9	OTHER CURRENT LIABILITIES		
a)	Current maturities of long-term debt (refer note 4)	234,151.00	109,335.00
b)	Interest accrued but not due on debentures	16,840.31	9,825.43
c)	Interest accrued but not due on other borrowings	548.45	546.08
d)	Deferred income on loan processing	869.51	1,480.14
e)	Other Payables:		
	Advance from borrowers	19.80	19.80
	Sundry creditors for capital goods	5.56	5.43
	Accrued expenses	2,360.47	1,668.32
	Debenture application money refundable	119.98	367.13
	Unclaimed interest on debentures (refer footnote)	767.88	768.71
	Cash margin collected	-	1,468.62
	Statutory liabilities	294.81	79.07
	TOTAL OTHER CURRENT LIABILITIES	255,977.77	125,563.73

Note: No amount was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956.

10 SHORT-TERM PROVISIONS**For employee benefits:**

Gratuity	3.75	11.14
Compensated absences	178.81	154.46
Others:		
For Dividend Distribution Tax	-	322.85
For contingent provisions against standard assets	670.79	716.81
TOTAL SHORT-TERM PROVISIONS	853.35	1,205.26

11 FIXED ASSETS (AT COST LESS DEPRECIATION)

(₹ in lakh)

Description	Gross Block				Depreciation & Amortisation				Net Book Value	
	Opening as at 01.04.2013	Additions during the year	Deductions	Closing as at 31.03.2014	Up to 01.04.2013	Charge during the year	Deductions	Up to 31.03.2014	As at	
									31.03.2014	31.03.2013
Tangible										
Computers	183.84	69.86	0.77	252.93	87.23	27.24	0.58	113.89	139.04	96.61
	(156.44)	(27.48)	-	(183.84)	(60.85)	(26.38)	-	(87.23)	(96.61)	
Furniture and Fittings	14.04	11.33	-	25.37	6.61	0.81	-	7.42	17.95	7.43
	(11.99)	(2.05)	-	(14.04)	(6.10)	(0.51)	-	(6.60)	(7.43)	
Office Equipment	54.35	3.65	-	58.00	7.67	2.91	-	10.58	47.42	46.68
	(46.74)	(7.77)	(0.16)	(54.35)	(4.76)	(2.94)	(0.03)	(7.67)	(46.68)	
Total tangible assets (A)	252.23	84.84	0.77	336.30	101.51	30.96	0.58	131.89	204.41	150.72
	(215.17)	(37.22)	(0.16)	(252.23)	(71.71)	(29.83)	(0.03)	(101.51)	(150.72)	
Intangible										
Computer Software	499.05	55.06	-	554.11	222.23	155.57	-	377.80	176.31	276.82
	(454.39)	(44.66)	-	(499.06)	(75.65)	(146.58)	-	(222.23)	(276.82)	
Total intangible assets (B)	499.05	55.06	-	554.11	222.23	155.57	-	377.80	176.31	276.82
	(454.39)	(44.66)	-	(499.05)	(75.65)	(146.58)	-	(222.23)	(276.82)	-
Total (A+B)	751.28	139.90	0.77	890.41	323.74	186.53	0.58	509.69	380.72	427.54
Previous Year	(669.56)	(81.88)	(0.16)	(751.28)	(147.36)	(176.44)	(0.03)	(323.74)	(427.54)	-

Note: Previous year figures are shown in brackets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Face Value	As at 31.03.2014		As at 31.03.2013	
	₹	Quantity	(₹ in lakh)	Quantity	(₹ in lakh)
12 NON-CURRENT INVESTMENTS					
Trade investment, valued at cost, unquoted, fully paid:					
Investments in Subsidiaries:					
(I) Investments in debentures or bonds					
Cumulative Compulsory Convertible Debentures (CCCDs)					
L&T Infra Investment Partners Advisory Private Limited	1,000	160,000	1,600.00	160,000	1,600.00
(II) Investment in equity shares					
L&T Infra Investment Partners Advisory Private Limited	10	5,000,000	500.00	5,000,000	500.00
L&T Infra Investment Partners Trustee Private Limited	10	100,000	10.00	100,000	10.00
Investments in Associates:					
(I) Investment in equity shares					
Feedback Infrastructure Services Private Ltd.	100	3,790,000	3,790.00	3,790,000	3,790.00
L&T Infra Debt Fund Limited	10	147,000,000	14,700.00	-	-
Non Trade investment, valued at cost, unquoted, fully paid:					
(I) Investments in debentures or bonds					
Compulsory Convertible Debentures (CCDs)					
Tikona Digital Networks Pvt. Ltd	2,840	541,040	15,365.54	519,212	14,745.62
Bhoruka Power Corporation Limited	100,000	15,336	15,336.00	-	-
Multiple Option Exchangeable Debentures (MOEDs)					
Mission Holdings Private Limited	100,000	5,500	5,500.00	-	-
(II) Investments in preference shares:					
Cumulative Redeemable Preference Shares					
10% Anrak Aluminium Limited	10	125,000,000	12,500.00	125,000,000	12,500.00
8% KSK Energy Ventures Limited	10	34,000,000	3,400.00	67,000,000	6,700.00
Cumulative Convertible Preference Shares (CCPS)					
Ardom Telecom Limited	100,000	-	-	1,800	1,800.00
(III) Investment in equity shares					
BSCPL Infrastructure Ltd.	10	1,047,916	6,004.56	1,047,916	6,004.56
Tikona Digital Networks Pvt. Ltd.	10	605	17.18	316	8.97
Bhoruka Power Corporation Ltd.	10	100	0.85	587,850	5,000.00
Bhoruka Power Holdings Private Limited	10	100	0.02	-	-
Ardom Telecom Ltd.	10	-	-	648,649	200.00
Mission Holdings Private Limited	10	100	0.01	-	-
Coastal Projects Limited	10	328,526	1,481.54	-	-
Hanjer Biotech Energies Private Limited	10	208,716	944.31	-	-
(IV) Investment in units of fund					
LICHFL Urban Development Fund	10,000	2,870	287.00	2,000	200.00
L&T Infra Investments Partner Fund					
Class B	100	9,951,689	9,951.69	-	-
Class C	100	500,000	500.00	-	-
Class D	10	10,000	1.00	-	-
(V) Investment in Security Receipts					
Phoenix ARC private Limited	1,000	1,061,435	10,614.35	-	-
Total non - current investments			102,504.05		53,059.15
Less: Provision for diminuation in the value of investments			944.31		-
Net non-current Investments			101,559.74		53,059.15

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Face Value	As at 31.03.2014		As at 31.03.2013	
	₹	Quantity	(₹ in lakh)	Quantity	(₹ in lakh)
Note 1					
a) Aggregate amount of unquoted investments			102,504.05		53,059.15
b) Aggregate amount of quoted investments and market value thereof.			-		-
					(₹ in Lakh)
		Non current portion		Current maturities	
		As at 31-03-2014	As at 31-03-2013	As at 31-03-2014	As at 31-03-2013
13 LONG-TERM LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES					
Term Loans	1,176,784.44	1,176,356.25	162,269.94	172,433.58	
Debentures (refer footnote)	152,801.98	62,500.00	5,890.00	12,632.22	
Gross Loans	1,329,586.42	1,238,856.25	168,159.94	185,065.80	
Less: Provision on Standard Assets	2,871.00	1,508.11	-	-	
Less: Provision on Restructured Assets	6,898.12	3,059.91	-	-	
Less: Provision on Non Performing Assets	9,903.76	3,792.81	-	-	
Net Loans	1,309,913.54	1,230,495.42	168,159.94	185,065.80	
Less: Amount disclosed under the "note 19"	-	-	168,159.94	185,065.80	
	1,309,913.54	1,230,495.42	-	-	
The above amount includes:					
Secured	1,319,586.44	1,238,856.25	168,159.94	185,065.80	
Unsecured	9,999.98	-	-	-	
TOTAL	1,329,586.42	1,238,856.25	168,159.94	185,065.80	

Footnote : Details of debentures in the nature of Loan are given in "Note 13 (i)".

Name of Company	As at 31.03.2014			As at 31.03.2013		
	Nos.	Face value	(₹ in lakhs)	Nos.	Face value	(₹ in lakhs)
NOTE 13(i)						
Following are the details of debentures in the nature of Loan:						
Secured						
(A) Non Convertible Redeemable Debentures						
Emas Expressway Pvt. Ltd.	-	-	-	360	1,000,000	3,484.44
MAPEX Infrastructure Pvt.Ltd.	-	-	-	640	1,000,000	6,147.78
Ind Bharat Power Madrass Ltd.	-	-	-	50	10,000,000	5,000.00
Valdel Projects Corp. Pvt. Ltd.	1,532	100,000	1,532.00	4,500	100,000	4,500.00
Adani Ports and Special Economic Zone Limited	1,350	1,000,000	13,500.00	2,500	1,000,000	25,000.00
Mandava Holdings Private Limited	2	50,000,000	1,000.00	12	50,000,000	6,000.00
Soma Enterprises Limited	1,500	1,000,000	15,000.00	1,500	1,000,000	15,000.00
Patel KNR Heavy Infrastructure Limited	38,500	100,000	38,500.00			
Inox Air Products Limited	1,600	1,000,000	16,000.00	-	-	-
O B Infrastructure Limited	32,160	100,000	32,160.00			
(B) Optionally Exchangeable Redeemable Debentures						
Soma Infrastructure Private Limited	210	10,000,000	21,000.00	-	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Name of Company	As at 31.03.2014			As at 31.03.2013		
	Nos.	Face value	(₹ in lakhs)	Nos.	Face value	(₹ in lakhs)
(C) Compulsory Convertible Debentures						
IOT Utkal Energy Services Ltd.	10	100,000,000	10,000.00	10	100,000,000	10,000.00
Unsecured						
(A) Non Convertible Redeemable Debentures						
Tata Power Company Limited	900	1,000,000	9,000.00	-	-	-
(B) Optionally Convertible Debentures						
Bhoruka Power Holdings Private Limited	99,998	1,000	999.98	-	-	-
TOTAL			158,691.98			75,132.22

	(₹ in Lakh)	
	As at 31.03.2014	As at 31.03.2013
14 LONG-TERM LOANS AND ADVANCES		
Security deposits	1,200.43	650.00
(Unsecured, considered good)		
Others:		
Forward contract receivable	5,118.75	4,482.25
Advances recoverable in cash or in kind or for value to be received to be received (net of allowance for doubtful advances of ₹ 12.84 lakhs (previous year: ₹ 12.84 lakhs))	498.43	573.55
Advance Payment of Income Tax (net of provision for tax ₹ 46,828.16 lakhs (previous year ₹ 34,011.96 lakhs))	8,493.96	4,085.64
Total other long term loans and advances	15,311.57	9,791.44
15 OTHER NON-CURRENT ASSETS		
Others:		
Accrued interest on debentures (Secured, considered good)	6,018.41	1,869.11
TOTAL OTHER NON-CURRENT ASSETS	6,018.41	1,869.11

	Face Value	As at 31.03.2014		As at 31.03.2013	
	₹	Quantity	(₹ in lakh)	Quantity	(₹ in lakh)
16 CURRENT INVESTMENTS					
Non Trade investment, valued at lower of cost or market value, fully paid:					
(I) Investment in equity shares - (net of provision) - quoted					
C&C Construction Limited	10.00	877,081	207.87	877,081	271.90
B.L. Kashyap & Sons Limited	1	7,882,522	413.83	-	-
Non Trade investment, valued at cost, fully paid, unquoted:					
(I) Investment in preference shares:					
Current maturity of long term investment					
KSK Energy Ventures Limited	10.00	33,000,000	3,300.00	33,000,000	3,300.00
(II) Investment in equity shares (net of provision)					
ICOMM Tele Limited	10.00	41,667	0.00	41,667	0.00
(III) Investment in mutual funds					
Investments in Mutual Funds			82,408.12		20,427.15
Total Current Investments			86,329.82		23,999.05

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Face Value ₹	As at 31.03.2014 Quantity (₹ in lakh)	As at 31.03.2013 Quantity (₹ in lakh)
Note :			
a) Aggregate amount of unquoted investments		85,708.12	23,727.15
b) Aggregate amount of quoted investments		621.70	271.90
			(₹ in Lakh)
		As at 31.03.2014	As at 31.03.2013
17 TRADE RECEIVABLES			
Unsecured			
Considered Good - outstanding for a period of less than Six months from the date they become payable		1,324.86	1,341.58
TOTAL TRADE RECEIVABLES		1,324.86	1,341.58
18 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as defined in AS - 3			
Cash on hand		0.40	0.14
Balances with Banks			
In Current Account		656.22	2.20
Others			
In earmarked accounts			
-unclaimed infrastructure bonds application money		119.98	367.13
-unclaimed interest on infrastructure bonds		767.88	768.71
TOTAL CASH AND BANK BALANCE		1,544.48	1,138.18
19 CURRENT MATURITIES OF LONG - TERM LOANS TOWARDS FINANCING ACTIVITIES			
Current maturities of long - term loans towards financing activities (Secured, considered good) (refer note 13)		168,159.94	185,065.80
TOTAL CURRENT MATURITIES OF LONG - TERM LOANSTOWARDS FINANCING ACTIVITIES		168,159.94	185,065.80
20 SHORT TERM LOANS AND ADVANCES - OTHERS			
Security deposits (Unsecured, considered good)		139.66	118.91
Loans and advances to related parties (refer note 30) (Unsecured, considered good)		10.02	291.44
Others			
Prepaid Expense		47.11	36.23
Loan to employees		-	0.49
Forward contract receivable		3,023.00	2,377.14
Other advances recoverable in cash or in kind or for value to be received		184.44	116.70
TOTAL OTHER SHORT TERM LOANS AND ADVANCES		3,404.23	2,940.91
21 OTHER CURRENT ASSETS			
Accrued Interest on loans towards financing activities (Secured, considered good)		8,659.39	11,939.71
Accrued interest on debentures (Secured, considered good)		276.65	1,537.69
Accrual of Fee Income		287.82	434.66
TOTAL OTHER CURRENT ASSETS		9,223.86	13,912.06

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2014	(₹ in Lakh) Year ended 31.03.2013
22 REVENUE FROM OPERATIONS		
Interest and dividend income		
Interest on loans and advances towards financing activities	162,091.11	145,659.12
Less : Provision made / (reversal) for interest receivables	1,330.48	(54.44)
	160,760.63	145,713.56
Interest on debentures	13,166.05	6,641.98
Dividend Income from preference shares	396.71	802.19
Other operating income		
Financial advisory fees	3,333.72	4,499.24
Gain / (loss) on loans sell down of loan assets	452.83	-
Other Income from preference shares	1,370.47	1,492.83
TOTAL REVENUE FROM OPERATIONS	179,480.41	159,149.80
23 OTHER INCOME		
Interest on bank deposits	156.17	0.47
Gain / (loss) on sale of Current Investments	3,034.35	-
Dividend income on current investments	940.81	817.88
Dividend income on long term investment	84.63	8.82
Gain / (loss) on sale of long term Investments	2,973.69	-
Others	325.96	0.84
TOTAL OTHER INCOME	7,515.61	828.01
24 EMPLOYEE BENEFIT EXPENSES		
Salaries	3,056.85	2,501.24
Contribution to provident and other funds	119.11	100.49
Staff Gratuity	5.13	42.86
Staff Welfare	55.44	69.23
Expenses on Employees Stock Option Plans (refer note 39).	28.47	63.42
Reimbursement of costs of staff on deputation	33.65	1.65
TOTAL EMPLOYEE BENEFIT EXPENSES	3,298.65	2,778.89
25 FINANCE COST		
Interest expenses	122,759.18	97,110.66
Other borrowing costs	616.23	727.12
TOTAL FINANCE COST	123,375.41	97,837.78

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Year ended 31.03.2014	(₹ in Lakh) Year ended 31.03.2013
26 OTHER EXPENSES		
Rent	602.05	604.48
Electricity charges	20.86	18.03
Property maintenance	54.90	75.38
Telephone, postage and courier	99.95	151.76
Printing & stationery	29.88	32.93
Membership & subscription	122.52	87.15
Insurance	13.21	3.11
Training and conference	58.52	47.05
Travelling and conveyance	321.77	281.87
Advertising & publicity	129.62	179.99
Professional fees	1,204.62	676.60
Auditors' remuneration (refer note given below)	68.01	40.98
Directors' fees	16.07	14.25
Commission to Non-executive Directors	44.44	12.72
Rates and taxes	0.06	0.10
Brand license Fee	1,502.64	972.10
Support charges	567.10	633.99
Management fees	700.79	656.19
Repairs & maintenance - IT Assets	269.11	130.75
Miscellaneous expenses	160.79	131.53
TOTAL ESTABLISHMENT AND OTHER EXPENSES	5,986.91	4,750.96
Note: Auditors' Remuneration comprises the following (net of service tax set off):		
As auditors	40.50	22.00
For tax audit	4.50	3.00
For tax matters	9.25	-
Other service	9.73	13.13
Reimbursement of expenses	0.51	0.48
Service tax on above	3.52	2.37
	68.01	40.98
27 PROVISIONS AND CONTINGENCIES		
Provision for standard assets	1,822.16	2,401.47
Provision for restructured assets	3,838.21	3,060.34
Provision for non-performing assets	6,110.95	1,206.56
Provision for diminution in value of Investments	1,008.34	199.98
Bad debts write off	1,644.87	570.99
TOTAL PROVISIONS AND CONTINGENCIES	14,424.53	7,439.34

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**28 CONTINGENT LIABILITIES AND COMMITMENTS:**

(₹ in Lakh)

	As at March 31, 2014	As at March 31, 2013
(I) Contingent Liabilities:		
a) Claims against the Company not acknowledged as debt:		
1. Income Tax matter in dispute	2,912.62	16.75
2. Service Tax matter in dispute	453.96	453.96
b) Bank Guarantees	-	4,895.40
c) Other money for which the Company is contingently liable:		
1. Liability towards Letter of Comfort	25,673.99	31,454.98
(II) Commitments:		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-
b) Other Commitments:		
1) Performance Guarantee	908.25	1,308.25
2) Undisbursed Commitment	116,598.36	186,575.69

29 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' prescribed by the Companies (Accounting Standards) Rules, 2006.

30 As per the Accounting Standard (AS) 18 on 'Related Party Disclosures', the related parties, nature and volume of transactions carried out with them in the ordinary course of business are as follows:

Related party disclosures:**(a) List of related parties and relationships:****A. Ultimate holding company:**

1. Larsen & Toubro Limited

B. Holding company:

2. L&T Finance Holdings Limited

C. Subsidiary company:

3. L&T Infra Investment Partners Trustee Private Limited
4. L&T Infra Investment Partners Advisory Private Limited

D. Fellow subsidiary company:

5. L&T Finance Limited
6. L&T FinCorp Limited
7. L&T Sargent & Lundy Limited
8. L&T Power Development Limited
9. L&T MHI Boilers Private Limited
10. L&T Shipbuilding Limited
11. L&T Infotech Limited
12. L&T Housing Finance Limited
13. Nabha Power Limited
14. L&T Infrastructure Development Projects Limited
15. L&T Electromech LLC
16. L&T Valdel Engineering Limited
17. L&T Vrindavan Properties Limited
18. L&T Investment Management Limited
19. L&T ENC Hydrocarbon Limited

E. Associates:

20. Feedback Infrastructure Services Private Limited (w.e.f. September 28, 2012)
21. L&T Infra Debt Fund Limited (w.e.f. March 19, 2013)

F. Key Management Personnel:

22. Mr. Suneet K. Maheshwari (Manager till January 30, 2012, Managing Director from January 31, 2012 to March 20, 2014)
23. Mr. Gopalakrishnan Krishnamurthy
(Manager from March 21, 2014)

Note: The above list contain name of only those related parties with whom the Company has undertaken transactions in current or previous year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**(b) Related party transactions:**

Sr. No.	Nature of Transactions	(₹ in Lakh)	
		2013-14	2012-13
1	Interest expenditure on inter corporate borrowings		
	• L&T Finance Holdings Limited	31.11	485.17
	• L&T Finance Limited	45.50	79.37
	• L&T Housing Finance Limited	18.81	1.52
	• L&T FinCorp Limited	16.40	37.19
2	Interest income received on inter corporate deposit		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	–	0.45
	• L&T FinCorp Limited	9.89	–
3	Interest on secured debentures		
	• Larsen & Toubro Limited	27.46	640.79
4	Reimbursement of staff cost / expenses		
	• L&T Finance Holdings Limited	28.47	63.42
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	0.83	–
5	Support charges		
	• L&T Finance Limited	603.37	674.16
6	Rent paid		
	• L&T Finance Holdings Limited	–	20.67
	• L&T Finance Limited	332.23	352.14
	• L&T Vrindavan Properties Limited	23.31	–
7.	Security deposit given		
	• L&T Vrindavan Properties Limited	721.18	–
8.	Brand license fees		
	• Larsen & Toubro Limited	1,442.56	1,092.25
9.	Management fees		
	• L&T Finance Holdings Limited	741.58	694.38
10.	Interim dividend paid		
	• L&T Finance Holdings Limited	10,572.72	1,990.16
11.	Professional fees & other expenses paid		
	• L&T Finance Holdings Limited	–	4.35
	• L&T Sargent & Lundy Limited	0.73	7.22
	• L&T Finance Limited	8.80	7.67
	• Larsen & Toubro Limited	54.76	162.91
	• L&T Electromech LLC	–	0.52
	• L&T InfoTech Limited	83.72	43.91
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	–	6.20
	• L&T Valdel Engineering Limited	–	0.02
	• L&T Investment Management Limited	6.68	–
12.	Other expenses recoverable		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	–	5.62
	• L&T InfoTech Limited	–	5.62
	• L&T Finance Holdings Limited	4.03	–
13.	Deputation cost recoverable		
	• L&T Infrastructure Development Projects Limited	–	17.87
	• L&T MHI Boilers Private Limited	–	3.19
	• Larsen & Toubro Limited	–	15.53
	• L&T Power Development Limited	–	5.17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Sr. No.	Nature of Transactions	₹ in Lakh)	
		2013-14	2012-13
14.	Preliminary expenses paid on behalf of / recoverable		
	• L&T Infra Debt Fund Limited	–	280.40
15.	Fee income		
	• L&T Infrastructure Development Projects Limited	303.37	–
	• L&T Shipbuilding Limited	325.84	–
	• Nabha Power Limited	–	505.62
16.	Interest income on Cumulative compulsory convertible debenture (CCCD)		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	160.00	4.99
17.	Equity shares issued (including share premium)		
	• L&T Finance Holdings Limited	–	14,999.85
18.	Purchase of loan Assets		
	• L&T Finance Limited	12,021.78	27,369.38
	• L&T FinCorp Limited	–	3,936.59
19.	Sale of loan Assets		
	• L&T FinCorp Limited	120,917.18	–
20.	Payment of capital expenditure to		
	• L&T InfoTech Limited	24.05	41.46
21.	Inter corporate borrowing taken		
	• L&T Finance Holdings Limited	45,200.00	1,66,400.00
	• L&T Finance Limited	42,600.00	68,850.00
	• L&T Housing Finance Limited	6,250.00	2,000.00
	• L&T FinCorp Limited	12,565.31	9,700.00
22.	Inter corporate borrowing repaid		
	• L&T Finance Holdings Limited	45,200.00	167,834.52
	• L&T Finance Limited	42,600.00	68,850.00
	• L&T Housing Finance Limited	6,250.00	2,000.00
	• L&T FinCorp Limited	12,565.31	9,700.00
23.	Inter corporate deposit given		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	1.11	1,010.00
	• L&T FinCorp Limited	2,000.00	–
24.	Inter corporate deposit received back		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	1.11	1,010.00
	• L&T FinCorp Limited	2,000.00	–
25.	Investment in equity shares		
	• L&T Infra Investment Partners Advisory Private Ltd.	–	499.00
	• L & T Infra Investment Partners Trustee Private Ltd.	–	9.00
	• Feedback Infrastructure Services Private Limited.	–	3,790.00
	• L&T Infra Debt Fund Limited.	14,700.00	–
26.	Investments in Cumulative compulsory convertible debenture		
	• L&T Infra Investment Partners Advisory Private Limited	–	1,600.00
27.	Key management personnel – remuneration		
	• Suneet Kumar Maheshwari	176.46	161.70
	• Gopalakrishnan Krishnamurthy	3.69	–
28.	Secured debenture outstanding		
	• Larsen & Toubro Limited	–	7,500.00

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Sr. No.	Nature of Transactions	(₹ in Lakh)	
		2013-14	2012-13
29.	Trade receivables		
	• L&T Shipbuilding Limited	252.81	–
	• L&T Infrastructure Development Projects Limited	276.37	–
	• L&T Nabha Power Limited	–	505.62
30.	Interest receivables		
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	148.49	–
31.	Account payable		
	• L&T Finance Holdings Limited	3.03	11.57
	• Larsen & Toubro Limited	43.10	24.46
	• Larsen & Toubro Electromech LLC	0.52	0.13
	• L&T Infotech Limited	14.61	20.27
	• L&T Sargent & Lundy Limited	–	4.53
	• L&T ENC Hydrocarbon Limited	0.33	–
	• L&T Fincorp Limited	32.87	–
	• L&T Infra Investment Partners Advisors Pvt. Ltd.	0.83	–
	• L&T Investment Management Limited	6.09	–

Note: Transactions shown above are inclusive of Service Tax, if any.

- 31 The Company holds certain premises under operating leases. Rent includes net expenses of ₹ 602.05/- lakhs (previous year ₹ 604.48/- lakhs). The committed lease rentals in the future are:

(₹ in Lakh)

Particulars	2013-14	2012-13
Not later than one year	54.29	189.68
Later than one year and not later than five years	62.24	–
Later than five years	–	–

- 32 Earnings per share computed as per the Accounting Standard (AS) 20 'Earnings Per Share ("EPS")' issued by the Institute of Chartered Accountants of India, is as follows:

	₹ in lakhs except per share data	
	2013-14	2012-13
Basic & Diluted		
Profit after tax as per statement of Profit and Loss (₹)	29,212.99	34,421.42
Weighted average number of equity shares for computation of Basic earnings per share	829,233,000	804,210,419
Weighted average number of equity shares for computation of diluted earnings per share	829,233,000	804,210,419
Number of equity shares outstanding	829,233,000	829,233,000
Basic earnings per share (₹)	3.52	4.28
Diluted earnings per share (₹)	3.52	4.28
Nominal Value of Shares (₹)	10	10

- 33 Expenditure in Foreign Currencies

(₹ in Lakh)

	2013-14	2012-13
Professional Fees	320.71	198.82
Other expenses	76.45	35.20

* The above amount does not include payment of Nil (previous year: ₹ 0.56 lakh) made on behalf of subsidiary company which is recoverable.

- 34 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

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 ₹ 119.11 lakh (previous year ₹ 100.49 lakh) for provident fund contribution in the Statement of Profit and Loss.

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 Statement of Profit and Loss. The following tables set out the amounts recognised in the Company's financial statements as at March 31, 2014 in respect of Gratuity benefits:

a) The amounts recognised in the balance sheet are as follows:

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Present Value of Funded Obligations	-	-
Fair Value of Plan Assets	-	-
Present Value of Unfunded Obligations	96.84	92.62
Unrecognised Past Service Cost	-	0.90
Amount not Recognised as an Asset (limit in Para 59 (b))	-	-
Net Liability	96.84	91.72
Amounts in Balance Sheet		
Liability	96.84	91.72
Assets	-	-
Net Liability is bifurcated as follows:		
Current	3.75	11.14
Non Current	93.09	80.58
Net Liability	96.84	91.72

b) The amounts recognised in the Statement of profit and loss are as follows:

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Current Service Cost	20.89	16.32
Interest on Defined Benefit Obligation	8.58	5.20
Expected Return on Plan Assets	-	-
Net Actuarial Losses/(Gains) recognised in the Year	(30.32)	25.53
Past Service Cost	0.90	1.79
Losses/(Gains) on "Curtailements & Settlements"	-	-
Losses/(Gains) on "Acquisition/Divestiture"	5.08	-
Effects of the limit in Para 59(b)	-	-
Less: Recoverable from Larsen & Toubro Ltd (Ultimate Holding Co.)	-	(5.98)
Total, included in "Employee Benefit Expense"	5.13	42.86
Actual Return on Plan Assets	-	-

c) Reconciliation of Benefit Obligation & Plan Assets for the period

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	92.62	45.57
Current Service Cost	20.89	16.32
Interest Cost on Defined Benefit Obligation	8.58	5.20
Actuarial Losses/(Gain) recognized	(30.32)	25.53
Past Service Cost	-	-
Actuarial Losses/(Gain) due to "Curtailement & Settlements"	-	-
Liabilities Extinguished on "Settlements"	-	-
Liabilities assumed on Acquisition/(Settled on Divestiture)	17.41	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Exchange Difference on Foreign Plans	–	–
Benefits Paid	(12.34)	–
Closing Defined Benefit Obligation	96.84	92.62
Change in Fair Value of Plan Assets		
Opening Fair Value of Plan Assets	–	–
Expected Return on Plan Assets	–	–
Actuarial Gain / (Losses)	–	–
Assets Distributed on Settlements	–	–
Contributions by Employer	12.34	–
Assets Acquired on Acquisition / Distributed on Divestiture	–	–
Exchange Difference on Foreign Plans	–	–
Benefits Paid	(12.34)	–
Closing Fair Value of Plan Assets	–	–

d) Experience Adjustment

	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligation	96.84	92.62	45.56	33.53	19.66
Plan Assets	–	–	–	–	–
Surplus / (Deficit)	(96.84)	(92.62)	(45.56)	(33.53)	(19.66)
Experience. Adjustments on Plan Liabilities	(14.81)	19.88	(5.88)	(1.07)	2.76
Experience. Adjustments on Plan Assets		–	–	–	–

e) Financial assumptions at the valuation date

	2013-14	2012-13
Discount Rate (per annum)	9.20%	7.95%
Expected Rate of Return on Assets (per annum)	Not Applicable	Not Applicable
Salary Escalation Rate (per annum)	7.00%	7.00%
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ult table.	Indian Assured Lives Mortality (2006-08) Ult table

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 2014 - 15 amounts to ₹ 59.17 lakhs (previous year ₹ 51.45/- lakhs).

- 35 Appropriations to the Special Reserve under Section 36(1) (viii) of the Income Tax Act, 1961 and the Special Reserve under Section 45-IC of Reserve Bank of India Act, 1934 are carried out of distributable profits of the Company.
- 36 Appropriation to the Debenture Redemption Reserve has been created in terms of Section 117C of the Companies Act, 1956 is carried out of distributable profits of the Company.
- 37 The Company has invoked pledge of equity shares in the following borrower companies, pledged with it as collateral by the borrowers and these shares are being held by the Company as bailee. As and when the shares are sold, the proceeds would be adjusted against the overdue portion of the loan then remaining outstanding.

Borrower Name	No. of shares kept as bailee	
	2013-14	2012-13
Hanjer Biotech Energies Private Limited	325,096	–
VMC Systems Ltd	1,164,508	16,25000
Coastal Projects Limited	329,245	–

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**38 Foreign currency exposure**

The Company has entered into currency swap transactions with a view to convert its USD borrowings into Indian rupee borrowing. Accordingly, the Company has revalued the foreign currency borrowing and currency swap at the balance sheet date.

Particulars	2013-14	2012-13
Liability – External Commercial Borrowings	USD 65,000,000	USD 65,000,000
Assets – Currency Swap	USD 65,000,000	USD 65,000,000

39 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. Total cost incurred by the holding company, in respect of options granted to employees of the Company amounts, recovery of the same and future period expense details are following:

Financial year	Total cost incurred by holding company (i.e. L&T Finance Holdings Limited)	Expense recovered by holding company till end of financial year	Expenses charged to statement of profit and loss for the year	Remaining expenses to be recovered in future period
(A)	(B)	(C)	(D)	(E = B-C)
2010-11	117.41	17.00	17.00	100.41
2011-12	217.07	97.86	80.86	119.21
2012-13	209.44	161.28	63.42	48.16
2013-14	246.45	189.75	28.47	56.70

40 During the period the Company has charged-off debenture issue expenses net off tax of ₹ 246.25 lakhs (previous period ₹ 227.65 lakhs) to the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956.

41 (i) The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of RBI circular (Ref. No. DNBS (PD) CC No. 279 / 03.02.001 / 2012-13 dated July 2, 2012.)

(i) Capital to Risk Assets Ratio (CRAR)	2013-14	2012-13
CRAR (%)	16.97%	15.76%
CRAR - Tier I Capital (%)	14.79%	14.16%
CRAR - Tier II Capital (%)	2.18%	1.60%

(₹ in Lakh)

(ii) Exposure to Real Estate Sector	2013-14	2012-13
a) Direct Exposure		
Residential Mortgages	–	–
Infrastructure Real Estate (SEZs, Industrial Parks, IT Parks)	9,429.34	14,089.00
Commercial Real Estate	36,329.92	33,678.02
Investment in Mortgage Backed Securities(MBS) and other securitised exposures	–	–
b) Indirect Exposure	–	–

(iii) Maturity pattern of certain items of assets and liabilities

										(₹ in Lakh)
	Year	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
Liabilities										
Borrowings from banks	2013-14	12,200.00	1,250.00	26,334.00	42,066.33	97,000.67	553,227.00	133,831.75	–	865,909.75
	2012-13	–	1,250.00	36,333.67	7,583.66	50,524.13	495,488.40	185,194.85	–	776,374.71
Market Borrowings	2013-14	32,500.00	–	–	–	25,000.00	274,221.30	51,725.37	146,000.00	529,446.67
	2012-13	7,500.00	30,000.00	7,500.00	18,882.12	17,000.00	148,996.18	122,450.49	122,500.00	474,828.79
Assets										
Advance	2013-14	5,074.18	9,977.45	40,355.25	44,134.62	68,618.44	309,406.01	356,353.27	663,827.14	1,497,746.36
	2012-13	18,896.50	9,659.85	14,470.35	56,430.53	85,608.57	326,310.31	362,526.62	550,019.32	1,423,922.05
Investments	2013-14	83,029.82	–	–	3,300.00	–	3,400.00	–	98,159.74	187,889.56
	2012-13	20,699.05	–	–	3,300.00	–	6,700.00	–	46,359.15	77,058.20

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

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)

Liability Side:**1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:**

		(₹ in Lakh)	
Particular		Amount outstanding	Amount overdue
(a)	Debentures :		
	Secured	537,266.88	–
	Unsecured	37,017.75	–
	(Other than falling within the meaning of Public Deposits)		
(b)	Deferred Credits	–	–
(c)	Term Loans	826,965.00	–
(d)	Inter-Corporate Loans and borrowings	–	–
(e)	Commercial Paper	–	–
(f)	Other Loans		
	i) Foreign Currency Loan	31,340.48	–
	ii) Bank Overdraft , Cash credit & Working Capital Demand Loan	10.96	–
	Total	1,432,601.07	–

Asset Side:**2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]**

(₹ in Lakh)

Particular		Amount outstanding
(a)	Secured (Net of Provision for NPA)	1,477,842.62
(b)	Unsecured	9,999.98

3. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities

(₹ in Lakh)

Particular		Amount outstanding
(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)	Other loans counting towards AFC activities	
(a)	Loans where assets have been repossessed	–
(b)	Loans other than (a) above	

4. Break-up of Investments

(₹ in Lakh)

		Amount outstanding
Current Investments		
1.	Quoted	–
(i)	Shares : (a) Equity (net of provision)	621.70
	(b) Preference	–
(ii)	Debentures and Bonds	–
(iii)	Units of Mutual Funds	–
(iv)	Government Securities	–
(v)	Others (please specify)	–

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

(₹ in Lakh)

	Amount outstanding
2. Unquoted :	–
(i) Shares : (a) Equity	0.00
(b) Preference	3,300.00
(ii) Debentures and Bonds	–
(iii) Units of Mutual Funds	82,408.12
(iv) Government Securities	–
(v) Others (please specify)	–
Long Term 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	27,448.47
(b) Preference	15,900.00
(ii) Debentures and Bonds	37,801.54
(iii) Units of Mutual Funds / Venture Capital Fund	10,739.69
(iv) Government Securities	–
(v) Others (please specify) Security Receipts	10,614.35

5. **Borrower group-wise classification of assets financed : (see footnote 2 below)**

Category	Amount (net of NPA provisions) (₹ in Lakh)	
	2013-14	2012-13
1. Related Parties **		
(a) Subsidiaries	–	–
(b) Companies in the same group	–	–
(c) Other related parties	–	–
2. Other than related parties	1,487,842.60	1,420,129.24
TOTAL	1,487,842.60	1,420,129.24

6. **Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): (see footnote 3 below)**

(₹ in Lakh)

Category	2013 - 14		2012 - 13	
	Market Value/ Breakup Value/ Fair value /NAV	Book Value (Net of Provisions)	Market Value/ Breakup Value/ Fair value /NAV	Book Value (Net of Provisions)
1. Related Parties **				
(a) Subsidiaries	2,110.00	2,110.00	2,110.00	2,110.00
(b) Companies in the same group	–	–	–	–
(c) Other related parties	18,490.00	18,490.00	3,790.00	3,790.00
2. Other than related parties @	168,497.88	167,289.56	71,358.18	71,158.20
Total	189,097.88	187,889.56	77,258.18	77,058.20

@ being cost of unquoted investments net of provision in diminution (if any)

** As per Accounting Standard issued by the Institute of Chartered Accountants of India (see footnote 3 below)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**7. Other information**

		(₹ in Lakh)	
Particulars		2013-14	2012-13
(i)	Gross Non-Performing Assets	52,447.43	20,868.27
	(a) Related parties	-	-
	(b) Other than related parties	52,447.43	20,868.27
(ii)	Net Non-Performing Assets	42,543.85	16,863.46
	(a) Related parties	-	-
	(b) Other than related parties	42,543.85	16,863.46
(iii)	Assets acquired in satisfaction of debt	3,311.56	471.88

8. No Loans (availed by the Company) remain overdue as on March 31, 2014 and March 31, 2013.

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.

Note 41 (ii): Details of accounts restructured during the year ended March 31, 2014.

		₹ in lakhs															
			Under CDR Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2013	No. of borrowers	4	2	-	-	6	3	-	-	-	3	7	2	-	-	9
		Amount outstanding	43,194	5,498	-	-	48,692	13,632	-	-	-	13,632	56,826	5,498	-	-	62,324
		Provision thereon	6,299	1,220	-	-	7,519	728	-	-	-	728	7,027	1,220	-	-	8,247
2	Fresh restructuring during the year	No. of borrowers	5	-	-	-	5	5	-	-	-	5	10	-	-	-	10
		Amount outstanding	53,683	-	-	-	53,683	30,549	-	-	-	30,549	84,232	-	-	-	84,232
		Provision thereon	8,109	-	-	-	8,109	2,514	-	-	-	2,514	10,623	-	-	-	10,623
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	NA	NA	NA	-	-	NA	NA	NA	-	-	NA	NA	NA	-
		Amount outstanding	-	NA	NA	NA	-	-	NA	NA	NA	-	-	NA	NA	NA	-
		Provision thereon	-	NA	NA	NA	-	-	NA	NA	NA	-	-	NA	NA	NA	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	-	-1 / 1	1	-	-2 / 2	-1	1	-	-	-1 / 1	-2	-1 / 2	1	-	-3 / 3
		Amount outstanding	-17,167	-3312 / 17836	3,286	-	-20,479 / 21,122	-3,046	3,046	-	-	-3046 / 3046	-20,213	-3312 / 20882	3,286	-	23525 / 24168
		Provision thereon	-2,347	-851 / 3774	851	-	-3198 / 4625	-397	397	-	-	-397 / 397	-2,744	-851 / 4171	851	-	-3595 / 5022
6	Adjustments on account of Recovery / FITL / Additional finance	No. of borrowers	3	1	-	-	4	3	-	-	-	3	6	1	-	-	7
		Amount outstanding	-4,352	-171	-	-	-4,523	-932	-	-	-	-932	-5,284	-171	-	-	-5,455
		Provision thereon	-474	-	-	-	-474	351	-	-	-	351	-123	-	-	-	-123

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

₹ in lakhs																		
			Under CDR Mechanism					Others					Total					
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
7	Write-offs of restructured accounts during the FY (refer foot note 2 below)	No. of borrowers	-	-	-	-	-	-	-1	-	-	-	-1	-	-1	-	-	-1
		Amount outstanding	-	-	-	-	-	-	-3,046	-	-	-	-3,046	-	-3,046	-	-	-3,046
		Provision thereon	-	-	-	-	-	-	-397	-	-	-	-397	-	-397	-	-	-397
8	Restructured Accounts as on March 31, 2014	No. of borrowers	8	2	1	-	11	7	-	-	-	7	15	2	1	-	18	
		Amount outstanding	75,358	19,851	3,286	-	98,495	40,203	-	-	-	40,203	115,561	19,851	3,286	-	138,698	
		Provision thereon	11,587	4,444	851	-	16,882	3,196	-	-	-	3,196	14,783	4,444	851	-	20,078	
9	Assets not restructured as on 31-3-2014 for borrowers where one or more other facilities were restructured not included above.	No. of borrowers	1	-	-	-	1	2	-	-	-	2	3	-	-	-	3	
		Amount outstanding	15,000	-	-	-	15,000	5,404	-	-	-	5,404	20,404	-	-	-	20,404	

Foot note:

- There are no restructuring under SME Debt Restructuring Mechanism.
- Figures under Sr. No 7 comprises of the sale of restructured assets to ARC.

41 (iii) Details of financials assets sold to SC/RC for Assets Reconstruction

		(₹ in Lakh)	
Particulars		2013-14	2012-13
a	No. of accounts	4	-
b	Aggregate value (net of provisions) of accounts sold to SC / RC	11,172.93	-
c	Aggregate consideration	11,172.93	-
d	Additional consideration realised in respect of accounts transferred in earlier years	-	-
e	Aggregate gain / loss over net book value	-	-

42 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

In terms of our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm Registration No. 117366 W/W-100018)

KALPESH J. MEHTA

Partner

(Membership No. 48791)

Y. M. DEOSTHALEE

Chairman

G. KRISHNAMURTHY

Manager & Chief Executive

N. SIVARAMAN

Director

SUNEET K. MAHESHWARI

Director

Place : Mumbai

Date : April 22, 2014

Place : Mumbai

Date : April 22, 2014

DIRECTORS' REPORT

Dear Members,

The Directors present their Eighteenth Annual Report and the Audited Statement of Accounts for the Year ended March 31, 2014.

FINANCIAL RESULTS

Particulars	(₹ in lakh)	
	2013-14	2012-13
Gross Income	5	5
Profit/ (Loss) before tax	(1.19)	(4.89)
Less: Provision for Taxation	–	(0.71)
Profit after Taxation	(1.19)	(5.60)
Add: Profit/ (Loss) b/f from previous year	(8.29)	(2.69)
Surplus/(Deficit) in the statement of Profit & Loss	(9.48)	(8.29)

ISSUE OF CAPITAL

During the Financial Year under review, your Company had issued 1,00,000 equity shares of ₹ 10 each at par to L&T Finance Holdings Limited, the existing shareholder of the Company.

DIVIDENDS

It is proposed not to recommend any dividend to the Members.

OPERATIONS OF THE COMPANY

- In the financial year 2013-14, L&T Mutual Fund ("the Fund") was one of the fastest growing fund houses in the Indian mutual fund industry. The average assets under management (AAUM) stood at ₹ 18,255 crores for the year ended March 2014 as against ₹ 11,170 crores in March 2013, a stellar growth of 63%. This growth in assets has been against a backdrop of industry's 11% growth during the same period and at a time when financial markets in India faced significant volatility.
- Post acquisition of the trustee company (L&T Trustee Services Private Limited ("LTTSP")) of Fidelity in India, with a view to simplify the holding structure of the group and bring operational efficiency, it was proposed to amalgamate LTTSP with the Company and necessary application has been filed with Hon'ble High Court, Bombay seeking its approval for the proposed amalgamation.

MARKET OVERVIEW AND OUTLOOK

Equity Market Overview and Outlook

The Indian economy is going through a period of trough and has been growing at sub 5%. Observing the breakup of the real GDP, it is seen that the industrial growth has slowed down considerably whereas services has held up steady and agriculture has bounced back in FY14. The Current Account Deficit which went above 6% in Dec 2012 has been reigned in now to below 2% and so have the rupee depreciation and consumer inflation. These factors are more benign now compared to mid FY14 when these were proving to destabilize the economic environment.

Going forward, a few key factors may decide the fate of the economy viz. 1. New Government and its policies 2. The lagged impact of last year's policy measures of the incumbent Government. 3. The monsoon and its impact on agriculture growth in the wake of a threat of El-Nino 4. Rupee movement and its impact on exports 5. Consumer Inflation and the resultant RBI stance on interest rates. As is known, RBI has stated 6% CPI inflation target by Jan 2016 and has indicated inflation its topmost priority.

As far as the Indian stock markets are concerned, the rally in the recent months indicates that the market is expecting a positive election verdict. The BSE Sensex is trading at about 15XFY14E and 13XFY15E. The markets had traded upto peak valuations of 22X one year forward earnings estimates in end 2007.

Today, there is a wide disparity in valuations across sectors with consumers and pharmaceutical stocks trading much higher versus remaining sectors, although recent rally has bridged the gap partially. Overall, in an expansionary economy mode, one may witness a further rally in the markets and bridging of the valuation gap within cyclical and defensives.

Foreign funds continued to be positive on Indian markets. FII flows which were strong at 20bn\$ in 2013 have continued to be positive till March 2014.

Compared to emerging markets, India is either at par or marginally expensive. However, given our favourable demographics, such premium may be justified. Overall, the Indian markets still look undervalued from a longer term growth perspective.

Debt Market Overview and Outlook

Indian government bond yields have risen around 85 bps over the course of FY14, ending the year at 8.80% versus a low of 7.12% in May 2013. In its bi-monthly review of the monetary policy on 1 April, the RBI kept key rates unchanged (repo rate at 8%), maintaining their focus on bringing CPI down sustainably to 8% by Jan 2015 and 6% by Jan 2016. The RBI increased the liquidity provided under term repos from 0.5% of NDTL of the banking system to 0.75%, and decreased the liquidity provided under overnight repos under the LAF from 0.5% of bank-wise NDTL to 0.25% with immediate effect.

The government will raise ₹ 3.68 trillion (\$61.4 billion) through bond sales in the first half of the fiscal beginning 1 April, which is 61.6% of the total

borrowing scheduled for FY 2015. With the new auction calendar kick-starting in April, markets will be keenly watching investor appetite as also any signs of RBI resuming its open market operations at the longer end of the curve. However, communication from the RBI governor so far has been fairly clear that it would not use OMOs to support yields, but only for liquidity injection through securities at the short end. Hence, markets would have to evolve an equilibrium level for gsec yields, devoid of RBI support. Similar to equities - critical trigger for fixed income markets would be the election results, and strength and resolve of the new government to implement credible fiscal consolidation and inflation control strategies.

Hence – while the pre-election period is likely to witness range-bound yields with an upward bias to yields on account of large supply, medium term clarity on the direction of fixed income markets is expected to emerge only after the elections.

DIRECTORS

Presently the Board comprises of Mr. Y.M. Deosthalee, Mr. V. Natarajan, Mr. Hemant Joshi and Mr. Jairaj Purandare as Directors of the Company.

During the year under review, Mr. Jairaj Purandare was appointed as the Additional Director on the Board of the Company with effect from September 17, 2013.

In terms of provisions of the Companies Act, 2013 (“the Act”), Mr. Y.M. Deosthalee, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

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 and Mr. Hemant Joshi. None of the Members of the Audit Committee is a Whole-time Director of the Company.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with requirements under the Securities and Exchange of India (Mutual Funds) Regulations, 1996.

AUDITORS

M/s. Price Waterhouse, Chartered Accountants, having firm registration number 301112E, Auditors of the Company (appointed effective December 26, 2013 as a result of casual vacancy caused by resignation of M/s Mukesh P. Shah, Chartered Accountants) hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Act for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, the Company cannot appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting (“AGM”).

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Considering, M/s. Price Waterhouse, Chartered Accountants has already served as Statutory Auditors of the Company for a period of 1 year, the Company could re-appoint them for a maximum period of 9 years (one term of 4 years and the other term of 5 years). The Audit committee and Board of Directors of the Company have recommended their appointment for only one year i.e. from the conclusion of the Eighteenth AGM till the conclusion of the Nineteenth AGM, subject to approval by the Members in the AGM of the Company.

The Company has received necessary declarations / certificate from the Auditors with respect to the proposed appointment as required under the provisions of the Act.

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 the Directors.

SUBSIDIARY COMPANY

LTTSP is the wholly owned subsidiary of the Company and since LTTSP is a dormant company, necessary steps are being taken to amalgamate LTTSP with the Company.

PARTICULARS OF EMPLOYEES

During the year under review there was no employee covered by the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 read with Companies (Particulars of Employees) Amendment Rules, 2011.

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 were no foreign exchange earnings or outgo.

L&T MUTUAL FUND TRUSTEE LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representation received from the Management, confirms 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, 2014 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;

ACKNOWLEDGEMENT

Your Directors place on record their appreciation to the Company's Bankers, Custodians, Registrars and most of all, the Investors of the Fund, for their continued co-operation and support. Further, your Directors wish to place on record their appreciation of the dedication and commitment of the employees of L&T Investment Management Limited.

On behalf of the Board of Directors of

Y. M. DEOSTHALEE
Director

HEMANT JOSHI
Director

Place: Mumbai

Date: April 21, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T MUTUAL FUND TRUSTEE LIMITED

Report on the financial statements

1. We have audited the accompanying financial statements of **L&T MUTUAL FUND TRUSTEE LIMITED** (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Other matter

7. The financial statements of the Company as at March 31, 2013 and for the year then ended were audited by another firm of chartered accountants who, vide their report dated April 23, 2013 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), 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 Order.
9. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number: 301112E
by the hand of

VIVEK PRASAD

Partner

Membership Number: 104941

Place : Mumbai
Date : April 21, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

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

Referred to in paragraph 8 of the Auditors' Report of even date to the members of L&T Mutual Fund Trustee Limited on the financial statements as of and for the year ended 31st March, 2014.

- i. (a) The Company does not hold any fixed assets during the year ended 31st March, 2014. Therefore, the provisions of Clause 4(i) of the Order are not applicable to the Company.
- ii. (a) The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the said Order are not applicable to the Company.
- iii. (a) 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. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the 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 system.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
(b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including investor education and protection fund, income tax, sales tax, wealth tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax and service-tax which have not been deposited on account of any dispute.
- x. The accumulated losses of the Company exceeded fifty percent of its net worth as at 31st March, 2014 and it has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order 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 Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number: 301112E
by the hand of

VIVEK PRASAD

Partner

Membership Number: 104941

Place : Mumbai
Date : April 21, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	15.00	5.00
Reserves and surplus	4	(9.48)	(8.29)
		<u>5.52</u>	<u>(3.29)</u>
Current liabilities			
Trade payables	5	1.20	2.19
Other current liabilities	6	0.16	13.81
		<u>1.36</u>	<u>16.00</u>
TOTAL		<u><u>6.88</u></u>	<u><u>12.71</u></u>
ASSETS			
Non-current assets			
Long-term loans and advances	7	1.68	4.80
		<u>1.68</u>	<u>4.80</u>
Current assets			
Current investments	8	1.00	3.18
Trade receivables	9	1.26	1.26
Cash and cash equivalents	10	2.51	3.30
Short-term loans and advances	11	0.43	0.17
		<u>5.20</u>	<u>7.91</u>
TOTAL		<u><u>6.88</u></u>	<u><u>12.71</u></u>

The accompanying notes are integral part of the financial statements

As per our attached report on even date

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

VIVEK PRASAD

Partner

Membership Number : 104941

Place : Mumbai

Date : April 21, 2014

For and on behalf of the Board

Y. M. DEOSTHALEE

Director

JAIRAJ PURANDARE

Director

Place : Mumbai

Date : April 21, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
INCOME:			
Revenue from operations (net of service tax)	12	5.00	5.00
Other income	13	0.35	-
Total Income		5.35	5.00
EXPENSES:			
Other expenses	14	6.54	9.89
Total Expenses		6.54	9.89
Profit / (Loss) before tax		(1.19)	(4.89)
Less:			
Tax expense:			
(a) Current tax expense for current year		-	-
(b) Short / (excess) provision relating to prior years		-	0.71
Loss after tax		(1.19)	(5.60)
Basic earnings per equity share in ₹		(0.95)	(11.20)
Diluted earnings per equity share in ₹		(0.95)	(11.20)
Nominal value per share in ₹		10.00	10.00

The accompanying notes are integral part of the financial statements

As per our attached report on even date

For and on behalf of the Board

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

VIVEK PRASAD

Partner

Membership Number : 104941

Y. M. DEOSTHALEE

Director

JAIRAJ PURANDARE

Director

Place : Mumbai

Date : April 21, 2014

Place : Mumbai

Date : April 21, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014		For the year ended 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
Cash flow from operating activities				
Loss before tax		(1.19)		(4.89)
Adjustments for:				
Interest Income	(0.04)			
Profit on sale of current investments (net)	(0.31)			
Adjustments		(0.35)		
Operating profit/(loss) before working capital changes		(1.54)		(4.89)
Changes in working capital				
Adjustment for (increase) / decrease in operating assets				
Trade receivables	-		(0.02)	
Short term loans and advances	(0.26)		(0.13)	
Long term loans and advances	2.57		0.14	
Adjustment for increase / (decrease) in operating liabilities				
Trade and other payables	(0.99)		1.19	
Other current liabilities	(13.65)		0.65	
Changes in working capital		(12.33)		1.83
Cash used in operations		(13.87)		(3.06)
Net taxes refund/(paid)		0.59		(0.71)
Net cash used in operating activities (A)		(13.28)		(3.77)
Cash flows from investing activities				
Purchase of current investments	-		(2.00)	
Investment in Subsidiary	-		(1.00)	
Proceeds on sale of current investments	2.49		-	
Net cash from/ (used) investing activities (B)		2.49		(3.00)
Cash flows from financing activities				
Issue of Share Capital	10.00		-	
Temporary advance from LTFH	-		10.00	
Net cash generated from financing activities (C)		10.00		10.00
Net Increase/ (Decrease) in cash and cash equivalents (A+B+C)		(0.79)		3.23
Cash and cash equivalents as at beginning of the period		3.30		0.07
Cash and cash equivalents as at end of the period (Refer note 10)		2.51		3.30

As per our attached report on even date

For and on behalf of the Board

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

VIVEK PRASAD

Partner

Membership Number : 104941

Y. M. DEOSTHALEE

Director

JAIRAJ PURANDARE

Director

Place : Mumbai

Date : April 21, 2014

Place : Mumbai

Date : April 21, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS

1 BACKGROUND

L&T Mutual Fund Trustee Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The principal shareholder of the Company as at 31st March, 2014 is L&T Finance Holdings Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

2.2 Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.4 Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection

Trusteeship Fees

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

Profit or loss on Sale of Investments

The gains/ losses on sale of investments are recognised in the statement of profit and loss on the trade day. Profit or loss on sale of investments is determined on weighted average cost basis.

2.5 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 and deferred tax. Deferred tax assets and liabilities are recognised 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 unrealised deferred tax asset, to the extent that there is virtual certainty that sufficient future taxable income will be available.

2.6 Provisions, Contingent Liabilities and 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."

2.7 Earnings Per Share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**3 SHARE CAPITAL**

The Company has issued Equity Share Capital, the details in respect of which are given below

Number, face value and amount of shares authorised, issued, subscribed and paid-up	As at 31.03.2014		As at 31.03.2013	
	Number	Amount (₹ In Lakh)	Number	Amount (₹ In Lakh)
Authorised				
Equity shares of ₹ 10 each with voting rights	150,000	15.00	50,000	5.00
Issued, Subscribed and Paid-up				
Equity shares of ₹ 10 each fully paid up	150,000	15.00	50,000	5.00
TOTAL	150,000	15.00	50,000	5.00

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

	As at 31.03.2014		As at 31.03.2013	
	Number	Amount (₹ In Lakh)	Number	Amount (₹ In Lakh)
Balance at the beginning of the year	50,000	5.00	50,000	5.00
Add : Shares issued during the year	100,000	10.00	-	-
Less : Shares bought back during the year	-	-	-	-
Balance at the end of the year	150,000	15.00	50,000	5.00

b) The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholdings.

(c) Shares in the Company held by the holding company

150,000 Equity Shares as at March 31, 2014 (previous year 50,000 by L&T Finance Limited till March 27, 2013) are held by L&T Finance Holdings Limited, the Holding Company w.e.f. March 28, 2013.

Shares in the Company held by shareholders more than of 5% of the aggregate equity shares as at the reporting date

(d) Name of Shareholder

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
L&T Finance Holdings Limited	150,000	100%	50,000	100%

	As at 31.03.2014	As at 31.03.2013
	(₹ In Lakh)	(₹ In Lakh)

4 RESERVES & SURPLUS

Deficit in Statement of Profit and Loss

Balance as at the beginning of the year	(8.29)	(2.69)
Add : Net profit/(loss) for the year	(1.19)	(5.60)
Balance at the end of the year	(9.48)	(8.29)

5 TRADE PAYABLES

Trade payables	1.20	2.19
TOTAL	1.20	2.19

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2014	As at 31.03.2013		
	(₹ In Lakh)	(₹ In Lakh)		
6 OTHER CURRENT LIABILITIES				
Statutory dues (including withholding taxes)	0.16	0.68		
Short term advance from holding company (L&T Finance Holding Limited)	-	10.00		
Other current liabilities	-	3.13		
TOTAL	0.16	13.81		
7 LONG TERM LOANS AND ADVANCES				
Unsecured, considered good (unless otherwise stated)				
Advance income tax (Net of provision for income tax)	1.68	1.67		
Other receivables	-	3.13		
TOTAL	1.68	4.80		
8 INVESTMENTS				
Current Investments (Unquoted) (at lower of cost and fair value)				
Investments in units of Mutual Funds	-	2.18		
Current Portion of Long Term Investment (Unquoted)				
Investments in subsidiary company (Note 16&17)	1.00	1.00		
TOTAL	1.00	3.18		
Details of current investments				
	No. of Shares / Units		Amount (₹ In Lakh)	
	As at	As at	As at	As at
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Current investments				
Investments in units of Mutual Funds				
L&T Ultra Short Term Fund - Growth	-	9,289.6680	-	1.70
L&T Ultra Short Term Fund Regular - Cumulative	-	2,877.7690	-	0.48
Investments in shares of subsidiary company				
L&T Trustee Services Private Limited	10,000	10,000	1.00	1.00
Total Current Investments			1.00	3.18
Aggregate value of unquoted investments - At book value			1.00	3.18
			As at 31.03.2014	As at 31.03.2013
			(₹ In Lakh)	(₹ In Lakh)
9 TRADE RECEIVABLES				
Unsecured, considered good (unless otherwise stated)				
Outstanding for a period not exceeding 6 months from the date they are due for payment			1.26	1.26
Others			-	-
TOTAL			1.26	1.26
10 CASH AND CASH EQUIVALENTS				
Balances with banks				
in current accounts			2.51	3.30
TOTAL			2.51	3.30

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**18 Contingent liabilities**

Contingent liability not provided for ₹ Nil (*Previous Year: ₹ Nil*)

19 Commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for is ₹ Nil (*Previous Year Nil*)

20 Disclosure required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

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.

21 Related party disclosure:

Disclosure as required by AS – 18 “Related Party Disclosure” notified under Companies Act, 1956 is as follows:

A Name of the related parties where control exists and description of relationship

- (i) Ultimate Holding Company Larsen & Toubro Limited
- (ii) Holding Company L&T Finance Limited till 27-March-2013
L&T Finance Holdings Limited w.e.f 28-March-2013”
- (iii) Fellow Associate L&T Investment Management Limited
- (iv) Fellow Associate L&T Mutual Fund
- (v) Subsidiary L&T Trustee Services Private Limited w.e.f. 24-November-2012

B Details of Transactions with Related Parties

Particulars	L&T Investment Management Ltd.	L&T Mutual Fund	L&T Trustee Services Private Limited	L&T Finance Holdings Limited	Total
	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)
Reimbursement of Expenses	0.65	-	-	-	0.65
	(4.14)	-	-	-	(4.14)
Trusteeship Fees	-	5.00	-	-	5.00
	(-)	(5.00)	(-)	(-)	(5.00)
Short Term Advance	-	-	-	-	-
	(-)	(-)	(-)	(10.00)	(10.00)
Investment in subsidiary	-	-	1.00	-	1.00
	(-)	(-)	(1.00)	-	(1.00)
Receivable as on 31-Mar-14	-	1.26	-	-	1.26
	(-)	(1.26)	-	-	(1.26)
Payable as on 31-Mar-14	-	-	-	-	-
	(-)	(-)	(-)	(10.00)	(10.00)

Note: Previous year figures have been shown in brackets

22 Segment Reporting

In accordance with Accounting Standard-17 “Segment Reporting” issued by the Institute of Chartered Accountants of India, the Company’s business segment is providing Trusteeship Services to L&T Mutual Fund and it has no other primary reportable Business segments. There is no distinguishable component of the Company engaged in providing services in a different economic environment. The Company renders services in one geographical segment and has no offices outside India. Hence there are no reportable geographical segments.

NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd.)**23 Earnings per Share**

Particulars	Unit	For the year ended 31.03.2014	<i>For the year ended 31.03.2013</i>
Earnings			
Net Loss after tax	₹	(119,380)	<i>(559,843)</i>
Nominal Value of Equity Shares	₹	10	<i>10</i>
No. of Equity Shares	No.	150000	<i>50000</i>
Basic EPS	₹	(0.95)	<i>(11.20)</i>
Diluted EPS	₹	(0.95)	<i>(11.20)</i>

24 Previous year's figures have been regrouped, re-classified and rearranged wherever necessary.

As per our attached report on even date

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number : 301112E

VIVEK PRASAD
Partner
Membership Number : 104941

Place : Mumbai
Date : April 21, 2014

For and on behalf of the Board

Y. M. DEOSTHALEE
Director

JAIRAJ PURANDARE
Director

Place : Mumbai
Date : April 21, 2014

DIRECTORS' REPORT

Dear Members,

The Directors of your Company take pleasure in presenting the Third Annual Report of the Company together with the annual audited statement of accounts for the Financial Year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

Particulars	(₹ in lakh)	
	For the year ended 31.03.2014	<i>For the year ended 31.03.2013</i>
Gross Income	461.92	<i>38.40</i>
Profit / (Loss) before Tax	(2,231.71)	<i>(31.93)</i>
Provision for Tax including Deferred Tax	(332.06)	<i>(6.58)</i>
Profit / (Loss) after Tax	(1,899.65)	<i>(25.35)</i>
Balance brought forward from previous year	(27.58)	<i>(2.23)</i>
Surplus / (Deficit) in the statement of Profit and Loss	(1,927.23)	<i>(27.58)</i>

YEAR IN RETROSPECT

During the year under review, the Company has acquired a property from its ultimate parent company, Larsen & Toubro Limited and has acquired a few residential flats.

The Company has also changed its name to L&T Vrindavan Properties Limited in line with the shift in business focus to provide properties on lease. With the expected leasing of its flagship property to group companies once the property is complete, the Company expects to earn a steady source of revenue over the years.

The Company has also acquired Mudit Cement Pvt. Ltd. (Mudit Cement) during the year. Mudit Cement is currently at an advanced stage of completing construction of its property, a commercial office building, which can be offered on lease basis to group companies.

The Company sourced its funds requirements through a mix of equity financing from the parent company and debt.

FINANCIAL PERFORMANCE

During the year under review, the Company earned a gross income of ₹ 461.92 lakhs as against ₹ 38.40 lakhs earned by it in the previous year. The gross income mainly represents the lease rental income along with the dividend received on investments and interest income earned on deployment of surplus funds in short term avenues.

The total expenditure incurred by the Company during the year under review, mainly comprises finance costs ₹ 2,693.63 lakhs as against ₹ 70.33 lakhs in the previous year. The loss reported by the Company for the financial year ended March 31, 2014 is ₹ 1,899.65 lakhs as compared to the loss of ₹ 25.35 lakhs reported in the previous year due to higher interest outgo to finance construction / acquisition of its properties.

RESOURCES

During the year under review, the Company has allotted 1,42,50,000 Equity Shares of ₹ 10/- each aggregating to ₹ 1,425 lakhs to L&T Finance Holdings Limited, the Holding Company. As on March 31, 2014, the paid-up capital of the Company has increased to ₹ 1,875 lakhs.

The Company also raised an amount of ₹ 20,000 lakhs by issue of Secured Redeemable Non-Convertible Debentures. The said Debentures are listed in BSE Limited. By virtue of the same, the Company is now a Listed company as defined under the Companies Act, 2013.

FIXED DEPOSITS

Since its inception, the Company has not accepted any deposits from the public.

DIRECTORS

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Joydeep Roy would retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

MANAGER

During the year under review, the Company has appointed Mr. Pradeep Shintre as the Manager of the Company for a period of 3 years w.e.f July 18, 2013.

CORPORATE GOVERNANCE

It shall always be the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

M/s. Sharp & Tannan, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. They have confirmed that their re-appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Companies Act, 2013.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

M/s. Sharp & Tannan has already served as the Statutory Auditors of the Company for a period of three years. The Board of Directors recommend the re-appointment of M/s. Sharp & Tannan as the Statutory Auditors of the Company for a period of one year i.e. from the conclusion of the third AGM till the conclusion of the fourth AGM, subject to approval by the members at the AGM of the Company.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is not attached, since there were no employees falling under the purview of sub-section 2A of the said section.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on Conservation of Energy and Technology Absorption are not applicable to the Company.

The Company has neither earned nor spent any amount in foreign exchange during the year under review.

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 March 31, 2014 and of the profit or loss 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's management to the growth of the Company. Their unstinted support has been and continues to be integral to the Company's ongoing success. The Directors also wish to thank the Regulatory/ Government Authorities, Stock Exchanges, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

For and on behalf of the Board

Place : Mumbai
Date : April 18, 2014

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

The Board of Directors provides leadership and guidance to your Company's management and directs, supervises and controls the activities of your Company. At present, the Board comprises three Directors viz. Mr. N. Sivaraman, Mr. Dinanath Dubhashi and Mr. Joydeep Roy.

Separation of Offices of Chairman and Chief Executive

The roles and offices of the Chairman and Manager are separated. The Board elects the Chairman of its meeting at each meeting whereas Mr. Pradeep Shintre is the Manager of your Company.

Remuneration of Directors

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.

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 they have confirmed compliance 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 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.

Internal Auditors

Internal Audit Department of L&T Finance 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 control and risk management controls.

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.

Disclosures

During the financial year ended March 31, 2014:

- 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 generally ensures adherence to the various mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Equity Listing Agreement.
- During the year, the Companies Act, 2013 had received assent from the President of India on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified several sections, and the Company is geared up to implement all of them.

For and on behalf of the Board

Place : Mumbai
Date : April 18, 2014

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T VRINDAVAN PROPERTIES LIMITED (FORMERLY L&T UNNATI FINANCE LIMITED)

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T VRINDAVAN PROPERTIES LIMITED** ("the Company"), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration no.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : April 18, 2014

ANNEXURE TO THE INDEPENDENT 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) In respect of fixed assets as explained to us, all the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us, 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, the Paragraph 4 (ii) (a),(b) and (c) of the Order is 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 or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the 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, the 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 the services rendered. We have neither come across nor have we been informed of any continuing failure to correct major weaknesses in internal control system of the Company.
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 the Paragraph 4 (v) (b) of the Order is not applicable.
6. According to the information and explanations given to us, 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 Section 58A, 58AA of the Companies Act, 1956 and any other relevant provisions and the rules framed thereunder apply.
7. In our opinion, the Company has an internal audit system commensurate with its 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 Section 209(1)(d) of the Companies Act, 1956. Accordingly, the 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, employees state insurance, staff labour fund, income tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records examined by 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, service tax, cess and other statutory dues as applicable that have not been deposited with the appropriate authorities on account of any dispute
10. The Company was incorporated on 16 June 2011 and commenced its business on 4 August 2011. Accordingly, the Paragraph 4 (x) of the Order is not applicable.
11. According to the information and explanations given to us and the records examined by us, the Company has not defaulted in repayment of dues to any debenture holder as at the balance sheet date.
12. According to the information and explanations given to us and the records examined by 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. Accordingly, the 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, the Paragraph 4 (xiii) of the Order is not applicable.
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. The Company has invested surplus fund in the schemes of mutual fund. According to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein.
15. According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the Paragraph 4 (xv) of the Order is not applicable.
16. According to the information and explanations given to us and the records examined by us, the Company has not availed any term loans during the year. Accordingly, the 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. According to the information and explanations given to us and the records examined by us, 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. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.

L&T VRINDAVAN PROPERTIES LIMITED
(Formerly L&T Unnati Finance Limited)

19. According to information and explanations given to us and the records examined by us, securities have been created in respect of debentures issued.
20. According to the information and explanations given to us and the records examined by us, the Company has not raised any money by public issue during the year. Accordingly, the Paragraph 4 (xx) of the Order is not applicable to the Company.
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 instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration no.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

Place : Mumbai
Date : April 18, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No	As at 31.03.2014		As at 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES:					
Shareholders' funds					
(a) Share capital	2	1,875.00		450.00	
(b) Reserves and surplus	3	(1,927.23)		(27.58)	
			(52.23)		422.42
Non current liabilities					
(a) Long term borrowings	4	20,000.00		48,960.00	
(b) Other long term liabilities	5	1,174.72		-	
(c) Long term-provisions	6	4.55		-	
			21,179.27		48,960.00
Current liabilities					
(a) Current maturities of long term borrowings	4	25,886.22		-	
(b) Other current liabilities	7	1,018.31		743.88	
(c) Short term-provisions	8	10.13		-	
			26,914.66		743.88
TOTAL			48,041.70		50,126.30
ASSETS:					
Non - current assets					
(a) Fixed assets	9				
(i) Tangible assets		20,409.80		18,252.20	
(ii) Capital work-in-progress		14,918.15		8,347.61	
		35,327.95		26,599.81	
(b) Non-current investments	10	4,316.72		3,338.88	
(c) Deferred tax assets (net)	11	339.39		7.33	
(d) Long term loans and advances	12	25.66		1.71	
			40,009.72		29,947.73
Current assets					
(a) Current investments	13	5,000.00		20,015.85	
(b) Cash and bank balances	14	70.85		162.59	
(c) Short term loans and advances	15	2,875.66		-	
(d) Other current assets	16	85.47		0.13	
			8,031.98		20,178.57
TOTAL			48,041.70		50,126.30
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES ON THE FINANCIAL STATEMENTS	22				

As per our report of even date

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

PRADEEP SHINTRE

Manager

N.SIVARAMAN

Directors

D. M. DUBHASHI

Directors

Place : Mumbai

Date : April 18, 2014

Place : Mumbai

Date : April 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14		2012-13	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
INCOME					
Revenue from operations	17	163.15		–	
Other income	18	298.77		38.40	
Total income			461.92		38.40
EXPENSES					
Employee benefits expense	19	118.52		–	
Finance costs	20	2,361.11		62.25	
Administration and other expenses	21	122.09		4.46	
Depreciation		91.91		3.62	
Total expenses			2,693.63		70.33
Profit/(loss) before exceptional and extraordinary items and taxes			(2,231.71)		(31.93)
Exceptional items			–		–
Profit/(loss) before extraordinary items and taxes			(2,231.71)		(31.93)
Extraordinary items			–		–
Profit/(loss) before tax			(2,231.71)		(31.93)
Tax expense:					
- Current tax		–		0.75	
- Deferred tax		(332.06)		(7.33)	
			(332.06)		(6.58)
Profit/(loss) for the year			(1,899.65)		(25.35)
Earnings Per Equity Share:					
	22.4				
Basic earnings per equity share (₹)			(27.34)		(1.23)
Diluted earnings per equity share			(27.34)		(1.23)
Face value per equity share (₹)			10.00		10.00
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES ON THE FINANCIAL STATEMENTS	22				

As per our report of even date
SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

PRADEEP SHINTRE
Manager

N.SIVARAMAN
Directors

D. M. DUBHASHI
Directors

Place : Mumbai
Date : April 18, 2014

Place : Mumbai
Date : April 18, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
A. Cash flow from operating activities		
Profit/(loss) before tax as per statement of profit and loss	(2,231.71)	(31.93)
Adjustment for:		
Provision for employee benefits	3.11	-
Depreciation	91.91	3.62
Operating profit before working capital changes	(2,136.69)	(28.31)
Changes in working capital		
(Increase)/ decrease in current and non current assets	(2,961.01)	195.44
Increase/ (decrease) in current and non current liabilities and provisions	1,460.72	741.38
Cash generated from operations	(3,636.98)	908.51
Direct taxes paid	(23.95)	(2.46)
Net cash generated from operating activities (A)	(3,660.93)	906.05
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Sale of current investments (net)	15,015.86	-
	15,015.86	-
Less : Outflow for investing activities		
Purchase of shares of subsidiary company	977.83	-
Purchases of fixed assets	8,820.06	26,603.42
Purchase of current investments (net)	-	20,015.86
Purchase of equity shares	-	3,338.88
	9,797.89	49,958.16
Net cash from(used in) investing activities (B)	5,217.97	(49,958.16)
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	1,425.00	250.00
Proceeds from long term borrowings	-	48,960.00
	1,425.00	49,210.00
Less : Outflows for financing activities		
Repayment of other borrowings (net)	3,073.78	-
	3,073.78	-
Net cash generated from(used in) financing activities (C)	(1,648.78)	49,210.00
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(91.74)	157.89
Cash and cash equivalents as at beginning of the year	162.59	4.70
Cash and cash equivalents as at end of the year	70.85	162.59

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.
- Previous year figures have been regrouped/reclassified wherever applicable.

As per our report of even date

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

FIRDOSH D. BUCHIA

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

For and on behalf of the Board

PRADEEP SHINTRE

Manager

N.SIVARAMAN

Directors

D. M. DUBHASHI

Directors

Place : Mumbai

Date : April 18, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1. BRIEF PROFILE AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, (the "1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 (the "2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable.

B. Use of Estimates

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. Actual results could differ from these estimates. Any change in such estimates is recognised prospectively.

C. Revenue Recognition

- Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- Income from services is recognized as per the terms of contracts on accrual basis.
- Interest income on deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Profit/loss on sale of investments is recognised at the time of actual sale/redemption.
- Dividend is accounted when the right to its receipt is established.

D. 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 licenses 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 licenses for support and maintenance payable annually are charged to the statement of Profit and Loss.

E. Income Taxes

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.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the Guidance Note issued by the ICAI, the said assets is created by way of a credit to the Statement of Profit and Loss.

1.1 Provisions and Contingent Liabilities and contingent assets

A provision is recognised when the Company has a present legal or constructive 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 reliable estimate can be made. Provisions are not discounted to their 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 assets are not recognised.

F. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement

G. Investments

Investments are classified under two categories i.e. Current and Long Term and are valued in accordance with the Accounting Standard (AS) 13 on 'Accounting for Investments'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual investment basis.

'Current Investments' are carried at the lower of cost or fair value on an individual investment basis.

H. Depreciation and Amortisation

Depreciation/Amortization on fixed assets is calculated on a straight-line which reflect the management's estimate of the useful lives of respective fixed assets and are greater than or equal to the corresponding rate prescribed in Schedule XIV of the Act.

I. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

J. Retirement and other employee benefits

Short term employee benefits:

All employee benefits falling due 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 estimated variable remuneration are recognized in the period in which the employee renders the related service.

Post employment benefits:

(a) Defined contribution plans:

The Company's provident fund, pension and superannuation scheme are 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 plan

The Company's gratuity scheme is defined benefit plan. The employee gratuity obligation is determined based on actuarial valuation using 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 recognised immediately in the statement of profit and loss.

K. Impairment of Assets

Tangible fixed 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.

L. Commitments

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- Estimated amount of contracts remaining to be executed on capital account are not provided for.
- Other non cancellable commitments, if any to the extent they are considered material and relevant in the opinion of the management.

M. Borrowing Costs

Borrowing cost includes interest and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs are charged to statement of Profit & Loss in the year in which they are incurred.

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ In Lakh)	No. of Shares	(₹ In Lakh)
2 SHARE CAPITAL				
(I) Share capital authorised, issued and subscribed				
Authorised				
Equity Share of ₹ 10 each	25,000,000	2,500.00	4,500,000	450.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ In Lakh)	No. of Shares	(₹ In Lakh)
Issued, Subscribed & Paid up				
Equity Share of ₹ 10 each fully paid	18,750,000	1,875.00	4,500,000	450.00
Total Issued, subscribed & paid up capital	18,750,000	1,875.00	4,500,000	450.00

(II) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the Company held by the shareholders. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

(III) Reconciliation of the shares outstanding at the beginning and at the end of the year

Equity shares	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ In Lakh)	No. of Shares	(₹ In Lakh)
At the beginning of the year	4,500,000	450.00	2,000,000	200.00
Issued during the year	14,250,000	1,425.00	2,500,000	250.00
Outstanding at the end of the year	18,750,000	1,875.00	4,500,000	450.00

(IV) Equity shares in the Company held by the holding Company

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ In Lakh)	No. of Shares	(₹ In Lakh)
L&T Finance Holdings Limited				
Equity Shares of ₹ 10 each fully paid				
* Held by L&T Finance Holdings Limited and its nominee	18,750,000	1,875.00	4,500,000	450.00
	18,750,000	1,875.00	4,500,000	450.00

(V) Details of shareholders holding more than 5% shares in the Company

Equity Shares	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	% holding	No. of Shares	% holding
L&T Finance Holdings Limited				
Equity Shares of ₹ 10 each fully paid	18,750,000	100.00%	4,500,000	100.00%
* Held by L&T Finance Holdings Limited and its nominee				
	18,750,000		4,500,000	

3 RESERVES AND SURPLUS

	As at 31.03.2014		As at 31.03.2013	
	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)
Surplus in the statement of profit and loss				
As per last balance sheet	(27.58)		(2.23)	
Add: Profit/(loss) for the year	(1,899.65)		(25.35)	
Closing Balance		(1,927.23)		(27.58)
TOTAL RESERVES AND SURPLUS		(1,927.23)		(27.58)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ In lakh)		As at 31.03.2013 (₹ In lakh)	
	Non Current	Current Maturity	Non Current	Current Maturity
4 LONG TERM BORROWINGS				
Secured				
Redeemable non-convertible debentures	20,000.00	-	-	-
Unsecured				
Inter corporate deposit	-	25,886.22	48,960.00	-
TOTAL LONG TERM BORROWINGS	20,000.00	25,886.22	48,960.00	-

I. Redeemable non-convertible debentures

Face value	₹ 25 Lakhs Each
Interest Rate % p.a	10.40%
Date of redemption	March 10, 2017
Redeemable terms	Redeemable at par

Note:

Security: The debentures are secured by pari-passu charge on market value of fixed assets.

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.

II. Inter corporate deposit

Repayment terms	Balance tenure	Non current portion ₹ in Lakh	Current maturities ₹ in Lakh
Bullet	0 to 6 months	-	25,886.22

	As at 31.03.2014 (₹ In Lakh)		As at 31.03.2013 (₹ In Lakh)	
	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)	(₹ In Lakh)
5 OTHER LONG TERM LIABILITIES				
Security deposit		1,174.72		-
TOTAL		1,174.72		-
6 LONG TERM PROVISIONS				
Gratuity		4.55		-
TOTAL LONG TERM PROVISIONS		4.55		-
7 OTHER CURRENT LIABILITIES				
Interest accrued but not due on borrowings		842.71		11.29
Statutory dues		29.02		6.45
Accrued expenses		12.71		-
Other liabilities		133.87		726.14
TOTAL OTHER CURRENT LIABILITIES		1,018.31		743.88
8 SHORT-TERM PROVISIONS				
For employee benefit				
- Gratuity	0.24		-	
- Leave Encashment	9.89		-	
		10.13		-
TOTAL SHORT-TERM PROVISIONS		10.13		-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

9 FIXED ASSETS (AT COST LESS DEPRECIATION)

(₹ in lakh)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	As at April 1, 2013	Additions	Deductions	As at Mar 31, 2014	Upto March 31, 2013	For the year	Deductions / Adjustments	Upto Mar 31, 2014	As at Mar 31, 2014	As at March 31, 2013
Tangible Assets										
Land	15,593.45	–	–	15,593.45	–	–	–	–	15,593.45	15,593.45
Building	2,662.37	2,104.58	–	4,766.95	3.62	71.13	–	74.75	4,692.20	2,658.75
Office equipments	–	81.12	–	81.12	–	4.63	–	4.63	76.49	–
Computers	–	2.91	–	2.91	–	0.19	–	0.19	2.72	–
Furniture & fixtures	–	60.90	–	60.90	–	15.96	–	15.96	44.94	–
Total	18,255.82	2,249.51	–	20,505.33	3.62	91.91	–	95.53	20,409.80	18,252.20
<i>Previous year</i>	–	18,255.82	–	18,255.82	–	3.62	–	3.62	18,252.20	

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	(₹ in lakh)	No. of Shares	(₹ in lakh)
10 NON CURRENT INVESTMENTS				
Trade investments (valued at cost unless stated otherwise)				
A. Unquoted equity instruments				
(i) Investment in subsidiaries				
Mudit Cements Limited (Equity Shares of ₹ 10 each fully paid)	2,104,800	426.10	–	–
B. Quoted equity instruments				
City Union Bank Limited (Equity Shares of ₹ 1 each fully paid)	24,712,337	3,890.62	19,195,012	3,338.88
TOTAL		4,316.72		3,338.88
Less : Provision for diminution in the value of investments		–		–
TOTAL NON CURRENT INVESTMENTS		4,316.72		3,338.88
Particulars			31.03.2013 (₹ in lakh)	31.03.2012 (₹ in lakh)
Aggregate amount of quoted investments (Market value of ₹ 10,336.51 Lakh (<i>Previous Year ₹ 12,986.33 Lakh</i>))			3,890.62	3,338.88
Aggregate amount of unquoted investments			426.10	–
		31.03.2014 (₹ in lakh)		31.03.2013 (₹ in lakh)
11 DEFERRED TAX ASSETS (NET)				
Deferred tax assets				
Unabsorbed bought forward losses		339.39		7.33
TOTAL DEFERRED TAX ASSETS (NET)		339.39		7.33
12 LONG TERM LOANS AND ADVANCES				
Advance taxes (net)		25.66		1.71
TOTAL LONG TERM LOANS AND ADVANCES		25.66		1.71

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	31.03.2014 (₹ in lakh)	31.03.2013 (₹ in lakh)
13 CURRENT INVESTMENTS		
Non trade investments (valued at cost unless stated otherwise)		
Unquoted investment in mutual fund		
L&T Liquid fund direct plan - growth	5,000.00	20,015.85
TOTAL CURRENT INVESTMENTS	5,000.00	20,015.85
14 CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks:		
In current accounts	70.85	162.59
TOTAL CASH AND BANK BALANCES	70.85	162.59
15 SHORT TERM LOANS AND ADVANCES		
Inter corporate deposits	2,875.66	-
TOTAL SHORT TERM LOANS AND ADVANCES	2,875.66	-
16 OTHER CURRENT ASSETS		
Receivable from related Companies	15.54	-
Interest accrued but not due	66.92	-
Advances recoverable in cash or in kind	3.01	0.13
TOTAL OTHER CURRENT ASSETS	85.47	0.13
17 REVENUE FROM OPERATIONS		
Lease rental income	163.15	-
TOTAL REVENUE FROM OPERATIONS	163.15	-
18 OTHER INCOME		
Interest and dividend on investments	224.27	38.40
Interest income on inter corporate deposit	74.50	-
TOTAL OTHER INCOME	298.77	38.40
	2013-14	2012-13
	(₹ in lakh)	(₹ in lakh)
19 EMPLOYEE BENEFITS EXPENSE		
Salaries	102.63	-
Contribution to and provision for:		
Provident fund	3.72	-
ESIC	0.80	-
Gratuity	(1.40)	-
Leave encashment	4.52	-
	7.64	-
ESOP charges	7.22	-
Staff welfare	1.03	-
TOTAL EMPLOYEE BENEFITS EXPENSE	118.52	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	2013-14		2012-13	
	(₹ in lakh)	(₹ in lakh)	(₹ in lakh)	(₹ in lakh)
20 FINANCE COSTS				
Interest on debentures		86.90		–
Interest on Inter corporate deposits		2,274.01		62.25
Others		0.20		–
TOTAL FINANCE COSTS		2,361.11		62.25
21 ADMINISTRATION AND OTHER EXPENSES				
Professional fees		32.53		0.03
Travelling and conveyance		9.45		–
Printing and stationery		1.26		0.11
Electricity charges		24.53		–
Insurance		3.82		–
Telephone, postage and telegrams		0.08		0.01
Advertising and publicity		0.01		–
Filing fees		9.14		2.52
Auditors remuneration				
Audit fees	0.40		0.40	
Limited review fees	0.15		0.15	
Other services	0.29		0.91	
		0.84		
Rates & taxes		6.15		1.45
Repairs & maintenance		22.83		–
Miscellaneous expenses		11.45		0.34
TOTAL ADMINISTRATION AND OTHER EXPENSES		122.09		4.46

22 NOTES TO THE FINANCIAL STATEMENTS

22.1 Disclosure pursuant to Accounting Standard (AS) 15 Revised “Employee Benefits” :

i) **Defined Contribution Plans :**

Amount of ₹ 3.72/- lakh (previous year ₹ NIL) is recognized as an expense and included in employee benefits expenses in the statement of profit and loss.

ii) **Defined Benefit Plans (Gratuity):**

The details of the Company’s post-retirement benefit plans for gratuity for its employees are given below which are certified by the actuary and complied by the management upon which auditors have relied:

	As at 31.03.2014 (₹ in lakh)	As at 31.03.2013 (₹ in lakh)
A. Amount recognised in the Balance Sheet:		
Present value of defined benefit obligation	–	–
- Unfunded obligations	4.79	–
Net liability	4.79	–
B. Expenses recognised in the statement of profit & loss:		
Current service cost	0.90	–
Interest on Defined Benefit Obligation	0.30	–
Net Actuarial Losses / (Gains) Recognised in Year	(0.85)	–
Amount included in “Employee benefit expenses”	0.35	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in lakh)	As at 31.03.2013 (₹ in lakh)
C. Change in the Defined Benefit Obligations:		
Liability at the beginning of the year	-	-
Transferred from group Company	4.44	-
Current service cost	0.90	-
Interest on Defined Benefit Obligation	0.30	-
Net Actuarial Losses / (Gains) Recognised in Year	(0.85)	-
Liability at the end of the year	4.79	-
D. Reconciliation of the Liability Recognised in the Balance Sheet:		
Opening Liability/ (Assets)	-	-
Current Service Cost	0.35	-
Transferred from group Company	4.44	-
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	4.79	-
Expected employers contribution next year	0.24	-

Since, the Company is under arrangement to join the Group Gratuity Scheme of Life Insurance Corporation of India (LIC) administered by trustees and managed by LIC, the disclosure with regards to movement and investment pattern of planned assets has not been made.

Principal actuarial assumptions at the balance sheet date:

	(₹ in lakh)	
Particular	As at 31.03.2014	As at 31.03.2013
Discount rate	9.05%	7.45%
Salary escalation rate	7.00%	7.00%

The amounts pertaining to experience adjustments are as follows:

	(₹ in lakh)				
	As at March 31				
Particulars	2014	2013	2012	2011	2010
- Defined Benefit Obligation	4.79	-	-	-	-
- Plan Assets	-	-	-	-	-
- Surplus /(Deficit)	(4.79)	-	-	-	-
Exp. Adjustment on Plan Liabilities	0.16	-	-	-	-
Exp. Adjustment on Plan Asset	-	-	-	-	-

22.2 Borrowing Cost

Borrowing costs capitalized during the year are ₹ 1,150,60/- lakh (Previous year ₹ 2.11/- lakh).

22.3 Segment Reporting : Accounting Standard – 17

The Company operates mainly in the business segment of investment activity. 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'.

22.4 Related party disclosures: Accounting Standard- 18

(a) List of related party and relationships:

- Ultimate Holding Company
- Larsen & Turbo Limited
- Holding Company
- L&T Finance Holdings Limited
- Subsidiary Company
- Mudit Cements Private Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

Fellow Subsidiary Company

- L&T Finance Limited
- L&T Infrastructure Finance Company Limited
- L&T Housing Finance Limited
- L&T Investment Management Limited
- L&T Capital Markets Limited
- L&T Fincorp Limited
- L&T Infra Debt Fund Limited

(b) Related Party Transaction (Inclusive of service tax)

(₹ in lakh)			
Sr. No.	Nature of Transactions	2013-14	2012-13
1	Issue of Equity Shares to		
	- L&T Finance Holdings Limited	1,425.00	250.00
2	Inter Corporate Borrowings taken from		
	- L&T Finance Holdings Limited	32,835.00	48,960.00
	- L&T Finance Limited	13,623.63	-
	- L&T Fincorp Limited	700.00	-
3	Inter Corporate Deposit given to		
	- Mudit Cement Private Limited	2,895.66	-
4	NCD taken from		
	- L&T Finance Holdings Limited	500.00	-
5	Inter Corporate Borrowings repaid		
	- L&T Finance Holdings Limited	55,908.78	-
	- L&T Finance Limited	13,623.63	-
	- L&T Fincorp Limited	700.00	-
6	Interest Expended on NCD		
	- L&T Finance Holdings Limited	0.85	-
7	Purchase of Fixed Assets from		
	- L&T Finance Limited	-	25,635.51
8	Interest Expended on Inter Corporate Borrowings		
	- L&T Finance Holding Limited	2,915.19	
	- L&T Finance Limited	508.85	
	- L&T Fincorp Limited	0.58	64.37
9	Purchase of Investment from		
	- L&T Finance Holding Limited	-	3,338.88
10	Reimbursement for capital work in process		
	- L&T Finance Limited	-	963.81
11	Lease Rental Income		
	- L&T Finance Limited	91.98	-
	- L&T Infrastructure Finance Company Limited	20.75	-
	- L&T Housing Finance Limited	17.09	-
	- Larsen & Toubro Limited	13.11	-
	- L&T Investment Management Limited	9.21	-
	- L&T Capital Markets Limited	6.60	-
	- L&T Fincorp Limited	2.40	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

(₹ in lakh)

Sr. No.	Nature of Transactions	2013-14	2012-13
	- L&T Infra Debt Fund Limited	2.01	
12	Interest Income on ICD given to		
	- Mudit Cement Private Limited	74.50	–
13	Professional Fees paid to		
	- Larsen & Toubro Limited	2.17	–
14	ESOP charges debited by		
	- L&T Finance Holdings Limited	7.22	–
15	Construction charges debited by		
	- Larsen & Toubro Limited	930.59	–

(c) Amount due to/from related party:

(₹ in lakh)

Sr. No.	Nature of Transactions	As at 31.03.2014	As at 31.03.2013
1	Account payable to		
	- L&T Finance Limited	–	725.15
	- Larsen & Toubro Limited	58.24	–
	- L&T Finance Holdings Limited	1.75	–
2	Outstanding balance of ICB		
	- L&T Finance Holdings Limited	25,886.22	48,960.00
3	Outstanding balance of NCD		
	- L&T Finance Holdings Limited	500.00	–
4	Interest accrued but not due ICB		
	- L&T Finance Holdings Limited	808.52	11.29
5	Interest accrued but not due on NCD		
	- L&T Finance Holdings Limited	0.85	–
6	Security Deposit taken from		
	- L&T Infrastructure Finance Company Limited	721.18	–
	- L&T Finance Limited	399.27	–
	- L&T Finance Holdings Limited	30.63	–
	- L&T Housing Finance Limited	12.23	–
	- L&T Capital Markets Limited	6.60	–
	- L&T Infra Debt Fund Limited	2.41	–
	- L&T Fincorp Limited	2.40	–
7	Outstanding balance of ICD given		
	- Mudit Cement Private Limited	2,875.66	–
8	Interest accrued but not due on ICD		
	- Mudit Cement Private Limited	66.92	–
9	Receivable from		
	- Larsen & Toubro Limited	13.42	–
	- L&T Housing Finance Limited	0.23	–
	- L&T Investment Management Limited	1.89	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

22.5 Earnings Per Share

Particulars	2013-14	2012-13
Basic & Diluted		
Profit / (Loss) after tax as per statement of profit and loss (i)	(1,899.65)	(25.35)
Weighted average number of equity shares outstanding (ii)	6,948,630	2,068,493
Basic & Diluted EPS (₹) iii (i/ii)	(27.34)	(1.23)

22.6 The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March, 2014. 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.

22.7 Borrowing costs capitalized during the year are ₹ 1,150.60/- lakh (Previous Year : ₹ 2.11/- lakh)

22.8 The Company has an outstanding capital commitments amount of ₹ 1,187.81/- lakh (Previous Year : ₹ 1,203.37/- lakh)

22.9 There are no contingent liabilities as on 31st March, 2014.

22.10 Previous year figures have been re-grouped or reclassified wherever necessary.

As per our report of even date
SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership no. 38332

PRADEEP SHINTRE
Manager

N.SIVARAMAN
Directors

D. M. DUBHASHI
Directors

Place : Mumbai
Date : April 18, 2014

Place : Mumbai
Date : April 18, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Twenty Fourth Annual Report of the Company together with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

Particulars	(₹ in lakh)	
	For the year ended 31.03.2014	<i>For the year ended 31.03.2013</i>
Gross Income	-	-
Less: Total Expenses	104.94	-
Profit / (Loss) incurred during the year under review	(104.94)	-
Balance brought forward from previous year	(2.07)	-
Surplus / (Deficit) in the statement of Profit and Loss	(107.01)	<i>(2.07)</i>

FINANCIAL PERFORMANCE

During the year under review, your Company has incurred a total expenditure of ₹ 104.94 lakhs (Previous year – Nil), mainly comprising of finance costs. The loss reported by the Company during the year is due to interest outgo to finance construction of its property. The accumulated loss as at March 31, 2014 is ₹ 107.01 lakhs.

The Company is currently at an advanced stage of completing construction of its property, a commercial office building, which could be offered on lease to group companies.

The Company sourced its funds requirements through debt financing from the parent.

HOLDING COMPANY

During the year under review, the Company was acquired by L&T Vrindavan Properties Limited (formerly known as L&T Unnati Finance Limited). In view of the same, the Company is now a wholly owned subsidiary of L&T Vrindavan Properties Limited.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

DIRECTORS

Pursuant to the provisions of Section 161 of the Companies Act, 2013, read with the relevant provisions in the Articles of Association, Mr. C. S. Damle and Ms. Raji Vishwanathan were appointed as additional directors by the Board of Directors of the Company with effect from December 27, 2013. They hold office as Directors up to the date of the forthcoming AGM. Your Company has received a notice in writing from a Member proposing their candidature for the office of Directors.

AUDITORS

M/s. ASG & Associates, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting (AGM). The Company has received a letter from M/s. ASG & Associates regarding their unwillingness to be re-appointed as Statutory Auditor of the Company for the Financial year 2014-15 and thereafter.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014.

Since M/s. ASG & Associates have conveyed their un-willingness to be re-appointed as Statutory Auditors, the Board of Directors of the Company recommend the appointment of M/s. Sharp & Tannan, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of twenty fourth AGM till the conclusion of twenty ninth AGM, subject to ratification by the members at the AGM of the Company.

PARTICULARS OF EMPLOYEES

There were no employees falling under the purview of Section 217 (2A) of the Companies Act, 1956 during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on Conservation of Energy and Technology Absorption are not applicable to your Company.

Your Company has neither earned nor spent any amount in foreign exchange during the year under review.

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 departures;
- 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, 2014 and of the profit or loss 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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.

ACKNOWLEDGEMENT

Your Directors wish to express their deep sense of appreciation for the support and co-operation extended by the Company's bankers and its stakeholders.

For and on behalf of the Board of Directors

RAJI VISHWANATHAN

Director

C S DAMLE

Director

Place : Mumbai

Date : April 17, 2014

AUDITORS' REPORT

TO THE MEMBERS OF MUDIT CEMENT PRIVATE LIMITED

- 1) We have audited the attached Balance Sheet of **MUDIT CEMENT PRIVATE LIMITED** as at 31st March, 2014 and also the Profit and Loss Account of the company for the year ended on that date annexed thereto. These financial statements are 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order, 2003 ('Order') (as amended by the Companies (Auditors' 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, 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.
 - (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;
 - (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 Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss Account 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 by us from the directors of the company as at 31st March 2014 and taken on record by the Board of Directors we report that none of the directors is disqualified as at 31st March 2014 from being appointed as director of the company under clause (g) of sub-section (1) of the sec 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 Balance Sheet and Profit and Loss Account read together with the Significant Accounting Policies and other notes 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 the affairs of the Company as at 31st March, 2014 and
 - (ii) In the case of Profit and Loss Account of the loss of the Company for the year ended on that date.

For A S G & ASSOCIATES

Chartered Accountants

FRN : 000389N

AMAR JEET SINGH

(Partner)

M. No. : 089285

Place: Mumbai

Date: April 17, 2014

ANNEXURE TO THE AUDITORS' REPORT**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE.**

TO THE SHAREHOLDERS OF MUDIT CEMENT PRIVATE LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2014.

- (i) (a) In our opinion, the company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals, no material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern status of the company.
- (ii) The Company had no inventory at any point of time during the year under consideration. Hence provision of Clause 4(iii) (a), (b) & (c) are not applicable.
- (iii) a) The Company has not granted loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained Under Section 301 of the Act. Hence provision of clause 4(iii) (a),(b),(c),and (d) of the order are not applicable.
- e) The Company has taken loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Number of such parties are Seven and the amount outstanding as on 31.03.2014 is ₹ 2,875.66 Lacs (Maximum amount outstanding during the year is ₹ 3,625.31 Lacs).
- f) The rate of interest and other terms and conditions of loans taken by the company, are not prima facie prejudicial to the interest of the company; and
- g) Since these loans are repayable on demand, hence no repayment of loan/interest has been made regularly.
- (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 and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) (a) In our opinion, the particulars of contracts or arrangement that need to be entered into the register maintained under section 301, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in the 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 as compared to the prices of similar items supplied by other parties.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- (vii) Though the Company has Paid-up Capital and Reserves exceeding Rupees Fifty Lacs, its average annual turnover during the three consecutive financial years immediately preceding the year under review did not exceed Rupees Five Crores, hence, the Company has no internal audit system. However, the Company has explained that its internal control procedure involve reasonable internal checking of its financial records which is considered adequate under the circumstances.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the companies Act, 1956.
- (ix) In respect of statutory dues :
- (a) According to the records of the Company, undisputed statutory dues including Income-Tax, Sales Tax, Wealth Tax, Labour Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as on 31st March 2014 for a period of more than six months from the date they became payable.
- (b) According to information and explanations given to us, there are no dues outstanding of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty or Cess on account of any dispute.
- (x) The Company has accumulated losses of ₹ 107.01 Lacs as at the end of the financial year and it has incurred cash losses of ₹ 92.57 Lacs in the current financial year and ₹ NIL in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not taken any loans from the financial institutions, banks or debenture holders and hence, there is no default in the repayment of the same.
- (xii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that since the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, it is not required to maintain records in respect thereof.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provisions of special statute relating to chit fund are applicable. Accordingly paragraph (xiii) of th is not applicable.
- (xiv) According to the information and explanations given by management, the Company is not dealing or trading in shares, securities, debentures and other investments. Hence provision of clause 4(xiv) of the order are not applicable
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantee for loans taken by others from Banks or financial institutions are not prima facie prejudicial to the interests of the company.
- (xvi) The Company has not taken any term loan. Accordingly, paragraph 4(xvi) of the Order is not applicable.
- (xvii) Based on our examination of the Balance Sheet of the Company as at 31st March 2014, and information and explanations given to us, we report that the company has used a sum of ₹ 49.80 Lacs, raised on short-term basis for long-term investment in fixed assets during the year.

MUDIT CEMENT PRIVATE LIMITED

- (xviii) During the year, the Company has not made any preferential allotment to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956. Hence, paragraph 4(xviii) of the Order is not applicable on the company.
- (xix) The Company has not issued any debentures during the year ended 31st March 2014. Accordingly, paragraph 4 (xix) of the Order is not applicable.
- (xx) During the year ended 31st March 2014, the Company has not raised money by way of public issue. Accordingly, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based on the audit procedures performed 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 year.

For **A S G & ASSOCIATES**

Chartered Accountants

FRN : 000389N

AMAR JEET SINGH

(Partner)

M. No. : 089285

Place: Mumbai

Date: April 17, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	2	210.48		210.48	
Reserves and surplus	3	(107.01)		(2.07)	
			103.47		208.41
Non-current liabilities					
			-		-
Current liabilities					
Short term borrowings	4	2,875.66		1,376.01	
Other current liabilities	5	72.50		1,500.00	
			2,948.16		2,876.01
TOTAL			3,051.63		3,084.42
ASSETS:					
Non-current assets					
Fixed Assets	6				
Tangible assets		3,035.35		202.17	
Intangible assets		-		-	
CWIP		1.00		2,796.74	
			3,036.35		2,998.91
Long term loans and advances	7		0.81		0.81
Current assets					
Cash and bank balances	8	14.08		84.70	
Other current assets	9	0.39		-	
			14.47		84.70
TOTAL			3,051.63		3,084.42
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	12				

As per our report of even date
For A S G & ASSOCIATES
Chartered Accountants
Firm's registration no. 000389N
by the hand of

For and on behalf of the Board

AMAR JEET SINGH
Partner
Membership no. 089285

C S DAMLE
Directors

RAJI VISHWANATHAN
Directors

Place : Mumbai
Date : April 17, 2014

Place : Mumbai
Date : April 17, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14		2012-13	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
INCOME:					
Revenue from operations			-		-
Total income			-		-
EXPENSES:					
Finance costs	10	74.50		-	
Administration and other expenses	11	18.07		-	
Depreciation		12.37		-	
Total expenses			104.94		-
Loss before tax			(104.94)		-
Tax expense:					
Current tax		-		-	
Deferred tax		-		-	
			-		-
Loss for the year			(104.94)		-
Earnings Per Equity Share:					
Basic earnings per equity share			(4.99)		-
Diluted earnings per equity share			(4.99)		-
Face value per equity share			10.00		10.00
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	12				

As per our report of even date
For A S G & ASSOCIATES
Chartered Accountants
Firm's registration no. 000389N
by the hand of

For and on behalf of the Board

AMAR JEET SINGH
Partner
Membership no. 089285

C S DAMLE
Directors

RAJI VISHWANATHAN
Directors

Place : Mumbai
Date : April 17, 2014

Place : Mumbai
Date : April 17, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-2014 (₹ in Lakh)	2012-2013 (₹ in Lakh)
A. Cash flow from operating activities		
Profit/(loss) before tax as per the statement of profit and loss	(104.94)	-
Adjustment for:		
Depreciation and amortisation	12.37	-
Operating profit before working capital changes	(92.57)	-
Adjustment for :		
(Increase)/ Decrease in trade and other receivable and advances	(0.39)	-
Increase/ (Decrease) in trade and other payables	(1,427.51)	0.45
Cash (used in)/generated from operations	(1,520.47)	0.45
Direct taxes paid	-	-
Net cash flow from operating activities (A)	(1,520.47)	0.45
B. Cash flows from investing activities		
Less : Outflow from investing activities		
Purchase of fixed asset	49.80	8.77
Net cash from investing activities (B)	(49.80)	(8.77)
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from short term borrowings (net)	1,499.65	83.40
Net cash generated/(used in) from financing activities (C)	1,499.65	83.40
Net cash increase/(decrease) in cash and cash equivalents (A+B+C)	(70.62)	75.08
Cash and cash equivalents as at beginning of the year	84.70	9.62
Cash and cash equivalents as at end of the year	14.08	84.70

Notes:

- Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Purchase of fixed assets includes movements of capital work in process during the year.
- Cash and cash equivalents represent cash, bank balances and deposit with maturity period of less than 3 months.
- Previous year figures have been regrouped wherever applicable.

As per our report of even date
For A S G & ASSOCIATES
Chartered Accountants
Firm's registration no. 000389N
by the hand of

For and on behalf of the Board

AMAR JEET SINGH
Partner
Membership no. 089285

C S DAMLE
Directors

RAJI VISHWANATHAN
Directors

Place : Mumbai
Date : April 17, 2014

Place : Mumbai
Date : April 17, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014

NOTE 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.

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 licenses 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 licenses for support and maintenance payable annually are charged to the statement of Profit and Loss.

D. Investments

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual investment basis. 'Current Investments' are carried at the lower of cost or fair value on an individual investment basis.

E. 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.
- (c) Revenues from the various services that the Company renders 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.

F. Borrowing cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. "

G. Depreciation and Amortisation

Depreciation/ Amortisation on fixed assets is calculated on a straight-line which reflect the management's estimate of the useful lives of respective fixed assets and are greater than or equal to the corresponding rate prescribed in Schedule XIV of the Act

H. 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.

I. Income Taxes

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.

J. 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 events and it is probable that an

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their 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.

K. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

L. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 — Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

M. Commitments

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- Estimated amount of contracts remaining to be executed on capital account are not provided for.
- Other non cancellable commitments, if any to the extent they are considered material and relevant in the opinion of the management.

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
2 SHARE CAPITAL				
2.1 Share capital authorised, issued and subscribed				
Authorised Share Capital				
2,500,000 Equity Shares of ₹ 10/- each		250.00		250.00
Issued, Subscribed and Paid-up Capital				
2,104,800 Equity Shares of ₹ 10/- each fully paid up		210.48		210.48
TOTAL		210.48		210.48

2.2 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Equity Shares of ₹ 10 each fully paid				
At the beginning of the year	2,104,800	210.48	2,104,800	210.48
Issued during the year				
Outstanding at the end of the year	2,104,800	210.48	2,104,800	210.48

2.3 Terms/rights attached to equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

2.4 Shares held by holding company

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Equity Shares of ₹ 10 each fully paid	2,104,800	210.48	2,104,800	210.48

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)**2.5 Shares in the Company held by each shareholder holding more than 5%**

Name of the Shareholder	As at 31.03.2014		As at 31.03.2013	
	No of Shares held	% of Holding	No of Shares held	% of Holding
Equity Shares of ₹ 10 each fully paid				
L&T Vrindavan Properties Limited (Holding company) and its - nominees	2,104,800	100.00%		
Gurjeet Singh Johar			420,960	20.00%
Charanbir Singh Sethi			419,920	19.95%
Rajbir Singh			420,960	20.00%
Sanjay Gupta			420,960	20.00%
Amrit Pal Singh Chadha			420,960	20.00%

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
3 RESERVES & SURPLUS		
Profit & Loss Account		
As at the commencement of year	(2.07)	(2.07)
Add: Addition for the Year	(104.94)	-
Balance carried to Balance Sheet	(107.01)	(2.07)
4 SHORT-TERM BORROWINGS		
Unsecured Loan		
- From Directors	-	630.84
- From Related Companies under the same Management	-	87.17
- Intercorporate Deposits	2,875.66	658.00
TOTAL	2,875.66	1,376.01

Unsecured - Inter Corporate Borrowing

Particulars	Relation	Date of Financing	₹ Lakh	Date of Redemption	Redeemable Terms
L&T Vrindavan Properties Limited	Holding Company	December 27, 2013	2,855.66	December 27, 2014	Bullet
L&T Vrindavan Properties Limited	Holding Company	March 26, 2014	20.00	March 26, 2015	Bullet

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
5 OTHER CURRENT LIABILITIES		
- Payable to Related Parties for Capital Goods	-	1,485.00
- Statutory Dues	3.65	14.00
- Interest payable	66.92	-
- Other Liabilities	1.93	1.00
TOTAL	72.50	1,500.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)**6 FIXED ASSETS**

(₹ in Lakh)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2013	Additions	Sales / Adjustments	As at 31.03.2014	Upto 01.04.2013	For the Year	Deductions / Adjustments	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Tangible Assets										
Land	202.17	-	-	202.17	-	-	-	-	202.17	202.17
Building	-	2,845.55	-	2,845.55	-	12.37	-	12.37	2,833.18	-
Total	202.17	2,845.55	-	3,047.72	-	12.37	-	12.37	3,035.35	202.17
Previous year	202.17	-	-	202.17	-	-	-	-		
Add: Capital work in progress									1.00	2,796.74
									3,036.35	2,998.91

	As at 31.03.2014		As at 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
7 LONG-TERM LOANS & ADVANCES				
Unsecured, Considered Good				
Security Deposits		0.81		0.81
TOTAL		0.81		0.81
8 CASH AND BANK BALANCES				
Cash in hand		-		9.54
Balances with banks				
- in Current Accounts		14.08		75.16
TOTAL		14.08		84.70
9 OTHER CURRENT ASSETS				
Prepaid expenses		0.39		-
TOTAL		0.39		-
		2013-14		2012-13
		(₹ in Lakh)		(₹ in Lakh)
10 FINANCE COST				
Interest on inter corporate borrowing		74.50		-
Other finance charges		-		-
TOTAL		74.50		-
11 ADMINISTRATION AND OTHER EXPENSES				
Rates and taxes		1.13		-
Repairs and maintenance		1.34		-
Electricity and water charges		1.07		-
Auditors remuneration				
Audit fees	0.34		-	
Limited review fees	0.11		-	
Certification and other charges	0.39		-	
		0.84		-
Professional fees		13.33		-
Miscellaneous expenses		0.36		-
TOTAL		18.07		-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)**12 NOTES ON FINANCIAL STATEMENTS****12.1 Segment Reporting : AS 17****Primary Segment (Business Segment)**

The Company operates mainly in the business segment of designing, developing, owning and operating of commercial and residential premises. 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.

12.2 Related Party Disclosures: AS 18**(a) List of Related Parties** (with whom transactions were carried out during the current or previous year)

- A. Holding Company (from December 27, 2013)
 1. L&T Vrindavan Properties Limited
- B. Directors (upto December 27, 2013)
 2. Amrit Pal Singh Chadha
 3. Charanbir Singh Sethi
 4. Gurjeet Singh Johar
 5. Rajbir Singh
 6. Sanjay Gupta
- C. Related companies in same management (upto December 27, 2013)
 7. C&C Constructions Ltd.

(b) Disclosures of related Party Transaction:

Sr. No.	Nature of Transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
1	Inter corporate deposit taken • L&T Vrindavan Properties Limited	2895.66	--
2	Inter corporate deposit repaid • L&T Vrindavan Properties Limited	20.00	--
3	Interest paid on inter corporate deposits • L&T Vrindavan Properties Limited	74.50	--
4	Short term loan taken • Amrit Pal Singh Chadha • Charanbir Singh Sethi • Gurjeet Singh Johar • Rajbir Singh • Sanjay Gupta • C&C Constructions Ltd.	0.05 0.19 0.03 0.06 0.02 0.32	-- -- -- -- 30.00 8.40
4	Short term loan repaid • Amrit Pal Singh Chadha • Charanbir Singh Sethi • Gurjeet Singh Johar • Rajbir Singh • Sanjay Gupta • C&C Constructions Ltd.	0.05 0.19 0.03 0.06 0.02 1.19	65.00 50.00 200.00 65.00 -- 30.00

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)**(c) Amount due to/from related Parties:**

Sr. No.	Nature of Transactions	2013-14	2012-13
1	Outstanding balance of inter corporate deposit taken • L&T Vrindavan Properties Limited	2,872.66	-
2	Outstanding balance of Short term loan taken • Amrit Pal Singh Chadha • Charanbir Singh Sethi • Gurjeet Singh Johar • Rajbir Singh • Sanjay Gupta • C&C Constructions Ltd.	- - - - - -	138.68 153.08 3.00 138.08 198.00 87.17
3	Interest Accrued but not due on inter corporate deposits taken • L&T Vrindavan Properties Limited	66.92	-

Note: Transactions shown above are inclusive of Service Tax, if any.

12.3 Earnings per share :

Particulars		2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Basic			
Profit/(loss) after tax as per statement of profit and loss (₹ Lakh)	A	(104.90)	-
Weighted average number of equity shares outstanding	B	2,104,800	2,104,800
Basic EPS (₹)	A / B	(4.98)	-
Diluted			
Profit/(loss) after tax as per statement of profit and loss (₹ Lakh)	A	(104.90)	--
Weighted average number of equity shares outstanding	B	2,104,800	2,104,800
Add : Weighted average number of equity shares on account of share application money	C	-	--
Weighted average number of shares outstanding for diluted EPS	D=B+C	2,104,800	2,104,800
Diluted EPS (₹)	A / D	(4.98)	-
Nominal Value (₹)		10.00	10.00

12.4 The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March, 2014. 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.

12.5 The Company has nil contingent liability/ commitments as on March 31, 2014.

12.6 Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report of even date
For A S G & ASSOCIATES
Chartered Accountants
Firm's registration no. 000389N
by the hand of

AMAR JEET SINGH
Partner
Membership no. 089285

Place : Mumbai
Date : April 17, 2014

For and on behalf of the Board

C S DAMLE
Directors

RAJI VISHWANATHAN
Directors

Place : Mumbai
Date : April 17, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twentieth Annual Report with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of the Company for the Financial Year ended March 31, 2014 are as under:

	For the year ended 31.03.2014 (₹ in Lakh)	<i>For the year ended 31.03.2013 (₹ in Lakh)</i>
Gross Income	14,355.40	3,502.68
Profit / (Loss) before Tax	1,504.66	2,224.97
Provision for Tax	365.46	-
Deferred Tax (Liability) / Asset	(132.10)	214.05
Profit / (Loss) after Tax	1,007.10	2,439.02
Profit/ (Loss) brought forward from previous years	(5,815.54)	(7,766.76)
Profit available for Appropriation	(4,808.44)	(5,327.74)
Appropriations:		
Profit available for Appropriation	(4,808.44)	(5,327.74)
Transfer to Special Reserve U/S 29C of the National Housing Bank Act, 1987	201.42	487.80
Net surplus/ (deficit) in the statement of Profit and Loss	(5,009.86)	(5,815.54)

Your Company proposes to transfer ₹ 201.42 Lakhs (*Previous Year ₹ 487.80 Lakhs*) to Special Reserve created under Section 29C of the National Housing Bank Act, 1987.

DIVIDEND

Your 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. Accordingly, no dividend has been recommended for the Financial Year ended March 31, 2014.

PERFORMANCE OF THE COMPANY**Financial Performance of the Company**

During the year under review, the profit before and after tax of your company was ₹ 1,504.66 Lakhs and ₹ 1,007.10 Lakhs respectively. The Net worth as at March 31, 2014 stands at ₹ 30,305.34 Lakhs as against ₹ 14,332.22 Lakhs as at March 31, 2013. The Company has a healthy Capital Adequacy Ratio of about 16.79% as at March 31, 2014 as against the stipulated requirement of 12%.

During the financial year ended March 31, 2014, the Company has focused on scale through a mix of innovative product offering and distribution channels. The year also marked the Company acquiring a portfolio worth ₹ 57,136 Lakhs out of the ₹ 69,777 Lakhs (Balance ₹ 12,641 Lakhs portfolio was acquired by another fellow subsidiary, Family Credit Limited) from Citi Financial Consumer Finance India Limited, in order to build scalability and sizeable business.

Including this acquisition, the loan portfolio has grown from ₹ 32,637.04 Lakhs as on March 31, 2013 to ₹ 1,88,184.61 Lakhs as on March 31, 2014.

Initiatives undertaken during the year

During the Financial Year 2014, your Company had undertaken several initiatives with an objective to enhance visibility, customer reach & centricity, customer satisfaction and fast approval.

Some of the initiatives that the Company had undertaken were:

- Expanded the presence in 7 new business operating locations;
- Launched digital marketing campaign;
- Launched e-approval platform to provide speedy eligibility sanction to customers;
- Launched Call Centre, aimed at providing pre-sales and post-sales services;
- Launched new income programmes for the customers to fulfill the current market needs;
- Initiated centralized underwriting for salaried customers from two business operating locations.

Performance of businesses:**Home Loans**

The disbursements in Home Loans increased from ₹ 7,345 Lakhs in the Financial Year 2013 to ₹ 60,397 Lakhs in the year under review and accounted for 50% of the total disbursements.

Construction Finance

The disbursements in Construction Finance segment increased from ₹ 1,650 Lakhs in the Financial Year 2013 to ₹ 18,186 Lakhs in the Financial Year 2014, taking a share of 15% of the total disbursement size.

Loan Against Property

The disbursements for Loans Against Properties increased from ₹ 8,223 Lakhs in the Financial Year 2013 to ₹ 42,162 Lakhs in the year under review. The disbursements under this category was 35% of the total disbursements during the year under review.

RESOURCES

Term Loans Availed / Sanctioned

During the year, the Company has received fresh sanctions of Term Loans amounting to ₹ 1,130 Crore from various Banks. Out of the fresh sanctioned amount, the Company has withdrawn an amount of ₹ 1,030 Crore.

Issue of Equity Shares

During the year the Company has issued 3,75,00,000 shares of Face Value ₹ 10/- at a premium of ₹ 30/- to L&T Finance Holdings Limited amounting to ₹ 15000 Lakhs.

Non-Convertible Debentures (“NCDs”)

During the Financial Year 2013-14, the Company has raised ₹ 445 Crore by issuing Redeemable, Secured, NCDs on private placement basis. The NCDs are listed on the National Stock Exchange of India Limited.

Commercial Paper (“CP”)

During the Financial Year 2013-14, the Company has raised ₹ 1,205 Crore by way of issuing CPs. The amount of CPs outstanding as at March 31, 2014 is ₹ 30 Crore.

Public Deposits

Your Company has not accepted / renewed any fresh deposits during the Financial Year 2013-14. There is no unclaimed deposit outstanding as on March 31, 2014.

Credit Rating

a) CARE has assigned the following credit ratings to the Company vide its letters issued in October 2013 and March 2014:

- Credit rating of fixed deposits limit of ₹100 Crore - CARE AA (FD) [Double A].
- Credit rating for proposed long-term bank facilities program of ₹ 1,100 Crore - CARE AA [Double A]
- Credit rating for proposed Commercial Paper issue of ₹ 500 Crore - CARE A1+ [A One Plus].
- Credit rating for proposed Non-Convertible Debenture issue of ₹ 1,250 Crore CARE AA [Double A]

b) ICRA has assigned the following credit ratings to the Company in June 2013:

- Credit rating for Long Term Bank Loan of ₹ 800Crores - [ICRA] AA (Stable)
- Credit rating for Short Term Bank Loan of ₹ 50Crores - [ICRA] A1+
- Credit rating for Non-Convertible Debenture Programme of ₹ 1,300 Crore - [ICRA] A1+
- Credit rating for Short commercial paper programme of ₹ 500 Crore - [ICRA] A1+

DIRECTORS

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation.

In compliance with the above Section, the period of office of Mr. Dinanath Dubhashi is liable to determination by retirement of directors by rotation at the forthcoming Annual General Meeting and, he being eligible, has offered himself for appointment as Director of your Company.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

The Auditors, S. R. Batliboi & Co. LLP, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment for a period of one year.

Background for fixing the term of the Statutory Auditor as one year:

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 (“the Act”) for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting (“AGM”).

L&T HOUSING FINANCE LIMITED

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors.

The Company being a listed company has to comply with the provisions of Section 139 of the Act. Further, since S. R. Batliboi & Co. LLP, had already served as Statutory Auditors of the Company for a period of one year, they could be further re-appointed for a period of four years of the first term.

However, it was felt prudent to comprehensively review their term and scope before re-appointing them for a period of four years of the first term. This review would also take into consideration additional responsibilities posed on the Auditors under the Act and their readiness to the same. Accordingly, the Audit Committee and your Directors recommended the re-appointment of S. R. Batliboi & Co. LLP as Statutory Auditors of the Company for a period of one year from the conclusion of 20th AGM till the conclusion of 21st AGM, subject to approval of the Members in the AGM of the Company.

The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made there under is given in a separate Annexure to this Report and forms part of this report. The same would be furnished to the Members 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 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 or outgo during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of 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 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;
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.

SUBSIDIARY COMPANY

Your Directors hereby inform that the Subsidiary Company, Consumer Financial Service Limited ("CFSL") has made a profit after tax of ₹ 1.42 Lakhs for the financial year ended March 31, 2014 as against a Profit of ₹ 1.49 Lakhs for the previous financial year and Gross Income for the current year has increased from ₹ 2.71 Lakhs to ₹ 2.76 Lakhs.

Further, the Board of Directors of your Company and the Subsidiary Company has approved the proposal to amalgamate the Subsidiary Company with your Company, subject to obtaining requisite approvals, for better operating efficiencies. Accordingly, your Company has filed an application with the National Housing Bank for granting no objection, post which, the scheme of amalgamation would be filed with the High Court of Delhi for approval.

NATIONAL HOUSING BANK (NHB) REGULATORY GUIDELINES

The Company has complied with all the applicable regulations of the National Housing Bank as on March 31, 2014.

ACKNOWLEDGEMENT

Your 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 your Company's ongoing success. Your Directors wish to thank your Company's clients and business associates for their support to the growth of the Company. Your Directors also wish to thank the Central and State Governments, National Housing Bank and other Regulatory/ Government Authorities, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

For and on behalf of the Board

Place : Mumbai
Date : April 17, 2014

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

ANNEXURE 'A' TO DIRECTOR'S REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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 five Directors viz. Mr. N. Sivaraman, Mr. Suneet K. Maheshwari, Mr. Dinanath Dubhashi, Mr. C. S. Damle and Mr. G. C. Rangan. Mr. Sivaraman is also the President & Whole-time Director of L&T Finance Holdings Limited, the Holding Company. Mr. Suneet K. Maheshwari is currently Group Executive Vice President – Corporate Affairs, L&T Financial Services. Mr. Dinanath Dubhashi is the Managing Director & Chief Executive of L&T Finance Limited, Mr. C. S. Damle is the Group CFO of L&T Financial Services. Mr. G. C. Rangan is the Manager & Chief Executive of Family Credit Limited.

Mr. Vasudevan Ramaswami is the Manager & 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 core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Management Committee
- Asset-Liability Management Committee
- Nomination and Compensation Committee
- Risk Management Committee
- Corporate Social Responsibility Committee
- Credit Committee

The details of various committees of your Company are as under:

1) Audit Committee

The Audit Committee has been set up pursuant to Section 292A of the Companies Act, 1956 as well as the NHB Directions for HFCs. The Committee currently comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Suneet K. Maheshwari
Mr. Dinanath Dubhashi,
Mr. C. S. Damle

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee during the year under review were in conformity with Section 292A of the Companies Act, 1956. The Audit Committee met 5 times during the year.

2) Committee of Directors

The Committee was constituted w.e.f.16th January, 2014 and currently comprises 3 Directors as per details given below.

Composition of Committee of Directors (COD)

Mr. N. Sivaraman
Mr. Dinanath Dubhashi
Mr. G. C. Rangan

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company, more particularly to comply with the requirements of the Companies Act, 2013/ 1956 and such powers as entrusted by the Board from time to time. The Committee met 3 times during the year.

3) Management Committee

The Committee currently comprises:

Mr. Dinanath Dubhashi
Mr. Vasudevan Ramaswami

Role of the Committee

The Management Committee has been entrusted with the powers of general management of the affairs of your Company. The Committee met 13 times during the year.

4) Asset – Liability Management Committee

The Committee is presently chaired by Mr. N. Sivaraman and consists of other members holding senior executive positions in various functions in the Company and group companies.

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 NHB Guidelines issued in this behalf from time to time;
- Reviewing 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 financial advances, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions;
- 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 and recommending the desired asset mix.

The ALCO met 8 times during the year under review.

5) Nomination and Compensation Committee

The Committee currently comprises the following members:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. Vasudevan Ramaswami

Mr. Sunil Prabhune (Secretary)

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 focus on evaluating senior level employees, their remuneration, promotions etc.

6) Risk Management Committee

The Committee currently comprises 4 members as per details given below. Composition of Risk Management Committee:-

Mr. Dinanath Dubhashi

Mr. G. C. Rangan

Mr. Vasudevan Ramaswami

Mr. Deepak Punjabi

Mr. Sandip Sardesai – Member & Secretary

Role of the Committee

- The Risk Management Committee reviews inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk. The Committee met twice during the financial year under review.

7) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee ("CSR") was constituted in March 2014. The Committee currently comprises the following members:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. C. S. Damle

Role of the Committee

- a) Formulation of CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and recommendation of the same to the Board;
- b) Determine the amount to be spent on CSR from time to time and recommend the same to the Board;
- c) Monitoring the CSR Policy of the Company from time to time.

Credit Committee

The Credit Committee of the Company is broad based consisting of senior officials from the Company and group companies.

Role of the Committee

The Credit Committee reviews and approves all credit & lending proposals as per the credit and lending authorizations approved by the Board. Credit decisions are supported by risk management guidelines and norms approved by the Board of Directors of the Company.

Disclosures

During the Financial Year ended March 31, 2014:

- There was no materially significant related party transaction with the Directors that have 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.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified several sections, and the Company is geared up to implement all of them.

Means of Communication

- The investors (debenture holders) are also communicated the "Half Year Communication" as per the Debt Listing Agreement.
- Annual Reports, official news releases and presentations are also displayed on the website of the Company www.lthousingfinance.com.

Separation of Offices of Chairman and Managing Director & Chief Executive

The roles and offices of the Chairman & Chief Executive are separated. Mr. N. Sivaraman chairs the meetings of the Board whereas Mr. Vasudevan Ramaswami is the Manager & Chief Executive of your Company.

Remuneration of Directors

The Directors on the Board who are / were in the services of the parent holding or other fellow subsidiary companies, drew remuneration from their respective companies. None of the Directors are paid any remuneration from 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 they have confirmed Compliance 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 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.

Internal Auditors

M/s. PKF Shridhar & Santhanam, Chartered Accountants conduct Internal Audit for the 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, 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

Place : Mumbai
Date : April 17, 2014

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T HOUSING FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T HOUSING FINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm's Registration Number: 301003E

per **VIREN H. MEHTA**
Partner

Membership No.: 048749

Place : Mumbai
Date : April 17, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: L&T Housing Finance Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) The Company is a Housing Finance Company ('HFC') engaged in the business of providing loans and does not maintain inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) 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 Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (₹)	Amount paid* (₹)	Period to which its relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	8,450,174	5,099,782	2004-05	Madras High Court
Income Tax Act, 1961	Income Tax	3,129,901	1,260,094	2006-07	Income Tax Appellate Tribunal, Chennai
Income Tax Act, 1961	Income Tax	473,032	Nil	2008-09	Commissioner of Income tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax	303,078	Nil	2009-10	Commissioner of Income tax (Appeals), Chennai

*The Company has paid these amounts under protest.

- (x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current and 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 financial institutions, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order, are not applicable to the Company.

L&T HOUSING FINANCE LIMITED

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization at relevant time were gainfully invested in liquid investments payable on demand.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has issued 100 debentures of ₹ 10,000,000 each and 1,380 debentures of ₹ 2,500,000 each, during the period covered by our audit report. The Company has created security charge in respect of 280 debentures. We are informed by the management that for the balance 1,200 debentures the Company is taking steps to create security for the debentures.
- (xx) The Company has not raised money by public issue during the year.
- (xxi) We have been informed that during the year there was one instance of cash embezzlement by an employee involving an amount of ₹ 59,369. The services of the employee have been terminated and the Company has initiated legal action against the employee. The outstanding balance of ₹ 59,369 has been written off.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm's Registration Number: 301003E

per VIREN H. MEHTA
Partner
Membership No.: 048749

Place : Mumbai
Date : April 17, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at 31.03.2014		As at 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	3	8,142.31		4,392.31	
Reserves and surplus	4	22,163.03		9,939.91	
			30,305.34		14,332.22
Non-current liabilities					
Long-term borrowings	5	143,417.86		11,651.71	
Other long-term liabilities	6	1,641.18		189.01	
Long-term provisions	7	879.89		226.35	
			145,938.92		12,067.06
Current liabilities					
Short-term borrowings	8	10,070.73		4,925.47	
Current maturities of long-term borrowings	5	12,506.42		1,206.69	
Other current liabilities	9	16,707.11		4,213.52	
Short-term provisions	10	165.96		61.95	
			39,450.22		10,407.63
Total			215,694.48		36,806.91
ASSETS					
Non-current assets					
Fixed Assets	11				
Tangible assets		135.61		23.56	
Intangible assets		285.97		27.46	
Non-current investments	12	35.01		35.01	
Deferred tax assets (net)	13	81.95		214.05	
Long-term loans and advances towards financing activities	14	175,243.83		29,996.64	
Long-term loans and advances - others	15	132.81		275.33	
			175,915.18		30,572.05
Current assets					
Current investments	12A	25,057.56		56.02	
Cash and cash equivalents	16	125.51		1,444.09	
Current maturities of long-term loans and advances towards financing activities	14	12,460.19		2,489.58	
Short-term loans and advances	17	28.45		2,025.74	
Other current assets	18	2,107.58		219.41	
			39,779.30		6,234.85
TOTAL			215,694.48		36,806.91
SIGNIFICANT ACCOUNTING POLICIES	2.1				

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP

ICAI Firm's Registration No.: 301003E

Chartered Accountants

For and on behalf of the Board of Directors

per **VIREN H. MEHTA**

Partner

Membership No. 048749

DINANATH DUBHASHI

Director

C.S.DAMLE

Director

VASUDEVAN RAMASWAMI

Chief Executive & Manager

Place: Mumbai

Date: April 17, 2014

KRITI NARULA

Company Secretary

Place: Mumbai

Date: April 17, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
INCOME			
Income from operations	19	13,374.52	2,866.31
Other income	20	980.88	636.37
Total		14,355.40	3,502.68
EXPENSES			
Finance costs	21	7,034.68	671.76
Employee benefits expense	22	1,654.91	1,234.92
Other expenses	23	3,469.49	1,122.60
Provisions and write offs	24	591.16	(2,215.30)
Depreciation and amortisation expense		100.50	82.46
Total		12,850.74	896.44
Profit before exceptional item and tax		1,504.66	2,606.24
Exceptional item - Employee benefits expense		-	381.27
Profit before tax		1,504.66	2,224.97
Tax expense:			
Current tax		365.46	-
Deferred tax		132.10	(214.05)
Profit for the year		1,007.10	2,439.02
Earnings per equity share:	25.6		
Basic and Diluted earnings per equity share (₹)		1.35	5.55
Face value per equity share (₹)		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP

ICAI Firm's Registration No.: 301003E

Chartered Accountants

For and on behalf of the Board of Directors

per **VIREN H. MEHTA**

Partner

Membership No. 048749

DINANATH DUBHASHI

Director

C. S. DAMLE

Director

VASUDEVAN RAMASWAMI

Chief Executive & Manager

Place: Mumbai

Date: April 17, 2014

KRITI NARULA

Company Secretary

Place: Mumbai

Date: April 17, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
A. Cash Flows from Operating Activities		
Net Profit / (Loss) before Taxation	1,504.66	2,224.97
Adjustments for:		
Income from fixed deposits with banks	(7.12)	(172.98)
Income from investments	(4.23)	(4.23)
Dividend received	(14.02)	(0.75)
Profit on sale of fixed assets (net)/Insurance Claim received	(46.75)	(7.76)
Commercial Paper discounting charges	1,198.21	97.65
Interest on redeemable non-convertible debentures payable at maturity	1,509.41	17.59
Depreciation and amortisation	100.50	82.46
Debenture issue expenses	(33.98)	-
Provision for non-performing assets	329.76	(2,896.67)
Provision for standard assets	700.95	110.53
Income from inter corporate deposit	(25.57)	-
Bad debts written off	38.35	1,062.35
Provisions for impairment on investments	4.36	6.20
Operating profit/(Loss) before working capital changes	5,254.53	519.36
Movements in Working Capital:		
Decrease/(increase) in long term loans and advances	(145,384.85)	(15,296.16)
Decrease/(increase) in short term loans and advances	(7,973.32)	(3,733.07)
Decrease/(increase) in other current assets	(1,889.01)	(67.24)
Increase/(decrease) in other current liabilities	10,656.55	2,996.42
Increase/(decrease) in other long term liabilities	1,470.94	(16.53)
Cash generated from / (used in) operations	(137,865.16)	(15,597.22)
Direct taxes paid (Including TDS)	(87.92)	(39.50)
Net cash flows from Operating Activities	A (137,953.08)	(15,636.72)
B. Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	52.01	7.94
Dividend	14.02	0.75
Income from fixed deposits with banks	7.97	224.58
Income from investments	4.23	4.23
Income from inter corporate deposit	25.57	-
Purchase of mutual fund units	(25,005.90)	-
Purchase of fixed assets	(476.33)	(116.91)
Net cash used in Investing Activities	B (25,378.44)	120.60
C. Cash Flows from Financing Activities		
Proceeds from Rights Issue	15,000.00	-
Proceeds / (repayment) of short-term borrowings (net)	3,947.05	4,810.55
Proceeds from long term borrowings	98,690.00	5,750.00
Proceeds from issue of non-convertible debentures	44,500.00	6,000.00
Repayment of long term borrowings	(124.12)	(3,579.12)
Net cash from Financing Activities	C 162,012.93	12,981.42
Net (Decrease) /Increase in Cash and Cash Equivalent Cash and Cash Equivalents at the beginning of the year	(A+B+C) (1,318.58)	(2,534.70)
Cash and Cash Equivalents at the end of the year	1,444.09	3,978.79
Components of Cash and Cash Equivalents at the year end		
Cash and Cheques on Hand	100.29	24.86
With Banks - on current account (net of book overdraft)	25.22	1,419.23
Total	125.51	1,444.09

As per our report of even date
For S. R. BATLIBOI & CO. LLP
 ICAI Firm's Registration No.: 301003E
 Chartered Accountants

For and on behalf of the Board of Directors

per **VIREN H. MEHTA**
 Partner
 Membership No. 048749

DINANATH DUBHASHI
 Director

C. S. DAMLE
 Director

Place: Mumbai
 Date: April 17, 2014

VASUDEVAN RAMASWAMI
 Chief Executive & Manager
 Place: Mumbai
 Date: April 17, 2014

KRITI NARULA
 Company Secretary

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**1. CORPORATE INFORMATION**

L&T Housing Finance Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of disbursing loans against the security of house property to meet housing and other requirements of the borrowers. The Company is registered with the National Housing Bank.

2. BASIS FOR PREPARATION

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956, and the provisions of the National Housing Bank Act, 1987 and the Housing Finance Companies, (NHB) Directions, 2010. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 SIGNIFICANT ACCOUNTING POLICIES**2.1.1 Use of Estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

2.1.2 Tangible Fixed Assets

Fixed assets are stated at historical cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

2.1.3 Depreciation on Tangible Fixed Assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

Assets	Rates(SLM)	Schedule XIV Rates (SLM)
Building	10%	1.63%
Office equipments	33.33%	4.75%
Furniture and fixtures	33.33%	6.33%
Computers	33.33%	16.21%
Fixed assets costing upto ₹ 25,000 individually are depreciated fully in the year of purchase.		

2.1.4 Intangible Assets

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over a period of 3 years.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

2.1.5 Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

2.1.6 Investments

Investments which are readily realisable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**2.1.7 Revenue Recognition**

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.

- i. Interest income / fees on housing and other loans given are recognised on accrual basis, except in case of interest on non-performing assets and charges for delayed payments and cheque bouncing, if any, which are recognised only when realised.
- ii. Loan origination income i.e. processing fees and other charges collected upfront, are recognised at the inception of the loan.
- iii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

2.1.8 Classification and provisioning of loan portfolio

- (i) Loans and other credit facilities are classified as standard, sub-standard, doubtful, and loss assets in accordance with the extant Housing Finance Companies, (NHB) Directions, 2010, as amended from time to time.
- (ii) Loans are provided for as per the management's estimates, subject to the minimum provision required as per the extant Housing Finance Companies, (NHB) Directions, 2010, as amended from time to time.

2.1.9 Retirement and other employee benefits

- (i) Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the Statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.
- (iii) The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.
- (iv) Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

2.1.10 Foreign Currency Transactions

- (i) All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.
- (ii) Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- (iii) Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

2.1.11 Borrowing Costs

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are expensed in the period they occur.

2.1.12 Income Taxes

- (i) Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- (ii) Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.
- (iii) Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.
- (iv) At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**2.1.13 Provisions and Contingent liabilities**

- (i) A provision is recognised when there is a present obligation as a result of past event, that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.
- (ii) A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

2.1.14 Leases

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

2.1.15 Special Reserve

The Company creates Special Reserve every year out of its profits in terms of Section 29C of the National Housing Bank Act, 1987.

2.1.16 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank and short-term investments with an original maturity of three months or less.

2.1.17 Segment Reporting

The Company operates in a single reportable segment i.e. lending, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.

2.1.18 Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

	31.03.2014 (₹ in Lakh)	<i>31.03.2013</i> <i>(₹ in Lakh)</i>
3. SHARE CAPITAL		
Authorised Shares		
98,000,000 (March 31, 2013 : 98,000,000) Equity Shares of ₹ 10 each	9,800.00	9,800.00
200,000 (March 31, 2013 : 200,000) Preference Shares of ₹ 100 each	200.00	200.00
Issued, subscribed and fully paid-up shares		
81,423,078 (March 31, 2013 : 43,923,078) Equity Shares of ₹ 10 each	8,142.31	4,392.31
Total issued, subscribed and fully paid-up share capital	8,142.31	4,392.31

(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

	31.03.2014		<i>31.03.2013</i>	
	No. of Shares	Amount	<i>No. of Shares</i>	<i>Amount</i>
Equity Shares				
At the beginning of the year	43,923,078	4,392.31	43,923,078	4,392.31
Issued during the year- Fresh Issue	37,500,000	3,750.00	-	-
Outstanding at the end of the year	81,423,078	8,142.31	43,923,078	4,392.31

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**(ii) Terms / rights attached to equity shares**

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Shares held by holding company**Equity Shares**

	31.03.2014		31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
L&T Finance Holdings Limited along with its nominees*	81,423,078	8,142.31	43,923,078	4,392.31

(iv) Details of shares held by shareholders holding more than 5% of the aggregate shares**Equity Shares**

	31.03.2014		31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
L&T Finance Holdings Limited along with its nominees*	81,423,078	8,142.31	43,923,078	4,392.31

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
4. RESERVES AND SURPLUS				
Securities Premium Account				
Opening balance	13,500.06		13,500.06	
Add : Additions during the year	11,250.00		–	
	24,750.06		13,500.06	
Less: Utilised during the year	33.98		–	
Closing Balance		24,716.08		13,500.06
Special Reserve (As per Section 29C of National Housing Bank Act, 1987)				
Opening balance	2,120.65		1,632.85	
Add : Addition during the year	201.42		487.80	
	2,322.07		2,120.65	
Less : Appropriation during the year	–		–	
Closing Balance		2,322.07		2,120.65
General Reserve				
Opening balance	134.74		134.74	
Add : Additions during the year	–		–	
	134.74		134.74	
Less: Utilised during the year	–		–	
Closing Balance		134.74		134.74
Surplus/ (deficit) in the statement of profit and loss				
Opening balance	(5,815.54)		(7,766.76)	
Add : Net profit for the year	1,007.10		2,439.02	
	(4,808.44)		(5,327.74)	
Less: Transfer to special reserve under section 29C of National Housing Bank Act, 1987	201.42		487.80	
Net surplus/ (deficit) in the statement of profit and loss		(5,009.86)		(5,815.54)
Total reserves and surplus		22,163.03		9,939.91

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	Non-current portion		Current maturities	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
5. LONG-TERM BORROWINGS				
5.1 Secured				
Refinance from National Housing Bank	–	70.78	39.75	93.09
Term loans from banks	77,967.86	5,580.93	12,446.67	1,113.60
Redeemable non-convertible debentures	50,500.00	6,000.00	–	–
5.2 Unsecured				
Inter-corporate deposit	–	–	20.00	–
Term loans from banks	14,950.00	–	–	–
	<u>143,417.86</u>	<u>11,651.71</u>	<u>12,506.42</u>	<u>1,206.69</u>

5.3 Security: Refinance from National Housing Bank, term loan from banks and redeemable non-convertible debentures are secured by hypothecation of loan receivables.

5.4.1 Terms of repayment of Term Loans from banks and Refinance from National Housing Bank as on March 31, 2014

5.4.1.1 Quarterly repayment schedule

(₹ In Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	8%-9%	9	40							40
3-5 years	10%-11%	1	667	4	2,667	4	2,667	6	4,000	10,000
Above 5 years	10%-11%	4	500	4	500	4	500	7	875	2,375
Total			1,206		3,167		3,167		4,875	12,415

5.4.1.2 Half Yearly repayment schedule

(₹ In Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	10%-11%	2	10,000	1	5,000					15,000
3-5 years	10%-11%			2	5,000	2	5,000			10,000
				2	1,111	2	1,111	1	278	2,500
Above 5 years	10%-11%									0
Total			10,000		11,111		6,111		278	27,500

5.4.1.3 Annual repayment schedule

(₹ In Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	10%-11%	1	280	1	260					540
3-5 years	10%-11%									0
Above 5 years	10%-11%	1	1,000	1	1,000	1	1,000	7	7,000	10,000
						1	1,667	5	8,333	10,000
Total			1,280		1,254		2,667		15,333	20,540

5.4.1.4 Bullet repayment schedule

(₹ In Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	9%-10%					1	10,000			10,000
	10%-11%			1	14,950	3	20,000			34,950
Total			–		14,950		30,000		–	44,950

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

5.4.2 Terms of repayment of Term Loans from banks and Refinance from National Housing Bank as on March 31, 2013

5.4.2.1 Quarterly repayment schedule

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	8%-9%	9	93	9	71					164
3-5 years	10%-11%									0
Above 5 years	10%-11%	4	500	4	500	4	500	7	1,375	2,875
		2	334	4	667	4	667	8	1,333	3,001
Total			927		1,238		1,167		2,708	6,040

5.4.2.2 Annual repayment schedule

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Above 3 years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
1-3 Yrs	10%-11%	1	280	1	280	1	260			820
3-5 years	10%-11%									
Above 5 years	10%-11%									
Total			280		280		260		-	820

5.5 Secured redeemable non-convertible debentures: Private Placement

Particulars	Series A of FY 2012-13	Series A of FY 2012-13	Series A of FY 2013-14	Series B of FY 2013-14	Series B of FY 2013-14	Series C of FY 2013-14
Face value per debenture	₹ 10 lakh each	₹ 10 lakh each	₹ 1 crore each	₹ 25 lakh each	₹ 25 lakh each	₹ 25 lakh each
Date of allotment	21-Mar-13	21-Mar-13	10-Jul-13	27-Nov-13	27-Nov-13	25-Mar-14
Amount (₹ Lakh)	4,000	2,000	10,000	3,000	1,500	30,000
Non-Current portion (₹ Lakh)	4,000	2,000	10,000	3,000	1,500	30,000
Current maturities (₹ Lakh)	-	-	-	-	-	-
Interest rate p.a. (%)	9.74%	9.70%	9.95%	10.35%	10.35%	10.20%
Date of redemption	2-Apr-15	6-Aug-15	10-Jul-17	5-May-15	27-May-15	23-Apr-15
Redeemable term	Redeemable at par at the end of 742 days from the date of allotment along with interest accrued	Redeemable at par at the end of 868 days from the date of allotment along with interest accrued	Redeemable at par on maturity date	Redeemable at par on maturity date	Redeemable at par on maturity date	Redeemable at par on maturity date

5.6 Inter Corporate Borrowings

Name of the Lender	Relation	Date of Financing	₹ in Lakh	Date of Redemption	Rate of Interest	Redemption Terms
Consumer Financial Services Limited	Subsidiary company	11-Apr-13	20	10-Jul-14	9% p.a.	Bullet

31.03.2014
(₹ in Lakh)31.03.2013
(₹ in Lakh)

6. OTHER LONG-TERM LIABILITIES

Installments received in advance	126.49	171.41
Interest accrued but not due on non-convertible debentures	1,040.35	17.59
Construction finance - Debt Service Reserve amount and interest payable thereon	474.34	-
TOTAL	1,641.18	189.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
7. LONG-TERM PROVISIONS				
Provision for standard assets				
- Shortfall in security value	23.91		23.48	
- Others	843.93		202.87	
		867.84		226.35
Provision for employee benefits - Gratuity		12.04		-
TOTAL		879.89		226.35
8. SHORT-TERM BORROWINGS				
8.1 Secured				
Overdraft facility from bank		7,253.84		-
8.2 Unsecured				
Commercial paper	3,000.00		5,000.00	
Less: Unexpired discounting charges	(183.11)		(74.53)	
		2,816.89		4,925.47
TOTAL		10,070.73		4,925.47
9. OTHER CURRENT LIABILITIES				
Sundry creditors				
- Dues to micro and small enterprises	-		-	
- Others	949.57		402.57	
		949.57		402.57
Bank balance (Book overdraft)		14,898.69		3,593.08
Interest accrued but not due on borrowings		114.42		-
Employee benefits payable		13.17		7.62
Tax deducted at source payable		68.90		40.04
Construction finance - Debt Service Reserve amount and interest payable thereon		18.76		-
Installments received in advance		611.94		168.07
Unclaimed interest warrant on public deposits		0.12		0.19
Stale cheques		5.61		0.06
Other liabilities		25.92		1.89
TOTAL		16,707.11		4,213.52
10. SHORT-TERM PROVISIONS				
Provision for standard assets		81.23		21.78
Provision for employee benefits - Compensated absences		84.72		40.17
TOTAL		165.96		61.95

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**11. FIXED ASSETS**

(₹ in Lakh)

	Gross Block (at Cost)			Depreciation / Amortisation				Net Block		
	As at April 1, 2013	Additions	Deletions / Adjustments	As at March 31, 2014	Upto April 1, 2013	For the year	On Deletions/ Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
(a) Tangible Assets										
Freehold Land **	2.89	-	-	2.89	-	-	-	-	2.89	2.89
Building	13.44	-	-	13.44	13.44	-	-	13.44	-	-
Office equipments	22.93	16.96	7.05	32.84	18.32	11.21	5.97	23.56	9.28	4.61
Furniture and Fittings	192.14	38.88	58.73	172.29	181.05	7.89	55.75	133.20	39.09	11.09
Computers	294.06	95.55	6.71	382.90	289.08	14.97	5.51	298.55	84.35	4.98
Total	525.46	151.39	72.49	604.36	501.90	34.07	67.23	468.74	135.61	23.56
Previous Year	485.21	88.82	48.56	525.46	468.71	81.57	48.38	501.90	23.56	

** Freehold land has been offered as security for issue of redeemable non-convertible debentures

(₹ in Lakh)

	Gross Block (at Cost)			Depreciation / Amortisation				Net Block		
	As at April 1, 2013	Additions	Deletions / Adjustments	As at March 31, 2014	Upto April 1, 2013	For the year	On Deletions/ Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
(a) Intangible Assets										
Computer Software	312.96	324.94	1.94	635.95	285.50	66.42	1.94	349.98	285.97	27.46
Total	312.96	324.94	1.94	635.95	285.50	66.42	1.94	349.98	285.97	27.46
Previous Year	284.87	28.09	-	312.96	284.61	0.89	-	285.50	27.46	

	31.03.2014		31.03.2013
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)

12. NON-CURRENT INVESTMENTS**Non-trade investments (valued at cost unless stated otherwise)****Unquoted equity instruments**

- Investment in subsidiary

Consumer Financial Services Limited - 10,00,000 Equity shares of ₹ 10 each fully paid

100.00

100.00

Less: Provision for diminution in the value of investment

(70.00)

(70.00)

30.00

30.00

- Others

The Kalyan Janatha Sahakari Bank Limited - 20,000 Equity shares of ₹ 25 each fully paid

5.00

5.00

The Malad Sahakari Bank Limited - 100 Equity shares of ₹ 10 each fully paid

0.01

0.01

35.01

35.01

12A. Current Investments**Quoted Government of India securities**

14000 units of 7.50% Government of India Stock 2034

14.17

14.17

40,000 units of 6.13% Government of India Stock 2028

38.22

38.22

52.39

52.39

Less: Provision for diminution in the value of investments

(10.58)

(5.77)

[A]

41.81

46.62

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
Quoted debentures or bonds				
10,000 units of 7.30% Food Corporation of India Bonds 2015	10.02		10.02	
Less: Provision for diminution in the value of investments	(0.17)		(0.62)	
[B]		9.85		9.40
Units of Mutual Funds				
L&T liquid fund - Growth	25,005.90		-	
[C]		25,005.90		-
Total [A] + [B] + [C]		25,057.56		56.02
Aggregate value of quoted investments		51.66		56.02
Market value of quoted investments		51.66		56.02
Aggregate value of un-quoted investments		25,040.91		35.01
Aggregate provision for diminution in the value of investments		80.75		76.39

13. DEFERRED TAX ASSETS (NET)

The composition of deferred tax assets and liabilities into major items is given below:

Component:

Deferred tax assets

Difference between book and tax depreciation

Provisions for performing / non-performing assets

Other Provisions

Unabsorbed losses

(12.10)

485.94

124.68

-

54.00

129.44

165.08

358.62

598.52

707.14

Deferred tax liabilities

Amount transferred to Special Reserve

(516.57)

(493.09)

Net deferred tax asset / (liability)

81.95

214.05

Note: The Company has recognised a net deferred tax asset of ₹ 81.95 lakhs as at March 31, 2014 based on the reasonable certainty of making future taxable profits. In accordance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax asset of ₹ 598.52 Lakhs arising from unabsorbed tax depreciation and other timing differences; and has recognised deferred tax liability of ₹ 516.57 Lakhs on the amount claimed as deduction under section 36(1)(viii) of the Income Tax Act, 1961 with respect to amount transferred to Special Reserve created under section 29C of the National Housing Bank Act, 1987.

	Non-current portion		Current maturities	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
14. LONG-TERM LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES				
Secured				
Housing Loans - Individuals				
- Standard assets	85,474.38	20,012.13	3,282.95	1,021.82
- Sub-standard assets	830.04	213.08	-	-
[A]	86,304.42	20,225.21	3,282.95	1,021.82
Construction Finance				
- Standard assets	10,995.87	690.00	3,501.36	960.00
- Sub-standard assets	-	-	-	-
[B]	10,995.87	690.00	3,501.36	960.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	Non-current portion		Current maturities	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
Loan Against Property				
- Standard assets *	76,766.76	9,227.75	5,668.43	507.76
- Sub-standard assets	1,456.90	4.51	-	-
[C]	78,223.66	9,232.26	5,668.43	507.76
Other Loans				
- Standard assets	200.47	-	7.45	-
- Sub-standard assets	-	-	-	-
[D]	200.47	-	7.45	-
Less: Provision for non performing assets				
- Housing loans (Individuals)	235.39	147.22	-	-
- Other loans (Loan against property)	245.20	3.61	-	-
[E]	480.59	150.83	-	-
TOTAL [A] + [B] + [C] + [D] - [E]	175,243.83	29,996.64	12,460.19	2,489.58

* The total secured loans and advances towards financing activities outstanding as at the Balance Sheet date include ₹ 553.55 Lacs (*Previous year: Nil*) for which the Company is in the process of creating of charge for security.

Represents standard and Sub standard assets in accordance with classification of assets as per NHB Direction, 2010 for Housing Finance Company

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
15. LONG TERM LOANS AND ADVANCES - OTHERS		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	79.11	80.05
Advance taxes (net of provisions)	0.97	88.89
Service Tax Cenvat credit	52.74	106.39
TOTAL	132.81	275.33
16. CASH AND CASH EQUIVALENTS		
Cash on hand	72.65	23.62
Cheques on hand	27.65	1.24
Balance with banks		
- In current accounts	25.22	19.23
- Fixed deposits (less than three months maturity)	-	1,400.00
TOTAL	125.51	1,444.09
17. SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Inter corporate deposits	-	2,000.00
Prepaid expenses	13.08	14.04
Advance to third parties	15.37	11.71
TOTAL	28.45	2,025.74

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
18. OTHER CURRENT ASSETS				
Unsecured, considered good				
Interest accrued but not due:				
- on fixed deposits	-		0.84	
- on investments	0.99		0.99	
- on housing loans and other loans	1,365.39		145.23	
		1,366.38		147.06
Billed interest accrued and due		496.09		46.54
Others		245.11		25.81
TOTAL		2,107.58		219.41
		2013-14		2012-13
		(₹ in Lakh)		(₹ in Lakh)
19. INCOME FROM OPERATIONS				
Interest on housing loans and other loans		11,635.57		2,565.81
Fees and other charges		1,461.44		300.49
Other Operating Revenue		277.52		-
TOTAL		13,374.52		2,866.31
20. OTHER INCOME				
Income from fixed deposits with bank		7.12		172.98
Income from investments		4.23		4.23
Income from inter corporate deposit		25.57		3.55
Dividend		14.02		0.75
Profit on sale of current investments		787.27		-
Insurance Claim received		43.90		-
Profit on sale of fixed assets		2.85		7.76
Interest on Income Tax refund		2.58		23.75
Service tax Cenvat credit		-		106.39
Provision for expenses no longer required written back		49.77		229.00
Miscellaneous income		43.56		87.97
TOTAL		980.88		636.37
21. FINANCE COSTS				
Interest on term loans		4,099.05		425.75
Interest on NHB refinance		9.59		22.27
Interest on non-convertible debentures		1,509.41		17.59
Commercial Paper discounting charges		1,198.21		97.65
Interest on inter-corporate deposits		44.35		19.40
Interest on bank overdraft		42.25		3.47
Interest on short term loans / WCDL		7.73		19.66
Term loan preclosure charges		-		14.42
Interest on Income tax		7.90		-
Bank charges and others		116.18		51.55
TOTAL		7,034.68		671.76

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	2013-14		2012-13	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
22. EMPLOYEE BENEFIT EXPENSES				
Salaries		1,480.55		1,153.47
Contribution to :				
- Provident fund	57.78		39.90	
- ESIC	1.19		3.41	
		58.97		43.31
Provision for :				
- Gratuity	12.29		12.49	
- Compensated absences	44.55		(13.96)	
		56.85		(1.47)
Stock option expenses		2.93		-
Staff Welfare expenses		55.62		39.60
TOTAL		1,654.91		1,234.92
23. OTHER EXPENSES				
Travelling and conveyance		104.98		85.67
Printing and stationery		23.01		12.32
Telephone expenses		23.99		24.77
Postage and courier expenses		16.69		10.80
Advertisement and business promotion		467.09		0.85
Repairs and maintenance - others		53.79		46.03
Rent, rates and taxes		304.76		152.56
Electricity charges		21.13		24.12
Insurance charges		0.96		2.55
Auditors' remuneration				
- Audit fees	5.57		3.00	
- Tax audit fees	1.06		1.20	
- Certification	5.91		2.00	
- Limited review	2.39		-	
		14.94		6.20
Professional and legal fees		425.77		102.69
Loan sourcing cost		982.20		157.70
Application processing expenses		220.37		44.87
Computer maintenance		106.61		148.11
Recovery expenses		152.70		39.45
Record storage expenses		40.36		28.81
Corporate support charges (includes ₹ 84.27 lakhs for the period Oct'12 to Mar'13)		444.48		224.72
Donation		2.88		-
Miscellaneous expenses		62.79		10.39
TOTAL		3,469.49		1,122.60

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
24. PROVISIONS AND WRITE-OFFS		
Provision for non-performing assets	329.76	(2,896.67)
Provision for standard assets	700.95	110.53
Bad debts recovered	(482.26)	(497.71)
Bad debts written off	38.35	1,062.35
Provision for diminution in value of investments	4.36	6.20
	591.16	(2,215.30)

25.1 Provision for non-performing assets and standard assets

(₹ In Lakh)

Particulars	For the year ended March 31, 2014				
	Standard	Sub-Standard	Doubtful	Loss	Total
Loans					
Housing Loans - Individuals	88,757.33	790.54	39.49	-	89,587.37
Housing Loans - Others	14,497.23		-	-	14,497.23
Other Loans	82,643.11	1,456.90	-	-	84,100.01
Total Loans	185,897.67	2,247.44	39.49	-	188,184.61
Provision					
Housing Loans - Individuals	501.25	195.90	39.49	-	736.64
Housing Loans - Others	110.07		-	-	110.07
Other Loans	337.75	245.20	-	-	582.95
Total Provisions	949.07	441.10	39.49	-	1,429.66

(₹ In Lakh)

Particulars	For the year ended March 31, 2013				
	Standard	Sub-Standard	Doubtful	Loss	Total
Loans					
Housing Loans - Individuals	21,161.26	213.08	-	-	21,374.34
Housing Loans - Others	1,654.68		-	-	1,654.68
Other Loans	9,795.75	4.51	-	-	9,800.26
Total Loans	32,611.70	217.59	-	-	32,829.29
Provision					
Housing Loans - Individuals	179.76	147.22	-	-	326.99
Housing Loans - Others	16.55		-	-	16.55
Other Loans	43.81	3.61	-	-	47.42
Total Provisions	240.12	150.83	-	-	390.96

25.2 Transfer to Investment Education and Protection Fund

During the financial year 2013-14, unclaimed interest on public deposits amounting to INR 0.12 Lakh was transferred to Investor Education and Protection Fund.

25.3 Contingent liabilities and commitments

Particulars	31.03.2014	31.03.2013
Contingent liability		
Income tax matter in dispute	-	29.24
Commitments		
Undisbursed commitments	15,241.05	8,766.31

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**25.4 Gratuity**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following table summarises the component of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

Expenses recognized in the Statement of Profit and Loss

(₹ in Lakh)

Particulars	31.03.2014	31.03.2013
Current Service Cost	11.43	13.27
Past Service Cost	–	–
Interest Cost	5.17	6.61
Expected Return on Plan Assets	(4.61)	(5.34)
Actuarial Losses / (Gain)	5.78	(5.39)
Losses / (Gains) on “Curtailments and Settlements”	–	–
Total Expenses to be recognized in the Profit and Loss Account	17.77	9.14

Amount Recognised in the Balance sheet

(₹ in Lakh)

Particulars	31.03.2014	31.03.2013
Closing Present Value of obligations	65.44	54.82
Closing Fair Value of plan assets	53.40	60.54
Liability Recognised in the Balance Sheet	12.04	–

Change in in the present value of the defined benefit obligation are as follows:

(₹ in Lakh)

Particulars	31.03.2014	31.03.2013
Opening Present Value of Obligation	54.82	64.39
Current Service Cost	11.43	13.27
Interest on Defined Benefit Obligation	5.17	6.61
Benefits Paid	(12.36)	(24.25)
Net Actuarial Losses / (Gains) Recognized in Year	6.39	(5.21)
Closing Present Value of Obligations	65.44	54.82

Changes in the fair value of plan assets are as follows:

(₹ in Lakh)

Particulars	31.03.2014	31.03.2013
Opening Fair Value of Plan Assets	60.54	67.83
Expected Return on Plan Assets	4.61	5.34
Actuarial Gains / (Losses)	0.61	0.19
Contributions by Employer	–	11.43
Benefits Paid	(12.36)	(24.25)
Closing Fair Value of Plan Assets	53.40	60.54

Major categories of Plan Assets as a percentage of total Plan Assets:

(₹ in Lakh)

Particulars	31.03.2014	31.03.2013
Insurer Managed Funds	100%	100%

The principal assumptions used in determining gratuity obligation for the Company’s plans are shown below:

Particulars	31.03.2014	31.03.2013
Discount Rate	9.35%	8.00%
Expected Rate of Return on Plan Assets	8.00%	7.50%
Salary Escalation Rate	10% p.a. for first year and 7% p.a. thereafter	10% p.a. for first two years and 7% p.a. thereafter
Expected Average remaining working lives of the employees (Years)	10.57	15.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**25.4 Compensated Absences****Assumptions at the Valuation Date**

Description	31.03.2014	31.03.2013
Discount Rate	9.35%	8.00%
Salary Escalation Rate	10% p.a. for first year and 7% p.a. thereafter	10% p.a. for first two years and 7% p.a. thereafter

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

25.5 Related Party Disclosures:**(a) List of related parties:**

- A. Ultimate Holding Company
Larsen & Toubro Limited
- B. Holding Company
L&T Finance Holdings Limited
- C. Subsidiary Company
Consumer Financial Services Limited
- D. Fellow Subsidiaries
Family Credit Limited
L&T Access Financial Advisory Services Private Limited
L&T Capital Markets Limited
L&T Finance Limited
L&T FinCorp Limited (formerly known as India Infrastructure Developers Limited)
L&T General Insurance Company Limited
L&T Mutual Fund Trustee Limited
L&T Vrindavan Properties Limited (Formerly L&T Unnati Finance Limited)
Larsen & Toubro Infotech Limited
L&T Infrastructure Finance Company Limited

(b) Disclosure of related party transactions:

S. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
1	Equity Infusion		
	L&T Finance Holdings Limited	15,000.00	—
2	Issue of redeemable non-convertible debentures		
	Larsen & Toubro Limited	2,500.00	—
3	Inter corporate deposits borrowed		
	L&T Finance Holdings Limited	16,750.00	—
	L&T Finance Limited	4,700.00	—
	Consumer Financial Services Limited	20.00	—
	L&T Fincorp Limited	280.00	5,000.00
4	Inter corporate deposits repaid		
	L&T Finance Holdings Limited	16,750.00	—
	L&T Finance Limited	4,700.00	—
	L&T Fincorp Limited	280.00	—
5	Interest expense on inter corporate deposits		
	L&T Finance Holdings Limited	34.40	—
	L&T Finance Limited	7.93	—
	Consumer Financial Services Limited	1.75	—
	L&T Fincorp Limited	0.27	19.40

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

S. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
5	Inter corporate deposits given		
	L&T Infrastructure Finance Company Limited	6,250.00	2,000.00
	L&T Fincorp Limited	1,800.00	–
	L&T Finance Limited	7,620.00	2,000.00
6	Inter corporate deposits received back		
	L&T Infrastructure Finance Company Limited	6,250.00	–
	L&T Fincorp Limited	1,800.00	–
	L&T Finance Limited	9,620.00	–
7	Interest received on inter corporate deposits		
	L&T Infrastructure Finance Company Limited	18.81	1.52
	L&T Fincorp Limited	1.73	–
	L&T Finance Limited	5.03	2.03
8	Interest paid on NCD		
	L and T Mutual Fund Trustee Limited	583.76	–
	Larsen & Toubro Limited	88.61	–
9	Corporate support charges paid		
	L&T Finance Limited	444.48	224.72
10	Rent paid to / (recovered from)		
	L&T Finance Limited	108.49	5.66
	L&T Finance Limited	(16.35)	(0.62)
	Family Credit Limited	(10.98)	–
	Family Credit Limited	21.68	1.10
	L&T Vrindavan Properties Limited	17.09	–
	Larsen & Toubro Limited	14.74	–
11	Commission Expenses		
	L&T Access Financial Advisory Services Private Limited	103.05	6.88
12	Professional Fees Expense		
	Larsen & Toubro Limited	3.93	0.34
13	ESOP Cost		
	L&T Finance Holdings Limited	2.93	–
14	Sale of fixed assets		
	L&T Capital Markets Limited	0.60	–
15	Managerial Remuneration		
	Remuneration paid to erstwhile Directors	–	208.52
16	Insurance Premium		
	L&T General Insurance Company Limited	0.03	–
17	Computer Maintenance		
	L&T Infotech Financial Services Technologies Inc.	23.91	–
18	Call Centre Charges		
	L&T Access Financial Advisory Services Private Limited	2.48	–

(b) Amount due to / from related parties:

S. No.	Nature of transactions	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
1	Inter corporate deposit borrowed		
	Consumer Financial Services Limited	20.00	–
2	Investment in subsidiary		
	Consumer Financial Services Limited	30.00	30.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

S. No.	Nature of transactions	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
3	Professional fees payable		
	Larsen & Toubro Limited	1.42	0.34
4	Commission payable		
	L&T Access Financial Advisory Services Private Limited	18.26	3.83
5	Computer Maintenance		
	L&T Infotech Financial Services Technologies Inc.	18.93	–
6	Non-convertible debentures		
	L and T Mutual Fund Trustee Limited	6,000.00	6,000.00
	Larsen & Toubro Limited	2,500.00	–
7	Interest accrued but not due on non-convertible debentures		
	L and T Mutual Fund Trustee Limited	601.35	–
	Larsen & Toubro Limited	88.61	–
8	Investment		
	L&T Mutual Fund	25,005.90	–
9	Rent Deposit		
	L&T Vrindavan Properties Limited	12.23	–
10	ESOP Charges Payable		
	L&T Finance Holdings Limited	0.15	–

Note: No amount is / has been written off or written back during the year in respect of debts due from or to related parties.

25.6 Earnings per Share (EPS)

Particulars	2013-14	2012-13
Profit after tax as per statement of profit and loss account (₹ Lakh)	1,007.10	2,439.02
Weighted average number of shares outstanding during the year	74,744,996	43,923,078
Basic and Diluted earnings per equity share of ₹ 10 each (₹)	1.35	5.55
Nominal value of equity shares (₹)	10	10

25.7 Segment Reporting

The Company has a single reportable segment i.e. financing which has similar risk and return for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.

25.8 Capital Adequacy Ratio

Items	2013-14	2012-13
CRAR (%)	16.79%	41.27%
CRAR – Tier I Capital (%)	16.29%	40.59%
CRAR – Tier II Capital (%)	0.50%	0.68%

25.9 Exposure to Real Estate Sector

Category	2013-14	2012-13
a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
- Individual housing loans upto ₹ 15 lakh	21,848.00	12,024.02
- Individual housing loans above ₹ 15 lakh	68,495.00	9,350.32
- Other loans	85,104.00	9,800.26
(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	14,599.00	1,654.68

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

Category	2013-14	2012-13
(iii) Investments in Mortgaged Backed Securities (MBS) and other securitised exposures -		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

25.10 Asset Liability Management**Maturity pattern of certain items of assets and liabilities****FY 2013-14**

March 31, 2014	Liabilities		Assets	
	Borrowings from banks	Market Borrowings	Advances	Investments
1 month	7,253.84	-	901.82	25,005.90
Over 1 month to 2 months	5,000.00	-	1,059.19	-
Over 2 months to 3 months	125.00	-	1,133.69	-
Over 3 months to 6 months	1,125.00	51.03	3,406.77	-
Over 6 months to 1 year	6,196.67	3,008.72	5,958.72	51.66
Over 1 year to 3 years	72,432.08	40,500.00	34,120.92	-
Over 3 years to 5 years	10,486.78	10,000.00	26,276.72	-
Over 5 years to 7 years	5,334.00	-	26,162.03	-
Over 7 years to 10 years	4,665.00	-	39,015.72	-
Over 10 years	-	-	49,668.44	35.01
Total	112,618.37	53,559.75	187,704.02	25,092.57

FY 2012-13

March 31, 2013	Liabilities		Assets	
	Borrowings from banks	Market Borrowings	Advances	Investments
1 month	-	-	248.55	-
Over 1 month to 2 months	-	4,925.47	122.45	-
Over 2 months to 3 months	125.00	-	123.45	24.24
Over 3 months to 6 months	156.03	-	413.56	-
Over 6 months to 1 year	925.66	-	813.82	-
Over 1 year to 3 years	2,944.71	6,017.59	3,386.29	9.40
Over 3 years to 5 years	2,332.00	-	3,834.01	-
Over 5 years to 7 years	375.00	-	3,866.86	-
Over 7 years to 10 years	-	-	5,911.52	-
Over 10 years	-	-	13,378.35	81.63
Total	6,858.40	10,943.06	32,098.85	115.27

25.11 Reserve Fund under Section 29C of the NHB Act, 1987

Particulars	Amount (₹ in Lakh)
Balance at the beginning of the year	
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	2,120.65
b) Amount of special reserve u/s 36(1)(vii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under, Section 29C of the NHB Act, 1987	-
c) Total	2,120.65

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

Particulars	Amount (₹ in Lakh)
Addition / Appropriation / Withdrawal during the year	
Add : a) Amount transferred u/s 29C of the NHB Act, 1987	201.42
b) Amount of special reserve u/s 36(1)(vii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	–
Less : a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	–
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	–
Balance at the end of the year	
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	2,322.07
b) Amount of special reserve u/s 36(1)(vii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under , Section 29C of the NHB Act, 1987	–
c) Total	2,322.07
The special reserve created as per Section 29 C of the NHB Act, 1987, qualifies for deduction as specified u/s 36 (1) (viii) of the Income Tax Act, 1961 and accordingly Company has been availing tax benefits for such transfers.	

25.12 Pursuant to the Employees Stock Options Scheme established by L&T Finance Holdings Limited, ('the holding company') stock options were granted to the employees of the Company during the financial year 2013-14. The total cost incurred by the holding company, in respect of options granted to employees of the Company amounts to ₹ 5.05. This sum is being recovered from the Company over the period of vesting. Accordingly, sum of ₹ 2.93 has been recovered from the Company during the year which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 2.12 will be recovered in future periods.

25.13 Previous year figures have been re-grouped / re-arranged and re-classified wherever necessary, to conform to current year's classification.

25.14 Previous year figures have been audited by another firm of chartered accountants.

As per our report of even date
For S. R. BATLIBOI & CO. LLP
 ICAI Firm's Registration No.: 301003E
 Chartered Accountants

For and on behalf of the Board of Directors

per **VIREN H. MEHTA**
 Partner
 Membership No. 048749

DINANATH DUBHASHI
 Director

C. S. DAMLE
 Director

Place: Mumbai
 Date: April 17, 2014

VASUDEVAN RAMASWAMI
 Chief Executive & Manager
 Place: Mumbai
 Date: April 17, 2014

KRITI NARULA
 Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the First Annual Report of your Company with the audited accounts for the period ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of your Company are given hereunder:

	(₹ in Lakh)
	For the period ended 31.03.2014
Gross Income	2,729.59
Other Expenses	381.46
Profit before Tax/(Loss)	2,348.13
Provision for Tax	460.00
Profit after Tax(Loss)	1,888.13
Balance available for appropriation	1,888.13
Appropriations:	
Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	378.00
Surplus in the Statement of Profit and Loss	1,510.13

APPROPRIATIONS

The Company proposes to transfer ₹ 378 lakhs to Special Reserve created u/s 45 – IC of Reserve Bank of India Act, 1934 and retain ₹ 1,510.13 lakhs in the Statement of Profit and Loss of the Company.

PERFORMANCE OF THE COMPANY

In order to accelerate and enhance the flow of long term debt to infrastructure projects in India, the Union Finance Minister, in his Budget speech for 2011-12, had announced the setting up of Infrastructure Debt Funds (IDFs). The Government of India (GoI) and regulators have announced the broad structure, eligibility criteria for Sponsors, Income Tax benefits and inherent credit enhancement mechanisms.

Pursuant to the said regulative framework, your Company was incorporated and is registered* with the Reserve Bank of India (RBI) as an Infrastructure Debt Fund – Non Banking Financial Company (IDF-NBFC). The Company is in the business of offering debt refinance solutions to operational infrastructure Public Private Partnership (PPP) projects which have completed at least 1 year of satisfactory operations in sectors including Road, Port, Airport and Urban Infrastructure. The year represents the maiden year of its operations.

*Statutory disclaimer

“RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for discharge of liabilities by the company.

Neither is there any provision in law to keep, nor does the company keep any part of the deposits with the Reserve Bank and by issuing the Certificate of Registration to the Company, the Reserve Bank neither accepts any responsibility nor guarantees for the payment of the deposit amount to any depositor.”

The Company has commenced operations in November 2013 and approved debt assistance of ₹ 176 crore in FY'14. During the year under review, your Company has earned ₹ 2,729.59 lakhs, which represents interest income on the capital funds invested in liquid deposits with various banks for short tenor. The Company expects increased approvals and consequently disbursements resulting in a steady stream of business income from FY'15.

RESOURCES

L&T Infrastructure Finance Company Limited, being the Sponsor of the Company, has subscribed to 48% stake in the Company, with the balance stake owned by fellow subsidiary companies along with L&T Finance Holdings Limited.

The paid up capital of your Company as at March 31, 2014 is ₹ 304 Crore.

The Company expects to raise additional capital in the forthcoming year based on its requirements.

FIXED DEPOSITS

The Company being a Non Deposit taking Non Banking Financial Company ('NBFC') has not accepted any deposits from the public during the year under review.

DIRECTORS

Pursuant to Sec 152 (1) of the Companies Act, 2013 (the "Act"), the first Directors appointed by the Company should be duly appointed by the Shareholders of the Company. Accordingly, Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. Suneet K. Maheshwari, first Directors of the Company hold office till the ensuing Annual General Meeting.

L&T INFRA DEBT FUND LIMITED

During the year, the Board of Directors has appointed Mr. Arun Ramanathan as an Additional Director. Accordingly, he holds office till the ensuing Annual General Meeting.

Pursuant to Section 160 of the Act, a notice had been received by the Company from a member signifying its intention to propose the candidature of Mr. Y. M. Deosthalee, Mr. N. Sivaraman, Mr. Suneet K. Maheshwari and Mr. Arun Ramanathan for the office of Director of the Company.

Prior to coming into force of Section 149 of the Act, one of the Company's Directors, Mr. Arun Ramanathan was categorized as Independent Director in terms of the definition contained in the Equity Listing Agreement, though the Company did not have its equity shares listed.

The provisions of Section 149(4) of the Act pertaining to the appointment of Independent Directors, have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to coming into force of Section 149 of the Act from April 1, 2014, the Company has re-assessed the status of its Directors with a view to determining their qualifying for classification as Independent Directors in terms of Section 149(6) of the Act. Accordingly, Mr. Arun Ramanathan fulfils the criteria laid out in Section 149(6) of the Act in this regard.

Section 149(10) of the Act restricts the tenure of Independent Director to two terms of up to ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. Accordingly, it is proposed to appoint Mr. Ramanathan as an Independent Director to hold office for a period up to March 31, 2019.

CORPORATE GOVERNANCE:

It shall always be the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for appointment. They have confirmed that their re-appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Act.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Act, for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no unlisted public company having paid up share capital more than ₹ 10 crore shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

As the firm has been the auditors of the Company for a financial year, the Audit Committee and Board of Directors have recommended the re-appointment of M/s. Deloitte Haskins & Sells LLP as the Statutory Auditors of the Company for a period of four years being the balance period of the first term in accordance with the provisions of Section 139(2) of the Act.

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 in this category during the year.

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.

There were no Foreign Exchange earnings or outgo during the period.

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 the Company as at March 31, 2014 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 the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 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

Your Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2014.

ACKNOWLEDGEMENT

Your Directors wish to thank your Company's clients and business associates for their support towards 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 and Rating Agencies for their support.

For and on behalf of the Board of Directors

Place : Mumbai
Date: April 22, 2014

ARUN RAMANATHAN
Chairman

Y. M. DEOSTHALEE
Director

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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. All the members of the Board of your Company are non-executive. At present, the Board comprises four Directors viz. Mr. Arun Ramanathan, Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. Suneet K. Maheshwari. Mr. Arun Ramanathan was appointed as the Non-Executive Chairman of the Board during the year. Mr. Deosthalee is the Chairman & Managing Director of L&T Finance Holdings Limited (LTFH), Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same company. Mr. Suneet K. Maheshwari is a Director of L&T Infrastructure Finance Company Limited, and is holding a senior position in LTFH.

Mr. Shiva Rajaraman is the Manager & Chief Executive of your Company and functions under the supervision 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 seven core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination and Compensation Committee
- Risk Management Committee
- Corporate Social Responsibility Committee

Separation of Offices of Chairman and Chief Executive

The roles and offices of the Chairman and Chief Executive are separated. Mr. Arun Ramanathan is the Non-Executive Chairman of the Board whereas Mr. Shiva Rajaraman is the Manager & Chief Executive of your Company.

REMUNERATION OF DIRECTORS

The Directors on the Board who are in the services of LTFH draw remuneration from that company. The other Director on the Board is paid sitting fees for attending the meetings of the Board and/or any committee thereof and commission on net profits.

INDEPENDENT DIRECTORS

Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. Suneet K. Maheshwari are associated with LTFH.

Mr. Arun Ramanathan was Independent Director during the year ended March 31, 2014.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, which came into force on April 1, 2014, Mr. Arun Ramanathan meets the criteria for independence laid out in Section 149(6) of the Act.

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 they have confirmed Compliance with the same.

RESPONSIBILITIES OF THE BOARD

Presentations to the Board reflect all key areas including business prospects, budgets, business strategy & operations, asset quality and financial results. Directors are also updated about their respective roles and responsibilities.

Your Company ensures provision of necessary perspective 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 all relevant information in a form and of a quality appropriate to effectively enable/discharge his duties. The Directors are given time to study the information 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 attributes required of prospective candidates for election to the Board.

The systems of risk assessment and compliance with statutory requirements are in place.

Internal Auditors

The Internal Audit Department of L&T Finance 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.

Disclosures

During the financial year ended March 31, 2014:

- 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 generally ensures adherence to the various mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Equity Listing Agreement.
- During the year, the Companies Act, 2013 had received assent from the President of India on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified several sections, and the Company is geared up to implement all of them.

For and on behalf of the Board of Directors

Place : Mumbai
Date: April 22, 2014

ARUN RAMANATHAN
Chairman

Y. M. DEOSTHALEE
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T INFRA DEBT FUND LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INFRA DEBT FUND LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the period commencing on March 19, 2013 and ending on March 31, 2014 ("the period"), and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Statement of Profit and Loss, 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 Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

SANJIV V. PILGAONKAR
Partner
Membership No. 39826

Place : Mumbai
Date : April 22, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 of our Report on Other Legal and Regulatory Requirement of even date)

- (i) Having regard to the nature of the Company's business/ activities during the period, clauses (i), (viii), (x), (xi), (xii), (xiii), (xiv), (xvi), (xvii), (xix), (xx) of paragraph 4 of CARO are not applicable.
- (ii) In our opinion and according to the information and explanations given to us the Company does not hold any inventory.
- (iii) 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.
- (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 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.
- (v) 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.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public under the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) 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 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 Provident Fund, 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 31st March, 2014 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise Duty and Cess which have not been deposited on account of any dispute as on 31st March, 2014.
- (ix) In our opinion and according to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
- (x) According to the information and explanations given to us, during the year, 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.
- (xi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

FOR DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

SANJIV V. PILGAONKAR
Partner
Membership No. 39826

Place : Mumbai
Date : April 22, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	<u>Note No.</u>	(₹ in Lakh) <u>As at 31.03.2014</u>
A. EQUITY AND LIABILITIES		
1. Shareholders' funds		
Share capital	2	30,400.00
Reserves and surplus	3	1,888.13
		<u>32,288.13</u>
2. Current liabilities		
Trade payables	4	15.22
Other current liabilities	5	5.14
		<u>20.36</u>
Total equity and liabilities		<u><u>32,308.49</u></u>
B. ASSETS		
1. Non - current assets		
Long - term loans and advances	6	61.00
		<u>61.00</u>
2. Current assets		
Cash and bank balances	7	32,121.20
Short term loans and advances	8	34.71
Other current assets	9	91.58
		<u>32,247.49</u>
Total assets		<u><u>32,308.49</u></u>
SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIAL STATEMENTS	1 to 17	

As per our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

SUNEET K. MAHESHWARI
Director

SHIVA RAJARAMAN
Manager

Place: Mumbai
Date : April 22, 2014

Place: Mumbai
Date : April 22, 2014

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2014

	Note No.	(₹ in Lakh) For the period from 19-03-2013 to 31-03-2014
A. INCOME:		
1. Revenue from operations		-
2. Other income	10	2,729.59
3. Total income (1+2)		2,729.59
B. EXPENSES:		
Other expenses	11	381.46
4. Total expenses		381.46
5. Profit before tax (3-4)		2,348.13
6. Tax expenses:		
Current tax		460.00
Deferred tax		-
Total provision for tax		460.00
7. Profit after tax / balance carried to Balance Sheet (5-6)		1,888.13
Earnings per equity share (not annualised)		
Basic earnings per equity share (₹)	15	0.62
Diluted earnings per equity share (₹)	15	0.62
Face value per equity share (₹)		10.00
SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIAL STATEMENTS	1 to 17	

As per our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

SUNEET K. MAHESHWARI
Director

SHIVA RAJARAMAN
Manager

Place: Mumbai
Date : April 22, 2014

Place: Mumbai
Date : April 22, 2014

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2014

	(₹ in Lakh) For the period from 19.03.2013 to 31.03,2014
A Cash flow from operating activities:	
Profit Before Taxation	2,348.13
Adjustment for:	
Share issue expenses	200.06
Operating profit before working capital changes:	2,548.19
Adjustment for:	
Increase in trade payables	15.22
Increase in other current liabilities	5.14
Decrease in long term loans and advances	(10.04)
Decrease in short term loans and advances	(34.71)
Decrease in other assets	(91.58)
Cash generated from operations	2,432.22
Direct taxes paid	(510.96)
A Net cash flow from operating activities (A)	1,921.26
B Cash flows from investing activities:	
Term deposits having an original maturity of more than 3 months	
- Placed	(30,000.00)
- Matured	30,000.00
Net cash from / (used in) investing activities (B)	-
C Cash flows from financing activities:	
Proceeds from issue of share capital	30,400.00
Share issue expenses	(200.06)
Net cash generated from / (used in) financing activities (C)	30,199.94
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	32,121.20
Cash and cash equivalents as at beginning of the period	-
Cash and cash equivalents as at end of the period (refer note below)	32,121.20
Net (Decrease)/Increase in cash and cash equivalents	32,121.20
SEE ACCOMPANYING NOTES FORMING PART OF THE FINANCIAL STATEMENTS	1 to 18
Foot notes:	
1. Cash and bank balances reconciliation	
Cash and bank balance as at March 31, 2014	32,121.20
Less: Term deposits with original maturity greater than 3 months	-
Cash and cash equivalents as at March 31, 2014	32,121.20
2. Net cash used in operating activity is determined after adjusting the following	
Interest received	2,638.02

As per our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Y. M. DEOSTHALEE
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Director

SHIVA RAJARAMAN
Manager

Place: Mumbai
Date : April 22, 2014

Place: Mumbai
Date : April 22, 2014

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014

NOTE 1 : BRIEF PROFILE AND SIGNIFICANT ACCOUNTING POLICIES

A. Brief Profile :

L&T Infra Debt Fund Limited (the "Company") has been incorporated under the Companies Act, 1956 on 19th March 2013 to carry out the business of a specialized financial institution classified as an Infrastructure Debt Fund – Non - Banking Financial Company (IDF-NBFC) under the Infrastructure Debt Fund – Non-Banking Financial Companies (Reserve Bank) Directions, 2011 of the Reserve Bank of India ("RBI"). The Company is approved as IDF -NBFC on 21st October, 2013.

B. Significant Accounting Policies:

I. Basis of Accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, (the "1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 (the "2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and relevant provision thereof along with applicable guidelines issued by Reserve Bank of India ("RBI"). The financial statements have been prepared on accrual basis under the historical cost convention.

II. 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. Any change in such estimates is recognised prospectively.

III. Revenue Recognition

Interest from interest-bearing assets is recognised on an accrual basis over the life of the asset based on the constant effective yield.

IV. 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 Statement of Profit and Loss, on a straight line basis, over the lease term.

V. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the 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.

VI. 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 events 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 their 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.

VII. Cash Flow Statement

The Cash Flow Statement is prepared in accordance with indirect method as explained in the Accounting Standard on Cash Flow Statements (AS) 3.

VIII. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

IX. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)**X. Share and Debenture Issue Expenses**

Share and debenture issue expenses are charged to the Statement of Profit and Loss in the year in which it is incurred.

	As at 31.03.2014	
	Number	(₹ in lakh)
NOTE 2: SHARE CAPITAL		
Authorised		
Equity shares of ₹ 10 each	600,000,000	60,000.00
Preference shares of ₹ 1,000,000 each	2,000	20,000.00
Issued, Subscribed & Paid up shares		
Equity shares of ₹ 10 each	304,000,000	30,400.00
Total Issued, Subscribed & Paid up shares capital	304,000,000	30,400.00
(I) Reconciliation of the shares and amount outstanding at the beginning and at the end of the reporting period / year		
	As at 31.03.2014	
	Number	(₹ in lakh)
Shares outstanding at the beginning of the period / year	-	-
Shares issued during the period / year	304,000,000	30,400.00
Shares outstanding at the end of the period / year	304,000,000	30,400.00
(II) Terms/rights attached to equity shares		
The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the Company held by the shareholders. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.		
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.		
	As at 31.03.2014	
	Number	(₹ in lakh)
(III) Equity shares in the Company held by the holding company		
Equity Shares of ₹ 10 each fully paid held by L&T Finance Holdings Limited (Holding company) directly or through its beneficially nominees.	304,000,000	30,400.00
(IV) Details of shareholders holding more than 5% shares in the Company		
	As at 31.03.2014	
	Number	(₹ in lakh)
Equity Shares of ₹ 10 each fully paid held by		
L&T Infrastructure Finance Company Limited	147,000,000	14,700.00
L&T Finance Holdings Limited	71,000,000	7,100.00
L&T Finance Limited	20,000,000	2,000.00
L&T FinCorp Limited	43,000,000	4,300.00
Family Credit Limited	22,999,996	2,300.00

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)As at 31.03.2014
(₹ in Lakh)**NOTE 3: RESERVES AND SURPLUS****(I) Reserve u/s 45-IC of Reserve Bank of India Act, 1934**

Opening balance	-
Add : Transferred from surplus in the Statement of Profit and Loss	378.00
Closing balance	378.00

(II) Surplus in the Statement of Profit and Loss

Opening balance	-
Add : Profit for the period	1,888.13
Less: Transfer to reserve u/s. 45-IC of Reserve Bank of India Act, 1934	378.00
Closing balance	1,510.13

Total reserves and surplus	1,888.13
-----------------------------------	-----------------

NOTE 4 : TRADE PAYABLES**For services**

Sundry Creditors for expenses (Other than Micro and Small Enterprises)	15.22
	15.22

Note: On the basis of replies received by the Company in response to enquiries made, there are no dues payable 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.

NOTE 5: OTHER CURRENT LIABILITIES

Statutory liabilities	2.89
Accrued expenses	2.25
Total other current liabilities	5.14

NOTE 6: LONG-TERM LOANS AND ADVANCES**Others (Unsecured - considered good):**

Advance income taxes (net of provision of ₹ 460.00 lakhs)	50.96
Security deposit	2.41
Service tax credit receivable	7.63
Total other long term loans and advances - others	61.00

NOTE 7: CASH AND BANK BALANCES**Cash and cash equivalents as defined in AS - 3**

Cash on hand	0.05
Balances with Banks	-
In Current Account	69.93
In Other deposits accounts (with original maturity of less than 3 months)	32,051.22
Total cash and Bank Balance	32,121.20

NOTE 8: SHORT TERM LOANS AND ADVANCES**(Unsecured, considered good)**

Prepaid expenses	34.71
Total Short term loans and advances	34.71

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)As at 31.03.2014
(₹ in Lakh)

Note 9: Other current assets (Unsecured, considered good)	
Accrued interest on fixed deposits	91.58
Total other current assets	91.58

For the period from
19.03.2013 to
31.03.2014
(₹ in Lakh)**NOTE 10: OTHER INCOME**

Interest on bank deposits	2,729.59
Total other income	2,729.59

NOTE 11: OTHER EXPENSES

Bank Charges	0.05
Directors Sitting fees	0.21
Commission to non executive director	2.25
Demat Charges	0.22
Stamp Duty	82.46
ROC Filling Fees	200.06
Professional Fees	87.97
Rent	2.13
Auditor's Remuneration	5.93
Miscellaneous expenses	0.18
Total other expenses	381.46

Note: Auditors' Remuneration comprises the following (net of service tax set off):

As auditors	2.00
For tax audit	0.50
Other service	3.13
Service tax on above	0.30
	5.93

12. Contingent liabilities and commitments to the extent not provided for : Nil

13. Related party disclosures :**(a) List of related parties and relationship**

- A. Ultimate holding company:
 1. Larsen & Toubro Limited
- B. Holding company :
 1. L&T Finance Holdings Limited
- C. Fellow subsidiary company :
 1. L&T Infrastructure Finance Company Limited
 2. L&T Finance Limited
 3. L&T FinCorp Limited
 4. FamilyCredit Limited
 5. L&T Vrindavan Properties Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)**(b) Related party transactions**

Sr. No.	Nature of Transactions	Amount (₹ in Lakh)
1	Equity capital infused by:-	
	• L&T Infrastructure Finance Company Limited	14,700.00
	• L&T Finance Holdings Limited	7,100.00
	• L&T Finance Limited	2,000.00
	• L&T FinCorp Limited	4,300.00
	• FamilyCredit Limited	2,300.00
2	Security deposit paid to	
	• L&T Vrindavan Properties Limited	2.41
3	Lease rental charges	
	• L&T Vrindavan Properties Limited	2.13
4	Reimbursement of expenses	
	• L&T Infrastructure Finance Company Limited	35.09
5	Preliminary expenses paid by	
	• L&T Infrastructure Finance Company Limited	280.40

14. The Company has taken certain premises under operating leases. Rent includes net expenses of ₹ 2.13/- lakhs. The committed lease rentals in the future are:

Particulars	(₹ in Lakh)
Not later than one year	4.82
Later than one year and not later than five years	19.28
Later than five years	51.00

15. Earnings per share (not annualised):

Basic and Diluted	For the period ended 31.03.2014
Profit after tax for the period (₹ in Lacs)	1,888.13
Weighted average number of equity shares for computation of Basic earnings per share	304,000,000
Weighted average number of equity shares for computation of diluted earnings per share	304,000,000
Number of equity shares outstanding	304,000,000
Basic earnings per share (₹)	0.62
Diluted earnings per share (₹)	0.62
Nominal Value of Shares (₹)	10

16. 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' prescribed by the Companies (Accounting Standards) Rules, 2006.
17. Appropriations to the Special Reserve under Section 45-IC of Reserve Bank of India Act, 1934 are carried out of distributable profits of the Company.
18. The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of RBI circular (Ref. No. DNBS (PD) CC No. 279 / 03.02.001 / 2012-13 dated July 2, 2012.)

(i) Capital to Risk Assets Ratio (CRAR)

	For the period 19.03.2013 to 31.03.2014
CRAR (%)	25,087.89%
CRAR - Tier I Capital (%)	25,087.89%
CRAR - Tier II Capital (%)	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)**(ii) Exposure to Real Estate Sector**

	For the period 19.03.2013 to 31.03.2014
a) Direct Exposure	
Residential Mortgages	Nil
Infrastructure Real Estate (SEZs, Industrial Parks, IT Parks)	Nil
Commercial Real Estate	Nil
Investment in Mortgage Backed Securities(MBS) and other securitised exposures	Nil
b) Indirect Exposure	Nil

(iii) Maturity pattern of certain items of assets and liabilities

₹ in Lakhs

	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
Liabilities									
Borrowings from banks	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Market Borrowings	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Assets									
Advance	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Investments	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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)

Liability Side:

- Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:

Particular		Amount outstanding	Amount overdue
		(₹ in Lakh)	(₹ in Lakh)
(a)	Debentures :		
	Secured	Nil	Nil
	Unsecured (Other than falling within the meaning of public deposits)	Nil	Nil
(b)	Deferred Credits	Nil	Nil
(c)	Term Loans	Nil	Nil
(d)	Inter-corporate loans and borrowings	Nil	Nil
(e)	Commercial Paper	Nil	Nil
(f)	Other Loans		
	i) Foreign Currency Loan	Nil	Nil
	ii) Bank Overdraft, Cash credit & Working Capital Demand Loan	Nil	Nil

* Please see footnote (1) below

Asset Side:

- Break-up of Loans and Advances including bills receivables [Other than those included in (4) below]

Particular	Amount outstanding
	(₹ in Lakh)
(a) Secured	Nil
(b) Unsecured	Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)

3. Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities

Particular		Amount outstanding (₹ in Lakh)
(i)	Lease assets including lease rentals under sundry debtors : (a) Financial Lease (b) Operating Lease	Nil
(ii)	Stock on hire including hire charges under sundry debtors (a) Assets on hire (b) Repossessed assets	Nil
(iii)	Other loans counting towards AFC activities (a) Loans where assets have been repossessed (b) Loans other than (a) above	Nil

4. Break-up of Investments

Particulars	Amount outstanding (₹ in Lakh)
Current Investments	
1. Quoted	Nil
(i) Shares: (a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others	Nil
2. Unquoted :	
(i) Shares: (a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others	2.41
Long Term Investments	
1. Quoted	
(i) Shares: (a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others	Nil
2. Unquoted :	Nil
(i) Shares: (a) Equity	Nil
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others	Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)

5. Borrower group-wise classification of assets financed as in (2) and (3) above :
(see footnote 2 below)

Category	For the period 19.03.2013 to 31.03.2014 (₹ in Lakh)
1. Related Parties **	
(a) Subsidiaries	Nil
(b) Companies in the same group	Nil
(c) Other related parties	Nil
2. Other than related parties	Nil
Total	Nil

6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):
(see footnote 3 below)

Category	For the period 19.03.2013 to 31.03.2014 (₹ in Lakh)	
	Market Value/ Breakup Value/ Fair value /NAV	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties @	Nil	Nil
Total	Nil	Nil

@ being cost of unquoted investments net of provision in diminution (if any)

** As per Accounting Standard issued by the Institute of Chartered Accountants of India

(see footnote 3 below)

7. Other information

Particulars	For the period 19.03.2013 to 31.03.2014
	Amount (₹ in Lakh)
(i) Gross Non-Performing Assets	Nil
(a) Related parties	Nil
(b) Other than related parties	Nil
(ii) Net Non-Performing Assets	Nil
(a) Related parties	Nil
(b) Other than related parties	Nil
(iii) Assets acquired in satisfaction of debt	Nil

Footnotes:

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT MARCH 31, 2014 (Contd.)

2. Provisioning norms have been applied as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
 3. 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 in (4) above.
19. As the period commencing on 19th March, 2013 and ending on 31st March, 2014 is the first accounting period the corresponding previous period have not been furnished.

As per our report attached

For and on behalf of the Board

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

SANJIV V. PILGAONKAR
Partner

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

SUNEET K. MAHESHWARI
Director

SHIVA RAJARAMAN
Manager

Place: Mumbai
Date : April 22, 2014

Place: Mumbai
Date : April 22, 2014

DIRECTORS' REPORT

Dear Members,

Your directors have the pleasure of presenting the tenth Annual Report of the Company along with the Auditors' Report and the Audited Statement of Accounts for the Financial Year ended March 31, 2014

1. FINANCIAL RESULTS

	For the year ended 31.03.2014	(₹ lakhs) <i>For the year ended 31.03.2013</i>
Gross Income	10.65	60.53
Profit / (Loss) before Depreciation and Tax	9.71	27.95
Depreciation for the year	0	0
Profit / (Loss) before Tax	9.71	27.95
Provision for Tax	3.00	8.61
Profit / (Loss) after Tax	6.71	19.34
Surplus in the statement of Profit & Loss	163.42	156.71

2. DIVIDENDS

It is proposed not to recommend any dividend to the Members.

3. OPERATIONS REVIEW

Post acquisition by L&T Mutual Fund Trustee Limited ("LTMFTL"), the Trustees to L&T Mutual Fund, with a view to simplify the holding structure of the group and bring operational efficiency, it was proposed to amalgamate the Company with LTMFTL and necessary application has been filed with Hon'ble High Court, Bombay seeking its approval for the proposed amalgamation.

4. DIRECTORS

Presently the Board comprises Mr. Dinanath Dubhashi and Mr. G.K. Shettigar as Directors of the Company.

In terms of provisions of the Companies Act, 1956, Mr. Dinanath Dubhashi, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

5. AUDITORS

M/s. Price Waterhouse, Chartered Accountants, having firm registration number 301112E, Auditors of the Company (appointed effective December 26, 2013 as a result of casual vacancy caused by resignation of M/s Mukesh P. Shah, Chartered Accountants) hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Act for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, the Company cannot appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Considering, M/s. Price Waterhouse, Chartered Accountants has already served as Statutory Auditors of the Company for a period of 1 year, the Company could re-appoint them for a maximum period of 9 years (one term of 4 years and the other term of 5 years). The Audit committee and Board of Directors of the Company have recommended their appointment for only one year i.e. from the conclusion of the Tenth AGM till the conclusion of the Eleventh AGM, subject to approval by the Members in the AGM of the Company.

The Company has received necessary declarations / certificate from the Auditors with respect to the proposed appointment as required under the provisions of the Act.

6. 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 the Directors.

7. EMPLOYEE PARTICULARS AS PER SECTION 217 (2A)

During the year under review there was no employee covered by the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 read with Companies (Particulars of Employees) Amendment Rules, 2011.

8. 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.

9. FOREIGN EXCHANGE EARNING AND OUTGOING

During the period under review, the Company has not earned any income or incurred any expenditure in foreign exchange.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representation received from the Management, confirms 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, 2014 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.

11. ACKNOWLEDGEMENTS

The Directors take this opportunity to place on record their gratitude for the continued support and guidance received from SEBI, the Reserve Bank of India and all the Government and Regulatory bodies, Financial Institutions, Banks and Mutual Funds.

For and on behalf of the Board of Directors

*Place : Mumbai
Date : April 21, 2014*

G. K. SHETTIGAR
Director

DINANATH DUBHASHI
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T TRUSTEE SERVICES PRIVATE LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of **L&T TRUSTEE SERVICES PRIVATE LIMITED (formerly known as FIL Trustee Company Private Limited)** (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

7. The financial statements of the Company as at March 31, 2013 and for the year then ended were audited by another firm of chartered accountants who, vide their report dated April 23, 2013, expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), 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 Order.
9. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number: 301112E

VIVEK PRASAD
Partner
Membership Number: 104941

Place : Mumbai
Date : April 21, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of the Auditors' Report of even date to the members of L&T Trustee Services Private Limited on the financial statements as of and for the year ended 31st March, 2014.

- i. (a) The Company does not hold any fixed assets during the year ended 31st March, 2014. Therefore, the provisions of Clause 4(i) of the Order are not applicable to the Company.
- ii. (a) The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the said Order are not applicable to the Company.
- iii. (a) 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. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the 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 system.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
(b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including investor education and protection fund, income tax, sales tax, wealth tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax and service-tax which have not been deposited on account of any dispute.
- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the Balance Sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order 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 Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number: 301112E

VIVEK PRASAD
Partner
Membership Number: 104941

Place : Mumbai
Date : April 21, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	1.00	1.00
Reserves and surplus	4	164.47	157.76
		<u>165.47</u>	<u>158.76</u>
Current Liabilities			
Trade payables	5	0.89	1.72
Other current liabilities	6	0.13	1.91
		<u>1.02</u>	<u>3.63</u>
TOTAL		<u><u>166.49</u></u>	<u><u>162.39</u></u>
ASSETS			
Non Current Assets			
Long-term loans and advances	7	14.95	21.04
		<u>14.95</u>	<u>21.04</u>
Current assets			
Cash and cash equivalents	8	150.06	141.12
Other Current Asset	9	1.48	0.23
		<u>151.54</u>	<u>141.35</u>
TOTAL		<u><u>166.49</u></u>	<u><u>162.39</u></u>

The accompanying Notes are an integral part of the Financial Statements

In terms of our report attached.

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

Vivek Prasad

Partner

Membership No. 104941

Place: Mumbai

Date : April 21, 2014

For and on behalf of the Board

G. K. SHETTIGAR

Director

DINANATH DUBHASHI

Director

Place: Mumbai

Date : April 21, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
REVENUE			
Revenue from operations	10	-	53.29
Other Income	11	10.65	7.24
TOTAL REVENUE		10.65	60.53
EXPENSES			
Other operating expenses	12	0.94	32.57
TOTAL EXPENSES		0.94	32.57
Profit before tax		9.71	27.96
Tax expense:			
Current tax		3.00	8.61
Profit for the year		6.71	19.35
Earnings per equity share [Nominal Value per Share : ₹ 10/-]	13		
- Basic & Diluted (in Rupees)		67.10	193.48

The accompanying Notes are an integral part of the Financial Statements
In terms of our report attached.

For **PRICE WATERHOUSE**
Chartered Accountants
Firm Registration Number : 301112E

Vivek Prasad
Partner
Membership No. 104941

Place: Mumbai
Date : April 21, 2014

For and on behalf of the Board

G. K. SHETTIGAR
Director

DINANATH DUBHASHI
Director

Place: Mumbai
Date : April 21, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014		For the year ended 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
Cash flow from operating activities:				
Profit before tax		9.71		27.96
Adjustments for:				
Interest Income On Bank Deposits		10.25		7.24
Interest on Income Tax refund		0.40		-
Provision for Tax		3.00		-
Operating profit/(Loss) before working capital changes		(3.94)		20.72
Changes in working capital				
Adjustments for changes in working capital :				
Trade receivables	-		1.71	
(Increase) / Decrease in other current assets	(1.25)		(0.23)	
Short term loans and advances	-		14.39	
Long term loans and advances	(0.11)		(14.40)	
Adjustment for increase / (decrease) in operating liabilities				
Trade and other payables	(0.83)		(8.34)	
Other current liabilities	(1.78)		0.45	
		3.97		(6.42)
Cash generated from operations		(7.91)		14.30
Net taxes refund/(paid)		6.60		(9.04)
Net cash from operating activities (A)		(1.31)		5.26
Cash flow from Investing activities:				
Interest Income On Bank Deposits		10.25		7.24
Net cash used in investing activities (B)		10.25		7.24
Cash flow from financing activities:				
Net cash used in financing activities (C)		-		-
Net Increase in cash & cash equivalents (A+B+C)		8.94		12.50
Cash and cash equivalents at the beginning of the year		141.12		128.64
Cash and cash equivalents at the end of the year (Refer note 8)		150.06		141.12

In terms of our report attached.

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

For and on behalf of the Board

Vivek Prasad

Partner

Membership No. 104941

G. K. SHETTIGAR

Director

DINANATH DUBHASHI

Director

Place: Mumbai

Date : April 21, 2014

Place: Mumbai

Date : April 21, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1 GENERAL INFORMATION

L&T Trustee Services Private Limited (Formerly known as (FIL Trustee Company Private Limited) ('the Company') was incorporated on July 2, 2004 as a private limited company under the Companies Act, 1956 of India (the 'Act').

The principal objective of the Company is to act as trustee for mutual funds, perform the functions and duties of a trustee, execute trusts of all kind and transact all kinds of trust, agency or fiduciary business. The Company has disengaged from the trusteeship services of erstwhile Fidelity Mutual Fund on account of transfer of all the schemes of erstwhile Fidelity Mutual Fund to L&T Mutual Fund Ltd. w.e.f. 23rd November, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

2.2 Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.4 Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection

Trusteeship Fees

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

2.5 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 and deferred tax. Deferred tax assets and liabilities are recognised 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 unrealised deferred tax asset, to the extent that there is virtual certainty that sufficient future taxable income will be available.

2.6 Provisions, Contingent Liabilities and 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.

2.7 Earnings Per Share

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
3 SHARE CAPITAL		
Authorised		
100,000 (Previous year 100,000) Equity shares of ₹ 10 each	10.00	10.00
	10.00	10.00
Issued, Subscribed and Paid-up		
10,000 (Previous Year 10,000) equity shares of ₹ 10 each, fully paid up	1.00	1.00
	1.00	1.00

a) The reconciliation of the number of shares

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	(₹ in Lakh)	No of Shares	(₹ in Lakh)
Equity shares:				
Balance at the beginning of the period	10,000	1.00	10,000	1.00
Issued during the period	-	-	-	-
Balance at the end of the period	10,000	1.00	10,000	1.00

Rights, preferences and restrictions attached to shares:-

Equity Shares:- The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential Amounts, in proportion to their shareholding.

b) Shares held by holding Company and subsidiary of holding Company

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
Equity shares:		
10,000 equity shares of ₹ 10 each, fully paid up.		
Held by - L&T Mutual Fund Trustee Limited from 24-Nov-12	1.00	1.00
FID Investment (Mauritius) Limited upto 23-Nov-12	1.00	1.00

c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the company

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	% of Holding	No of Shares	% of Holding
Equity shares:				
Held by - L&T Mutual Fund Trustee Limited from 24-Nov-12	10,000	100.00%	10,000	100.00%
FID Investment (Mauritius) Limited upto 23-Nov-12				

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
4 RESERVES AND SURPLUS		
CAPITAL RESERVE*		
Opening Balance	-	1.05
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	(1.05)
	-	-
GENERAL RESERVE*		
Opening Balance	1.05	-
Add: Additions during the period	-	1.05
Less: Utilised / transferred during the period	-	-
	1.05	1.05
SURPLUS IN STATEMENT OF PROFIT AND LOSS		
Balance as at beginning of the year	156.71	137.37
Add : Profit for the year	6.71	19.34
Balance as at end of the year	163.42	156.71
TOTAL	164.47	157.76

* Represents amount received, on a non-repatriable basis from the Sponsor of erstwhile Fidelity Mutual Fund (the Fund), as a contribution to the Fund in accordance with the terms of the trust deed. The amount is held by the Company in its fiduciary capacity as the trustee to the Fund and is intended to be utilised only for the purposes of settlement of claims, if any, from the unit holders of the schemes launched by the Fund till 23rd November, 2012. As all the schemes of erstwhile Fidelity Mutual Fund (the Fund) have been transferred to L&T Mutual Fund w.e.f 24th November, 2012 and claim of the unit holders, if any, would be settled by L&T Mutual Fund Trustee Limited (Trustee to L&T Mutual Fund). Hence, Management is of the opinion that same is not required and has transferred the balance to General Reserve.

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
5 TRADE PAYABLES		
Trade Payables	0.89	1.72
TOTAL	0.89	1.72
6 OTHER CURRENT LIABILITIES		
Other Liabilities	0.02	1.02
Statutory Dues	0.11	0.89
TOTAL	0.13	1.91
7 LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Advance Tax	14.95	21.04
TOTAL	14.95	21.04
8 CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Balances with Bank in current account	5.06	141.12
Other Bank Balances		
Fixed Deposits (with maturity less than 12 months)	145.00	-
TOTAL	150.06	141.12

NOTES FORMING PART OF ACCOUNTS

	As at 31.03.2014 (₹ in Lakh)	<i>As at 31.03.2013 (₹ in Lakh)</i>
9 OTHER CURRENT ASSETS		
Interest accrued on deposit	3.00	
Others	0.41	0.23
TOTAL	3.41	0.23
	For the year ended 31.03.2014 (₹ in Lakh)	<i>For the year ended 31.03.2013 (₹ in Lakh)</i>
10 REVENUE FROM OPERATIONS		
Trusteeship Fees	-	53.29
TOTAL	-	53.29
11 OTHER INCOME		
Interest Income On Bank Deposits	10.25	7.24
Interest on Income Tax refund	0.40	-
TOTAL	10.65	7.24
12 OTHER OPERATING EXPENSES		
Directors' Fees	-	12.88
Legal and Professional Fees	0.04	2.13
Auditors Remuneration		
Audit Fees	0.40	0.25
Limited Review Fees	0.30	0.05
Other Services	-	0.05
Rates and Taxes	-	6.82
Travel and Car Hire	-	10.10
Miscellaneous Expense	0.20	0.29
TOTAL	0.94	32.57
13 EARNING PER SHARE (EPS)		
Net Profit after tax	6.71	19.35
Weighted average number of shares	10,000	10,000
Earnings Per Share (Basic and Diluted) in Rupees	67.10	193.48
14 RELATED PARTY DISCLOSURE		
Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosure" issued by the Institute of Chartered Accountants Of India are given below:		
(I) Relationships		
(i) Holding Company (upto 23-Nov-12)	:	FID Investment (Mauritius) Limited*
Holding Company (from 24-Nov-12)	:	L&T Mutual Fund Trustee Limited*
(ii) Fellow Subsidiary/Group Company	:	L&T Fund Management Private Limited*
(iii) Schemes of Fidelity Mutual Fund (upto 23-Nov-12)	:	Fidelity Equity Fund*

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

where Controls Exist

Fidelity India Special Situations Fund*
 Fidelity Tax Advantage Fund*
 Fidelity Cash Fund*
 Fidelity Ultra Short Term Debt Fund*
 Fidelity International Opportunity Fund*
 Fidelity India Growth Fund*
 Fidelity Flexi Bond Fund*
 Fidelity Flexi Gilt Fund*
 Fidelity Wealth Builder Fund*
 Fidelity Global Real Assets Fund*
 Fidelity India Value Fund*
 Fidelity Fixed Maturity Plan Series II*
 Fidelity Fixed Maturity Plan Series III*
 Fidelity Fixed Maturity Plan Series IV*
 Fidelity Short Term Income Fund*
 Fidelity India Children's Plan*
 Fidelity Fixed Maturity Plan Series V*
 Fidelity Fixed Maturity Plan Series VI*
 L&T Investment Management Limited
 Alasdair (from May 3, 2011 till 23
 Boulding* November 23, 2012)

- (iv) Associate (from 24-Nov-12)
 (iv) Key Management Personnel (upto 23-Nov-12)

* No transaction during the year

(II) Transactions with Related Parties**Nature of Transaction**

Nature of Transaction	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
During the year:		
Schemes of Fidelity Mutual Fund - Trusteeship Fees	-	53.29
L&T Investment Management Private Limited - Reimbursements	2.38	1.00
	2.38	54.29
Balance Outstanding at the End		
Schemes of Fidelity Mutual fund - Trade Receivables	-	-
L&T Fund Management Private Limited - Payable for Reimbursement of Expenses	-	1.00
	-	1.00

Note: Related party transactions are identified by the Management

15 SMALL AND MEDIUM COMPANY

The Company is a small and Medium sized Company (SMC) as defined in the general instructions in respect of Accounting Standard notified under the Act. Accordingly, the Company has complied with the Accounting Standards as applicable to a SMC.

16 DUES TO MICRO SMALL AND MEDIUM ENTERPRISES

There are no dues to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006.

The above information and that given in Note 5 and 6 regarding Micro and Small enterprises has been determined to the extent such parties have been identified, on the basis of information available with the Company. This has been relied upon by the Auditors.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (CONTD.)

17 "Pursuant to the provisions of sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the members and approval by the High Court of Judicature at Bombay ("High Court"), the Boards of Directors of the Company and LTMFTL have approved the proposal to amalgamate the company with L&T Mutual Fund Trustee Limited (LTMFTL) under the purchase method with an appointed date of 1 April 2013. The Company is in the process of finalising the scheme of amalgamation and making the necessary filings with the court. The scheme will be implemented and given effect to after it is sanctioned by the Honourable High Court of Judicature at Bombay as required under the Companies Act, 1956 and certified copy of the order of the Honourable High Court of Judicature at Bombay is filed with the Registrar of Companies, Mumbai, Maharashtra. Accordingly, the financial statement have been prepared on a going concern basis."

18 PREVIOUS YEAR NUMBERS

Previous year figures have been regrouped, reclassified and rearranged wherever necessary.

In terms of our report attached.

For **PRICE WATERHOUSE**

Chartered Accountants

Firm Registration Number : 301112E

Vivek Prasad

Partner

Membership No. 104941

Place: Mumbai

Date : April 21, 2014

For and on behalf of the Board

G. K. SHETTIGAR

Director

DINANATH DUBHASHI

Director

Place: Mumbai

Date : April 21, 2014

DIRECTORS' REPORT

Dear Members,

Your Board of Directors have the pleasure to present the Seventh Annual Report on the Business, Operations and Audited Financial Statements of your Company for the year ended March 31, 2014.

FINANCIAL RESULTS

The summarized financial results of your Company for the year ended March 31, 2014 are as under:

Particulars	₹ in Lakhs	
	2013-14	2012-13
Gross Written Premium (GWP)	25,378.09	18,206.82
Net Earned Premium	17,802.94	11,962.42
Net Incurred Claims	15,249.88	11,830.49
Net Commission - Outgo/(Income)	(146.65)	570.71
Underwriting Profit/(Loss)	(11,327.77)	(10,400.26)
Profit / (Loss) Before Tax	(10,018.01)	(9,327.96)
Provision for taxation	0	0
Profit / (Loss) After Tax	(10,018.01)	(9,327.96)
Add : Preliminary expenses / Credit / (Debit) balance brought forward from the previous year	(26,664.84)	(17,336.88)
Balance carried to Balance Sheet	(36,682.85)	(26,664.84)

BUSINESS AND OPERATIONAL OVERVIEW

The Company in its third full year of operations achieved a Gross Written Premium (GWP) of ₹ 270 crore by selling more than 2,60,000 policies.

Commercial segment accounted for ₹80 crore out of which 44% is contributed by Fire closely followed by Engineering at 23%.

In line with the industry, Motor remains the largest contributor to GWP with a share of 52%. Health and other Commercial LoBs' share the rest 48% with 19% and 29% of the total GWP respectively.

The Company gives emphasis on efficient policy issuance using high level technology platform. Policy issuance TAT (Turn Around Time) shows that 92% of the retail non-micro policies were issued on the same day of application. The Company has a pan India presence with 14 branches. During the year, the Company also made significant foray into Individual Health.

INDUSTRY SCENARIO AND OUTLOOK

Indian general insurance industry continues to show an impressive growth in top line and has reported a growth of 12 per cent from ₹ 69,074 crore in FY 2013 to ₹ 77,543 crore in FY 2014. All lines of business grew at a lower rate than previous year resulting in a lower industry growth which could be primarily attributed to lower GDP growth. The growth in premium for private players is 15% as compared to 10% for public players. Consequently the market share of private players grew from 43% to 44%.

Motor and Health LoBs are the fastest growing segment and now accounts for 44% and 23% of the industry's GWP.

TECHNOLOGY

Technology continues to be a major contributor to business and accordingly, your Company has implemented a state-of-the-art technology program that has equipped the Company with significant competitive advantages viz., ability to transact the business through Web, Seamless integration with online channel partners to buy policy, optimization of human resource requirement through operational efficiencies, uniform mode agnostic experience for the customers and ability to provide superior customer service. Your Company has been awarded Celent Asia Model Insurer award in the area of "Distribution category: Other channels" for developing a point of sale system for manufacturing tie up channel. Dealers can issue policy instantly at their premises at any point of time.

CAPITAL & SOLVENCY REQUIREMENTS

The solvency ratio remains sound and stood 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 8,00,00,000 Equity Shares of ₹ 10/- each, at par, aggregating to ₹80 crores. The total amount invested by the shareholders therefore increased to ₹ 495 crores as at the end of the financial year.

DIVIDEND

In view of the losses, the Directors do not recommend any dividend.

L&T GENERAL INSURANCE COMPANY LIMITED

DIRECTORS

Mr. R. Shankar Raman and Mr. N. Sivaraman retire by rotation at the ensuing Annual General Meeting and, being eligible; offer themselves for re-appointment.

REMUNERATION OF DIRECTORS

Mr. Joydeep Roy, Chief Executive Officer 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 Accounts. The remuneration paid to him has been approved by IRDA. Mr. M. M. Chitale and Mr. H. Ansari, the Non-Executive Independent Directors are paid sitting fees of ₹ 20,000/- each for every meeting of the Board/ Committees attended by them.

AUDITORS

Internal Auditors

The Group Internal Audit Department of L&T Financial Services conducts the internal audit of 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.

Vide IRDA Circular no. 36/7/F&A/EMPL/74/July/05 dated July 25, 2005; M/s. Sharp & Tannan, Chartered Accountants having completed 4 years, would retire this year post the conclusion of the ensuing Annual General Meeting of the Company and a new auditor needs to be appointed in its place.

M/s. PKF Sridhar & Santhanam shall continue as one of the Joint Statutory Auditors for FY 2014-15 for one more term i.e. a total of 5 years since its first appointment.

The Board of Directors recommends the reappointment and fixing of the remuneration of M/s. PKF Sridhar & Santhanam, Chartered Accountants.

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 25 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.

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.

RURAL AND SOCIAL SECTOR

Your Company has covered 17,82,239 lives under the 'social sector' business and issued 34,546 policies in rural areas (comprising 8% of the GWP) during the current financial year. It has always been our consistent focus to develop business in the rural areas, especially in the Tier 2 and Tier 3 cities, using specific micro-insurance products and addressing the Section of rural India which does not normally get access to modern general insurance products. Our micro insurance products have been tailor-made specifically for the rural population, addressing their needs and also suiting their income patterns.

REGISTRATION

The Certificate of Registration of your Company has been renewed by the Insurance Regulatory and Development Authority for 2014-15.

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

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 I to this Report and forms part of the Report. None of the employees listed in the said Annexure are 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 ₹ 592 Lakhs for the year ended March 31, 2014, mainly on account of reinsurance ceded.

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.

CORPORATE GOVERNANCE

The Corporate Governance guidelines issued by the IRDA came into effect from 1st April 2010. A report on compliance with these guidelines is contained in Annexure II along with a certificate from the Company Secretary.

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 16, 2014

N. SIVARAMAN
Director

JOYDEEP ROY
Chief Executive Officer & Wholetime Director

ANNEXURE II TO THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2014

CORPORATE GOVERNANCE

It has been the constant endeavor of the Company to enhance the economic value, trust and confidence of all stakeholders through good corporate governance practices.

The Insurance Regulatory and Development Authority had issued Corporate Governance guidelines applicable to all insurance companies. The Guidelines have come into force effective April 1, 2010. The Company had taken necessary steps and put in appropriate processes to ensure compliance with the same.

WHISTLE BLOWER POLICY

The Company has formulated a Whistle Blower Policy. In terms of this policy, employees and other persons dealing with the Company are free to raise issues, if any, on suspected violation, wrongdoings or any unethical or improper practice or breach of any law, statute or regulation by the Company and on the accounting policies and procedures adopted for any area or item and report them to the Whistleblowing Investigation Committee. All matters including actions taken would be reported to the Audit Committee of the Board.

CODE OF CONDUCT FOR PERSONAL TRADING

The Company has a Code of Conduct for personal investments. The objective of the Code is to prohibit Access Persons from dealing in securities in their or their relatives' personal accounts based on information received in their official capacity.

CODE OF BUSINESS CONDUCT

The Company has a Code of Business Conduct for its employees, including executive and managerial. The Code aims at ensuring consistent standards of conduct and ethical business practices across the constituents of the Company.

The Code lays down the broad framework of general guiding principles, covering mainly:

- Honesty, Integrity, Ethics
- Respect for Individuals
- Sharing of Official Information
- Professional Engagement
- Use of Company Assets
- Use of Information Technology
- Working Environment
- Safety, Health and Environment
- Gift Policy
- Share Trading
- Whistle Blower Policy
- Discipline
- Dispute Resolution
- Code of Conduct Committee

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 two (2) are Independent Directors. Besides Mr. Joydeep Roy, Chief Executive Officer and Whole-Time Director on the Board of the Company, all other Directors are Non-Executive.

Mr. Y. M. Deosthalee, Mr. N. Sivaraman and Mr. R. Shankar Raman are Non-Executive Directors on the Company's Board. Mr. M. M. Chitale & Mr. H. Ansari are the two independent Directors on the Company's Board.

During the year 2013-14; the Board of Directors met five times on April 13, 2013, May 02, 2013, July 19, 2013, November 12, 2013 and February 5, 2014.

Name of Director	Qualification	Field of Specialization	No. of Board Meetings		Sitting Fees paid (₹)
			Held	Attended	
Mr. Y. M. Deosthalee	ACA, LLB	Finance, Personnel & HR, Risk Management, M&A	5	5	NIL
Mr. N. Sivaraman	ACA	Finance & Accounts, M&A & Investor Relations	5	5	NIL
Mr. R. Shankar Raman	ACA, Grad ICWA	Finance & Accounts, Audit, Treasury, Capital Markets	5	5	NIL
Mr. M. M. Chitale	FCA	Finance & Banking, Auditing, Taxation	5	5	100,000
Mr. H. Ansari	Post-Graduate in Science	Insurance, Training, Underwriting	5	5	100,000
Mr. Joydeep Roy	Mechanical Engineer, MBA from IIM Calcutta	Banking, Insurance & IT	5	5	NIL

COMPOSITION OF THE BOARD COMMITTEES:

The Board has four mandatory Committees viz. the Audit Committee, the Risk Management Committee, the Policyholder Protection Committee and the Investment Committee duly constituted in accordance with the applicable law and one non-mandatory Committee viz. the Committee of Directors.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. M. M. Chitale (Chairman of the Committee), Mr. H. Ansari and Mr. R. Shankar Raman. The Committee met five times on May 02, 2013; July 19, 2013; September 30, 2013; November 12, 2013 and February 05, 2014.

Members	No. of Meetings held	No. of Meetings attended	Sitting Fees paid (₹)
Mr. M. M. Chitale (Chairman)	5	5	1,00,000
Mr. H. Ansari	5	5	1,00,000
Mr. R. Shankar Raman	5	5	NIL

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises of Mr. H. Ansari (Chairman of the Committee), Mr. N. Sivaraman and Mr. Joydeep Roy. The Committee met four times on May 2, 2013; July 19, 2013; November 12, 2013 and February 6, 2014.

Members	No. of Meetings held	No. of Meetings attended	Sitting Fees paid (₹)
Mr. H. Ansari (Chairman)	4	4	80,000
Mr. N. Sivaraman	4	4	NIL
Mr. Joydeep Roy	4	4	NIL

POLICYHOLDER PROTECTION COMMITTEE

The Policyholder Protection Committee comprises of Mr. H. Ansari (Chairman of the Committee), Mr. N. Sivaraman and Mr. Joydeep Roy. The Committee met four times on May 2, 2013; July 19, 2013; November 12, 2013 and February 6, 2014.

Members	No. of Meetings held	No. of Meetings attended	Sitting Fees paid (₹)
Mr. H. Ansari (Chairman)	4	4	80,000
Mr. N. Sivaraman	4	4	NIL
Mr. Joydeep Roy	4	4	NIL

INVESTMENT COMMITTEE

The Investment Committee comprises of Mr. N. Sivaraman, Mr. R. Shankar Raman, Mr. Joydeep Roy, Mr. V. Krishnamoorthy, Mr. Hareshwar Karekar and Mr. Mehul Shah. The Committee met five times on May 2, 2013; June 28, 2013; July 26, 2013; November 12, 2013 and March 11, 2014.

Members	No. of Meetings held	No. of Meetings attended	Sitting Fees paid (₹)
Mr. N. Sivaraman	5	5	NIL
Mr. R. Shankar Raman	5	3	NIL
Mr. Joydeep Roy	5	5	NIL
Mr. V. Krishnamoorthy (Chief Financial Officer & Principal Compliance Officer)	5	4	NIL
Dr. M. Pushpangadan (Chief Investment Officer)	5	4	NIL
Mr. Mehul Shah (Appointed Actuary)	5	5	NIL
Mr. Hareshwar Karekar	5	2	NIL

Dr. M. Pushpangadan ceased to be the Chief Investment officer w.e.f November 29, 2013 and Mr. Hareshwar Karekar was appointed w.e.f November 30, 2013.

Annexure A

CERTIFICATION FOR COMPLIANCE OF THE CORPORATE GOVERNANCE GUIDELINES

I, Aarti Kamath, 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.

For **L&T General Insurance Company Ltd.**

Aarti Kamath
Company Secretary

Place: Mumbai
Date: May 16, 2014

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 09, 2010. The Company has obtained renewal of registration certificate from IRDA for the financial year 2014-2015 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 31st March 2014 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 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.
- a) The trend in average claim settlement time for various Segments is given hereunder: -

For the year 2013-14	Trend in average claim settlement time for various Segments											
	Upto 30 days		31 days - 6 months		6 months to 1 year		1 year to 5 years		5 years & above		Total (Amt in ₹ Lakhs)	
Business class	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt	No	Amt
Fire	48	37	120	297	61	390	38	110	0	-	267	834
Marine Cargo	247	42	323	206	110	72	7	10		-	687	330
Marine Hull	-	-	0	-	-	-	-	-		-	0	-
Motor	7852	1,437	2576	3,742	156	345	261	183		-	10845	5,707
Workmen Compensation	19	11	16	34	42	18	14	12		-	91	74
Liability	9	0	2	0	0	-	0	-		-	11	0
Engineering	28	63	189	421	70	177	38	91	0	-	325	752
PA	78	193	30	18	-	-	-	-		-	108	212
Health	9369	3017	271	731	-	-	-	-		-	9640	3,749
Miscellaneous	43	6	96	23	53	37	7	2		-	199	67
Total	17693	4,806	3623	5,472	492	1,039	369	408	0	-	22173	11,725

- b) The Average Claims Outstanding for various Segments is given hereunder: -

Details of Claims Outstanding as at March 31, 2014	< 3 months		3 months or more, < 6 months		6 months or more, < 1 year		1 year or more, < 3 year		Total (Amt in ₹ Lakhs)	
	Count	Amt	Count	Amt	Count	Amt	Count	Amt	Count	Amt
Business	Count	Amt	Count	Amt	Count	Amt	Count	Amt	Count	Amt
Fire	88	456.67	36	319.50	57	770.42	59	1351.01	240	2,898
Marine Cargo	103	(117.49)	97	268.55	45	90.59	35	297.20	280	539
Marine Hull	-	-	-	-	-	-	-	-	-	-
Motor	798	(234.56)	276	206.76	371	777.90	484	3349.54	1929	4,154
Liability	27	(5.37)	13	2.80	11	83.63	7	119.77	58	201
Engineering	74	(160.51)	40	368.98	39	93.12	15	1543.95	168	1,846
PA	24	83.65)	-	15.93	-	23.89	-	67.08	24	23
Health	640	(35.19)	-	359.94	-	149.71	-	145.34	640	620
Miscellaneous	61	(176.82)	29	62.52	29	206.75	40	218.19	159	311
Total	1,815	(357)	491	1,659	552	2,196	640	7,092	3498	10,590

- 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.

11. 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.
12. Directors' Responsibility Statement:
- i) 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.
 - ii) 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 31st March 2014.
 - 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 / Companies Act, 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. There had been no payment during the year 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. The Related party disclosures, in line with AS 18, are provided in the Notes to Accounts.

For and on behalf of the Board of Directors

JOYDEEP ROY

CEO & Whole time Director

N.SIVARAMAN

Director

*Place : Mumbai
Date : May 16, 2014*

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T GENERAL INSURANCE COMPANY LIMITED

Report on Financial Statements

1. We have audited the accompanying Financial Statements of **L&T GENERAL INSURANCE COMPANY LIMITED** ('the Company'), which comprise the Balance Sheet as at March 31, 2014, the revenue accounts of fire, marine and miscellaneous insurance (collectively known as the 'Revenue accounts'), the Profit and Loss Account and the receipts and payments account for the year then ended, the schedules annex thereto, a summary of significant accounting policies and other explanatory notes thereon.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, underwriting results, financial performance and cash flows of the Company in accordance with the applicable Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies Regulations), 2002 ('the Regulations') and orders / directions prescribed by the Insurance Regulatory and Development Authority ('IRDA') in this behalf, the Companies Act, 1956 to the extent applicable in the manner so required and current practices prevailing within the insurance industry in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and according to the information and explanations given to us, we report that the Balance Sheet, the revenue accounts, the Profit and Loss Account and the receipts and payments account read together with the schedules, the significant accounting policies and notes thereon 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:
 - in the case of Balance Sheet, of the state affairs of the Company as at March 31, 2014;
 - in the case of Revenue Accounts, of the operating Loss for the year ended on that date;
 - in the case of Profit and Loss Account, of the loss for the year ended on that date; and
 - in case of Receipts and Payments Account, of the receipts and payments for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies Regulations), 2002, 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 notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent applicable, and with the accounting principles prescribed by the Regulations and orders/directions prescribed by IRDA in this regard; The Balance Sheet, the revenue accounts, the Profit and Loss Account and the receipts and payments account referred to in this report are in compliance with the accounting standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent applicable.

- c) 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;
 - d) 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;
 - e) The Balance Sheet, the revenue accounts, the Profit and Loss Account and the receipts and payments account referred to in this report are in agreement with the books of account;
 - f) Proper books of accounts as required by law have been maintained by the Company so far as appears from our examination of those books; and
 - g) The actuarial valuation of liabilities in respect of Incurred But Not Reported ('IBNR') and Incurred But Not Enough Reported ('IBNER') as at March 31, 2014, including those for reinsurance accepted from Declined Risk Pool ('DR Pool') 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;
 - h) On the basis of the written representations received from the directors of the Company, as on March 31, 2014 and taken on record by the Board of Directors, no director of the Company is disqualified as on March 31, 2014 from being appointed as director of the Company under clause (g) of sub-section (1) of Section 274 of the Act.
8. 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, 2014 and there are no apparent mistakes or material inconsistency with the financial statements; and
 - b) Based on the information and explanations received during the course of our audit and management representation by officers 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

Firm Registration No.109982W

ASHWIN B. CHOPRA

Partner

Membership No.38159

Place : Mumbai

Date : May 16, 2014

For PKF SRIDHAR & SANTHANAM

Chartered Accountants

Firm Registration No.003990S

R. SURIYANARAYANAN

Partner

Membership No. 201402

INDEPENDENT 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, 2014, we certify that:

- We have verified the cash balances to the extent considered necessary 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 the 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

Firm Registration No.109982W

ASHWIN B. CHOPRA

Partner

Membership No.38159

Place : Mumbai

Date : May 16, 2014

For PKF SRIDHAR & SANTHANAM

Chartered Accountants

Firm Registration No.003990S

R. SURIYANARAYANAN

Partner

Membership No. 201402

L&T GENERAL INSURANCE COMPANY LIMITED

FORM NL - 1 - B- RA

Registration No. 146

Date of Registration with IRDA - 9th July 2010

REVENUE ACCOUNT

(₹ '000)

	Schedule	FIRE		MARINE		MISCELLANEOUS		TOTAL	
		For the year ended		For the year ended		For the year ended		For the year ended	
		Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13
Premiums earned (Net)	1	66,518	39,302	43,303	38,740	1,670,473	1,118,200	1,780,294	1,196,242
Profit/ (Loss) on sale/redemption of Investments		2,841	1,910	701	604	17,817	11,905	21,358	14,419
Others (Miscellaneous income)		-	-	-	-	-	-	-	-
Interest Income		22,154	14,002	5,466	4,427	138,931	87,286	166,552	105,715
TOTAL (A)		91,513	55,214	49,470	43,771	1,827,221	1,217,391	1,968,204	1,316,376
Claims Incurred (Net)	2	68,874	36,634	23,249	24,170	1,432,865	1,122,245	1,524,988	1,183,049
Commission	3	(33,780)	(7,116)	5,806	3,041	13,309	61,146	(14,665)	57,071
Operating Expenses related to Insurance Business	4	73,858	60,213	32,652	36,128	1,491,441	1,107,925	1,597,951	1,204,266
Premium Deficiency		-	(184)	-	(494)	(7,293)	(87,306)	(7,293)	(87,984)
TOTAL (B)		108,952	89,547	61,707	62,845	2,930,322	2,204,010	3,100,981	2,356,402
Operating Profit/(Loss) (A - B)		(17,439)	(34,333)	(12,237)	(19,074)	(1,103,101)	(986,619)	(1,132,777)	(1,040,026)
APPROPRIATIONS									
Transfer to Shareholders' Account		(17,439)	(34,333)	(12,237)	(19,074)	(1,103,101)	(986,619)	(1,132,777)	(1,040,026)
Transfer to Catastrophe Reserve		-	-	-	-	-	-	-	-
Transfer to Other Reserves (to be specified)		-	-	-	-	-	-	-	-
TOTAL (C)		(17,439)	(34,333)	(12,237)	(19,074)	(1,103,101)	(986,619)	(1,132,777)	(1,040,026)
Significant accounting policies	16	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.							
Notes to financial statements	17								

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

For and on behalf of the Board of Directors

PKF SRIDHAR & SANTHANAM
Chartered Accountants
ICAI registration no.003990S
by the hand of

R. SURIYANARAYANAN
Partner
Membership No. 201402

Y.M. DEOSTHALEE
Director

N. SIVARAMAN
Director

JOYDEEP ROY
CEO and Whole time
Director

V. KRISHNAMOORTHY
Chief Financial Officer

AARTI KAMATH
Company Secretary

SHARP & TANNAN
Chartered Accountants
ICAI registration
no.109982W
by the hand of

ASHWIN B. CHOPRA
Partner
Membership No. 38159

Place : Mumbai
Date : May 16, 2014

Place : Mumbai
Date : May 16, 2014

FORM B - PL

Registration No. 146

Date of Registration with IRDA - July 9, 2010

PROFIT AND LOSS ACCOUNT

	For the year ended 31.03.2014	For the year ended 31.03.2013
		(₹ '000)
OPERATING PROFIT/(LOSS)		
(a) Fire Insurance	(17,439)	(34,333)
(b) Marine Insurance	(12,237)	(19,074)
(c) Miscellaneous Insurance	(1,103,101)	(986,619)
	<u>(1,132,777)</u>	<u>(1,040,026)</u>
INCOME FROM INVESTMENTS		
(a) Interest, Dividend & Rent – Gross	87,549	88,033
(b) Profit on sale of investments	15,564	23,524
Less: Loss on sale of investments	(3)	(59)
OTHER INCOME		
Profit on sale of Fixed Assets	33,819	–
Other Income	20	70
TOTAL (A)	<u>(995,828)</u>	<u>(928,459)</u>
PROVISIONS (Other than taxation)		
(a) For diminution in the value of investments	–	–
(b) For doubtful debts	–	–
(c) Others (to be specified)	–	–
OTHER EXPENSES		
(a) Expenses other than those related to Insurance Business (Refer Schedule 17 note 30)	5,413	3,818
(b) Bad debts written off	–	–
(c) Directors fees	560	520
TOTAL (B)	<u>5,973</u>	<u>4,338</u>
Profit/ (Loss) Before Tax	<u>(1,001,801)</u>	<u>(932,796)</u>
Provision for Taxation (pertaining to earlier years)	–	–
APPROPRIATIONS		
(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>(2,666,484)</u>	<u>(1,733,688)</u>
Balance carried forward to Balance Sheet	<u>(3,668,285)</u>	<u>(2,666,484)</u>
"Earning per Share of Face Value ₹ 10 - Basic and Diluted "(refer Schedule 17 Note 20)"	(2.27)	(2.47)
Significant accounting policies	16	
Notes to financial statements	17	

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

PKF SRIDHAR & SANTHANAMChartered Accountants
ICAI registration no.003990S
by the hand of**R. SURIYANARAYANAN**
Partner
Membership No. 201402**Y.M. DEOSTHALEE**
Director**N. SIVARAMAN**
Director**JOYDEEP ROY**
CEO and Whole time
Director**V. KRISHNAMOORTHY**
Chief Financial Officer**AARTI KAMATH**
Company Secretary**SHARP & TANNAN**Chartered Accountants
ICAI registration
no.109982W
by the hand of**ASHWIN B. CHOPRA**
Partner
Membership No. 38159Place : Mumbai
Date : May 16, 2014Place : Mumbai
Date : May 16, 2014

L&T GENERAL INSURANCE COMPANY LIMITED

FORM B - BS

Registration No. 146

Date of Registration with IRDA - July 9, 2010

BALANCE SHEET

Particulars	Schedule	(₹ '000)	
		As at 31.03.2014	As at 31.03.2013
SOURCES OF FUNDS :			
Share Capital	5	4,950,000	4,150,000
Reserves and Surplus	6	-	-
Fair Value Change Account		2,046	2,942
Borrowings	7	-	-
TOTAL		4,952,046	4,152,942
APPLICATION OF FUNDS :			
Investments	8	2,938,264	2,504,650
Loans	9	-	-
Fixed Assets (Net) including Capital work in progress	10	533,131	841,839
Current Assets:			
Cash and Bank Balances	11	139,259	79,505
Advances and Other Assets	12	1,079,491	777,046
Sub Total [A]		1,218,750	856,551
Current Liabilities	13	2,312,838	1,815,639
Provisions	14	1,093,546	900,943
Sub Total [B]		3,406,384	2,716,582
Net Current Assets [C] = [A - B]		(2,187,634)	(1,860,031)
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	-	-
Debit balance in Profit and Loss Account		3,668,285	2,666,484
TOTAL		4,952,046	4,152,942
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES TO FINANCIAL STATEMENTS	17		

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

PKF SRIDHAR & SANTHANAM
Chartered Accountants
ICAI registration no.003990S
by the hand of

R. SURIYANARAYANAN
Partner
Membership No. 201402

Y.M. DEOSTHALEE
Director

N. SIVARAMAN
Director

JOYDEEP ROY
CEO and Whole time
Director

V. KRISHNAMOORTHY
Chief Financial Officer

AARTI KAMATH
Company Secretary

SHARP & TANNAN
Chartered Accountants
ICAI registration
no.109982W
by the hand of

ASHWIN B. CHOPRA
Partner
Membership No. 38159

Place : Mumbai
Date : May 16, 2014

Place : Mumbai
Date : May 16, 2014

Registration No. 146

Date of Registration with IRDA - July 9, 2010

RECEIPTS AND PAYMENTS ACCOUNT

	For the year ended 31.03.2014	For the year ended 31.03.2013
(₹ '000)		
Cash flows from operating activities:		
Premium received from policyholders advance receipts	2,555,932	1,957,200
Other Receipts	20	70
Payments to the re-insurers, net of commission and claims	(333,802)	(298,435)
Payments to co-insurers, net of claims recovery	(23,860)	(77,191)
Payments of Direct Claims	(866,726)	(629,250)
Payments of commission and brokerage	(113,209)	(103,345)
Payments of operating and other expenses	(1,476,567)	(951,199)
Deposits, advances and staff loans	(125,200)	36,235
Income taxes paid (net)	-	-
Service tax paid	(295,789)	(150,705)
Cash flows before extraordinary items	(679,201)	(216,620)
Cash flows from extraordinary operations	-	-
Net cash flow from operating activities [A]	(679,201)	(216,620)
Cash flows from investing activities		
Purchase of fixed assets	(32,084)	(221,912)
Sale of Fixed Assets	161,121	310
Loans disbursed	-	-
Repayments received	-	-
Purchase of Investments	(1,108,363)	(2,136,231)
Sale of Investments	724,230	1,427,287
Investments in money market and in liquid mutual funds (Net)	(6,456)	108,118
Interest received	200,507	135,636
Net cash flow from investing activities [B]	(61,045)	(686,791)
Cash flow from financing activities		
Proceeds from issuance of share capital	800,000	900,000
Proceeds from borrowings	-	-
Repayments of borrowings	-	-
Interest/ dividend paid	-	-
Net cash flow from financing activities [C]	800,000	900,000
Effects of foreign exchange rates on cash and cash equivalents (net)	-	-
Net increase/ (decrease) in cash equivalents [A + B + C]	59,754	(3,412)
Cash and cash equivalents as at the beginning of the year	79,505	82,917
Cash and cash equivalents as at the end of the year	139,259	79,505

As per our report of even date attached

PKF SRIDHAR & SANTHANAM

Chartered Accountants

ICAI registration no.003990S

by the hand of

R. SURIYANARAYANAN

Partner

Membership No. 201402

Y.M. DEOSTHALEE

Director

N. SIVARAMAN

Director

JOYDEEP ROY

CEO and Whole time

Director

V. KRISHNAMOORTHY

Chief Financial Officer

AARTI KAMATH

Company Secretary

SHARP & TANNAN

Chartered Accountants

ICAI registration

no.109982W

by the hand of

ASHWIN B. CHOPRA

Partner

Membership No. 38159

Place : Mumbai

Date : May 16, 2014

Place : Mumbai

Date : May 16, 2014

For and on behalf of the Board of Directors

SCHEDULES FORMING PART OF ACCOUNTS**ANNEXURE TO REVENUE ACCOUNT - YEAR ENDED MARCH 2014**

(₹ '000)

Particulars	Fire	Marine	Miscellaneous Revenue Account													Total	
			Fire	Marine Cargo	Engineering	Health	Group Health	Group PA	Individual PA	Liability - Work. Comp	Liability - Others	Motor OD	Motor TP Private Car	Motor TP Commercial Vehicles	Declined Pool		Others
Premium Earned (Net)																	
Premium from direct business written	337,548	83,294	179,135	169,474	288,048	26,566	2,857	41,514	11,445	983,942	146,132	242,981	2,202	22,672	2,116,967	2,537,809	
Add: Premium on reinsurance accepted	87,894	-	6,651	-	2,971	-	-	-	-	6,877	-	-	54,464	-	70,961	158,855	
Less: Premium on reinsurance ceded	(334,338)	(43,017)	(108,909)	(8,482)	(94,027)	(10,606)	(429)	(2,100)	(4,484)	(76,997)	(6,924)	(16,877)	(1,652)	(16,739)	(348,224)	(725,579)	
Net Premium	91,104	40,277	76,877	160,992	196,992	15,960	2,428	39,414	6,961	913,822	139,208	226,104	55,014	5,933	1,839,704	1,971,085	
Adjustment for change in reserve for unexpired risks	(24,586)	3,026	(8,357)	(88,450)	170,891	4,859	(1,510)	(2,031)	(318)	(203,810)	(50,073)	10,014	-	(447)	(169,231)	(190,791)	
Premium Earned (Net) - Schedule 1	66,518	43,303	68,520	72,542	367,883	20,819	918	37,383	6,643	710,012	89,135	236,118	55,014	5,486	1,670,473	1,780,294	
Profit/ (Loss) on sale of Investments	2,841	701	1,508	1,426	2,424	224	24	349	96	8,281	1,230	2,045	19	210	17,817	21,358	
Interest Income	22,154	5,466	11,756	11,122	18,904	1,743	187	2,724	751	64,574	9,590	15,946	458	1,634	138,931	166,552	
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Segmental revenue	91,513	49,470	81,784	85,090	389,211	22,786	1,129	40,456	7,490	782,867	99,955	254,109	55,491	7,330	1,827,221	1,968,204	
Claims Incurred (Net)																	
Claims paid direct	83,469	33,011	75,031	23,512	239,836	20,626	557	7,427	31	411,438	2,108	54,574	30,341	6,743	872,226	988,706	
Add :Re-insurance accepted to direct claims	(70)	8	175	-	111,510	-	-	-	-	-	-	-	-	72,203	183,888	183,826	
Less :Re-insurance Ceded to claims paid	(53,867)	(11,877)	(24,255)	(1,733)	(22,387)	(6,744)	(29)	(608)	(9)	(31,954)	(202)	(2,105)	-	(2,299)	(92,325)	(158,069)	
Net Claims Paid	29,532	21,142	50,951	21,779	328,959	13,882	528	6,819	22	379,484	1,906	52,469	30,341	76,647	963,789	1,014,464	
Add: Claims Outstanding at the end of the year (net)	67,803	21,004	53,821	8,114	159,357	23,162	1,707	11,510	317	140,093	133,242	1,124,365	26,474	17,683	1,699,847	1,788,654	
Less: Claims Outstanding at the beginning of the year (net)	28,461	18,896	58,780	1,585	117,420	13,184	730	13,563	7	130,929	51,168	802,040	24,918	16,445	1,230,771	1,278,129	
Total Claims Incurred - Schedule 2	68,874	23,249	45,992	28,308	370,896	23,860	1,505	4,766	332	388,648	83,980	374,794	31,897	77,885	1,432,865	1,524,988	
Commission:																	
Commission paid:																	
Direct	20,471	10,086	9,787	9,739	12,715	1,547	242	3,480	1,392	49,711	-	-	-	2,450	91,062	121,619	
Add: Re-insurance Accepted	6,011	-	157	-	362	-	-	-	-	1,290	-	-	-	-	1,809	7,820	
Less: Commission on Re-insurance Ceded	(60,262)	(4,280)	(24,938)	(1,254)	(42,436)	(194)	(21)	(414)	(421)	(6,192)	(1,022)	(1,691)	-	(981)	(79,562)	(144,104)	
Net Commission - Schedule 3	(33,780)	5,806	(14,994)	8,485	(29,359)	1,353	221	3,066	971	44,809	(1,022)	(1,691)	-	1,469	13,309	(14,665)	
Operating Expenses Related to Insurance Business - Schedule 4	73,858	32,652	62,324	130,516	159,700	12,939	1,968	31,953	5,643	740,832	112,855	183,302	44,600	4,810	1,491,441	1,597,951	
Change in Premium Deficiency					-7,291										-7,293	-7,293	
Operating Profit / (Loss)	(17,439)	(12,237)	(11,538)	(82,219)	(104,735)	(15,366)	(2,566)	671	544	(391,422)	(95,858)	(302,297)	(21,007)	(76,834)	(1,103,101)	(1,132,777)	
Operating Expenses:																	
Employees' remuneration & welfare benefits	20,984	9,277	17,707	37,081	45,373	3,676	559	9,078	1,603	210,479	32,063	52,078	12,672	1,367	423,737	453,997	
Company's contribution to PF and others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Travel, conveyance and vehicle running expenses	2,042	903	1,723	3,608	4,415	358	54	883	156	20,481	3,120	5,068	1,233	133	41,233	44,177	
Training expenses	347	153	293	613	750	61	9	150	26	3,478	530	861	209	23	7,002	7,502	
Rents, rates & taxes	4,610	2,038	3,890	8,146	9,968	808	123	1,994	352	46,239	7,044	11,441	2,784	300	93,089	99,737	
General Repairs and Office Management	1,382	611	1,166	2,443	2,989	242	37	598	106	13,864	2,112	3,430	835	90	27,911	29,905	
Printing & stationery	473	209	399	837	1,024	83	13	205	36	4,749	723	1,175	286	31	9,560	10,243	
Communication	1,315	581	1,110	2,324	2,843	230	35	569	100	13,190	2,009	3,264	794	86	26,555	28,451	
Legal & professional charges	8,399	3,713	7,087	14,842	18,160	1,471	224	3,634	642	84,244	12,833	20,844	5,072	547	169,601	181,712	

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

(₹ '000)

Particulars	Fire		Marine		Miscellaneous Revenue Account											Total
	Fire	Marine Cargo	Engineering	Health	Group Health	Group PA	Individual PA	Liability - Work. Comp	Liability - Others	Motor OD	Motor TP Private Car	Motor TP Commercial Vehicles	Declined Pool	Others	Misc. Total	
Auditors' fees, expenses etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) as auditor	92	41	78	163	200	16	2	40	7	927	141	229	56	6	1,867	2,000
(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	28	12	24	50	61	5	1	12	2	282	43	70	17	2	568	609
Advertisement and publicity	10,098	4,464	8,521	17,844	21,834	1,769	269	4,369	771	101,287	15,430	25,061	6,098	658	203,910	218,472
Interest & Bank Charges	210	93	177	371	454	37	6	91	16	2,108	321	521	127	14	4,243	4,546
IT Operating Expenses	8,627	3,814	7,279	15,244	18,653	1,511	230	3,732	659	86,530	13,182	21,410	5,209	562	174,202	186,642
Membership fees	182	80	153	321	393	32	5	79	14	1,822	278	451	110	12	3,668	3,930
Share Transfer Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	287	127	242	508	621	50	8	124	22	2,881	439	713	173	19	5,800	6,214
Share Issue Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of Premium on Long Term Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	9,867	4,362	8,327	17,437	21,336	1,729	263	4,269	754	98,976	15,078	24,489	5,959	643	199,259	213,489
Others	4,914	2,173	4,147	8,684	10,626	861	131	2,126	375	49,294	7,509	12,197	2,968	320	99,238	106,325
Total	73,858	32,652	62,324	130,516	159,700	12,939	1,968	31,953	5,643	740,832	112,855	183,302	44,600	4,810	1,491,442	1,597,952

ANNEXURE TO REVENUE ACCOUNT - YEAR ENDED MARCH 2013

(₹ '000)

Particulars	Fire		Marine		Miscellaneous Revenue Account											Total
	Fire	Marine Cargo	Engineering	Health	Group Health	Group PA	Individual PA	Liability - Work. Comp	Liability - Others	Motor OD	Motor TP	Commercial TP	Declined Pool	Others	Misc. Total	
Premium Earned (Net)																
Premium from direct business written	241,140	76,241	160,454	31,221	231,041	32,514	1,020	40,378	12,744	632,343	53,314	276,479	4,201	27,592	1,503,301	1,820,682
Add: Premium on reinsurance accepted	55,045	118	11,278	-	136,847	-	-	-	-	-	-	7,955	20,243	-	176,321	231,484
Less: Premium on reinsurance ceded	(227,355)	(30,027)	(94,828)	(3,122)	(23,104)	(6,836)	(102)	(5,026)	(10,109)	(73,631)	(6,151)	(31,971)	(3,361)	(10,866)	(269,105)	(526,487)
Net Premium	68,830	46,332	76,904	28,099	344,784	25,678	918	35,352	2,635	558,712	47,163	252,463	21,083	16,726	1,410,517	1,525,679
Adjustment for change in reserve for unexpired risks	(29,528)	(7,592)	(2,345)	(18,161)	(198,369)	(12,153)	13	(6,427)	(417)	13,570	(9,926)	(53,170)	(420)	(4,512)	(292,317)	(329,437)
Premium Earned (Net) - Schedule 1	39,302	38,740	74,559	9,938	146,415	13,525	931	28,925	2,218	572,282	37,237	199,293	20,663	12,214	1,118,200	1,196,242
Profit/ (Loss) on sale of Investments	1,910	604	1,271	247	1,830	257	8	320	101	5,008	422	2,190	33	219	11,905	14,419
Interest Income	14,002	4,427	9,316	1,813	13,415	1,888	59	2,344	740	36,716	3,096	16,053	244	1,602	87,286	105,715
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Segmental revenue	55,214	43,771	85,146	11,998	161,660	15,670	998	31,589	3,059	614,006	40,755	217,536	20,940	14,035	1,217,391	1,316,376
Claims Incurred (Net)																
Claims paid direct	119,155	25,878	58,817	2,851	121,370	19,476	452	7,000	43	381,533	417	14,974	18,560	5,841	631,332	776,365
Add :Re-insurance accepted to direct claims	-	8	175	-	111,510	-	-	-	-	-	-	-	-	72,203	183,888	183,826
Less :Re-insurance Ceded to claims paid	(101,845)	(11,199)	(14,151)	(285)	(12,137)	(8,682)	(45)	(700)	(23)	(38,166)	(42)	(22)	(3,282)	(77,535)	(190,578)	(158,069)
Net Claims Paid	17,310	14,679	44,666	2,566	109,233	10,794	407	6,300	20	343,367	375	14,952	18,560	2,559	553,797	585,787
Add: Claims Outstanding at the end of the year (net)	28,462	18,897	58,780	1,585	117,420	13,184	730	13,563	7	130,929	51,168	802,040	24,918	16,445	1,230,770	1,278,129

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

(₹ '000)

Particulars	Fire		Marine		Miscellaneous Revenue Account											Total
	Fire	Marine Cargo	Engineering	Health	Group Health	Group PA	Individual PA	Liability - Work. Comp	Liability - Others	Motor OD	Motor TP	Commercial TP	Declined Pool	Others	Misc. Total	
Less: Claims Outstanding at the beginning of the year (net)	9,137	9,407	28,031	272	66,666	2,236	485	5,569	6	109,380	15,899	427,340	-	6,438	662,321	680,866
Total Claims Incurred - Schedule 2	36,634	24,169	75,415	3,879	159,986	21,742	652	14,295	21	364,916	35,644	389,652	43,478	12,567	1,122,246	1,183,050
Commission:																
Commission paid:																
Direct	16,396	7,961	9,395	2,418	16,002	1,689	101	2,926	985	40,358	-	-	2,143	76,018	100,375	121,619
Add: Re-insurance Accepted	1,175	18	314	-	25,797	-	-	-	-	-	-	-	-	26,111	27,304	7,820
Less: Commission on Re-insurance Ceded	(24,686)	(4,938)	(20,634)	(468)	(2,310)	(500)	(15)	(609)	(869)	(13,723)	(86)	(741)	(1,029)	(40,985)	-70,609	(144,104)
Net Commission - Schedule 3	(7,115)	3,040	(10,925)	1,950	39,489	1,189	86	2,317	116	26,635	(86)	(741)	-	1,114	61,145	57,070
Operating Expenses Related to Insurance Business - Schedule 4	60,213	36,128	61,424	22,781	277,569	26,290	725	28,065	2,080	441,010	35,264	182,873	16,642	13,202	1,107,925	1,204,267
Change in Premium Deficiency	-184	-494	-	-	3,021	-34	-119	-	-	-	-	-90,095	-79	-87,306	-87,984	-7,293
Operating Profit / (Loss)	(34,334)	(19,073)	(40,769)	(16,612)	(318,405)	(33,517)	(345)	(13,088)	842	(218,555)	(30,068)	(354,248)	50,915	(12,770)	(986,619)	(1,040,027)
Operating Expenses:																
Employees' remuneration & welfare benefits	19,249	11,549	19,636	7,283	88,732	8,404	232	8,972	665	140,980	11,273	58,460	5,320	4,220	354,175	384,973
Company's contribution to PF and others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel, conveyance and vehicle running expenses	1,542	925	1,573	583	7,106	673	19	719	53	11,291	903	4,682	426	338	28,365	30,831
Training expenses	72	43	74	27	334	32	1	34	2	530	42	220	20	16	1,331	1,447
Rents, rates & taxes	3,859	2,315	3,936	1,460	17,787	1,685	46	1,798	133	28,261	2,260	11,719	1,066	846	70,998	77,172
General Repairs and Office Management	1,283	770	1,309	485	5,915	560	15	598	44	9,397	751	3,897	355	281	23,609	25,662
Printing & stationery	375	225	382	142	1,727	164	5	175	13	2,744	219	1,138	104	82	6,894	7,494
Communication	961	577	981	364	4,432	420	12	448	33	7,041	563	2,920	266	211	17,689	19,227
Legal & professional charges	5,229	3,137	5,334	1,978	24,103	2,283	63	2,437	181	38,295	3,062	15,880	1,445	1,146	96,206	104,572
Auditors' fees, expenses etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) as auditor	80	48	82	30	369	35	1	37	3	586	47	243	22	18	1,472	1,600
(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	28	17	29	11	130	12	0	13	1	207	17	86	8	6	520	565
Advertisement and publicity	7,360	4,416	7,508	2,784	33,926	3,213	89	3,430	254	53,902	4,310	22,352	2,034	1,614	135,415	147,191
Interest & Bank Charges	137	82	140	52	634	60	2	64	5	1,007	81	418	38	30	2,530	2,750
IT Operating Expenses	8,540	5,124	8,711	3,231	39,365	3,728	103	3,980	295	62,545	5,001	25,935	2,360	1,872	157,128	170,791
Membership fees	159	96	163	60	735	70	2	74	6	1,167	93	484	44	35	2,932	3,187
Share Transfer Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	364	218	371	138	1,677	159	4	170	13	2,664	213	1,105	101	80	6,692	7,274
Share Issue Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of Premium on Long Term Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	10,268	6,161	10,475	3,885	47,334	4,483	124	4,786	355	75,206	6,014	31,186	2,838	2,251	188,937	205,366
Others	708	425	722	268	3,265	309	9	330	24	5,187	415	2,151	196	155	13,031	14,164
Total	60,213	36,128	61,424	22,781	277,569	26,290	725	28,065	2,080	441,010	35,264	182,873	16,642	13,202	1,107,925	1,204,267

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**SCHEDULE 1 - PREMIUM**

(₹ '000)

	For the year ended 31.03.2014				For the year ended 31.03.2013			
	Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
Premium from direct business written	337,548	83,294	2,116,967	2,537,809	241,140	76,241	1,503,301	1,820,682
Add: Premium on reinsurance accepted	87,894	-	70,961	158,855	55,045	118	176,321	231,484
Less : Premium on reinsurance ceded	(334,338)	(43,017)	(348,224)	(725,579)	(227,355)	(30,027)	(269,105)	(526,487)
Net Premium	91,104	40,277	1,839,704	1,971,085	68,830	46,332	1,410,517	1,525,679
Adjustment for change in reserve for unexpired risks	(24,586)	3,026	(169,231)	(190,791)	(29,528)	(7,592)	(292,317)	(329,437)
Premium Earned (Net)	66,518	43,303	1,670,473	1,780,294	39,302	38,740	1,118,200	1,196,242

All premium written, less reinsurance, is from business in India.

SCHEDULE 2 - CLAIMS**Claims Incurred [Net]**

(₹ '000)

	For the year ended 31.03.2014				For the year ended 31.03.2013			
	Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
Claims paid Direct	83,469	33,011	872,226	988,706	119,155	25,701	612,772	757,628
Add: Re-insurance accepted to direct claims	(70)	8	183,888	183,826	-	177	18,560	18,737
Less: Re-insurance Ceded to claims paid	(53,867)	(11,877)	(92,325)	(158,069)	(101,845)	(11,199)	(77,534)	(190,578)
Net Claims Paid	29,532	21,142	963,789	1,014,463	17,310	14,679	553,798	585,787
Add: Claims Outstanding at the end of the period	67,803	21,004	1,699,847	1,788,654	28,462	18,897	1,230,769	1,278,128
Less: Claims Outstanding at the beginning of the period	(28,461)	(18,896)	(1,230,771)	(1,278,129)	(9,138)	(9,406)	(662,322)	(680,866)
Total Claims Incurred	68,874	23,249	1,432,865	1,524,988	36,634	24,170	1,122,245	1,183,049

All claims paid, less reinsurance, are to claimants in India.

SCHEDULE 3 - COMMISSION**Commission**

(₹ '000)

	For the year ended 31.03.2014				For the year ended 31.03.2013			
	Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
Commission paid:								
Direct	20,471	10,086	91,062	121,619	16,396	7,961	76,018	100,375
Add: Re-insurance Accepted	6,011	-	1,809	7,820	1,174	18	26,111	27,303
Less: Commission on Re-insurance Ceded	(60,262)	(4,280)	(79,562)	(144,104)	(24,686)	(4,938)	(40,983)	(70,607)
Net Commission	(33,780)	5,806	13,309	(14,665)	(7,116)	3,040	61,147	57,071

Break-up of the expenses (Gross) incurred to procure business to be furnished as per details indicated below:

Agents	1,365	1,257	27,193	29,815	1,054	708	14,288	16,050
Brokers	18,965	7,053	39,004	65,022	14,901	5,994	40,378	61,273
Corporate Agency	141	1,776	24,865	26,782	441	1,259	21,352	23,052
Referral	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
TOTAL	20,471	10,086	91,062	121,619	16,396	7,961	76,018	100,375

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**SCHEDULE 4 - OPERATING EXPENSES****Operating Expenses Related To Insurance Business**

	(₹ '000)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
1 Employees' remuneration & welfare benefits	453,997	384,973
2 Travel, conveyance and vehicle running expenses	44,177	30,831
3 Training expenses	7,502	1,447
4 Rents, rates & taxes	99,737	77,172
5 General Repairs and Office Management	29,905	25,662
6 Printing & stationery	10,243	7,494
7 Communication	28,451	19,227
8 Legal & professional charges	181,712	104,572
9 Auditors' fees, expenses etc.		
(a) as auditor	2,000	1,600
(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	609	565
10 Advertisement and publicity	218,472	147,191
11 Interest & Bank Charges	4,546	2,750
12 IT Operating Expenses	186,642	170,791
13 Membership fees	3,930	3,187
14 Insurance	6,214	7,274
15 Depreciation	213,489	205,366
16 Others	106,325	14,164
TOTAL	1,597,951	1,204,266

SCHEDULE 5 - SHARE CAPITAL

	(₹ '000)	
	As at 31.03.2014	As at 31.03.2013
1 Authorised Capital		
Equity Shares of ₹ 10/- each	6,000,000	6,000,000
2 Issued, Subscribed and Paid up Capital		
Equity Shares of ₹10/-each	4,950,000	4,150,000
3 Called-up Capital		
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	4,950,000	4,150,000

Of the above 49,50,00,000 (previous year: 41,50,00,000) equity shares of ₹ 10/- each fully paid up are held by Larsen & Toubro Ltd., the Holding company

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

(₹ '000)

PATTERN OF SHAREHOLDING

Pattern of Shareholding (As certified by the Management)

	As at 31.03.2014		As at 31.03.2013	
	No of Shares	% of holding	No of Shares	% of holding
Shareholder				
Promoters				
Indian	495,000,000	100%	415,000,000	100%
Foreign	-	-	-	-
TOTAL	495,000,000	100%	415,000,000	100%

	As at 31.03.2014	As at 31.03.2013
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SCHEDULE 6 - RESERVE AND SURPLUS

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	-	-
TOTAL	-	-

SCHEDULE 7 - BORROWINGS

1 Debentures/ Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
TOTAL	-	-

SCHEDULE 8 - INVESTMENTS**LONG TERM INVESTMENTS**

1 Government securities and Government guaranteed bonds including Treasury Bills	815,678	869,618
2 Other Approved Securities	967,252	562,217
3 Other Investments		
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	-	-
(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	770,893	623,174
5 Other than Approved Investments	-	-
	2,553,823	2,055,009

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2014	(₹ '000) As at 31.03.2013
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	49,799	-
2 Other Approved Securities	147,738	283,943
3 Other Investments	-	-
(a) Shares	-	-
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	186,904	165,698
(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	-	-
	384,441	449,641
TOTAL	2,938,264	2,504,650

Note: ₹ 1 50,00 ('000) of Deposit with RBI[Pursuant to Section 7 of Insurance Act, 1938] has been excluded from the above schedule and shown separately in Sch 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	-	-
3 PERFORMANCE-WISE CLASSIFICATION		
(a) Loans classified as standard	-	-
(aa) In India	-	-
(bb) Outside India	-	-
(b) Non-performing loans less provisions	-	-
(aa) In India	-	-
(bb) Outside India	-	-
TOTAL	-	-
4 MATURITY-WISE CLASSIFICATION		
(a) Short Term	-	-
(b) Long Term	-	-
TOTAL	0	-

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**SCHEDULE 10 - FIXED ASSETS**

Particulars	COST / GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2013	Additions	Deductions	As at 31.03.2014	Upto 01.04.2013	For the year	On Sales/ Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - softwares	1,005,291	24,391	-	1,029,683	312,607	197,357	-	509,964	519,719	692,685
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	44,604	61	-	44,664	38,981	5,230	-	44,211	453	5,623
Information Technology Equipment	209,047	6,792	190,022	25,817	68,595	9,052	62,720	14,927	10,890	140,452
Vehicles	-	-	-	-	-	-	-	-	-	-
Office Equipment	8,404	840	-	9,244	5,325	1,850	-	7,175	2,069	3,079
Others	-	-	-	-	-	-	-	-	-	-
TOTAL	1,267,346	32,084	190,022	1,109,408	425,508	213,489	62,720	576,277	533,131	841,839
Capital Work in progress			-	-					-	52,106
Grand Total	1,267,346	32,084	190,022	1,109,408	425,508	213,489	62,720	576,277	533,131	841,839
PREVIOUS YEAR	997,192	274,018	3,863.81	1,267,346	222,948	205,366	2,806.89	425,507	841,839	826,350

(₹ '000)

As at
31.03.2014 **As at**
31.03.2013

SCHEDULE 11 - CASH AND BANK BALANCES

1	Cash (including cheques, drafts and stamps)	83	5,373
2	Bank Balances		
	(a) Deposit Accounts		
	(aa) Short-term (due within 12 months)	-	-
	(bb) Others	-	-
	(b) Current Accounts	139,176	74,132
	(c) Others	-	-
3	Money at Call and Short Notice		
	(a) With Banks	-	-
	(b) With other Institutions	-	-
4	Others		
	TOTAL	139,259	79,505

Balances with non-scheduled banks included in 2 and 3 above

SCHEDULE 12 - ADVANCES AND OTHER ASSETS**ADVANCES**

1	Reserve deposits with ceding companies	-	-
2	Application money for investments	-	-
3	Prepayments	23,877	30,757
4	Advances to Directors/Officers	-	-
5	Advance tax paid and taxes deducted at source	19	19
6	Rental Deposits	166,767	150,511
7	Advances- Others	4,573	4,924
8	Unutilised service tax- Carried forward	14,133	2,170
	TOTAL (A)	209,369	188,381

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

(₹ '000)

	As at 31.03.2014	As at 31.03.2013
OTHER ASSETS		
1	139,389	92,797
2	117,514	–
3	–	–
4	–	–
5	455,429	442,289
6	–	–
7	151,150	50,004
8	–	–
8a	6,640	3,575
8b	–	–
TOTAL (B)	870,122	588,665
TOTAL (A+B)	1,079,491	777,046
SCHEDULE 13 - CURRENT LIABILITIES		
1	14,293	18,059
2	158,894	113,399
3	–	–
4	16,119	62,072
5	61,795	7,434
6	264,426	312,131
7	3,878	23,235
8	1,788,654	1,278,128
9	–	–
10	–	–
Unclaimed Claims	3,542	299
Solatium fund	1,172	782
Environment Relief Fund	65	101
TOTAL	2,312,838	1,815,639
SCHEDULE 14 - PROVISIONS		
1	1,057,899	867,110
2	–	–
3	–	–
4	–	–
5	–	–
a) Leave Encashment	22,737	15,619
b) Gratuity	12,910	10,923
6	–	7,291
TOTAL	1,093,546	900,943
SCHEDULE 15 - MISCELLANEOUS EXPENDITURE		
1	–	–
TOTAL	–	–

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 16

1. Background:

L & T General Insurance Company Limited ('the Company') was incorporated on December 27, 2007 as a Company under Companies Act, 1956 ('the Act') and is a wholly owned subsidiary of L&T Ltd. 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 which is valid till March 31, 2015. The Company commenced its commercial operations on October 1, 2010.

2. 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, read with the General circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act 2013, 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.

3. 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 there from are accounted for prospectively in current and future periods.

4. Revenue recognition:

a. Premium Income:

Premium (net of service tax) including reinsurance accepted is recognised as income over the contract period or period of risk, as appropriate and is recorded on installment due dates for installment cases and on policy inception in all other cases. Reinstatement premium is recorded as and when such premiums are recovered. Any subsequent revision to or cancellation of premiums are recognized in the period in which they occur.

b. 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 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.

5. Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the Balance Sheet date.

6. Reserve for Unexpired Risk:

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 applicable. It is calculated for project related insurance contract using the Cubic Curve Method so that the revenue recognized is commensurate with the risk exposure on such contracts. For all other lines it is calculated on a daily pro-rata basis. In accordance with Section 64 V(1)(ii)(b) of the Insurance Act, 1938 the Unexpired Risk reserve is accounted, 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 and 100% for marine hull business, on all unexpired policies at Balance Sheet date.

7. Premium Deficiency

Premium deficiency is recognized if sum total of expected net claim costs, related expenses and maintenance costs exceeds the related premium carried forward to the subsequent accounting periods as reserve for unexpired risk. Premium deficiency is calculated for each line of business.. The Company considers only relevant direct costs for claim handling operations as maintenance costs. Premium deficiency is calculated and duly certified by the Appointed Actuary.

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

8. 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. Any subsequent revisions to premiums, refunds or cancellations of premiums are recognized in the period in which they occur. 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 and its settlement.

9. 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 recognized on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts. Claims paid (net of recoveries and salvage retained by the insured and including interest paid towards claims) is recorded when approved for payment. The related amounts recoverable from reinsurers/coinsurers are recorded simultaneously along with the claim.

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 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 incurred but not enough reported ("IBNER"). Estimated liability for IBNR and IBNER including those relating to retrocession from Declined Risk Pool estimated by the is based on actuarial estimates applying generally accepted actuarial principles, methodologies and standards and duly certified by the appointed actuary of the Company.

10. 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.

11. 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. The Company creates reserve for unexpired risks to the extent of retroceded premium pertaining to the year. This reserve for unexpired Risk is reversed in the subsequent year.

12. Declined Risk Pool

The Company is a member of The Indian Third Party Declined Risk Pool (DR pool), under which it mandatorily, collectively and automatically participates in the pooling arrangement set up IRDA and administered by GIC, to share all business underwritten on or after 1st April 2012 in respect of standalone third party liability insurance (act only insurance) in respect of commercial vehicles (CV Third Party Liability Policies). CV Third Party liability policies written can be ceded to the Pool after retaining 25% share by the Insurer and ceding 5% mandatory cession to GIC. The Company has to underwrite a prescribed share of the CV Third Party Liability Insurance business in the Indian insurance market. DR Pool shall be extinguished at the end of every year on a clean cut basis by transferring risk at par to the members of the pool who have not fulfilled their mandatory obligation.

The Company accounts for the transactions of the Company with the pool in the financial statements based on the statement received from GIC, combining its share of the pool's income and expenses with similar items in its financial statements, on a line-by-line basis under Motor Third Party sub-segment of Miscellaneous Revenue Account. The Company records its share in a similar manner for the period for which statements have not been received from GIC based on management estimates.

13. 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 rates are determined based on an assessment of estimated useful life of the assets as set out below:

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Nature of Asset	Depreciation rate used	Depreciation rate as per Schedule XIV
Intangibles - Softwares*	16.67%	16.21%
Information Technology Equipment	25%	16.21%
Furniture and Fittings	33.33%	6.33%
Office Equipment	25%	4.75%

*Additions to existing intangible assets are assumed to have the same useful life as the original assets and are accordingly depreciated over the remaining useful life of the original assets.

All assets including intangibles individually costing up to ₹ 5,000 are fully depreciated/ amortised in the year in which acquired.

14. 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.

15. Investments:

Investments are made in accordance with the Insurance Act, 1938, 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, pertaining to period prior to the date of purchase.

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.

16. Fair Value Change Account

This represents unrealised gain/loss arising due to changes in fair value of mutual fund investments outstanding at the close of the period and is not available for distribution as dividend.

17. Impairment of Investment

Impairment in mutual fund investments is assessed at every Balance Sheet date. If any such indication of permanent impairment exists, the carrying value of such investment is reduced to the recoverable amount and impairment loss is recognized in the Profit and Loss Account. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the investment is restated to that extent

18. Allocation of investment income:

Investment income (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 "Shareholder's 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. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., net worth of the Company.

19. Allocation of expenses:

Operating expenses relating to insurance business are assigned to respective business segments in the following manner:

- i) Expenses directly identifiable to the business segments are allocated on an actual basis.
- (ii) Other expenses, which are not directly identifiable, are apportioned on the basis of the Net written premium in each business segment during the year.

20. Operating lease:

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments, where lease rentals are so structured that the rental is higher in the later years supported by management's intention to run the lease till expiration 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.

21. 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).

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

22. 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.

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.

23. 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 Interest Rate Guaranteed 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 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.

24. Income Taxes:

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.

25. Service Tax:

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilized credits, if any, are carried forward under "Advances and other Assets" in schedule 12 for adjustments in subsequent periods. Service Tax paid on input services eligible for credit against service tax payable is considered as a liability to the extent claimable. Such credits are adjusted against the gross service tax liability of the Company and the net liability thereon is remitted to the appropriate authority as stipulated. Unutilized credits, if any, are carried forward under "Advances and other Assets" in schedule 12 for adjustments in subsequent periods.

26. Earnings per Share:

The basis Earnings per share is calculated by dividing the Net profit after tax by weighted average number of equity shares outstanding during the reporting period.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for basic Earning per share and also weighted average number equity shares which would have been issued on conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are considered.

SCHEDULES FORMING PART OF ACCOUNTS**SCHEDULE 17****1 Contingent Liabilities:**

(₹ in 000's)

Particulars	As at 31.03.2014	As at 31.03.2013
Partly paid up investments	–	–
Claims, other than those under policies, not acknowledged as debts	–	–
Underwriting commitments outstanding	–	–
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	–	–

2. The assets of the Company are free from all encumbrances.No assets of the Company are subject to restructuring.
3. Estimated amount of commitment pertaining to contracts remaining to be executed in respect of fixed assets (net of advances) is Nil (*Previous year- Nil*).
4. Commitment in respect of loans and investments is NIL (*Previous year – NIL*).

5 Premium:

Premium, less reinsurance, written from business in/ outside India is given below:

(₹ in 000's)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
In India	1,971,086	1,525,679
Outside India	–	–

6 Claims:

- i. Claims,less reinsurance paid to claimants in/outside India are as under:

(₹ in 000's)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
In India	1,014,463	585,787
Outside India	–	–

- ii. There are no claims which are settled and unpaid for a period of more than six months as on the Balance Sheet date.
- iii. Ageing of Gross Claims Outstanding is set out in the table below:

(₹ in 000's)

Particulars	As at 31.03.2014	As at 31.03.2013
More than Six months	928,811	228,236
Others	130,204	357,464

- iv. Claims where the payment period exceeds four years : NIL

7 Investments:

- i. Value of contracts in relation to investments for:

(₹ in 000's)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Purchases where deliveries are pending	–	–
Sales where payment are overdue	–	–

- ii. Historical cost of investments valued at fair value on Balance Sheet Date is 1,84,858 (*Previous Year:1,62,756 thousand*)
- iii. Investment Income has been allocated between revenue accounts and Profit and Loss Account on the basis of the ratio of average policyholders funds to average shareholders funds respectively; average being the balance at the beginning of the year and at the end of the year. Further, investment income between policyholders is allocated on the basis of Gross Direct Premium
- iv. All investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000 and are performing investments.

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**8. Share Capital**

During the year the Company has allotted 80,000 equity shares (*previous year: 90,000 shares*) raising ₹ 800,000 thousand (*previous year: ₹ 9,00,000 thousand*).

9 Basis of reserve for Claims incurred but not reported:

The reserve amount for IBNR and IBNER claims have been estimated using range of generally accepted actuarial techniques on claims paid, claims incurred, frequency of claims and average cost of claims. Actuarial techniques for a given line of business is selected based on factors such as volume of business underwritten, claim development tail, impact of large losses on the development etc. In case of long tail business of motor third party claims, industry benchmark has been used.

10 Employee Benefit Plans:

i. The amounts recognized in Balance Sheet are as follows:

(₹ in 000's)

	Particulars	Gratuity plan		Interest Rate Guaranteed Provident fund plan	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
A)	Present value of defined benefit obligation				
	- Wholly funded				(71,308)
	- Wholly unfunded	(12,910)	(10,923)	(96,797)	(1,929)
		(12,910)	(10,923)	(96,797)	(73,237)
	Less : Fair value of plan assets		-	96,321	70,827
	Less : Unrecognized past service costs		-		
	Amount to be recognized as liability or (asset)	(12,910)	(10,923)	(476)	(482)
B)	Amounts reflected in the Balance Sheet				
	Liabilities	(12,910)	(10,923)		(1,929)
	Assets	-	-	-	
	Net liability/ asset	(12,910)	(10,923)		(1,929)

ii. The amounts recognized in Profit and Loss Account are as follows:

(₹ in 000's)

Sr. No.	Particulars	Gratuity plan		Interest Rate Guaranteed Provident fund plan	
		2013-14	2012-13	2013-14	2012-13
1	Current Service Cost	4,727	4,254	11,136	12,677
2	Interest Cost	1,249	991	6,843	4,799
3	Expected (Return) on Plan Assets	-	-	(6,843)	(4,799)
4	Actuarial Losses / (Gains)	(3,988)	(2,094)	1,923	(181)
5	Past Service Cost	-	-	-	-
6	Effect of any curtailment or settlement	-	-	-	-
7	Actuarial gain/(loss) not recognized in books	-	-	1,923	181
8	Adjustment for Earlier Years				
	Total (1 to 8)	1,988	3,151	11,136	12,677
I	Amount included in "Staff expenses"	1,988	3,151	11,136	12,677
II	Amount included as part of "Interest"	-			
	Total (I+II)	1,988	3,151	11,136	12,677
	Actual Return on Plan Assets	-	-	4,920	4,981

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

(₹ in 000's)

Sr. No.	Particulars	Gratuity plan		Interest Rate Guaranteed Provident fund plan	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
1	Opening balance of the present value of Defined Benefit Obligation	10,922	7771	71308	45338
2	Add: Current Service Cost	4727	4254	11,136	12,677
3	Add: Interest Cost	1,249	990	6843	4799
4	Add: Contribution by plan participants		-	14077	15,425
5	Add/ (less): Actuarial losses / (gains)	(3,988)	(2,093)		-
6	Less: Benefits paid			(6,566)	(6,932)
7	Add: Past service cost		-		-
8	Less: Effect of any curtailment or settlement		-		-
9	Closing balance of the present value of Defined Benefit Obligation	12,910	10,922	96798	71308
10	Expected Employers' Contribution for next year	330	67		-

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

(₹ in 000's)

Sr. No.	Particulars	Gratuity plan		Interest Rate Guaranteed Provident fund plan	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
1	Opening balance of the fair value of the plan assets	-	-	70827	44732
2	Add: Expected Return on Plan Assets	-	-	6,843	4,800
3	Add/ (less): Actuarial gains / (losses)	-	-	(1,923)	181
4	Add: Contribution by the employer	-	-	11,993	12,676
5	Add: Contribution by plan participants	-	-	15,148	15,370
6	Less: Benefits paid	-	-	(6,566)	(6,932)
7	Add: Business combinations	-	-	0	-
8	Less: Settlements	-	-	0	-
9	Closing balance of the Plan Assets	-	-	96322	70827

- v. The major categories of plan assets as a percentage of total plan assets are as follows:

(₹ in 000's)

Sr. No.	Particulars	Gratuity plan		Interest Rate Guaranteed provident fund plan	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
1	Government of India securities	-	-	24.35%	24%
2	State government securities	-	-	14.84%	13%
3	Corporate bonds	-	-	7.63%	7%
4	Equity shares of listed companies	-	-	-	-
5	Fixed deposits under special deposit scheme framed by central government for provident funds	-	-	11.62%	14%
6	Insurer managed funds	-	-	-	-
7	Public sector unit bonds	-	-	41.48%	42%
8	Others	-	-	0.08%	-

- vi. Experience Adjustments:

(₹ in 000's)

Particulars	31.03.2010	31.03.2011	31.03.2012	31.03.2013	31.03.2014
Defined Benefit Obligation	302	3,441	7,771	10,923	12,910
Plan Assets	-	-	-	-	-
Surplus/ (Deficit)	(302)	(3,441)	(7,771)	(10,923)	(12,910)
Experience Adjustment on Plan Liabilities	-	1,433	346	(2,375)	(2,879)
Experience Adjustment on Plan Assets	-	-	-	-	-

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

(₹ in 000's)

1	Particulars	31.03.2014	<i>31.03.2013</i>
	Discount rate	8.85%	<i>8.00%</i>
	Expected return on plan assets	-	
	Salary Growth rate	10.00%	<i>10.00%</i>

2 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.

3 Salary Escalation Rate:

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

4 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

5 Retirement Age:

The employees of the Company are assumed to retire at the age of 58 years

6 Leaving Service:

Rates of leaving service at specimen ages are as shown below:

Age (Years)	Rates
21-44	12%
45-57	3%

viii. 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 who 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.

Actuarial valuation has been conducted with the objective of determining and reporting the Interest Rate Guarantee on Exempt Provident Fund liability in respect of employees of L&T General Insurance Company Limited in accordance with "Accounting Standard No. 15 (revised 2005)" ("AS15(R)") as prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the liability of ₹ 3,730 Thousand (*Previous year – ₹ 307 thousand*)

Assumptions in determination of Interest Rate Guarantee on Exempt Provident Fund Liabilities:

Particulars	2013-14	<i>2012-13</i>
Discount Rate for the term of the Obligation	8.85%	<i>8.00%</i>
Average Historic Yield on the Investment Portfolio	8.39%	<i>8.27%</i>
Discount Rate for the remaining term to maturity of the Investment Portfolio	9.27%	<i>7.96%</i>
Expected Investment Return	7.97%	<i>8.31%</i>
Guaranteed Rate of Return	8.75%	<i>8.50%</i>

ix. Leave Encashment Benefits:

(₹ '000)

Particulars	2013-14	<i>2012-13</i>
Opening Balance	15,619	<i>13,076</i>
Add: Current year charge	9,216	<i>4,871</i>
Less: Paid during the year	(2,099)	<i>(2,328)</i>
Closing Balance	22,736	<i>15,619</i>

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**11 Premium Deficiency**

Premium Deficiency is Actuarially determined and certified by the Appointed Actuary at a Sub-Segment Level as below. However there is no premium deficiency in current year.

(₹ '000)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Miscellaneous		
-Group Health	-	7,291

12 Declined Risk Pool

IRDA vide its ORDER NO. IRDA/NL/ORD/MPL/277/12/2011, dated December 23, 2011 and IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012 had directed the dismantling of the Indian Motor Third Party Insurance Pool (IMTPIP) and creation of the Declined Risk Pool for Act only Commercial Vehicle Third Party Insurance (DR Pool) w.e.f April 1, 2012.

In accordance with the directions of the IRDA, effective April 1, 2012, the Company, together with other insurance companies has participated in the DR Pool, a multilateral reinsurance arrangement, administered by the General Insurance Corporation of India ('GIC'). The declined risk pool shall apply to commercial vehicles for standalone third party liability insurance (Act only insurance). No comprehensive motor insurance policy or part thereof, is to be ceded to the pool. Every insurer is required to underwrite a minimum percentage of standalone (Act only) commercial vehicle motor third party insurance which shall be in proportion to the sum of 50% of the Company's percentage share in total gross premium and 50% of the Company's percentage share in total motor premium of the industry of the relevant year.

The cessions to the GIC shall be in accordance with the obligatory cession which currently stands at 5%. The ceding insurers shall retain 20% of the individual risk to their net account (after obligatory cessions) and cede the balance to the declined pool. Accordingly, the Company has ceded 75% of the third party premium collected to the DR Pool in accordance with the IRDA instructions and guidelines of the declined risks.

During the year ended March 31, 2014, the Company has received the audited statement from the DR Pool for the nine months ended December 31, 2013. The Company has recognised 100% of its share of premium as earned premium and claims based on such audited statement. For the quarter ended March 31, 2014 the Company has recognised its share based on internal estimates of market gross premiums, DR pool size and its share thereon. The Company has provided for IBNR based on actuarial estimates certified by the Appointed Actuary. Necessary revision in estimates will be made upon receipt of final account statements from the DR pool.

13 Contribution to Terrorism Pool:

The Company has accounted its share of the terrorism premium and claims to the extent of the statements received from the terrorism pool up to December 31, 2013 (*Previous year – December 31, 2012*). UPR is provided at the rate of 100% of the premium relating to the current contract period.

14 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, and read with circular ref no HO/MTD/Solatium Fund/2010/482 issued by New India Assurance dated July 26, 2010, the Company has provided 0.1% of total Third party premium on all motor policies including premium which goes to pool towards contribution to the solatium fund amounting to ₹391 Thousand (*Previous year ₹ 334 Thousand*).

15 Environment Relief Fund:

The Company has collected ₹191 Thousand (*Previous years 223 thousand*) towards Environment Relief Fund (ERF) under Public Liability policies during the current year and has remitted ₹ 227 Thousand (*Previous year 121 thousand*) to United India Insurance Co Ltd. The outstanding towards ERF as on March 31, 2014 amounts to ₹ 66 Thousand (*Previous year – ₹ 101 Thousand*).

16 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, 2014 (*Previous year – NIL*). 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.

17 Operating lease rental charged to Revenue Account:

(₹ '000)

Particulars	2013-14	2012-13
Lease Rent for offices	59,040	73,519
Lease Rent-Computers	34,371	0
Lease – Vehicles	837	1,021

Future minimum lease rentals payable in respect of non-cancelable period of lease for premises and vehicles taken on lease: (₹ '000)

Particulars	2013-14	2012-13
Payable:		
Within one year from Balance Sheet date	104,389	64,811
Later than one year but within 5 years	343,198	224,964
Later than 5 years	123,181	177,101

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

The agreements are entered into for a period ranging from 5 years to 10 years with a non-cancelable period of 3 years.

During the year the Company has sold certain Information Technology Equipment carried at a written down value of ₹1,27,302 thousand for ₹ 1,60,500 thousand, (Previous year: ₹ Nil) and has leased it back on a operating lease for its own use. The sale price was determined based on a fair value assessment of the related equipments by an External Agency. Accordingly a profit on sale of ₹ 33198 thousands (Previous year: ₹ Nil) has been recognized in the Profit and Loss Account.

18 Outsourcing, business development and marketing support expenses

Expenses relating to outsourcing, business development and marketing support are:

(₹ '000)

Particulars	For The Year Ended 31.03.2014	For The Year Ended 31.03.2013
Outsourcing expenses	603,970	251,074

19 Sector wise details of the policies issued/outstanding are given below:

Particulars	2013-14			2012-13		
	GWP (₹ in 000's)	No. of Policies	% to GWP	GWP (₹ in 000's)	No. of Policies	% to GWP
Rural / Social	200,784	34,546	8	151,126	18,049	8
Urban	2,337,026	185,196	92	1,669,563	86,684	92
Total	2,537,810	219,742	100	1,820,689	104,733	100

Social Sector	2013-14	2012-13
No of lives	6671	8127

20 Extent of risks retained and reinsured is set out below (excluding excess of loss and catastrophe reinsurance):

Line of Business	Basis	As at 31.03.2014		As at 31.03.2013	
		Retention (%)	Ceded (%)	Retention (%)	Ceded (%)
Fire	Total sum insured	25	75	28	72
Marine	Value at risk	69	31	66	34
Engineering	Total sum insured	48	52	48	52
Public Liability	Value at risk	61	39	46	54
Motor	Total sum insured	95	5	90	10
Group Personal Accident	Value at risk	95	5	90	10
Group Health	Value at risk	68	32	94	6
Workmen Compensation	Value at risk	95	5	90	10
Miscellaneous	Value at risk	71	29	65	35

21 Unclaimed Amount of Policyholders as required to be disclosed by Circular No. IRDA /F&I /CIR /CMP /174 /11/2010 is as follows:

(₹ '000)

Particulars	Total	0-6 months	7-12 months	13-18 months	19-24 months	25-30 months	31-36 months	Beyond 36 months
Claims settled but not paid to the policyholders/ insureds due to any reason except under litigation from the insured / policyholders	-	-	-	-	-	-	-	-
Sum due to insured/ policyholders on maturity or otherwise	-	-	-	-	-	-	-	-
Any collection of the premium, tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the Authority but not refunded so far.	-	739	29	-	-	-	-	-
Cheques issued but not encashed by the policyholders	-	30,981	1,120	1,437	432	157	-	-

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

22 As per IRDA Circular No 005/IRDA/F&A/CIR/MAY-09 dated May 07, 2009, below table mentions the details of the penalty imposed by various regulators and Government authorities:

(₹ '000)

Sr. No	Authority	Non Compliance/ Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
1	Insurance Regulatory and Development Authority	500*	500	500	–
2	Service Tax Authorities	–	–	–	–
3	Income Tax Authorities	–	–	–	–
4	Any other Tax Authorities	–	–	–	–
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA	–	–	–	–
6	Registrar of Companies/ NCLT/CLB/Department of Corporate Affairs or any Authority under Companies Act, 1956 Affairs or any Authority under Companies Act, 1956	–	–	–	–
7	Penalty awarded by any court/Tribunal for any matter including claim settlement but excluding compensation	–	–	–	–
8	Securities and Exchange Board of India	–	–	–	–
9	Competition Commission of India	–	–	–	–
10	Any Other Central/State/Local Government/Statutory Authority	–	–	–	–

* The authority in exercise of powers vested in it under Section 102 of Insurance Act 1938 has imposed a penalty of ₹ 500 (Thousand) for not meeting the Obligatory Target in respect of Declined Risk Pool for the year 12-13.

23 Managerial Remuneration:

Out of the total remuneration paid to the Chief Executive Officer and Whole time Director - Mr. Joydeep Roy, ₹ 15,000 thousand has been debited to the Revenue Account and the excess over such amount ₹ 3,052 thousand has been debited to the Shareholders' (Profit and Loss) Account. Details of managerial remuneration are:

(₹ '000)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Salaries and allowances	15,667	15,755
Contribution to Provident and other funds	747	619
Perquisites	1,638	1,433

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.

24 Segment Information for the year ended on March 31, 2014

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 assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable"

Segment Liabilities and Assets as at March 31, 2014 are:

(₹ '000)

Line of Business	Segmental Assets		Segmental Liabilities	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Fire	412,355	318,866	137,088	73,160
Marine	95,159	100,815	41,142	42,063
Engineering	222,037	212,172	103,632	100,235
Individual Health	222,037	41,284	117,316	22,337
Group Health	348,916	305,512	222,262	358,506
Group PA	31,720	42,995	31,142	13,184
Individual PA	–	1,349	3,807	730

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Line of Business	Segmental Assets		Segmental Liabilities	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Liability - Workmen's Compensation	63,439	53,393	31,217	31,239
Liability - Others	-	16,852	4,114	3,486
Motor	1,744,579	1,277,814	2,128,339	1,469,352
Others	31,720	36,485	26,493	38,238
Segment Total	3,171,962	2,407,537	2,846,553	2,152,530
Unallocated	1,519,036	1,795,504	559,831	564,052
Total	4,690,998	4,203,041	3,406,384	2,716,582

Unallocated premium and advance premium are not identifiable to any business segment.

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.

25 Related Parties Disclosure – AS 18:**List of related parties who exercise control:**

Holding Company Larsen & Toubro Limited

Subsidiaries of Larsen and Toubro Limited- Holding Company	
1	L&T-Valdel Engineering Limited
2	L&T Shipbuilding Limited
3	L&T Rajkot - Vadinar Tollway Limited (formerly known as L&T Rajkot - Vadinar Tollway Private Limited)
4	PNG Tollway Limited (formerly known as PNG Tollway Private Limited)
5	L&T Plastics Machinery Limited
6	L&T Howden Private Limited
7	L&T Kobelco Machinery Private Limited
8	Larsen & Toubro Infotech Limited
9	L&T Finance Limited
10	L&T FinCorp Limited (formerly known as India Infrastructure Developers Limited)
11	L&T Infrastructure Development Projects Limited
12	L&T Panipat Elevated Corridor Limited
13	Narmada Infrastructure Construction Enterprise Limited
14	L&T Krishnagiri Thopur Toll Road Limited
15	L&T Transportation Infrastructure Limited
16	L&T Western India Tollbridge Limited
17	L&T Interstate Road Corridor Limited
18	L&T Krishnagiri Walajahpet Tollway Limited
19	L&T Devihalli Hassan Tollway Limited
20	L&T Chennai – Tada Tollway Limited
21	L&T South City Projects Limited
22	L&T Tech Park Limited
23	L&T-MHI Boilers Private Limited
24	L&T Ahmedabad-Maliya Tollway Limited
25	L&T Demag Plastics Machinery Limited
26	L&T Urban Infrastructure Limited
27	L&T Vadodara Bharuch Tollway Limited
28	L&T MHI Turbine Generators Private Limited
29	L&T Access Financial Advisory Services Limited
30	L&T Finance Holdings Limited
31	L&T Halol Shamlaji Tollway Limited
32	L&T Metro Rail Hyderabad Limited

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Subsidiaries of Larsen and Toubro Limited- Holding Company	
33	L&T Sargent and Lundy Limited
34	L&T Housing Finance Limited
35	L&T Western Andhra Tollway Limited
36	Bhilai Power Supply Company Limited
37	EWAC Alloys Limited
38	L&T Valves Limited
39	L&T Construction Equipment Limited(Formerly known as L&T Komatsu Limited)
40	L&T Finance Holdings Limited
41	L&T Geostructure LLP
42	Tractor Engineers Limited
43	Audco India Limited(Fellow Associate till 28th March,2013)
44	L&T Great Eastern Highway Limited

Associates of Larsen and Toubro Limited- Holding Company	
1	JSK Electricals Pvt Limited
2	Audco India Limited
3	L&T Chiyoda Limited
4	Salzer Electronics Limited
5	Feedback Infrastructure Services Private Limited

Joint Ventures of Larsen and Toubro Limited- Holding Company	
1	L&T-AM Tapovan Joint Venture
2	The Dhamra Port Company Limited
3	Metro Tunelling Delhi-L&T SUCG JV

Key Managerial Personnel	
1	Joydeep Roy: Chief Executive Officer and Whole time Director

There are no transactions with Key Management Personnel other than those disclosed in Note 13 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, 2014 are given below:

(₹ '000)

Sr No	Name of the Related Party	Nature of Relationship with the Company	Description of Transactions / Categories	Consideration paid / received*	
				For the year ended 31.03.2014	For the year ended 31.03.2013
1	Larsen & Toubro Ltd	Holding Company	Share Capital Received	800,000	900,000
			Premium Received	163,201	135,563
			Claims Paid	66,749	105,719
			Business Support Services	5,594	15,889
			Purchase of Services	4,369	294
			IT Software Expenses	3,607	5,913
			Reimbursement of Expenses	168	1,238
			Deputation Costs	3,122	
2	L&T Finance Ltd	Fellow Subsidiary	Premium Income	17	-
			Claims paid	23,915	35,996
			Security Deposit Paid	16,050	-
			Sale of IT Assets	160,500	-
			Reimbursement of Expenses	1,889	1,753
			IT Assets Rent	35,611	3,351
			IT Assets Operating Lease Payments	1,935	-
			Share of Common Costs	21,854	22,516
3	Larsen & Toubro Infotech Ltd	Fellow Subsidiary	Deputation Costs	340	-
			Premium Income	1,240	-
			Purchase of services-IT Opex	17,611	20,561
			Purchase of services-Software	13,868	37,211

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Sr No	Name of the Related Party	Nature of Relationship with the Company	Description of Transactions / Categories	Consideration paid / received*	
				For the year ended 31.03.2014	For the year ended 31.03.2013
4	L&T Investment Management Limited	Fellow Subsidiary	Deputation Costs	2,539	-
5	L&T Finance Holdings Ltd	Fellow Subsidiary	Premium Income Deputation Costs	124 25,879	- -
6	L&T Access Distribution Services Ltd (Formerly known as L&T Access Financial Advisory Services Ltd)	Fellow Subsidiary	Commission Paid	25,545	22,078
7	L&T Fincorp Ltd	Fellow Subsidiary	Rent Paid for Premises	26,678	25,559
8	L&T Devihalli Hassan Tollway Pvt Ltd	Fellow Subsidiary	Premium Income Claims paid	2,298 73	- -
9	L&T Krishnagiri Thopur Toll Road Ltd	Fellow Subsidiary	Premium Income Claims paid	1,257 781	- 1,635
10	L&T Krishnagiri Walajahpet Tollway Ltd	Fellow Subsidiary	Premium Income Claims paid	5,708 2,780	- -
11	L&T-Mhi Boilers Pvt Ltd	Fellow Subsidiary	Premium Income	517	-
12	L&T Valdel Engineering Ltd	Fellow Subsidiary	Premium Income	777	-
13	L&T Infrastructure Development Projects Pvt Ltd	Fellow Subsidiary	Premium Income Claims Paid	792 44	- -
14	L&T Plastics Machinery Ltd	Fellow Subsidiary	Premium Income Claims paid	825 9	- -
15	L&T South City Projects Ltd	Fellow Subsidiary	Premium Income	151	-
16	L&T Tech Park Ltd	Fellow Subsidiary	Premium Income	507	-
17	L&T - AM Tapovan Joint Venture	Fellow Joint Venture	Premium Income Claims paid	523 10	- -
18	L&T Chennai – Tada Tollway Ltd	Fellow Subsidiary	Premium Income Claims paid	658 336	- -
19	L&T Interstate Road Corridor Ltd	Fellow Subsidiary	Premium Income Claims paid	1,069 68	- -
20	L&T Panipat Elevated Corridor Ltd	Fellow Subsidiary	Premium Income Claims paid	1,115 149	- -
21	L&T Transportation Infrastructure Ltd	Fellow Subsidiary	Premium Income Claims paid	358 46	- -
22	L&T Western India Tollbridge Ltd	Fellow Subsidiary	Premium Income	7	-
23	Narmada Infrastructure Construction Enterprise Ltd	Fellow Subsidiary	Premium Income	9	-
24	PNG Tollway Ltd	Fellow Subsidiary	Premium Income	6,262	-
25	Salzer Electronics Ltd	Fellow Associate	Premium Income	429	-
26	The Dhamra Port Company Ltd	Fellow Joint Venture	Premium Income	5,505	-
27	L&T Shipbuilding Ltd	Fellow Subsidiary	Premium Income	15,181	-
28	Audco India Ltd	Fellow Associate	Premium Income Claims paid	221 69	- -
29	L&T Kobelco Machinery Pvt Ltd	Fellow Subsidiary	Premium Income Claims Paid	10 11	- -
30	L&T Rajkot - Vadinar Tollway Ltd	Fellow Subsidiary	Premium Income Claims paid	2,045 2,686	- -
31	L&T Ahmedabad - Maliya Tollway Ltd	Fellow Subsidiary	Premium Income Claims paid	2,847 409	- -
32	L&T Demag Plastics Machinery Ltd	Fellow Subsidiary	Premium Income	35	-
33	L&T Urban Infrastructure Ltd	Fellow Subsidiary	Premium Income	2	-
34	Metro Tunnelling Delhi - L&T Sugc Jv	Fellow Joint Venture	Premium Income	4	-
35	L&T Chiyoda Ltd	Fellow Associate	Premium Income	15	-
36	L&T Vadodara Bharuch Tollway Ltd	Fellow Subsidiary	Premium Income	1,046	-
37	L&T Mhi Turbine Generators Pvt Ltd	Fellow Subsidiary	Premium Income	641	-
38	L&T Halol Shamlaji Tollway Ltd	Fellow Subsidiary	Premium Income Claims paid	1,829 749	- -
39	L&T Metro Rail Hyderabad Ltd	Fellow Subsidiary	Premium Income	24	-
40	L&T Western Andhra Tollways Ltd	Fellow Subsidiary	Premium Income Claims Booking	993 712	- -

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Sr No	Name of the Related Party	Nature of Relationship with the Company	Description of Transactions / Categories	Consideration paid / received*	
				For the year ended 31.03.2014	For the year ended 31.03.2013
41	L&T Construction Equipment Ltd	Fellow Subsidiary	Premium Income	2,717	–
			Claims Booking	1,632	–
42	L&T Capital Company Ltd	Fellow Subsidiary	Premium Income	0	–
43	L&T Valves Ltd	Fellow Subsidiary	Premium Income	36	–
44	L&T Housing Finance Limited	Fellow Subsidiary	Premium Income	2	–
45	L&T East West Tollway Limited	Fellow Subsidiary	Premium Income	5	–
46	CSJ Infrastructure Pvt Limited	Fellow Subsidiary	Premium Income	969	–
47	L&T Samakhiali Gandhidham Tollway Private Limited	Fellow Subsidiary	Premium Income	2,495	–
48	JSK Electricals Pvt Limited	Fellow Subsidiary	Premium Income	49	–

Balances with related parties as at March 31, 2014 are given below:

(₹ '000)

Particulars	Related Party	31.03.2014	31.03.2013
Deposits/Receivables	L&T Finance Limited	163	15,755
	L&T FinCorp Limited	1,350,00	1,350,00
Other liabilities/ payables	L&T Infotech Limited	4,114	8,608
	L&T Finance Limited	20,376	
	L&T Finance Holdings Limited	2,310	–
	Larsen & Toubro Limited-DMN	6	–
	Larsen & Toubro Limited	3,878	23,235

26 Ratio Analysis:

Particulars	F.Y.	Fire	Marine	Engineering	Health	Personal Accident	Motor OD	Motor TP	Motor Total	Workmen Compensation	Product/ Public Liability	Others	Total Miscellane-ous	TOTAL	Basis
Gross Direct Premium Growth Rate	2013-14	40%	9%	12%	74%	-12%	56%	17%	42%	3%	-10%	-18%	41%	39%	(GDPI Current Year-GDPI Previous Year)/GDPI Previous Year
	2012-13	81%	26%	21%	217%	75%	5%	-1%	3%	49%	-14%	16%	21%	27%	
Gross Direct Premium to Net Worth Ratio	2013-14													1.98	GDPI/Net Worth
	2012-13													1.23	
Growth Rate of Net Worth	2013-14													-14%	(Net Worth of CY-Net Worth of PY)/ Net Worth PY
	2012-13													-2%	
Net retention ratio	2013-14	21%	48%	41%	78%	62%	92%	94%	89%	95%	61%	26%	84%	73%	Net Premium/ GDPI+Reinsurance Accepted
	2012-13	23%	61%	45%	93%	79%	88%	89%	88%	88%	21%	61%	84%	74%	
Net Commission Ratio	2013-14	-37%	14%	-20%	-6%	9%	5%	0%	3%	8%	14%	25%	1%	-1%	Net Commission(Gross Commission Paid net of Reinsurance Commission) /Net Premium
	2012-13	-15%	7%	-14%	-5%	5%	5%	-0.3%	3%	7%	4%	7%	4%	4%	
Expenses of Management to Gross Direct Premium Ratio	2013-14													68%	Operating expenses plus the Direct Commission / Gross Direct Premium
	2012-13													72%	
Expenses of Management to Net Written Premium Ratio	2013-14													68%	Operating expenses plus the Direct Commission / Net Written Premium
	2012-13													86%	
Combined ratio	2013-14													166%	Net Incurred Claims/Net Earned Premium plus expenses of management(including Net commission)/Net Written Premium
	2012-13													182%	
Technical reserves to net premium ratio	2013-14													144%	Reserve for Claims outstanding + Reserve for unexpired risks + Reserve for premium deficiency)/ Net premium
	2012-13													141%	
Underwriting balance ratio	2013-14													-0.75	Underwriting Profit(Net Earned Premium-Net Incurred Claims-Net Commissions-Operating Expenses related to Insurance Business)/Net Earned Premium
	2012-13													-1.05	

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Particulars	F.Y.	Fire	Marine	Engineering	Health	Personal Accident	Motor OD	Motor TP	Motor Total	Workmen Compensation	Product/ Public Liability	Others	Total Miscellaneous	TOTAL	Basis
Operating profit ratio	2013-14													-73%	(Underwriting Profit /Loss+ Investment Income on policyholders funds)/Net premium
	2012-13													-103%	
Liquid assets to liability ratio	2013-14													0.18	Liquid Assets / Policy holders liabilities
	2012-13													0.25	
Net earning ratio	2013-14													-51%	Profit after tax /Net premium
	2012-13													-61%	
Return on Net worth Ratio	2013-14													-78%	Profit after tax/ Net worth
	2012-13													-63%	
Available Solvency Margin to Required Solvency Margin Ratio	2013-14													1.69	To be taken from Solvency Margin Requirements
	2012-13													2.26	
Net Incurred Claims to Net Earned Premium Ratio	2013-14													86%	Claims Incurred (Net)/ Net Earned Premium
	2012-13													99%	

Ratios are computed as per definitions laid down by the IRDA Circular No F&I-CIR-F&A-231-10-2012

27 Deferred tax assets are not recognized on account of the carry forward losses as at March 31, 2014 as a matter of prudence.

28 The summary of financial results for the last 4 years are as follows:

(₹ '000)

Particulars	2013-14	2012-13	2011-12	2010-11
Operating Results				
Gross Premium Written	2,696,666	1,820,682	1,434,021	172,383
Net Premium Income	1,780,294	1,196,242	488,884	2,816
Income from Investments (Net)	187,910	120,134	28,480	4,918
Other Income (Transfer Fee etc)		-	-	-
Total Income	1,968,204	1,316,376	517,364	7,734
Commissions	(14,665)	57,071	(15,545)	(3,594)
Operating Expenses	1,597,951	1,204,266	987,817	610,907
Claims	1,524,988	1,183,049	573,577	24,461
Premium deficiency	(7,293)	(87,984)	94,148	1,125
Total Expenses	3,100,981	2,356,402	1,639,997	632,899
Operating Profit/Loss	(1,132,777)	(1,040,026)	(1,122,633)	(625,165)
Non Operating results				
Net income Shareholders Accounts	130,976	107,230	63,115	31,961
Profit/(Loss) before Tax	(1,001,801)	(932,796)	(1,059,518)	(593,204)
Provision for Tax	0	0	102	
Profit/(Loss) After Tax	(1,001,801)	(932,796)	(1,059,620)	(593,204)
Miscellaneous				
Policy holders Account				
Total Fund	2,846,553	2,152,529	1,071,427	111,205
Total Investments	1,897,211	1,299,013	544,543	96,515
Yield on Investments	9.24%	9.70%	9.02%	7.84%
Shareholders Account				
Total Fund	1,284,384	1,483,516	1,516,312	1,325,932
Total Investments	1,041,054	1,205,638	1,308,601	665,555
Yield on Investments	9.24%	9.70%	9.02%	7.84%
Paid up Equity Capital	4,950,000	4,150,000	3,250,000	2,000,000
Net worth	1,281,715	1,483,516	1,516,312	1,325,932
Earnings per share	(2.27)	(2.47)	(4.44)	(4.10)
Book Value per Share	2.59	3.57	4.67	6.63

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

- 29 Certain balances in unallocated premium are subject to confirmations, reconciliations and consequent adjustments, if any.
- 30 Expenses other than those relating to Insurance business shown in P&L Account include Donations of ₹ 582 '(000) paid towards flood relief activities in the state of Uttaranchal.

31 Earnings per share:

Particulars	2013-14	2012-13
Profit/(Loss) after tax (₹ in thousands)	(1,001,801)	(932,796)
No. of equity shares at the end of the year	495,000,000	415,000,000
No of equity shares issued during the year	80,000,000	90,000,000
Weighted average no of equity shares	440,712,329	377,123,288
Earnings per share Basic and diluted (₹in thousands)	(2.27)	(2.47)
Nominal value of shares (₹)	10	10

- 32 Previous year figures have been regrouped where possible and wherever necessary to make them comparable with those of the current year. The Operating expenses have been apportioned based on the Net Written Premium in the current year. Accordingly, the previous year's operating expenses have been re-apportioned based on the Net Written Premium of that year. The effect of the change in the basis of apportionment from Gross Written Premium to Net Written Premium is given below:

(₹ '000)

Operating Expenses for FY 12-13	As reported in previous year	As reported in current year	Difference
Fire	156,555	60,213	96,342
Marine	48,170	36,128	12,042
Miscellaneous	999,541	1,107,925	(108,384)
Total	1,204,266	1,204,266	-

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Seventeenth Annual Report and the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results for the year ended March 31, 2014 are as under:

	For the year ended 31.03.2014	(₹ In Lakh) For the year ended 31.03.2013
Gross Income	37,762.22	17,404.73
Profit before Tax	8,666.23	2,685.17
Provision for Tax	2,900.10	(476.17)
Profit after Tax	5,766.13	3,161.34
Transfer to Special Reserve u/s 45-IC of RBI Act, 1934	1,154.00	633.00
Add: Balance brought forward from previous years	1,421.99	(1,106.35)
Surplus/ (Deficit) in the Statement of Profit and Loss	6,034.12	1,421.99

APPROPRIATIONS

Your Company proposes to transfer ₹ 1,154.00 Lakhs (*Previous year ₹ 633.00 Lakhs*) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934 and retain ₹ 6,034.12 Lakhs (*Previous year ₹ 1,421.99 lakhs*) in the Profit and Loss Account of the Company.

DIVIDEND

In order to conserve the reserves of the Company, your directors have decided not to recommend any dividend for the year under review.

YEAR IN RETROSPECT - THE HIGHLIGHTS

During the year, the Company increased its focus on increasing the asset base through offering products in the supply chain finance, vendor finance and non infra corporate and project finance.

The Company sourced its funds requirements through a mix of equity financing from the parent company and debt.

PERFORMANCE OF THE COMPANY

The Company has achieved significantly better performance during the year under review, in comparison to the year ended March 31, 2013, the highlights of which are as below:

- Gross Portfolio Assets grew from ₹ 211,175.40 Lakhs as at March 2013, to ₹ 389,324.87 Lakhs as at March 2014.
- Total Income grew from ₹ 17,404.73 Lakhs in 2012-13 to ₹ 37,762.22 Lakhs in 2013-14.
- Profit before Tax (PBT) grew from ₹ 2,685.17 Lakhs in 2012-13 to ₹ 8,666.23 Lakhs in 2013-14.
- Profit after Tax (PAT) grew from ₹ 3,161.34 Lakhs in 2012-13 to ₹ 5,766.13 Lakhs in 2013-14.

The growth in book size of the Company in Financial Year 2013-14 was on account of a few large deals clocked by the Company. The growth in income during the year under review is attributable to the income on these assets on full year basis in Financial Year 2013-14.

RESOURCES

During the year under review, your Company has allotted 7,35,29,411 equity shares of ₹ 10/- each at total consideration of ₹ 34/- per share (including premium of ₹ 24/- per share), to L&T Finance Holdings Limited, the Holding Company aggregating ₹ 25,000 lakhs. As on March 31, 2014, the paid-up capital of your Company had increased to ₹ 27,296.64 lakhs.

During the year under review, your Company has raised ₹ 46,750 lakhs through issue of Secured Redeemable Non Convertible Debentures on private placement basis to various investors. Your Company also redeemed debentures worth ₹ 25,000 lakhs during the year 2013-2014.

CREDIT RATING

During the year, Credit Analysis and Research Ltd. (CARE) have accorded a rating of 'CARE AA+' [Double A Plus] rating for the various issue of Secured Non- Convertible Debentures (NCDs). The rating indicates that the NCDs carry very low credit risk and are considered to have high degree of safety regarding timely servicing of financial obligations and further indicating "Stable" outlook.

FIXED 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.

BOARD OF DIRECTORS

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation.

Mr. Suneet K Maheshwari, a Director appointed in casual vacancy on February 21, 2012 in place of Mr. P. S. Kapoor and whose term is expiring this year, is eligible for appointment as a Director of the Company. The Company has received a notice in writing from a Member proposing his candidature for the office of Director.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. C. S. Damle was appointed as an additional director by the Board of Directors of the Company with effect from October 17, 2013. He holds office as a Director up to the date of the forthcoming AGM. Your Company has received a notice in writing from a Member proposing his candidature for the office of Director. Mr. Damle has however indicated his unwillingness to be appointed as a Director at the Annual General meeting, due to prior commitments.

CORPORATE GOVERNANCE REPORT

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

AUDITORS

M/s. Sharp & Tannan, Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. They have confirmed that their re-appointment, if made, will comply the eligibility criteria in terms of Section 141(3) of the Companies Act, 2013.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Since M/s. Sharp & Tannan has already served as the Statutory Auditors of the Company for a period of more than ten years, the Board of Directors recommends the re-appointment of M/s. Sharp & Tannan as the Statutory Auditors of the Company for a period of one year i.e. from the conclusion of Seventeenth AGM till the conclusion of Eighteenth AGM, subject to approval of members at the AGM of the Company.

PARTICULARS OF EMPLOYEES

Your Company did not have any employee as on March 31, 2014 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 the provisions of 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 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 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 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 clarification under Section 217(3) of the Companies Act, 1956.

RESERVE BANK OF INDIA (RBI) GUIDELINES

Your Company continues to comply with all the requirements prescribed by the Reserve Bank of India, from time to time, as applicable to it.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the dedication and commitment of the Company's management/employees to the growth of the Company. Their unstinted support has been and continues to be integral to the Company's ongoing success. Your Directors wish to thank the Company's clients and business associates for their support to the growth of the 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, Stock Exchanges and Rating Agencies for their support.

For and on behalf of the Board

N. SIVARAMAN

Director

DINANATH DUBHASHI

Director

Place : Mumbai

Date : April 18, 2014

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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 the Company. At present, the Board comprises four Directors viz. Mr. N. Sivaraman, Mr. Suneet K Maheshwari, Mr. Dinanath Dubhashi and Mr. C. S. Damle. All the Directors of the Company are holding senior positions in group companies.

Mr. G. Krishnamurthy, who holds a senior position in a group company, is the Manager 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 Seven Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Risk Management Committee
- Nomination & Compensation Committee
- Investment and Credit Committee
- Corporate Social Responsibility Committee

The details of various committees of the Company (particulars relevant to the financial year ended on March 31, 2014) are as under:

Audit Committee:

The Audit Committee has been set up pursuant to Section 292A of the Companies Act, 1956 as well as the RBI directions for NBFCs. The Committee comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Suneet K. Maheshwari - Chairman
Mr. Dinanath Dubhashi
Mr. C.S. Damle

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.

During the fiscal year 2013-14, the Committee met five times.

Committee of Directors:

The Committee of Directors of the Board was constituted on July 16, 2012 and reconstituted on October 17, 2013.

The Committee comprises 2 Directors as per details given below:

Composition of Committee of Directors

Mr. Suneet K. Maheshwari – Chairman
Mr. Dinanath Dubhashi

Role of the Committee

The Committee of Directors is entrusted with the powers of general management of the affairs of the Company.

During the fiscal year 2013-14, the Committee met twenty two times.

Asset-Liability Management Committee:

The Asset-Liability Management Committee was constituted on March 18, 2008 and reconstituted on October 17, 2013.

The Committee comprises 4 Members as per details given below:

Composition of Asset-Liability Management Committee

Mr. C. S. Damle – Chairman
Mr. Suneet K. Maheshwari
Mr. G.K. Shettigar
Mr. Shiva Rajaraman

Role of the Committee

1. 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;
2. Reviewing the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
3. 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;
4. Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
5. Product pricing for financial assistance, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions.
6. Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
7. Deciding on the source and mix of liabilities and recommending the desired asset mix.

During the fiscal year 2013-14, the Committee met nine times.

Risk Management Committee:

The Risk Management Committee was constituted on March 18, 2008 and reconstituted on October 17, 2013.

Composition of Risk Management Committee

Mr. Ramesh Bhujang-Chairman
Mr. Suneet K. Maheshwari
Ms. Raji Vishwanathan

Role of the Committee

The Risk Management Committee would be responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk.

During the fiscal year 2013-14, the Committee met two times.

Nomination and Compensation Committee:

The Nomination and Compensation Committee was constituted on March 18, 2008 and reconstituted on October 17, 2013.

Composition of Nomination and Compensation Committee

Mr. N. Sivaraman- Chairman
Mr. Suneet K. Maheshwari

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 focus on evaluating senior level employees, their remuneration, promotions etc.

Investment & Credit Committee:

The Investment & Credit Committee was constituted on April 23, 2012 and reconstituted on January 16, 2014.

Composition of Investment & Credit Committee

Mr. N. Sivaraman- Chairman
Mr. Dinanath Dubhashi
Mr. Suneet K. Maheshwari
Mr. C. S. Damle
Mr. G. Krishnamurthy

Role of the Committee

The Investment & Credit Committee reviews and approves various credit proposals as per the Investment and Credit policy for the company.

During the fiscal year 2013-14, the Committee met fourteen times.

Corporate Social Responsibility (CSR) Committee:

The CSR Committee was constituted on April 3, 2014.

Composition of CSR Committee

Mr. N. Sivaraman- Chairman
Mr. Dinanath Dubhashi
Mr. Suneet K. Maheshwari

Role of the Committee

- Formulation of CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act 2013 and recommendation of the same to the Board;
- Recommending to the Board the amount to be spent on CSR from time to time.
- Monitoring the CSR Policy of the Company from time to time.

CORPORATE GOVERNANCE**Separation of Offices of Chairman & Chief Executive**

The roles and offices of the Chairman and Manager are separated. While Mr. N. Sivaraman is the non-executive Chairman of the Board, Mr. G. Krishnamurthy is the Manager of your Company.

A. Remuneration of Directors

All the Directors are associated with companies of L&T Financial Services group. 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.

B. 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 they have confirmed compliance with the same.

C. Responsibilities of the Board

The operations of the Company are run by the Manager under the supervision and the guidance 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.

D. Internal Auditors

Internal Audit Department of L&T Financial Services Group provides Internal Audit services to your Company.

E. 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.

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. Disclosures

During the financial year ended March 31, 2014:

- 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 generally ensures adherence to the various mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Listing Agreement.
- During the year, the Companies Act, 2013 had received assent from the President of India on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA have notified several sections, and the Company is geared up to implement all of them.

L&T FINCORP LIMITED

Means of Communication

- Half Yearly Results are published in one daily English newspaper of national prominence.
- The investors (Debenture Holders) are also communicated the “Half Yearly Communication” as per the Debt Listing Agreement.
- Annual Reports, official news releases and presentations are displayed on the website of the Company <http://www.ltfincorp.com>

For and on behalf of the Board

N. SIVARAMAN

Director

DINANATH DUBHASHI

Director

Place : Mumbai

Date : April 18, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T FINCORP LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **L&T FINCORP LIMITED** ("the Company"), which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, Statement of Profit and Loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Firdosh D. Buchia
Partner
Membership no. 38332

Place : Mumbai
Date : April 18, 2014

ANNEXURE TO INDEPENDENT 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 all 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, which in our opinion is reasonable, considering the size of the Company and nature of its assets. In respect of leased assets the Company has formulated a programme of physical verification for all the fixed assets over the period of three years which in our opinion is reasonable having regard to 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 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,the Paragraph 4 (ii) (a), (b) and (c) of the Order 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 or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the Paragraph 4(iii) (b), (c) and (d) of the Order, is 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 or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.Accordingly, the 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. During the course of audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid 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 the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the Paragraph 4 (v) (b) of the Order is not applicable.
- (vi) According to the information and explanations given to us, 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 Section 58A, 58AA of the Companies Act, 1956 and any other relevant provisions and the rules framed thereunder apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Company, being a non-banking finance company, the Paragraph 4 (viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to 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 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 applicable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income tax as at 31March 2014 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 (AY)	Forum where disputes are pending
Income Tax Act, 1961	Hedging Loss Disallowed.	35,45,157	2008-09	CIT(A)

- (x) The Company has no accumulated losses as at 31st March, 2014 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 information and explanations given to us and the records examined by us, the Company has not defaulted in the repayment of dues to any bank or debenture holders as at the balance sheet date.
- (xii) According to the information and explanations given to us and the records examined by us, 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.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company. Accordingly, the Paragraph 4 (xiii) of the Order is not applicable.
- (xiv) 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. The Company has invested surplus fund in the schemes of mutual funds. According to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein.
- (xv) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, paragraph 4 (xv) of the Order is not applicable to the Company.
- (xvi) 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.
- (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) According to the information and explanations given to us and the records examined by us, 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. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.
- (xix) According to the information and explanations given to us and based on the records examined by us, security or charge has been created in respect of the debentures issued.
- (xx) According to the information and explanations given to us and the records examined by us, the Company has not raised any money by public issues during the year. Accordingly, the 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 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
Firm's registration no.109982W
by the hand of*

Firdosh D. Buchia

*Partner
Membership no. 38332*

*Place : Mumbai
Date : April 18, 2014*

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
EQUITY AND LIABILITIES:					
Shareholders' funds					
Share capital	2	27,296.64		19,943.70	
Reserves and surplus	3	46,430.90		23,048.13	
			73,727.54		42,991.83
Non-current liabilities					
Long-term borrowings	4	188,873.67		22,500.00	
Other long term liabilities	5	598.31		14.83	
Long-term provisions	6	1,691.68		190.60	
			191,163.66		22,705.43
Current liabilities					
Short-term borrowings	7	73,140.57		111,043.91	
Current maturities of long-term borrowings	4	86,459.67		49,453.00	
Other current liabilities	8	9,110.11		3,794.95	
Short-term provisions	9	389.95		315.13	
			169,100.30		164,606.99
TOTAL			433,991.50		230,304.25
ASSETS:					
Non-current assets					
Fixed assets	10				
- Tangible assets		713.07		812.85	
- Intangible assets		29.36		39.12	
- Capital work in progress		-		-	
			742.43		851.97
Non-current investments	11	5,631.01		-	
Deferred tax assets (net)	12	1,839.84			
Long-term loans and advances towards financing activities	13	238,227.73			1,219.17
Other long-term loans and advances	14	4,700.72			85,357.19
					3,573.75
Current assets					
Current investments	15	11,397.96		-	
Trade receivables	16	5.42		5.42	
Cash and bank balances	17	15,340.54		7,386.75	
Short-term loans and advances towards financing activities	18	60,256.19		57,656.71	
Current maturities of long-term loans and advances towards financing activities	13	88,106.08		67,034.35	
Other current assets	19	7,743.58		7,218.94	
			182,849.77		139,302.17
TOTAL			433,991.50		230,304.25
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	26				

As per our report attached

For and on behalf of Board of Directors

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

Firdosh D. Buchia

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

G KRISHNAMURTHY

Manager

DINANATH DUBHASHI

Director

SUNEET K MAHESHWARI

Director

Place : Mumbai

Date : April 18, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No	2013-14		2012-13	
		(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
INCOME:					
Revenue from operations	20		36,438.71		17,126.07
Other income	21		1,323.51		278.66
Total			37,762.22		17,404.73
EXPENSES:					
Finance costs	22		25,993.14		13,048.12
Employee benefits expenses	23		89.18		26.80
Administration and other expenses	24		241.97		351.69
Allowances and write offs	25		2,620.64		1,207.16
Depreciation and amortisation expense			151.06		85.79
Total			29,095.99		14,719.56
Profit before exceptional and extraordinary items and taxes			8,666.23		2,685.17
Exceptional items			-		-
Profit before extraordinary items and taxes			8,666.23		2,685.17
Extraordinary Items			-		-
Profit before tax			8,666.23		2,685.17
Tax expense:					
- Current tax			3,520.77		1,026.81
- MAT credit utilised			-		(283.81)
- Deferred tax			(620.67)		(1,219.17)
			2,900.10		(476.17)
Profit for the year			5,766.13		3,161.34
Earnings per share :	26.5				
Basic earnings per equity share (₹)			2.38		1.86
Diluted earnings per equity share (₹)			2.38		1.85
Face value per equity share (₹)			10.00		10.00
SIGNIFICANT ACCOUNTING POLICIES	1				
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	26				

As per our report attached

For and on behalf of Board of Directors

SHARP & TANNAN

Chartered Accountants
Firm's registration no. 109982W
by the hand of

Firdosh D. Buchia

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

G KRISHNAMURTHY

Manager

DINANATH DUBHASHI

Director

SUNEET K MAHESHWARI

Director

Place : Mumbai

Date : April 18, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
A. Cash flow from operating activities		
Profit before tax as per the statement of profit and loss	8,666.23	2,685.17
Adjustment for:		
Provision on standard assets	434.00	25.00
Provision on non-performing assets	1,607.72	1,127.16
Depreciation and amortisation	151.06	85.78
(Profit)/ Loss on sale of investments (net)	<u>(1,157.23)</u>	<u>(17.26)</u>
Operating profit before working capital changes	9,701.78	3,905.85
Adjustment for :		
(Increase)/ Decrease in loans and advances towards financing activity	<u>(178,149.48)</u>	<u>(22,625.13)</u>
(Increase)/ Decrease in trade and other receivable and advances	<u>(2,060.75)</u>	<u>(5,670.06)</u>
Increase/ (Decrease) in trade and other payables	<u>7,040.54</u>	<u>3,701.52</u>
Cash (used in)/generated from operations	<u>(163,467.91)</u>	<u>(20,687.82)</u>
Direct taxes paid	<u>(3,095.95)</u>	<u>(1,001.46)</u>
Net cash (used in)/ generated from operating activities (A)	(166,563.86)	(21,689.28)
B. Cash flows from investing activities		
Add :- Inflows from investing activities		
Sale of long term investments	11,146.89	-
Sale of short term investments (net)	-	17.26
Less : Outflow from investing activities	11,146.39	17.26
Purchase of long term investments	15,620.67	-
Purchase of short term investments (net)	11,397.96	-
Purchase of fixed asset	41.52	499.16
	<u>27,060.15</u>	<u>499.16</u>
Net cash (used in)/ from investing activities (B)	(15,913.26)	(481.90)
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	25,000.00	9,999.91
Proceeds from long term borrowings	338,250.00	22,500.00
Proceeds from short term borrowings (net)	-	73,644.06
	<u>363,250.00</u>	<u>106,143.97</u>
Less : Outflows from financing activities		
Repayment of long term borrowings	144,869.67	77,047.00
Repayment of short term borrowings (net)	27,903.34	-
Debenture /equity share issue expenses	46.08	10.00
	<u>172,819.09</u>	<u>77,057.00</u>
Net cash (used in)/ from financing activities (C)	190,430.91	29,086.97
Net increase/(decrease) in cash and cash equivalents (A+B+C)	7,953.79	6,915.79
Cash and cash equivalents as at beginning of the year	7,386.75	470.96
Cash and cash equivalents as at end of the year	15,340.54	7,386.75

Notes:

- Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Purchase of fixed assets includes movements of capital work in process during the year.
- Cash and cash equivalents represent cash, bank balances and deposit with maturity period of less than 3 months.
- Previous year figures have been regrouped wherever applicable.

As per our report attached

For and on behalf of Board of Directors

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

Firdosh D. Buchia

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

G KRISHNAMURTHY

Manager

DINANATH DUBHASHI

Director

SUNEET K MAHESHWARI

Director

Place : Mumbai

Date : April 18, 2014

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

The financial statements are prepared in compliance with the provisions of the Companies Act, 1956 and the historical cost convention on an accrual basis of accounting in accordance with 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. Presentation of financial statements

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 assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

Intangible assets comprising of software licenses 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 licenses for support and maintenance payable annually are charged to the statement of profit and loss.

D. Investments

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'.

'Long term investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual investment basis.

'Current investments' are carried at the lower of cost or fair value on an individual investment 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 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. Revenue recognition

- 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.
- Interest from interest-bearing assets is recognised on an accrual basis.
- Revenues from the various services that the Company renders 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.
- Income from operating lease is recognised as rental, as accrued on straight line basis over the period of the lease.
- Dividend is accounted when the right to its receipt is established.

G. Depreciation and amortisation

Depreciation/ amortisation on fixed assets is calculated on a straight-line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. In respect of the following asset categories, the depreciation is provided at higher rates in the line with their estimated useful lives.

Category of asset	Rates of depreciation (% p.a.)
Office Equipments	10%

- Leasehold improvements are amortized over the period of lease term.
- Specialized software amortized over the period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.
- Depreciation is charged for the full month in the month of purchase/sale even used for part of the month.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

H. 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.

I. Operating leases

Where the Company is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is lessor

Leases in which the company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. After initial recognition, the company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

J. 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.

K. 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 events 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 their 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 assets are not recognised.

L. Cash and cash equivalents

Cash and bank balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the cash flow statement.

M. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

N. Commitments

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- a) Estimated amount of contracts remaining to be executed on capital account are not provided for.
- b) Other non cancellable commitments, if any to the extent they are considered material and relevant in the opinion of the management.

O. Share/ debenture issue expenses

Equity share and debenture issue expenses are debited against the securities premium account.

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**NOTE 2: SHARE CAPITAL****2(I) Share capital authorised, issued and subscribed**

	31.03.2014		31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
Authorised shares				
Equity shares of ₹ 10 each	300,000,000	30,000.00	300,000,000	30,000.00
Issued, subscribed and paid up shares				
Equity shares of ₹ 10 each fully paid	272,966,428	27,296.64	199,437,017	19,943.70
Total issued, subscribed and paid up shares capital	272,966,428	27,296.64	199,437,017	19,943.70

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

Equity Shares	31.03.2014		31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
At the beginning of the year	199,437,017	19,943.70	170,025,517	17,002.55
Issued during the year				
- Capital infusion by holding company	73,529,411	7,352.94	29,411,500	2,941.15
Outstanding at the end of the year	272,966,428	27,296.64	199,437,017	19,943.70

2(III) Terms/rights attached to equity shares

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

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

2(IV) Shares held by holding company

	31.03.2014		31.03.2013	
	No. of Shares	(₹ in Lakh)	No. of Shares	(₹ in Lakh)
Equity shares of ₹ 10 each fully paid	272,966,428	27,296.64	199,437,017	19,943.70

2(V) Details of shareholders holding more than 5% shares in the Company

	31.03.2014		31.03.2013	
	No. of Shares	% holding	No. of Shares	% holding
Equity shares of ₹ 10 each fully paid				
Held by L&T Finance Holdings Limited (Holding company) and its nominees	272,966,428	100%	199,437,017	100%

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
NOTE 3: RESERVES AND SURPLUS				
3(I) Securities premium account				
Balance as per last balance sheet	20,152.21		13,103.45	
Add: Addition during the year	17,647.06		7,058.76	
Less: Debenture / equity share issue expenses adjusted during year	30.42		10.00	
		37,768.85		20,152.21
3(II) Reserve u/s 45-IC of RBI Act, 1934				
Balance as per last Balance Sheet	1,473.93		840.93	
Add: Transferred from statement of profit and loss	1,154.00		633.00	
		2,627.93		1,473.93
3(III) Surplus/(deficit) in the statement of profit and loss				
Balance as per last balance sheet	1,421.99		(1,106.35)	
Net profit for the year	5,766.13		3,161.34	
Less : Appropriations				
Transfer to reserve u/s 45-IC of RBI Act, 1934	1,154.00		633.00	
		6,034.12		1,421.99
Closing balance		46,430.90		23,048.13

	31.03.2014		31.03.2013	
	(₹ in Lakh)		(₹ in Lakh)	
	Non current portion	Current maturities	Non current portion	Current maturities
NOTE 4: LONG TERM BORROWINGS				
Secured				
Redeemable non-convertible debentures	32,625.00	1,625.00	12,500.00	–
Term loans				
- from banks	156,248.67	84,834.67	10,000.00	49,453.00
TOTAL	188,873.67	86,459.67	22,500.00	49,453.00

Redeemable non-convertible debentures

Series	Face Value	Date of Allotment	Total (₹ in Lakh)	Non current portion (₹ in Lakh)	Current maturities (₹ in Lakh)	Interest rate % p.a	Redemption terms
C of F.Y. 2013 - 14	₹ 100 Lakhs Each	July 10, 2013	10,000.00	10,000.00	–	9.950%	Redeemable at par on July 10, 2017
E of F.Y. 2013 - 14 - Opt III	₹ 25 Lakhs Each	December 26, 2013	325.00	325.00	–	10.049%	Redeemable at par on Dec 22, 2016
E of F.Y. 2013 - 14 - Opt I	₹ 25 Lakhs Each	December 26, 2013	1,000.00	1,000.00	–	9.965%	Redeemable at par on June 5, 2015
F of F.Y. 2013-14	₹ 25 Lakhs Each	March 21, 2014	16,000.00	16,000.00	–	10.100%	Redeemable at par on April 21, 2015
E of F.Y. 2013 - 14 - Opt II	₹ 25 Lakhs Each	December 26, 2013	300.00	300.00	–	9.972%	Redeemable at par on April 3, 2015
A of F.Y. 2012 - 13	₹ 10 Lakhs Each	March 21, 2013	5,000.00	5,000.00	–	9.842%	Redeemable at par on April 2, 2015

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Series	Face Value	Date of Allotment	Total (₹ in Lakh)	Non current portion (₹ in Lakh)	Current maturities (₹ in Lakh)	Interest rate % p.a	Redemption terms
D of F.Y. 2013 - 14	₹ 25 Lakhs Each	September 13, 2013	1,625.00	–	1,625.00	11.750%	Redeemable at par on Oct 10, 2014
Total			34,250.00	32,625.00	1,625.00		

Note:

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 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.

Term loans from banks

Repayment Terms	Tenure	Non current portion (₹ in Lakh)	Current maturities (₹ in Lakh)
Bullet	0 to 6 months	–	–
	7 to 12 months	–	–
	upto 5 years	150.00	–
Quarterly	0 to 6 months	–	41,667.33
	7 to 12 months	–	43,167.34
	upto 5 years	156,098.67	–
Total		156,248.67	84,834.67

Note: Term loan from banks is secured by hypothecation of term loan receivables.

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
NOTE 5: OTHER LONG TERM LIABILITIES				
Interest accrued but not due on non convertibile debentures		598.31		14.83
TOTAL		598.31		14.83
NOTE 6: LONG TERM PROVISIONS				
Contingent provision against standard assets		562.00		188.00
Interest on restructured assets		1,121.09		–
Provision for gratuity		8.59		2.60
TOTAL		1,691.68		190.60
NOTE 7: SHORT TERM BORROWINGS				
Secured				
Term loan from banks		–		10,000.00
Unsecured				
Cash Credit		10,000.00		–
Term loan from banks		–		–
Commercial papers	62,300.00		100,000.00	
Less : Unamortised discounting charge	1,107.03		1,242.81	
		61,192.97		98,757.19
Inter-corporate borrowing		1,947.60		2,286.72
TOTAL		73,140.57		111,043.91

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)31.03.2014
(₹ in Lakh)31.03.2013
(₹ in Lakh)**NOTE 8: OTHER CURRENT LIABILITIES**

Advance from customers	6,066.16	1,887.24
Interest payable on borrowings	325.43	36.58
Payable to related party	90.59	128.89
Provision for tax (net of advance) - current year	409.15	-
TDS payable	18.51	31.25
Bank book credit balance	2,135.71	1,607.30
Other liabilities	64.56	103.69
TOTAL	9,110.11	3,794.95

NOTE 9 SHORT-TERM PROVISIONS

Contingent provision against standard assets	372.00	312.00
Provision for		
- Gratuity	0.41	0.02
- Leave encashment	17.54	3.11
TOTAL	389.95	315.13

NOTE - 10 : FIXED ASSETS

(₹ in Lakh)

	Gross Block (At cost)				Depreciation				Net Block		Lease Adjustment	Net Block after Lease Adjustment	
	As at April 1, 2013	Additions	Deductions	As At March 31, 2014	Up to March 31, 2013	For the year	Deductions	Up to March 31, 2014	As at March 31, 2014	As at March 31, 2013	upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets													
Owned assets													
Building	8.33	-	-	8.33	1.88	0.14	-	2.02	6.31	6.45	-	6.31	6.45
Office Equipments	17.22	11.55	-	28.77	0.15	2.89	-	3.04	25.73	17.07	-	25.73	17.07
Furniture and fixtures	-	3.29	-	3.29	-	0.10	-	0.10	3.19	-	-	3.19	-
Lease hold renovation	861.09	14.89	-	875.98	71.76	126.38	-	198.14	677.84	789.33	-	677.84	789.33
'A'	886.64	29.73	-	916.37	73.79	129.51	-	203.30	713.07	812.85	-	713.07	812.85
Assets given on lease													
Building	1,061.33	-	-	1,061.33	350.64	-	-	350.64	710.69	710.69	710.69	-	-
Plant and machinery	40,638.88	-	-	40,638.88	17,720.67	-	-	17,720.67	22,918.21	22,918.21	22,918.21	-	-
'B'	41,700.21	-	-	41,700.21	18,071.31	-	-	18,071.31	23,628.90	23,628.90	23,628.90	-	-
'C' = 'A' + 'B'	42,586.85	29.73	-	42,616.58	18,145.10	129.51	-	18,274.61	24,341.97	24,441.75	23,628.90	713.07	812.85
Intangible asset													
Software	52.86	11.79	-	64.65	13.74	21.55	-	35.29	29.36	39.12	-	29.36	39.12
'D'	52.86	11.79	-	64.65	13.74	21.55	-	35.29	29.36	39.12	-	29.36	39.12
'C' + 'D'	42,639.71	41.52	-	42,681.23	18,158.84	151.06	-	18,309.90	24,371.33	24,480.87	23,628.90	742.43	851.97
Previous year	41,708.54	931.17	-	42,639.71	18,073.05	85.79	-	18,158.84	24,480.87	23,635.49	23,628.90	851.97	

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
NOTE 11: NON-CURRENT INVESTMENTS		
Quoted investment		
Equity shares (at cost)		
Jaypee Infratech Limited (3,785,221 shares of ₹ 10 each)	1,331.01	–
Unquoted investment		
Equity shares (at cost)		
L&T Infra Debt Fund Limited (43,000,000 shares of ₹ 10 each)	4,300.00	–
TOTAL	5,631.01	–

Note:

Aggregate amount of quoted investments		
Book value	1,331.01	–
Market value	802.47	–
Aggregate amount of unquoted investments		
Book value	4,300.00	–

NOTE 12: DEFERRED TAX ASSETS (NET)

In compliance with the Accounting Standard (AS) 22 on 'Accounting for Taxes on Income', the Company has provided for deferred tax asset (net) in the Statement of Profit & Loss on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
Deferred tax liability	–	–
Deferred tax assets		
Difference between book depreciation and tax depreciation	585.61	665.65
Provision for non performing asset	929.58	383.12
Provision for standard assets	317.13	169.95
Provision for gratuity and leave encashment	7.52	0.45
Net deferred tax (liability) / assets	1,839.84	1,219.17

NOTE 13: LONG TERM LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES

	31.03.2014 (₹ in Lakh)		31.03.2013 (₹ in Lakh)	
	Non current portion	Current maturities	Non current portion	Current maturities
Secured - Considered good				
Term loans	214,104.08	85,101.51	84,771.87	63,834.12
Debentures	25,513.46	2,400.00	–	–
Less: Allowance for non performing assets	2,603.93	–	1,080.36	–
Total	237,013.61	87,501.51	83,691.51	63,834.12
Unsecured - Considered good				
Term loans	1,345.06	604.57	1,712.47	3,200.23
Less: Allowance for non performing assets	130.94	–	46.79	–
Total	1,214.12	604.57	1,665.68	3,200.23
TOTAL	238,227.73	88,106.08	85,357.19	67,034.35

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
NOTE 14: OTHER LONG TERM LOANS AND ADVANCES		
Security deposits	3,154.59	3,152.19
Advance tax (net of provision)		
- Current year	-	158.63
- Earlier years	509.06	262.93
Accrued redemption premium	1,037.07	-
TOTAL	4,700.72	3,573.75
NOTE 15: CURRENT INVESTMENTS		
Unquoted investments		
Equity shares (at cost)		
VMC Systems Limited (460,492 shares of ₹ 10 each)	897.96	-
Mutual Fund (at cost)		
L&T Liquid Fund Direct Plan - Growth (597,481.530 units of ₹ 1000 each)	10,500.00	-
TOTAL	11,397.96	-
Note:		
Aggregate amount of unquoted investments		
Book value	11,397.96	
NOTE 16: TRADE RECEIVABLE		
Unsecured		
Considered good		
Debts outstanding for a period exceeding six months	-	-
Other	5.42	5.42
TOTAL	5.42	5.42
NOTE 17: CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks:		
On current accounts	5,881.56	2,365.44
Temporary favourable balance in cash credit account	8.98	21.31
Deposit account (with original maturity of less than three months)	9,450.00	5,000.00
TOTAL	15,340.54	7,386.75
NOTE 18: SHORT TERM LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES		
Unsecured:		
Term loans	60,256.19	53,256.71
Inter-corporate deposits	-	4,400.00
TOTAL	60,256.19	57,656.71

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	31.03.2014		31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
NOTE 19: OTHER CURRENT ASSETS				
Advance recoverable in cash or kind or for value to be received		10.90		39.10
Billed interest and other receivable	2,167.43		1,127.66	
Less : Allowances for income reversal	935.24		816.61	
		1,232.19		311.05
Receivable from related party		3,211.91		5,934.82
Accrued interest		2,620.73		933.97
Accrued redemption premium		667.85		-
TOTAL		7,743.58		7,218.94
		2013-14		2012-13
		(₹ in Lakh)		(₹ in Lakh)
NOTE 20: REVENUE FROM OPERATIONS				
Income from term loans and other financing activity		29,678.63		15,102.34
Bill discounting charges		6,716.08		1,979.73
Lease rentals		44.00		44.00
TOTAL		36,438.71		17,126.07
NOTE 21: OTHER INCOME				
Business support charges		-		14.00
Dividend - Mutual Fund		112.50		245.41
- Equity shares		37.85		-
Profit on sale of investment		1,157.23		17.26
Other		15.93		1.99
TOTAL		1,323.51		278.66
NOTE 22: FINANCE COST				
Interest on debentures		2,002.95		32.12
Interest on term loan from bank		17,180.10		8,666.57
Interest on inter corporate borrowing		597.49		1,139.11
Commercial paper discounting charges		6,024.72		3,157.46
Interest on cash credit		38.65		8.77
Other finance charges		149.23		44.09
TOTAL		25,993.14		13,048.12
NOTE 23: EMPLOYEE BENEFIT EXPENSES				
Salaries		84.86		24.70
Contribution to and provision for				
Provident fund		2.52		0.78
Gratuity fund		1.10		0.15
Compensated absences / leave encashment		0.70		1.17
TOTAL		89.18		26.80

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

	2013-14		2012-13	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
NOTE 24: ADMINISTRATION AND OTHER EXPENSES				
Brokerage and service charges		7.16		13.94
Rent		2.55		–
Stamp duty		0.49		34.45
Registration charges		0.30		99.07
Rates and taxes		0.33		0.10
Repairs and maintenance		7.11		11.49
ROC filing fees		0.25		0.14
Auditors remuneration				
Audit fees	1.50		1.50	
Tax audit fees	0.75		0.75	
Limited review fees	2.25		2.25	
Other services/ expenses reimbursed	1.15		0.28	
		5.65		4.78
Professional fees		21.28		26.82
Corporate support charges		63.76		147.64
Trademark license fees		88.00		–
Miscellaneous expenses		45.09		13.26
TOTAL		241.97		351.69
NOTE 25: ALLOWANCES AND WRITE OFFS				
Contingent provision against standard assets		434.00		25.00
Allowance for non-performing asset		1,607.72		1,127.16
Loss on foreclosure of loans		280.24		55.00
Bad debts written off		298.68		–
TOTAL		2,620.64		1,207.16

NOTE NO. – 26: NOTES ON FINANCIAL STATEMENTS**26.1 Employee benefits : Accounting Standard (AS) 15****I. Defined contribution plans**

The Company offers its employee defined contribution plans in the form of provident fund. Provident fund 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. The contributions are normally based on a certain proportion of the employee's salary. The Company recognised charges of ₹ 2.52 lakh (*Previous year ₹ 0.78 lakh*) for provident fund contribution in the statement of profit and loss.

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 actuarial determined at year-end on the "Projected Unit Credit" method. Gains and losses are charged to statement of profit and loss. The following tables set out the amounts recognised in the Company's financial statements as at March 31, 2014 in respect of gratuity benefits:

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**a) The amounts recognised in the balance sheet are as follows:**

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Present value of funded obligations	–	–
Present value of unfunded obligations	9.00	2.62
Net liability	9.00	2.62
Amounts in balance sheet		
Liability	9.00	2.62
Assets	–	–
Net liability is bifurcated as follows:		
Current	0.41	0.02
Non current	8.59	2.60
Net liability	9.00	2.62

b) The amounts recognised in the statement of profit and loss are as follows:

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Current service cost	0.37	0.15
Interest on defined benefit obligation	0.24	–
Net actuarial losses/ (gains) recognized in year	0.49	–
Total, included in “Employee Benefit Expense”	1.10	0.15

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

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Change in defined benefit obligation		
Opening defined benefit obligation	2.62	–
Current service cost	0.37	0.15
Interest cost	0.24	–
Actuarial losses/ (gains)	0.49	–
Liabilities assumed on acquisition/ (settled on divestiture)	5.28	–
Liability transfer from fellow subsidiary	–	2.47
Closing defined benefit obligation	9.00	2.62

d) Experience adjustments

(₹ in Lakh)

Particulars	As at 31.03.2014	As at 31.03.2013	As at 31.03.2012	As at 31.03.2011	As at 31.03.2010
Gratuity Plan					
Defined benefit obligation	9.00	2.62	–	–	–
Surplus/(deficit)	(9.00)	(2.62)	–	–	–
Exp. adj. on plan liabilities	0.88	–	–	–	–

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**e) Financial assumptions at the valuation date**

(₹ in Lakh)

	2013-14	2012-13
Discount rate (per annum)	9.05%	8.00%
Salary escalation rate (per annum)	6.00%	6.00%

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 2014-15 amounts to ₹ 0.40 lakh (*Previous Year ₹ 0.15 lakh*).

III. 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 180 days.

26.2 Segment reporting : Accounting Standard (AS) 17**Primary segment (business segment)**

The Company operates mainly in the business 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 India.

26.3 Related Party Disclosures : Accounting Standard (AS) 18**(a) List of Related Parties over which control exists and transactions were entered during the current and/or previous year.****A. Ultimate Holding Company**

1. Larsen & Toubro Limited

B. Holding Company

2. L&T Finance Holdings Limited

C. Fellow Subsidiary

3. L&T Finance Limited
4. L&T Infrastructure Finance Company Limited
5. L&T General Insurance Company Limited
6. L&T Housing Finance Limited
7. L&T Capital Company Limited
8. Family Credit Limited
9. Larsen & Toubro Infotech Limited
10. Ewac Alloys Limited
11. Hyderabad International Trade Expositions Limited
12. L&T Vrindavan Properties Limited

D. Fellow Associates

13. JSK Electricals Private Limited
14. Magtorq Private Limited
15. Rishi Consfab Private Limited.
16. Salzer Electronics Limited

E. Key management personnel

Mr. G Krishnamurthy – Manager (from 4 October, 2013)

Ms. Dipti Advani – Manager (Upto 3 October, 2013)

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**(b) Disclosures of related party transaction:**

Sr. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
1	Inter corporate deposit taken		
	- L&T Finance Holdings Limited	73,850.00	100,056.00
	- L&T Finance Limited	81,400.00	43,461.62
	- L&T Capital Company Limited	1,997.10	2,245.00
	- L&T Infrastructure Finance Company Limited	2,000.00	-
	- L&T Housing Finance Limited	1,800.00	-
	- Family Credit Limited	9,300.00	-
2	Interest paid on inter corporate borrowings		
	- L&T Finance Holdings Limited	140.73	1,002.14
	- L&T Finance Limited	234.06	72.70
	- L&T Capital Company Limited	177.27	64.27
	- L&T Infrastructure Finance Company Limited	9.89	-
	- L&T Housing Finance Limited	1.73	-
	- Family Credit Limited	33.81	-
3	Inter corporate deposits given		
	- L&T Finance Limited	27,957.43	39,525.00
	- L&T Infrastructure Finance Company Limited	12,565.31	9,700.00
	- L&T Housing Finance Limited	280.00	5,000.00
	- Family Credit Limited	300.00	1,000.00
	- L&T Vrindavan Properties Limited	700.00	-
4	Short term loan given		
	- L&T Housing Finance Limited	-	1,750.00
5	Interest income on inter corporate deposit / short term loan		
	- L&T Finance Limited	26.22	103.48
	- L&T Infrastructure Finance Company Limited	16.40	37.19
	- L&T Housing Finance Limited	0.27	39.05
	- Family Credit Limited	0.43	1.64
	- L&T Vrindavan Properties Limited	0.58	-
6	Equity shares issued (including share premium)		
	- L&T Finance Holdings Limited	25,000.00	9,999.91
7	Purchase of loan portfolio from		
	- L&T Finance Limited	26,700.03	82,979.46
	- L&T Infrastructure Finance Company Limited	120,917.18	-
8	Sale of loan portfolio to		
	- L&T Infrastructure Finance Company Limited	-	3,936.59
9	Rent and taxes recovered		
	- L&T Finance Limited	539.57	578.48
	- L&T General Insurance Company Limited	264.41	260.32
10	ESOP charges paid		
	- L&T Finance Holdings Limited	0.69	3.49
11	Management fees paid		
	- L&T Finance Holdings Limited	-	15.73
12	Support charges / overheads paid		
	- L&T Finance Limited	84.91	137.08
	- Larsen & Toubro Limited	1.68	3.45
13	Rent Paid		
	- L&T Vrindavan Properties Limited	2.70	-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Sr. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
14	Brand License Fee Payable		
	- Larsen & Toubro Limited	88.00	-
15	Other expenses paid		
	- Larsen & Toubro Limited	2.07	1.10
	- L&T Finance Limited	35.78	-
	- L&T Capital Markets Limited	7.60	-
16	Security deposit paid		
	- L&T Vrindavan Properties Limited	2.40	-
17	Purchase of fixed asset		
	- Larsen &Toubro Infotech Limited	-	6.74
18	Loan given during the year		
	- JSK Electricals Private Limited	2,645.38	-
	- Magtorq Private Limited	143.21	-
	- Rishi Consfab Private Limited.	1,570.10	-
	- Salzer Electronics Limited	11,024.50	-
19	Interest income on term loan		
	- Hyderabad International Trade Expositions Limited	220.77	-
	- JSK Electricals Private Limited	1.72	-
	- Magtorq Private Limited	0.12	-
	- Rishi Consfab Private Limited.	2.87	-
	- Salzer Electronics Limited	21.10	-
	- Ewac Alloys Limited	75.27	-

(c) Amount due to/from related Parties:

Sr. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
1	Outstanding balance of inter corporate deposit taken		
	- L&T Finance Limited	-	242.62
	- L&T Capital Company Limited	1947.60	2,044.10
2	Interest accrued but not due on inter corporate deposits given		
	- L&T Finance Limited	-	3.88
3	Interest Accrued but not due on inter corporate deposits taken		
	- L&T Capital Company Limited	-	0.55
4	Outstanding balance of inter corporate deposits		
	- L&T Finance Limited	-	4,400.00
5	Account receivable		
	- L&T Finance Limited	3,179.04	5810.84
	- L&T Infrastructure Finance Company Limited	32.87	-
6	Account payable		
	- L&T Finance Holdings Limited	0.11	0.26
	- L&T Finance Limited	-	-
	- Larsen & Toubro Limited	2.49	2.65
	- Larsen &Toubro Infotech Limited	-	1.52
7	Term Loan – outstanding balance		
	- Ewac Alloys Limited	-	720.00
	- Hyderabad International Trade Expositions Limited	1390.31	1740.86

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

Sr. No.	Nature of transactions	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
	- JSK Electricals Private Limited	218.18	-
	- Magtorq Private Limited	100.00	-
	- Rishi Consfab Private Limited.	209.78	-
	- Salzer Electronics Limited	1,751.84	-
8	Interest Accrued on term loan (assets)		
	- Hyderabad International Trade Expositions Limited	8.32	-

Note: Transactions shown above are inclusive of Service Tax, if any.

26.4 Operating Lease : Accounting Standard (AS) 19**Assets taken on lease:**

The Company has taken premises on non-cancellable operating lease. Lease Payments includes ₹ 2.55 lakh (*previous year ₹ nil*) recognised in the Statement of Profit and Loss. Rent recognized is net off recovery from group companies. The committed minimum lease payments are as follows:

Particulars	Lease Payments	
	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
Within one year	737.11	720.00
Later than one year and not later than five years	3,132.12	3,153.72
Over five years	19.20	691.52
TOTAL	3,888.43	4,565.24

26.5 Earnings per share : Accounting Standard (AS) 20

Particulars		2013-14	2012-13
Basic			
Profit after tax as per statement of profit and loss (₹ Lakh)	A	5,766.13	3,161.34
Weighted average number of equity shares outstanding	B	242,345,961	170,347,835
Basic EPS (₹)	A / B	2.38	1.86
Diluted			
Profit after tax as per statement of profit and loss (₹ Lakh)	A	5,766.13	3,161.34
Weighted average number of equity shares outstanding	B	242,345,961	170,347,835
Add : Weighted average number of equity shares on account of share application money	C	-	564,056
Weighted average number of shares outstanding for diluted EPS	D=B+C	242,345,961	170,911,891
Diluted EPS (₹)	A / D	2.38	1.85
Nominal Value (₹)		10.00	10.00

26.6 There were no frauds reported during the year.

26.7 The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March, 2014. 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.

26.8 Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. L&T Finance Holdings Limited), the details of the stock options granted to the employees of the Company are as under:

Company	Status	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
L&T Finance Holdings Limited	Holding Company	0.69	3.48

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)

26.9 The Company has following contingent liability/ commitments as on March 31, 2014:

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
Income tax matter in dispute	88.16	16.66
Legal	2.10	-
Undisbursed Commitment *	5505.00	1,027.00

*This disclosure is given pursuant to the notification no. DNBS.CC.PD.No.252/03.10.01/2011-12 dated 26th Dec, 2011 issued by Reserve Bank of India.

26.10 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

LIABILITY SIDE:**1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**

	Particular	Amount Outstanding (₹ in Lakh)	Amount Overdue (₹ in Lakh)
(a)	Debentures :		
	Secured	34,250.00	-
	Unsecured (Other than falling within the meaning of Public Deposits)	-	-
(b)	Deferred Credits	-	-
(c)	Term Loans	2,41,083.33	-
(d)	Inter-Corporate Loans and borrowings	1,947.60	-
(e)	Commercial Paper (net of unamortised discounting charges)	61,192.97	-
(f)	Other Loans (Cash Credit)	10,000.00	-
(g)	Accrued interest on above borrowings (a to g)	923.74	-

ASSET SIDE :**2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]**

		Amount Outstanding (₹ in Lakh)
(a)	Secured	324,515.12
(b)	Unsecured	62,074.88

3. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities

		Amount Outstanding (₹ in Lakh)
(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)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	-
	(b) Loans other than (a) above	-

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**4. Break-up of Investments**

	Amount Outstanding (₹ in Lakh)
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	897.96
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	10,500.00
(iv) Government Securities	-
(v) Others (please specify)	-

	Amount Outstanding (₹ in Lakh)
LONG TERM INVESTMENTS	
1. Quoted	
(i) Shares : (a) Equity	1,331.01
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted :	
(i) Shares : (a) Equity	4,300.00
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify) Sec deposits & share application money	-

5. Borrower group-wise classification of assets financed as in (2) and (3) above:

(₹ in Lakh)

	Secured	Unsecured
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	1,390.31	2,279.80
2. Other than related parties	323,124.81	59,795.08
Total	324,515.12	62,074.88

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**
(₹ in Lakh)

Category		Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties		
	(a) Subsidiaries	–	–
	(b) Companies in the same group	4,300.00	4,300.00
	(c) Other related parties	–	–
2.	Other than related parties	12,213.06	12,728.97
	Total	16,513.06	17,028.97

7. Other information

Particulars		Amount (₹ in Lakh)
(i)	Gross Non-Performing Assets	
	(a) Related parties	–
	(b) Other than related parties	16,426.39
(ii)	Net Non-Performing Assets	
	(a) Related parties	–
	(b) Other than related parties	13,691.52
(iii)	Assets acquired in satisfaction of debt	897.96

26.11 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) Capital Risk Adequacy Ratio (CRAR) :

Items	2013-14	2012-13
i) CRAR (%)	17.24%	18.93%
ii) CRAR – Tier I Capital (%)	17.01%	18.70%
iii) CRAR – Tier II Capital (%)	0.23%	0.23%

2) Exposures :**Exposure to Real Estate Sector**

Category	2013-14 (₹ in Lakh)	2012-13 (₹ in Lakh)
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 ₹ 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;	26,624.42	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
B) INDIRECT EXPOSURE		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		Nil

NOTES FORMING PART OF FINANCIAL STATEMENTS MARCH 31, 2014 (Contd.)**3) Asset Liability Management:****Maturity pattern of certain items of assets and liabilities**

(₹ 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
Liabilities:									
Borrowings from banks	–	3,333.33	17,500.33	20,833.67	53,167.34	156,248.67	–	–	251,083.34
Market Borrowings	5,000.00	28,108.50	22,000.00	2,140.10	8,624.00	22,625.00	10,000.00	–	98,497.60
Assets:									
Advances	16,116.57	20,601.87	26,236.18	29,497.47	55,910.18	108,352.85	59,745.69	70,129.19	386,590.00
Investments	10,500.00	–	–	–	897.96	–	–	5,631.01	17,028.97

26.12 Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report attached

For and on behalf of Board of Directors

SHARP & TANNAN

Chartered Accountants

Firm's registration no. 109982W

by the hand of

Firdosh D. Buchia

Partner

Membership no. 38332

Place : Mumbai

Date : April 18, 2014

G KRISHNAMURTHY

Manager

DINANATH DUBHASHI

Director

SUNEET K MAHESHWARI

Director

Place : Mumbai

Date : April 18, 2014

DIRECTORS' REPORT

Dear Members,

The Directors present their Eighteenth Annual Report and the Audited Statement of annual accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

	(₹ in lakh)	
	2013-14	2012-13
Gross Income	9,081.37	3,426.78
Loss b/f from previous year	(20,823.41)	(14,974.18)
Amalgamation related adjustments	(2,483.08)	0
Profit After Tax	(6,991.97)	(5,849.23)
Surplus/(Deficit) in the statement of Profit & Loss	(30,298.46)	(20,823.41)

DIVIDEND

In view of the loss incurred, no dividend is recommended on equity shares for the financial year ended March 31, 2014.

ISSUE OF CAPITAL

During the Financial Year under review, your Company has not issued any further shares.

OPERATIONS OF THE COMPANY

- In the financial year 2013-14, L&T Mutual Fund ("the Fund") was one of the fastest growing fund houses in the Indian mutual fund industry. The average assets under management (AAUM) stood at ₹ 18,255 crores for the year ended March 2014 as against ₹ 11,170 crores in March 2013, a stellar growth of 63%. This growth in assets has been against a backdrop of industry's 11% growth during the same period and at a time when financial markets in India faced significant volatility.
- Post acquisition of the asset management company (L&T Fund Management Private Limited ("LTFMPL")) of Fidelity in India, with a view to simplify the holding structure of the group and bring operational efficiency, LTFMPL was amalgamated with the Company post completion of the necessary regulatory formalities effective November 22, 2013 (appointed date being November 23, 2012).

MARKET OVERVIEW AND OUTLOOK**Equity Market Overview and Outlook**

The Indian economy is going through a period of trough and has been growing at sub 5%. Observing the breakup of the real GDP, it is seen that the industrial growth has slowed down considerably whereas services has held up steady and agriculture has bounced back in FY14. The Current Account Deficit which went above 6% in Dec 2012 has been reigned in now to below 2% and so have the rupee depreciation and consumer inflation. These factors are more benign now compared to mid FY14 when these were proving to destabilize the economic environment.

Going forward, a few key factors may decide the fate of the economy viz. 1. New Government and its policies 2. The lagged impact of last year's policy measures of the incumbent Government. 3. The monsoon and its impact on agriculture growth in the wake of a threat of El-Nino 4. Rupee movement and its impact on exports 5. Consumer Inflation and the resultant RBI stance on interest rates. As is known, RBI has stated 6% CPI inflation target by Jan 2016 and has indicated inflation its topmost priority.

As far as the Indian stock markets are concerned, the rally in the recent months indicates that the market is expecting a positive election verdict. The BSE Sensex is trading at about 15XFY14E and 13XFY15E. The markets had traded upto peak valuations of 22X one year forward earnings estimates in end 2007.

Today, there is a wide disparity in valuations across sectors with consumers and pharmaceutical stocks trading much higher versus remaining sectors, although recent rally has bridged the gap partially. Overall, in an expansionary economy mode, one may witness a further rally in the markets and bridging of the valuation gap within cyclical and defensives.

Foreign funds continued to be positive on Indian markets. FII flows which were strong at 20bn\$ in 2013 have continued to be positive till March 2014.

Compared to emerging markets, India is either at par or marginally expensive. However, given our favourable demographics, such premium may be justified. Overall, the Indian markets still look undervalued from a longer term growth perspective.

Debt Market Overview and Outlook

Indian government bond yields have risen around 85 bps over the course of FY14, ending the year at 8.80% versus a low of 7.12% in May 2013. In its bi-monthly review of the monetary policy on 1 April, the RBI kept key rates unchanged (repo rate at 8%), maintaining their focus on bringing CPI down sustainably to 8% by Jan 2015 and 6% by Jan 2016. The RBI increased the liquidity provided under term repos from 0.5% of NDTL of the banking system to 0.75%, and decreased the liquidity provided under overnight repos under the LAF from 0.5% of bank-wise NDTL to 0.25% with immediate effect.

The government will raise ₹ 3.68 trillion (\$61.4 billion) through bond sales in the first half of the fiscal beginning 1 April, which is 61.6% of the total borrowing scheduled for FY 2015. With the new auction calendar kick-starting in April, markets will be keenly watching investor appetite as also any signs of RBI resuming its open market operations at the longer end of the curve. However, communication from the RBI governor so far has been fairly clear that it would not use OMOs to support yields, but only for liquidity injection through securities at the short end. Hence, markets

would have to evolve an equilibrium level for gsec yields, devoid of RBI support. Similar to equities - critical trigger for fixed income markets would be the election results, and strength and resolve of the new government to implement credible fiscal consolidation and inflation control strategies. Hence – while the pre-election period is likely to witness range-bound yields with an upward bias to yields on account of large supply, medium term clarity on the direction of fixed income markets is expected to emerge only after the elections.

DIRECTORS:

Presently the Board comprises Mr. R. Shankar Raman, Mr. Ved Prakash Chaturvedi, Mr. M.V. Nair and Mr. P.H. Ravikumar as Directors of the Company. Mr. M.V. Nair and Mr. P. H. Ravikumar who were appointed as additional directors on April 1, 2013 and April 17, 2013 respectively were appointed as the Directors of the company by the members at the last Annual General Meeting and are categorized as Independent Directors of the Company in accordance with the requirements of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

The provisions of Section 149(4) of the Companies Act, 2013 (“the Act”) pertaining to the appointment of Independent Directors, have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. Pursuant to the coming into force of Section 149 of the Act from April 1, 2014, the Company has re-assessed the status of its directors with a view to determine whether they qualify as Independent Directors in terms of Section 149(6) of the Act. Mr. M.V. Nair and Mr. P.H. Ravikumar fulfill the criteria laid out in Section 149(6) of the Act in this regard and necessary confirmations /declarations have been received from them.

Section 149(10) of the Act restricts the tenure of Independent Directors to two terms of up to ten years, with a single term not exceeding five years, which shall be effective from April 1, 2014. In view of the aforesaid, Mr. M.V. Nair and Mr. P.H. Ravikumar shall retire by rotation at the forthcoming Annual General Meeting and they, being eligible, have offered themselves for appointment as Independent Directors of your Company pursuant to the provisions of the Act to hold office for a period up to March 31, 2019.

The Board of Directors recommends the appointment of Mr. M.V. Nair and Mr. P.H. Ravikumar as Independent Directors on the Board of the Company who will not be liable to retire by rotation.

In terms of the provisions of the Act, Mr. R. Shankar Raman, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

The Board of Directors recommends the appointment of Mr. R. Shankar Raman as Director on the Board of the Company.

AUDIT COMMITTEE

The Audit Committee is constituted primarily to review quarterly as well as annual financial statements and recommend its adoption to the Board of Directors of the Company and to ensure compliance of internal control systems and internal audit systems.

The Audit Committee of the Board consists of Mr. R. Shankar Raman, Mr. M.V. Nair and Mr. P.H. Ravikumar. None of the Members of the Audit Committee is a Whole-time Director of the Company.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956.

AUDITORS

Deloitte Haskins & Sells LLP, retires at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Act for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, the Company cannot appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting (“AGM”).

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to Section 139(2) stipulates that every company existing on or before the commencement of the Act has to comply with the requirements of this section within three years from the date of commencement of this Act.

Considering, Deloitte Haskins & Sells LLP has already served as Statutory Auditors of the Company for a period of more than 10 years, the Company could re-appoint them for a maximum period of 3 years. The Audit committee and Board of Directors of the Company have recommended their appointment for one year i.e. from the conclusion of the Eighteenth AGM till the conclusion of the Nineteenth AGM, subject to approval by the Members in the AGM of the Company.

The Company has received necessary declarations / certificate from the Auditors with respect to the proposed appointment as required under the provisions of the Act.

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 the Directors.

PARTICULARS OF EMPLOYEES

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 a separate Annexure to this report and forms part of this report. The same would be furnished to the Members on request.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The Companies (Disclosure of Particulars in the report of 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, to the Company, considering the nature of its operations..

L&T INVESTMENT MANAGEMENT COMPANY LIMITED

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: ₹ 3.27 lacs

DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors, based on the representation received from the Management, confirms 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 generally 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, 2014 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;

ACKNOWLEDGEMENT

Your Directors place on record their appreciation to the Company's Bankers, Custodians, Registrars and most of all, the Investors of the Fund, for their continued co-operation and support. Your Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees.

On behalf of the Board

VEDPRAKASH CHATURVEDI
Director

R. SHANKAR RAMAN
Director

Place : Mumbai
Date : April 21, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF L&T INVESTMENT MANAGEMENT LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **L&T INVESTMENT MANAGEMENT LIMITED** (the "Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Statement of Profit and Loss, 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 Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place : Mumbai
Date : April 21, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements of our report of even date)

- (i) Having regard to the nature of the Company's business / activities for the year, clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
- (ii) In respect of its fixed assets:
- The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - 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.
 - The fixed assets disposed off (not being assets retired from use) 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, the Company is engaged primarily in services related to asset management services and its activities do not require it to hold any inventories. Therefore, the provisions of paragraph 4 (ii) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has neither granted nor 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.
- (v) 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. The nature of the Company's business is such that it does not involve purchase of inventories and sale of goods. 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, the Company has not entered into any contracts or arrangements referred to in section 301 of the Companies Act, 1956, during the year, that are needed to be entered into the register maintained under that section. Therefore, the provisions of paragraphs 4(v)(a) and 4(v)(b) of the Order are not applicable to the Company.
- (vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year and no order in this respect has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (viii) 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.
- (ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of the services rendered by the Company.
- (x) According to the information and explanations given to us in respect of statutory dues:
- The Company has been generally regular in depositing undisputed dues, including Provident Fund, Family Pension Fund, Income-tax, Wealth Tax, Service-tax and other material statutory dues applicable to it with the appropriate authorities. To the best of our knowledge and belief, the Company was not required to deposit or pay any dues in respect of Employee's State Insurance, Sales-tax, Customs duty, Excise Duty and Investor Education and Protection Fund during the year.
 - There were no undisputed amounts payable in respect of Provident Fund, Family Pension Fund, Income-tax, Wealth Tax and Service Tax and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.
 - There were no dues in respect of sales tax, Wealth Tax, Customs duty, Excise Duty and Cess which have not been deposited as on 31st March, 2014 on account of disputes except dues related to Income tax which are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount (₹ lac)
Income tax, 1961	Income tax	Deputy Commissioner of Income tax	Assessment year 2011-12	12.05

It may be noted that the Company has deposited amounts tabulated below in respect of dispute dues

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount (₹ lac)
Income tax, 1961	Income tax	Commissioner of Income tax	Assessment year 1997-98	3.38

- (xi) The accumulated losses of the Company as at the year end do not exceed fifty percent of its net worth. The Company has not incurred cash losses, during the financial year covered by our audit. However, the Company had incurred cash losses in the immediately preceding financial year.
- (xii) According to the information and explanations given to us, there were no dues payable by the Company to financial institutions, banks and debenture holders during the year. Therefore, the provisions of paragraph 4 (xi) of the Order are not applicable to the Company.
- (xiii) 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. Therefore, the provisions of paragraph 4 (xii) of the Order are not applicable to the Company.

L&T INVESTMENT MANAGEMENT COMPANY LIMITED

- (xiv) According to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly, the provisions of paragraph 4 (xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, during the year the Company has not given any guarantee for loans taken by others from banks and financial institutions. Therefore, the provisions of paragraph 4 (xv) of the Order are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company has not availed any term loan from the banks/financial institutions. Therefore, the provisions of paragraph 4 (xvi) of the Order are not applicable to the Company.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures during the year. Therefore, the provisions of paragraph 4 (xix) of the Order are not applicable to the Company.
- (xx) According to the information and explanations given to us, during the year the Company has not raised any money through public issue. Therefore, the provisions of paragraph 4 (xx) of the Order are not applicable to the Company.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

Place : Mumbai
Date : April 21, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Note No.	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	23,585.72	23,585.72
Reserves and surplus	4	31,758.82	41,233.87
		<u>55,344.54</u>	<u>64,819.59</u>
Non-current liabilities			
Long term borrowings	5	5,000.00	–
Other long term liabilities	6	237.40	256.35
Long term provisions	7	63.05	98.06
		<u>5,300.45</u>	<u>354.41</u>
Current liabilities			
Trade payables	8	1,377.43	1,767.43
Other current liabilities	9	670.13	1,623.67
Short term provisions	10	138.96	113.93
		<u>2,186.52</u>	<u>3,505.03</u>
TOTAL		<u><u>62,831.51</u></u>	<u><u>68,679.03</u></u>
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	11	485.89	117.96
(ii) Intangible assets	12	50,305.17	173.46
(iii) Intangible assets under development		45.66	–
		<u>50,836.72</u>	<u>291.42</u>
Non-current investments	13	–	63,140.82
Long term loans and advances	14	3,194.56	961.24
		<u>3,194.56</u>	<u>64,102.06</u>
Current assets			
Current investments	15	6,850.00	2,563.96
Trade receivables	16	485.94	772.00
Cash and bank balances	17	194.24	349.92
Short term loans and advances	18	1,270.05	599.67
		<u>8,800.23</u>	<u>4,285.55</u>
TOTAL		<u><u>62,831.51</u></u>	<u><u>68,679.03</u></u>
SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS	1 to 39		

In terms of our report attached

For and on behalf of Board of Directors

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No. 39826RAJI VISHWANATHAN
ManagerHEMANG BAKSHI
Company SecretaryVEDPRAKASH CHATURVEDI
DirectorR. SHANKAR RAMAN
DirectorPlace : Mumbai
Date : April 21, 2014Place : Mumbai
Date : April 21, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note No.	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
CONTINUING OPERATIONS			
Revenue from operations (net of service tax)	19	8,589.93	3,306.16
Other income	20	491.44	120.62
TOTAL		9,081.37	3,426.78
EXPENSES			
Employee benefit expenses	21	4,806.05	3,093.11
Depreciation and amortisation expenses (other than amortisation of asset management rights and goodwill on amalgamation)	22	176.26	64.34
Other expenses	23	4,058.23	4,725.48
Total		9,040.54	7,882.93
Earnings before amortisation of asset management rights and goodwill on amalgamation, exceptional items and tax		40.83	(4,456.15)
Amortisation of asset management rights and goodwill on amalgamation	12 B (II)	7,032.80	-
Profit / (loss) before exceptional items and tax		(6,991.97)	(4,456.15)
Exceptional items	26	-	1,393.08
Profit / (loss) before tax		(6,991.97)	(5,849.23)
Tax expense:			
(a) Current tax expenses		-	-
(b) Deferred tax	34	-	-
Total		-	-
Profit / (loss) for the year from continuing operations		(6,991.97)	(5,849.23)
Basic and diluted earnings per equity share in ₹	33	(2.96)	(3.17)
Nominal value per share in ₹		10.00	10.00
SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS	1 to 39		

In terms of our report attached

For and on behalf of Board of Directors

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar

Partner

Membership No. 39826

Place : Mumbai

Date : April 21, 2014

RAJI VISHWANATHAN

Manager

HEMANG BAKSHI

Company Secretary

VEDPRAKASH CHATURVEDI

Director

R. SHANKAR RAMAN

Director

Place : Mumbai

Date : April 21, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014		For the year ended 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
Cash flow from operating activities				
Profit / (loss) before tax		(6,991.97)		(5,849.23)
Adjustments for:				
Interest on income tax refund	(51.41)		(0.75)	
Interest on fixed deposit	(5.65)		-	
Depreciation on tangible assets	112.32		30.11	
Amortisation on intangible assets	7,096.74		34.23	
Profit on sale of investments (net)	(430.95)		(89.90)	
Fixed assets written off	13.45		140.53	
Provision for doubtful advances	-		6.30	
Provision for compensated expenses	52.76		16.53	
Loss on disposal of assets (net)	-		8.26	
		6,787.26		145.31
Operating profit/(loss) before working capital changes		(204.71)		(5,703.92)
Changes in working capital				
Adjustment for (increase) / decrease in operating assets				
Trade receivables	302.10		(723.22)	
Short term loans and advances	(41.63)		(128.39)	
Long term loans and advances	(184.92)		(433.08)	
Adjustment for increase / (decrease) in operating liabilities				
Other long term liabilities	(18.95)		254.00	
Long term provisions	(35.01)		98.06	
Trade payables	(404.78)		1,384.15	
Other current liabilities	(920.12)		1,421.55	
Short term provisions	(27.73)		(12.03)	
		(1,331.04)		1,861.04
Cash used in operations		(1,535.75)		(3,842.88)
Net taxes paid/ (refunded)		156.84		(276.55)
Net cash used in operating activities (A)		(1,378.91)		(4,119.43)
Cash flows from investing activities				
Purchase of fixed assets	(220.74)		(198.75)	
Proceeds on sale of tangible assets	-		6.45	
Purchase of investments	(151,672.98)		(8,868.32)	
Proceeds on sale of investments	148,045.32		7,523.09	
Interest on fixed deposit received	5.65		-	
Acquisition of L&T Fund Management Private Limited	-		(63,140.82)	
Net cash from investing activities (B)		(3,842.75)		(64,678.35)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014		For the year ended 31.03.2013	
	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)	(₹ in Lakh)
Cash flows from financing activities				
Advance from Holding Company (Refer footnote 2)	7,000.00		63,143.00	
Repayment of advance to Holding Company	(2,000.00)		–	
Proceeds from issue of share capital	–		4,560.00	
Securities premium	–		1,440.00	
Net cash generated from financing activities (C)		5,000.00		69,143.00
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		(221.66)		345.22
Cash and cash equivalents as at beginning of the year		349.92		4.70
Cash and cash equivalents as at 1st April 2013 of erstwhile L&T Fund Management Private Limited transferred on account of amalgamation (Refer footnote 3)		65.97		–
Cash and cash equivalents as at end of the year		194.24		349.92
Cash and cash equivalents comprise:				
Cash on hand		3.54		3.96
Cheque on hand		–		5.28
Balance with banks in current account		190.70		340.68
Total		194.24		349.92

See accompanying Notes to the Financial statements 1 to 39

Footnotes:

- Interest received on income tax refund ₹ 51.41 lacs (*previous year ₹ 0.75 lacs*) and interest on delayed receipt of security deposits ₹ Nil (*previous year ₹ 4.96 lacs*) has been adjusted in determining net cash used in operating activities.
- The advance received during the previous year was converted into fully paid 25,257,200 equity shares of ₹ 10 each at a premium of ₹ 240 each on 29th March, 2013.
- The opening cash and cash equivalents as at 1st April, 2013 have been increased by ₹ 65.97 lacs being the cash and cash equivalents of the erstwhile L&T Fund Management Private Limited ("LFMPL") as on that date. This is to give effect to cash and cash equivalents as on 23rd November, 2012 and the net cash flows for the period 23rd November, 2012 to 31st March, 2013 consequent to the amalgamation of LFMPL with the Company with effect from 23rd November, 2012 (refer Note 24 to the financial statements).

In terms of our report attached

For and on behalf of Board of Directors

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar

Partner

Membership No. 39826

Place : Mumbai

Date : April 21, 2014

RAJI VISHWANATHAN

Manager

HEMANG BAKSHI

Company Secretary

VEDPRAKASH CHATURVEDI

Director

R. SHANKAR RAMAN

Director

Place : Mumbai

Date : April 21, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1 BACKGROUND

L&T Investment Management Limited (the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The principal shareholder of the Company as at 31st March, 2014 is L&T Finance Holdings Limited.

The Company's principal activity is to act as an investment manager to L&T Mutual Fund (the "Fund") and to provide Portfolio Management Services ("PMS") to clients under Securities and Exchange Board of India ("SEBI") (Portfolio Managers) Regulations, 1993. The Company is registered with Securities and Exchange Board of India ("SEBI") under the SEBI (Mutual Funds) Regulations, 1996 (the "SEBI" regulation). The Company manages the investment portfolios of the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated 23rd October, 1996.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 (Accounting Standards) Rules, 2006 (as amended) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except with regard to accounting for commission on closed ended schemes which is now being amortised over the tenure of the corresponding schemes as described in Note 2.18 and 38. In earlier years, the cost was charged to the Statement of Profit and Loss in the period in which it was incurred.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Tangible assets & depreciation

"Tangible fixed assets acquired by the Company are reported at acquisition cost, with deductions for accumulated depreciation and impairment losses, if any. The acquisition cost includes the purchase price (excluding refundable taxes) and expenses directly attributable to the asset to bring it to the site and in the working condition for its intended use."

Depreciation is provided on a straight line basis at rates and in the manner specified in Schedule XIV to the Companies Act, 1956, unless the use of a higher rate or an accelerated charge is justified through technical estimates. Fixed assets costing less than ₹ 5,000 are fully depreciated in the year of purchase.

2.4 Intangible assets & amortisation

Intangible assets are valued at cost less amortisation. These generally comprise costs incurred to acquire computer software licenses, implementing the software for internal use (including software coding, installation, testing and certain data conversion), the asset management rights ("AMR") acquired and goodwill on amalgamation. Software licenses are being amortised over their useful lives which is estimated at around 6 years (amortised at the rate of 16.21% per annum). The AMR and goodwill on amalgamation are being amortised on a straight line basis over a period of 10 years and 5 years respectively.

2.5 Impairment of assets

The carrying value of assets at each balance sheet date is reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

2.6 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. Cost of investments includes acquisition charges such as brokerage, fees and duties. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.7 Revenue recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**Investment management fees**

Investment management fees are recognised on an accrual basis in accordance with the Investment Management Agreement and SEBI Regulations, based on average assets under management ("AUM") of L&T Mutual Fund schemes over the period of the agreement in terms of which services are performed.

Portfolio management fees

Portfolio management fees are recognised on an accrual basis in accordance with Portfolio Management Agreement entered into with respective clients over the period of the agreement in terms of which the services are rendered.

Investment management fees and portfolio management fees recognised as aforesaid are exclusive of service tax.

Gain or loss on sale of investments

"The gains/ losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined on weighted average cost basis."

Other income

Interest income is accounted on accrual basis by taking into account the amount outstanding in the financial instrument and applicable interest rate. Dividend income is accounted for when the right to receive it is established.

2.8 Employee benefits**A. Short term**

Short term employee benefits include salaries and performance incentives. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or informal obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. These costs are recognised as an expense in the Statement of Profit and Loss at the undiscounted amount expected to be paid over the period of service rendered by the employees to the Company.

B. Long term

The Company offers its employees long term benefits by way of defined-contribution and defined-benefit plans, of which some have assets in special funds or securities. The plans are financed 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 that the payment covers.

Defined benefit plans

Expenses for defined-benefit gratuity plan are calculated as at the balance sheet date by an independent actuary in a manner that distributes expenses over the employee's working life using the projected unit credit method. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using 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 fair values of the plan assets are deducted in determining the net liability. When the fair value of plan assets exceed the commitments computed as aforesaid, the recognised asset is limited to the net total of any cumulative past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. Actuarial losses or gains are recognised in the Statement of Profit and Loss in the year in which they arise.

C. Other employee benefits

"Compensated absences which accrue to employees and which can be carried to future periods but are expected to be availed in twelve months immediately following the year in which the employee has rendered service are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits. Where there are restrictions on avilment of such accrued benefit or where the avilment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method."

D. Employee share based payments

The Company has constituted an Employee Stock Option Plan during the financial year 2009-2010. The plan provides for grant of options to employees of the Company in a specific category to acquire equity shares of the Company that vest in a graded manner on meeting specified conditions and that are to be exercised within a specified period. Employee stock options granted are accounted under the 'Fair Value Method' stated in the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India (ICAI).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

A separate Employees Stock Options Scheme ("the Scheme") has been established by the holding company (i.e. L&T Finance Holdings Limited). The Scheme provides that employees are granted an option to subscribe to equity shares of the holding company that vest in a graded manner. The options may be exercised within a specified period. Measurement and disclosure of Employee Share-based Payment Plan is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-Based Payments, issued by ICAI. The holding company follows the intrinsic value method to account for its stock based employee compensation plans. The cost incurred by the holding company, in respect of options granted to employees of the Company is charged to the statement of profit and loss during the year and recovered by the holding company.

2.9 Foreign currency transactions

"Transactions in foreign currencies are translated to the reporting currency based on the exchange rate on the date of the transaction. Exchange differences arising on settlement thereof during the year are recognised as income or expenses in the Statement of Profit and Loss. Monetary assets and liabilities in foreign currencies as at the balance sheet date are valued at closing-date rates, and unrealised translation differences are included in the Statement of Profit and Loss."

2.10 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 cannot 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.

2.11 Deferred taxation

"Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability."

2.12 Segment reporting

"The Company identifies its primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The Company's operations predominantly relate to providing asset management services. It acts as an investment manager to schemes launched by the Fund. It also provides portfolio management services ('PMS') to certain corporate and high net worth individuals and advisory services. The fund management services rendered to the Mutual Funds and its PMS have been identified as separate business segments for which whole separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the management in deciding how to allocate resources and assessing performance. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

Secondary segment reporting does not require separate disclosure as all activities of the Company are within India.

Segment accounting policies are in line with accounting policies of the Company.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

2.14 Cash and cash equivalents (for purposes of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.15 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**2.16 Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

2.17 Service tax input credit

Service tax input credit is recognised in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

2.18 Commission

In respect of open ended debt schemes, the Company has funded its distributors through a prepayment of commission and has the right of recovery of such commission under pre-defined circumstances (which includes investor exit upto the "exit period" of the respective mutual fund scheme). On this account, an asset is recognised at the time of payment and charged evenly to the Statement of Profit and Loss over the exit period of the respective scheme. At each balance sheet date, the asset value is reassessed against the net present value of expected future benefits and the shortfall, if any, is charged to the Statement of Profit and Loss. In the current year, commission paid in respect of close ended schemes has been amortised over the tenure of such schemes. During the previous year, commission paid in respect of closed ended schemes was expensed when incurred by the Company.

3 SHARE CAPITAL

The Company has issued equity share capital, the details in respect of which are given below:

	As at 31.03.2014		As at 31.03.2013	
	Number	(₹ in lakh)	Number	(₹ in lakh)
Number, face value and amount of shares authorised, issued, subscribed and paid-up				
Authorised				
Equity shares of ₹ 10 each with voting rights	551,257,920	55,125.79	260,000,000	26,000.00
Compulsory convertible preference shares of ₹ 100 each	3,300,000	3,300.00	–	–
Non-convertible preference shares of ₹ 100 each	22,000,000	22,000.00	–	–
Non-convertible preference shares of ₹ 10 each	650,000,000	65,000.00	650,000,000	65,000.00
Issued, Subscribed and Paid-up				
Equity shares of ₹ 10 each fully paid up	235,857,200	23,585.72	235,857,200	23,585.72
TOTAL	235,857,200	23,585.72	235,857,200	23,585.72

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

	As at 31.03.2014		As at 31.03.2013	
	Number	(₹ in lakh)	Number	(₹ in lakh)
Balance at the beginning of the year	235,857,200	23,585.72	165,000,000	16,500.00
Add : Shares issued during the year	–	–	70,857,200	7,085.72
Less : Shares bought back during the year	–	–	–	–
Balance at the end of the year	235,857,200	23,585.72	235,857,200	23,585.72

(b) The Company has issued only one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholdings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**(c) Shares in the Company held by shareholders with more than 5% of the aggregate equity shares as at the reporting date**

Name of Shareholder	As at 31.03.2014		As at 31.03.2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
L&T Finance Holdings Limited (including its nominee) (Refer footnote (d) below)	235,857,200	100%	235,857,200	100%

(d) Shares in the Company held by the holding company

235,857,200 equity shares (235,857,200 as at 31st March, 2013) are held by the holding company, including 7 equity shares (7 as at 31st March, 2013) held by nominees of the holding company where the beneficial ownership is with the holding company.

(e) There are no shares allotted as fully paid up by way of bonus shares during 5 years immediately preceding 31st March, 2014.

(f) Refer Note 36(A) for details of shares to be issued under the Employee Stock Option Plan.

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
4 RESERVES AND SURPLUS		
Securities premium account		
Balance as at the beginning of the year	62,057.28	-
Add : Addition during the year	-	62,057.28
Balance as at the year end	62,057.28	62,057.28
Surplus / (Deficit) in Statement of Profit and Loss		
Balance as at the beginning of the year	(20,823.41)	(14,974.18)
Add: Amalgamation related adjustments (Refer Note 24)	(2,483.08)	-
Add : Net Profit/(Loss) for the year	(6,991.97)	(5,849.23)
Balance as at the year end	(30,298.46)	(20,823.41)
TOTAL	31,758.82	41,233.87
5 LONG TERM BORROWINGS		
Loans and advances from related parties (unsecured) (Refer Note 32)	5,000.00	-
TOTAL	5,000.00	-
Footnotes:		
1) There was no default in repayment of loans and interest as on the balance sheet date.		
2) Loans and advances from related party constitute interest free borrowings from L&T Finance Holdings Limited, the holding company. The amount outstanding is repayable on 29th May, 2015.		
6 OTHER LONG TERM LIABILITIES		
Liability for operating lease obligation (on straight lining - Refer Note 2.13)	237.40	256.35
TOTAL	237.40	256.35
7 LONG TERM PROVISIONS		
Provision for employee benefits- Gratuity (Refer Note 35 B)	63.05	98.06
TOTAL	63.05	98.06
8 TRADE PAYABLES		
Sundry creditors for goods and services (Refer Note 29)	0.06	90.42
Accrued expenses-		
Payroll related liabilities	862.83	423.69
Other liabilities for goods and services (Refer Note 32)	514.54	1,253.32
TOTAL	1,377.43	1,767.43

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
9 OTHER CURRENT LIABILITIES		
Liability for operating lease obligation (on straight lining - Refer Note 2.13)	20.12	19.65
Statutory dues (including provident fund, withholding taxes, etc.)	126.03	165.57
Dues to related parties (Refer Note 32)	474.12	1,344.80
Payables for fixed assets (Refer Note 32)	9.21	17.78
Other current liabilities (other than for goods and services) (Refer Note 32)	40.65	75.87
TOTAL	670.13	1,623.67
10 SHORT TERM PROVISIONS		
Provision for employee benefits -		
Compensated absences	138.96	113.93
TOTAL	138.96	113.93

11 TANGIBLE ASSETS

(₹ in lakh)

Description	Gross block					Depreciation					Net book value
	Opening as at 1-Apr-13	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-14	Up to 1-Apr-13	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-14	As at 31-Mar-14
Own assets											
Leasehold improvements	18.52	284.96	65.97	1.10	368.35	0.73	17.20	65.55	0.43	83.05	285.30
Computers	102.50	73.03	14.74	0.64	189.63	41.46	6.91	36.62	0.53	84.46	105.17
Furniture and fittings	8.41	13.27	3.38	1.45	23.61	1.91	0.48	3.79	1.01	5.17	18.44
Office equipments	32.58	47.09	15.14	14.18	80.63	6.72	1.14	5.29	3.80	9.35	71.28
Vehicles	11.25	-	-	-	11.25	4.48	-	1.07	-	5.55	5.70
Total	173.26	418.35	99.23	17.37	673.47	55.30	25.73	112.32	5.77	187.58	485.89

Description	Gross block					Depreciation					Net book value
	Opening as at 1-Apr-12	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-13	Up to 1-Apr-12	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-13	As at 31-Mar-13
Own assets											
Leasehold improvements	-	-	33.28	14.76	18.52	-	-	5.63	4.90	0.73	17.79
Computers	128.87	-	24.13	50.50	102.50	71.43	-	18.31	48.28	41.46	61.04
Furniture and fittings	7.80	-	6.27	5.66	8.41	3.55	-	1.26	2.90	1.91	6.50
Office equipments	54.83	-	5.61	27.86	32.58	15.78	-	2.87	11.93	6.72	25.86
Vehicles	29.14	-	-	17.89	11.25	7.40	-	2.04	4.96	4.48	6.77
Total	220.64	-	69.29	116.67	173.26	98.16	-	30.11	72.97	55.30	117.96

Adjustments represent depreciation and amortisation on tangible and intangible assets acquired pursuant to the scheme of amalgamation with LFMP (Refer Note 24) for the period 23rd November, 2012 to 31st March, 2013 which has been adjusted with opening reserves .

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**12 INTANGIBLE ASSETS**

(₹ in lakh)

Description	Gross block					Amortisation					Net book value
	Opening as at 1-Apr-13	Additions due to amalgamation	Additions during the year	Disposals / retirements during the year	Closing as at 31-Mar-14	Up to 1-Apr-13	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-14	As at 31-Mar-14
Internally generated (A)	-	-	-	-	-	-	-	-	-	-	-
Others (B)											
Own assets											
Software and licences	246.21	108.51	84.15	13.64	425.23	72.75	6.85	63.94	11.79	131.75	293.48
Total (I)	246.21	108.51	84.15	13.64	425.23	72.75	6.85	63.94	11.79	131.75	293.48
Asset management rights	-	48,655.00	-	-	48,655.00	-	1,705.32	4,862.83	-	6,568.15	42,086.85
Goodwill on amalgamation	-	10,855.78	-	-	10,855.78	-	760.97	2,169.97	-	2,930.94	7,924.84
Total (II)	-	59,510.78	-	-	59,510.78	-	2,466.29	7,032.80	-	9,499.09	50,011.69
Total (B=I+II)	246.21	59,619.29	84.15	13.64	59,936.01	72.75	2,473.14	7,096.74	11.79	9,630.84	50,305.17
Total (A + B)	246.21	59,619.29	84.15	13.64	59,936.01	72.75	2,473.14	7,096.74	11.79	9,630.84	50,305.17

Description	Gross block					Amortisation					Net book value
	Opening as at 1-Apr-12	Additions due to amalgamation	Additions during the year	Disposals / Retirements during the year	Closing as at 31-Mar-13	Up to 1-Apr-12	Adjustments (#)	Charge for the year	On disposals/ retirements during the year	Closing as at 31-Mar-13	As at 31-Mar-13
Internally generated (A)	-	-	-	-	-	-	-	-	-	-	-
Others (B)											
Own assets											
Software and licences	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Total (I)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Asset management rights	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Total (II)	-	-	-	-	-	-	-	-	-	-	-
Total (B=I+II)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46
Total (A + B)	176.36	-	116.88	47.03	246.21	61.05	-	34.23	22.53	72.75	173.46

Adjustments represent depreciation and amortisation on tangible and intangible assets acquired pursuant to the scheme of amalgamation with LFMP (Refer Note 24) for the period 23rd November, 2012 to 31st March, 2013 which has been adjusted with opening reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
13 NON-CURRENT INVESTMENTS		
Trade investments (at cost) (unquoted)		
Investment in subsidiary company L&T Fund Management Private Limited (formerly known as FIL Fund Management Private Limited)		
(a) Investment in equity shares of subsidiary company Nil (290,245,920 as at 31st March, 2013) shares of ₹ 10 each fully paid up	-	56,738.25
	-	56,738.25
(b) Investment in preference shares of subsidiary company		
(i) Nil (1,175,250 as at 31st March, 2013) 11% cumulative compulsorily convertible preference shares of ₹ 100 each, fully paid up	-	2,297.42
(ii) Nil (2,100,000 as at 31st March, 2013) 10% cumulative compulsorily convertible preference shares of ₹ 100 each, fully paid up	-	4,105.15
	-	6,402.57
TOTAL	-	63,140.82

Footnotes:

- 11% cumulative compulsorily convertible preference shares were convertible into ten fully paid up equity shares at face value of ₹ 10 within 7 years from the date of allotment (29th June, 2010).
- 10% cumulative compulsorily convertible preference shares were convertible into ten fully paid up equity shares at face value of ₹ 10 within 7 years from the date of allotment (30th July, 2008).
- Since the compulsorily convertible preference share holders would have to compulsorily get these shares converted into equity shares, the risk is closer to that of equity holders. Accordingly, based on the proposed conversion terms, the purchase consideration has been allocated in the ratio of equivalent equity shares.
- Refer Note 24 for merger related details.

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
14 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good (unless otherwise stated)		
Capital advances	0.32	17.19
Security deposits	311.75	317.24
Other loans and advances -		
Loans and advances to related parties (Refer Note 32)	404.95	319.94
Loans and advances to vendors and employees	21.26	-
Prepaid expenses	84.39	-
Advance income tax (net of provision for tax ₹ 5.68 lacs; ₹ 5.68 lacs as at 31st March, 2013)		
Considered good	2,347.03	306.86
Considered doubtful	18.59	18.59
	2,365.62	325.45
Less: Provision for doubtful advances	18.59	18.59
	2,347.03	306.86
Advance fringe benefit tax (net of provision for tax ₹309.01 lacs; ₹ 13.10 lacs as at 31st March, 2013)	24.86	0.01
TOTAL	3,194.56	961.24

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
15 CURRENT INVESTMENTS		
Current portion of long-term investments (at cost)		
Investment in close ended mutual funds	2,200.00	-
Other current investments (unquoted) (at lower of cost and fair value)		
Investments in open ended mutual funds	4,650.00	2,563.96
TOTAL	6,850.00	2,563.96

Details of current investments

	No. of shares / units		(₹ in Lakh)	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
Current portion of long-term investments				
Investments in close ended mutual funds				
L&T FMP Series 8-Plan J - Direct Growth (Maturity date: 15th September, 2014)	2,000,000.0000	-	200.00	-
L&T FMP Series 10 - Plan L - Direct Growth (Maturity date: 26th February, 2015)	20,000,000.0000	-	2,000.00	-
			2,200.00	-
Other current investments				
Investments in open ended mutual funds				
L&T Liquid Fund Direct Plan - Growth	264,598.9640	160,372.4230	4,650.00	2,563.96
			4,650.00	2,563.96
Total current investments			6,850.00	2,563.96
Aggregate value of listed and unquoted investments at cost			2,200.00	-
Aggregate value of unquoted investments at cost			4,650.00	2,563.96

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
16 TRADE RECEIVABLES		
Unsecured, considered good (unless otherwise stated)		
Outstanding for a period exceeding 6 months from the date they are due for payment	-	-
Others (Refer Note 32)	485.94	772.00
TOTAL	485.94	772.00
17 CASH AND BANK BALANCES		
Cash on hand	3.54	3.96
Cheques on hand	-	5.28
Balances with banks - in current accounts	190.70	340.68
TOTAL	194.24	349.92

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
18 SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good (unless otherwise stated)		
Security deposits	22.22	11.99
Service tax asset (net of service tax liability)	55.57	22.89
Other loans and advances -		
Loans and advances to related parties (Refer Note 32)	734.78	513.84
Loans and advances to vendors and employees	99.92	9.02
Prepaid expenses	357.56	41.93
TOTAL	1,270.05	599.67
	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
19 REVENUE FROM OPERATIONS		
Investment management fees	8,576.38	3,270.80
Portfolio management fees	13.55	35.36
TOTAL	8,589.93	3,306.16
20 OTHER INCOME		
Gain on sale of investments (net)	430.95	89.90
Interest on income tax refund	51.41	0.75
Interest on fixed deposit	5.65	-
Exchange gain (net)	1.75	-
Reversal of gratuity (Refer Note 35 B)	1.01	-
Miscellaneous income	0.67	29.97
TOTAL	491.44	120.62
21 EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	4,440.95	2,846.00
Contribution to provident and other funds		
Provident fund (Refer Note 35 A)	157.16	96.97
Pension fund (Refer Note 35 A)	14.33	11.38
Superannuation fund (Refer Note 35 A)	103.53	53.68
Gratuity (Refer Note 35 B)	-	30.25
ESOP expense (Refer Note 36 B)	3.16	0.02
Staff welfare	86.92	54.81
TOTAL	4,806.05	3,093.11
22 DEPRECIATION AND AMORTISATION EXPENSE (OTHER THAN AMORTISATION OF ASSET MANAGEMENT RIGHTS AND GOODWILL ON AMALGAMATION)		
Depreciation on tangible assets (Refer Note 11)	112.32	30.11
Amortisation on intangible assets (Refer Note 12 B (I))	63.94	34.23
TOTAL	176.26	64.34

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	For the year ended 31.03.2014 (₹ in Lakh)	<i>For the year ended 31.03.2013 (₹ in Lakh)</i>
23 OTHER EXPENSES		
Electricity charges	81.77	47.20
Rent (Refer Note 31)	742.84	601.71
Rates and taxes	2.03	74.90
Travelling and conveyance	171.11	142.67
Telephone, postage and courier	204.27	181.12
Printing and stationery	31.83	63.30
Outsource service charges	398.17	189.15
Repairs and maintenance -office equipment	3.83	5.04
Repairs and maintenance -others	127.79	60.51
Fixed assets written off (Refer footnote 1)	13.45	140.53
Membership and subscription	175.33	131.06
Professional fees	377.40	412.68
Filing fees	52.77	154.09
Insurance	50.21	54.60
Directors' fees	3.60	2.50
Business promotion expenses (including PMS)	302.48	577.57
Mutual fund scheme and distribution expenses (Refer footnote 2)	870.48	1,775.65
Loss on disposal of assets (net)	-	8.26
Auditors' remuneration towards		
- for audit	9.40	8.29
- for review	9.60	7.20
- for tax audit	8.00	1.50
- for reimbursement of expenses	0.64	0.14
Provision for doubtful advances	-	6.30
Corporate support charges	250.00	-
Miscellaneous expenses	171.23	79.51
TOTAL	4,058.23	4,725.48

Footnotes:

- During the previous year, the project under which intangible assets were under development of ₹ 87.04 lacs was shelved post the transfer of the asset management business by LFMPL to the Company.
- Mutual fund scheme and distribution expenses: Expenses of Mutual funds include expenses incurred for the activities of the Mutual Fund Schemes which are borne by the Company in respect of schemes launched by the Fund, other distribution expenses based on the terms of the related offer documents and the SEBI (Mutual Fund) Regulations, 1996.
- On 23rd November, 2012, the Company acquired the entire equity and preference share capital of LFMPL. Post the acquisition of 290,245,920 equity shares of ₹ 10 each, 1,175,250 (11%) and 2,100,000 (10%) cumulative compulsorily convertible preference shares of ₹ 100 each in LFMPL for a sum of ₹ 62,533.92 lacs (net of post acquisition adjustments) by the Company, LFMPL became a wholly owned subsidiary of the Company. The Company had filed a Scheme of Amalgamation (the "Scheme") for the amalgamation of LFMPL with the Company with the Honourable High Court of Judicature at Bombay (the "Honourable Court"). The Honourable Court sanctioned the Scheme with effect from 23rd November, 2012, (the "Appointed Date") vide its Order dated 25th October, 2013. The certified copies of the order of the Honourable Court sanctioning the Scheme were filed with the Registrar of Companies, Maharashtra on 22nd November, 2013 (the "Effective Date"). Consequent to the Scheme becoming effective, it has been given effect to in these financial statements and all assets and liabilities and income and expenditure of the erstwhile LFMPL stand transferred to and vested in the Company.

The amalgamation has been accounted for under the "Purchase Method" as prescribed by AS 14 - Accounting for Amalgamations and as per the specific provisions of the Scheme. Accordingly, the net assets of LFMPL amounting to ₹ 3,023.14 lacs as on the Appointed Date have been transferred to the Company at their respective fair values and the fair value of AMR of the various schemes of the LFMPL, as determined by an independent valuer, have been recognised as an Intangible Asset at a valuation of ₹ 48,655.00 lacs. The balance amount of ₹ 10,855.78 lacs out of the total investment has been recorded as Goodwill on Amalgamation. These intangible assets, i.e. the AMR and Goodwill on

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

amalgamation, are being amortised on a straight line basis with effect from 23rd November, 2012. The useful life of AMR is estimated to be 10 years whereas Goodwill is being amortised over a period of 5 years.

Break down of the purchase consideration into net assets and goodwill is as under:

Particulars	(₹ in Lakh)
I. Consideration paid for acquisition of LFMP	62,533.92
II. Assets acquired on appointed date	
Fixed assets (including AMR)	49,181.86
Loans and advances	3,439.93
Trade receivables	511.46
Cash and cash equivalents	566.32
Total (A)	53,699.57
Trade payables and Other liabilities	1,075.86
Provisions	945.57
Total (B)	2,021.43
Net Assets (A - B)	51,678.14
III. Goodwill (I - II)	10,855.78

The corresponding figures as at 31st March, 2013 have not been recast. The effect of the order on the losses of the Company for the year ended 31st March, 2013 has been given in the opening reserve as at 1st April, 2013 as explained below and the results of the Company for the year ended 31 March, 2014, include the results of the erstwhile LFMP from 1 April, 2013 to 22 November, 2013.

Particulars	(₹ in Lakh)
Adjustments on account of amalgamation:	
- Expenses (net of income) of LFMP for the period 23rd November, 2012 to 31st March, 2013	(16.79)
- Amortisation of AMR and Goodwill for the period 23rd November, 2012 to 31st March, 2013	(2,466.29)
Total adjustments of account of amalgamation	(2,483.08)

25 Due to the amalgamation of LFMP with the Company with effect from appointed date i.e. 23rd November, 2012, as described in Note 24, the figures of the current year will not be comparable to the corresponding figures of the previous year.

26 EXCEPTIONAL ITEMS

In relation to acquisition of LFMP (Refer Note 24), the Company had incurred the following costs which were classified as "Exceptional Items" in the year ended 31st March, 2013:

- ₹ 389.47 lacs incurred on professional fees for advisory services, stamp duty and other rates and taxes;
- ₹ 1,003.61 lacs on account of cost of employee benefits (net of reversal of gratuity liability ₹ 201.92 lacs and compensated absences ₹ 149.04 lacs)

27 CONTINGENT LIABILITIES

Claims against the Company not acknowledged as debts

(₹ in Lakh)

Particulars	As at 31.03.2014	As at 31.03.2013
Disputed income tax liability (Refer footnote 1 and 2)	3.38	3.38

Footnote:

- The matter is under appeal. The amount has been paid under protest and will be received as refund if the matter is decided in favor of the Company.
- The Company does not expect any outflow of resources in respect of the above contingent liabilities.

28 COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Estimated amount of contracts remaining unexecuted on capital account net of advances for tangible assets - ₹ 6.43 lacs and for intangible asset ₹ 34.35 lacs (as at 31st March, 2013- ₹ 7.35 lacs for tangible assets and ₹ 5.30 lacs for intangible assets).

29 DISCLOSURE REQUIRED UNDER SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

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. Auditors have relied on this.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**30 SEGMENT REPORTING**

The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily Asset Management Services and Portfolio Management Services. Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly attributable to each reportable segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocated expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. As the operations of the Company are carried out within India, there are no geographical segments.

(₹ in Lakh)

Particulars	Portfolio Management Services		Asset Management Services to Mutual Fund		TOTAL	
	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013	For the year ended 31.03.2014	For the year ended 31.03.2013
Segment revenue	13.55	35.36	8,576.38	3,270.80	8,589.93	3,306.16
Segment result	(163.11)	(93.94)	(7,289.06)	(5,684.48)	(7,452.17)	(5,778.42)
Unallocated expenses		-		-	(31.24)	(191.43)
Net operating income		-		-	(7,483.41)	(5,969.85)
Unallocated other income		-		-	491.44	120.62
Net profit/loss before tax		-		-	(6,991.97)	(5,849.23)
Current tax expense		-		-	-	-
Profit/(loss) after tax		-		-	(6,991.97)	(5,849.23)
Segment assets	31.18	36.75	53,328.63	2,257.83	53,359.81	2,294.58
Unallocable assets		-		-	9,471.70	66,384.45
Total assets		-		-	62,831.51	68,679.03
Segment liabilities	22.00	39.27	2,447.81	3,747.13	2,469.81	3,786.40
Unallocable liabilities		-		-	5,017.16	73.04
Total liabilities		-		-	7,486.97	3,859.44
Total capital expenditure (including capital advances) incurred during the year to acquire segment assets #	-	-	220.74	198.75	220.74	198.75
Depreciation & amortisation expenses (included in segment expense)	7.46	7.48	7,201.60	56.86	7,209.06	64.34
Other significant non-cash adjustments	0.22	0.29	64.99	165.03	65.21	165.32

Net assets acquired pursuant to the scheme of amalgamation with LF MPL (Refer Note 24) is not considered in determination of total capital expenditure.

31 OPERATING LEASES

The Company has significant operating leases for premises and furniture & fixtures, which include both cancellable and non-cancellable leases. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

Lease payments recognised in the Statement of Profit and Loss during the year ₹ 742.84 lacs (Previous Year – ₹ 601.71 lacs).

Future minimum rentals payable under non-cancellable operating leases are as follows:

(₹ in Lakh)

Particulars	As at 31.03.2014	As at 31.03.2013
Within one year	55.34	32.38
After one year but not more than five years	318.31	16.72
More than five years	-	235.14

32 RELATED PARTY DISCLOSURE

Disclosure as required by AS – 18 “Related Party Disclosure” notified under the Companies Act, 1956 is as follows:

A Name of the related parties and description of relationship

- | | |
|------------------------------|---|
| (i) Ultimate Holding Company | Larsen & Toubro Limited (“L&T Limited”) |
| (ii) Holding Company | L&T Finance Holdings Limited (“LTFH”) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

(iii) Subsidiary Company (Refer Footnote 6)	L&T Fund Management Private Limited (Formerly known as FIL Fund Management Private Limited) (w.e.f. 24th November, 2012) ("LFMPL")
(iv) Fellow subsidiary (with whom Company had transactions)	L&T Finance Limited (w.e.f. 28th March, 2013, erstwhile holding company till 27th March, 2013) ("LTF") L&T Vrindavan Properties Limited ("LTVPL") L&T Access Financial Advisory Services Limited ("LTAFASL") L&T Infrastructure Finance Company Limited ("LTIFCL") L&T Capital Markets Limited ("LTCML") L&T Capital Company Limited ("LTCCCL") L&T Infotech Limited ("LTIL") L&T Trustee Services Private Limited ("LTTSP") L&T General Insurance Company Limited ("LTGICL") L&T Mutual Fund Schemes ("LTMF") Raji Vishwanathan, Manager under the Companies Act, 1956
(v) Associate (with whom Company had transactions)	
(vi) Key management personnel (Refer Footnote 4)	
(Note: Related parties have been identified by the Management)	

B Details of Transactions with Related Parties

(₹ in Lakh)

Particulars	L&T Limited	LTFH	LFMPL (Refer note 24)	LTF	LTVPL	LTAFASL	LTIFCL	LTCML	LTCCCL	LTIL	LTTSP	LTGICL	LTMF	Total
Nature of Transaction														
Income														
Investment management fees income	-	-	-	-	-	-	-	-	-	-	-	-	8,576.38	8,576.38
	-	-	-	-	-	-	-	-	-	-	-	-	(3,270.80)	(3,270.80)
Expense														
Rent	-	-	-	36.00	9.21	-	-	-	-	-	-	-	-	45.21
	-	-	(60.08)	(53.01)	-	-	-	-	-	-	-	-	-	(113.09)
Business promotion expenses (including PMS)	-	-	-	0.62	-	-	-	-	-	-	-	-	-	0.62
	-	-	-	(1.65)	-	-	-	-	(2.75)	-	-	-	-	(4.40)
Repairs and maintenance -others	-	-	-	-	-	-	-	-	-	5.87	-	-	-	5.87
	-	-	-	-	-	-	-	-	-	(16.54)	-	-	-	(16.54)
Professional fees	39.39	-	-	8.04	-	2.25	-	-	-	-	-	-	-	49.68
	(5.10)	-	-	-	-	-	-	-	-	-	-	-	-	(5.10)
ESOP expense	-	3.16	-	-	-	-	-	-	-	-	-	-	-	3.16
	-	(0.02)	-	-	-	-	-	-	-	-	-	-	-	(0.02)
Deputation cost recovery	-	-	-	5.95	-	-	5.95	-	-	-	-	23.33	-	35.23
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual fund scheme and distribution expenses	-	-	-	-	-	3.06	-	33.35	-	-	-	-	266.19	302.60
	-	-	-	(2.38)	-	-	-	-	-	-	-	-	(780.07)	(782.45)
Corporate support charges	-	250.00	-	-	-	-	-	-	-	-	-	-	-	250.00
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others														
Assets transferred (Refer footnote 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(1,110.92)	-	-	-	-	-	-	-	-	-	-	(1,110.92)
Liabilities transferred (Refer footnote 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(1,009.98)	-	-	-	-	-	-	-	-	-	-	(1,009.98)
Investments purchased	-	-	-	-	-	-	-	-	-	-	-	-	151,672.98	151,672.98
	-	-	-	-	-	-	-	-	-	-	-	-	(8,868.32)	(8,868.32)
Investments redeemed / matured	-	-	-	-	-	-	-	-	-	-	-	-	148,045.32	148,045.32
	-	-	-	-	-	-	-	-	-	-	-	-	(7,523.09)	(7,523.09)
Advance repaid	-	2,000.00	-	-	-	-	-	-	-	-	-	-	-	2,000.00
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

(₹ in Lakh)

Particulars	L&T Limited	LTFH	LFMPL (Refer note 24)	LTF	LTVPL	LTAFASL	LTIFCL	LTCML	LTCCL	LTIL	LTTSPL	LTGICL	LTMF	Total
Advance received (Refer footnote 3)	-	7,000.00	-	-	-	-	-	-	-	-	-	-	-	7,000.00
	-	(63,143.00)	-	-	-	-	-	-	-	-	-	-	-	(63,143.00)
Advance given to the schemes of mutual fund	-	-	-	-	-	-	-	-	-	-	-	-	940.51	940.51
	-	-	-	-	-	-	-	-	-	-	-	-	(65.52)	(65.52)
Advance recovered from the schemes of mutual fund	-	-	-	-	-	-	-	-	-	-	-	-	645.70	645.70
	-	-	-	-	-	-	-	-	-	-	-	-	(163.69)	(163.69)
Capital infusion of equity shares (including security premium)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	(1,500.00)	-	(4,500.00)	-	-	-	-	-	-	-	-	-	(6,000.00)
Fixed assets purchased	-	-	-	-	-	-	-	-	-	20.00	-	-	-	20.00
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital advance paid for intangible assets under development	-	-	-	-	-	-	-	-	-	16.85	-	-	-	16.85
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as at end of the year														
Receivables:														
Long-term loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	404.95	404.95
	-	-	-	-	-	-	-	-	-	-	-	-	(319.94)	(319.94)
Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-	485.94	485.94
	-	-	-	-	-	-	-	-	-	-	-	-	(765.24)	(765.24)
Short term loans and advances	-	-	-	6.05	-	-	6.09	-	-	-	-	-	722.64	734.78
	-	-	-	-	-	-	-	-	-	(1.00)	-	-	(512.84)	(513.84)
Payables:														
Long term borrowings	-	5,000.00	-	-	-	-	-	-	-	-	-	-	-	5,000.00
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables (includes accrued expenses)	-	63.98	-	-	-	0.04	-	3.60	-	-	-	-	-	67.62
	(4.62)	-	-	-	-	-	-	-	-	(4.01)	-	-	-	(8.63)
Dues to related parties	29.13	1.64	-	-	-	-	-	-	-	0.64	-	-	442.71	474.12
	(49.86)	(0.34)	(160.46)	-	-	-	-	-	-	-	-	-	(1,134.14)	(1,344.80)
Other current liabilities	-	-	-	-	1.89	-	-	-	-	9.21	-	-	-	11.10
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Footnotes:

- 1) Reimbursement of expense has not been considered for reporting related party transactions.
- 2) Previous year figures have been shown in brackets.
- 3) The advance received from L&T Finance Holdings Limited in FY 2012 - 13 was converted into fully paid 25,257,200 equity shares of ₹10 each at a premium of ₹ 240 each on 29th March, 2013.
- 4) ₹ NIL remuneration paid to Manager during the year ended on 31 March 2014 (₹ NIL for the year ended 31 March 2013).
- 5) In accordance with the application made to SEBI seeking its approval for the change in control of LFMPL (wholly owned subsidiary) and change of sponsor, asset manager and trustee of the schemes of erstwhile Fidelity Mutual Fund, LFMPL filed necessary letter with SEBI for withdrawal of approval granted to it to act as an asset management company. The Company was appointed as the asset manager for all schemes of erstwhile Fidelity Mutual Fund effective 24th November 2012. Office leases and employees of LFMPL were also transferred to the Company on this date.

33 EARNINGS PER SHARE

Particulars	Unit	For the year ended 31.03.2014	For the year ended 31.03.2013
Profit / (loss) for the year from the continuing operations	₹ in lacs	(6,991.97)	(5,849.23)
Nominal value of equity shares	₹	10.00	10.00
Weighted average equity shares for basic and diluted earnings per share	No.	235,857,200	184,554,991
Basic and diluted earnings per share	₹	(2.96)	(3.17)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)**34 DEFERRED TAX:**

The Company has recognised deferred tax asset and deferred tax liability as under:

(₹ in Lakh)

Particulars	As at 31.03.2014	As at 31.03.2013
Deferred tax liability		
Timing difference on account of depreciation and amortisation expenses	3,182.47	11.98
Deferred tax asset		
Unabsorbed loss and depreciation restricted upto the amount of deferred tax liability	3,182.47	11.98
Net deferred tax liability	Nil	Nil
Deferred tax expense for the year ended	Nil	Nil

Deferred tax asset in respect of unabsorbed depreciation and amortisation expense is recognised considering the deferred tax liability in respect of timing differences arising in respect of depreciation and amortisation expense. Additional deferred tax assets have not been recognised in the absence of virtual certainty of future taxable profits against which such assets can be offset.

35 DISCLOSURE AS REQUIRED UNDER ACCOUNTING STANDARD -15 ON "EMPLOYEE BENEFITS" IS AS UNDER:**A Defined contribution plans**

The Company makes provident fund, pension fund and superannuation fund contributions to defined contribution plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 157.16 lacs (*Previous Year – ₹ 96.97 lacs*) for provident fund contributions, ₹ 14.33 lacs (*Previous Year – ₹ 11.38 lacs*) for family pension fund and ₹ 103.53 lacs (*Previous Year – ₹ 53.68 lacs*) for superannuation fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at the rates specified in the rules of the schemes.

B Defined benefit plans

The Company offers the gratuity under employee benefit schemes to its employees.

The following tables sets out the fund status of the defined benefit schemes and the amount recognised in the financials.

(₹ in Lakh)

	As at 31.03.2014	As at 31.03.2013
Gratuity (Funded plan)		
Projected benefit obligation		
As at beginning of the year	228.54	31.00
Liabilities assumed on acquisition	-	370.57
Service cost	45.44	15.33
Interest cost	21.96	4.08
Actuarial losses / (gains)	(53.12)	(185.26)
Benefits paid	(40.64)	(7.18)
As at end of the year	202.18	228.54
Change in plan assets		
Fair value of plan assets as at beginning of the year	130.48	33.15
Expected returns on plan assets	11.81	2.65
Employer's contribution	34.00	98.69
Benefits paid	(40.64)	(7.18)
Actuarial gain / (loss)	3.48	3.17
Fair value of plan assets as at end of the year	139.13	130.48
Expected employer's contribution next year	40.00	40.00
Amount recognised in the balance sheet		
Liability at the end of the year	202.18	228.54
Fair value of plan assets as at end of the year	(139.13)	(130.48)
Amount recognised in the balance sheet	63.05	98.06
Movement in net liability recognised in the balance sheet		
Opening net liability	98.06	(2.15)
Liabilities assumed on acquisition / (settled on divestiture)	-	370.57
Expenses	(1.01)	(171.67)
Contribution	(34.00)	(98.69)
Closing net liability	63.05	98.06

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

	For the year ended 31.03.2014	<i>For the year ended 31.03.2013</i>
Cost of the defined benefit plan for the year		
Current service cost	45.44	15.33
Interest on obligation	21.96	4.08
Expected return on plan assets	(11.81)	(2.65)
Net actuarial losses / (gains) recognised in the year	(56.60)	(188.43)
Net cost/ (gain) recognised in the Statement of Profit and Loss	(1.01)	(171.67)
Key assumptions:		
Indian Assured Mortality Ult. table of the year	2006–2008	2006–2008
Discount rate	9.35%	8.10%
Future salary increase	6.00%	6.00%
Expected rate of return on plan assets	8.00%	8.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account inflation, seniority, promotion, increments and other relevant factors.

As the gratuity fund is managed by the life insurance company, details of investment are not available with the Company.

Particulars	As at 31.03.2014	<i>As at 31.03.2013</i>	<i>As at 31.03.2012</i>	<i>As at 31.03.2011</i>	<i>As at 31.03.2010</i>
Defined benefit obligation	202.18	228.54	31.00	26.89	16.57
Plan assets	139.13	130.48	33.15	22.36	16.58
Surplus / (deficit)	(63.05)	(98.06)	2.15	(4.53)	0.01

Particulars	For the year ended 31.03.2014	<i>For the year ended 31.03.2013</i>	<i>For the year ended 31.03.2012</i>	<i>For the year ended 31.03.2011</i>	<i>For the year ended 31.03.2010</i>
Exp. adj. on plan liabilities	(18.05)	(232.82)	(5.01)	*	*
Exp. adj. on plan assets	3.48	3.17	(0.09)	*	*

* Information for experience adjustment of plan liabilities and plan assets prior to 31st March 2012 is not available with the Company.

36 EMPLOYEE STOCK OPTION PLAN (“ESOP”)**A ESOP under the Company (“Plan 1”)**

Plan 1 was designed to provide stock options to employees in a specific category. All grants under Plan 1 were to be issued and allotted by the Allotment Committee of the Board of the Company. The options were to be granted to the eligible employees based on certain criteria and approval of the Allotment Committee of the Board.

The options had been granted on 10th September, 2009 at an exercise price equal to the fair value of the shares as determined by an independent valuer.

The employees were to be allotted a pre-defined number of equity shares against each option and the options were to vest over a period of five years from the date of grant at a pre-defined percentage of the total vesting. Each of the options were to be subject to the condition that the employees will secure specific annual performance rating for every allotment and the Company shall achieve certain performance targets. The vesting of the shares could be carried forward for a maximum of 2 years. Options could have been exercised anytime within a period of 5 years from the date of vesting. The employees also had an exit option which they could exercise under certain defined events.

Graded Vesting Details -

Date of Vesting	<i>July, 2010</i>	<i>July, 2011</i>	<i>July, 2012</i>	<i>July, 2013</i>	July, 2014
% Vesting	25%	25%	20%	20%	10%

The compensation costs of stock options granted to employees were to be accounted by the Company using the fair value method.

Since the options were to be granted at an exercise price equal to the fair value of the shares as determined by an independent valuer, there would be no charge to the Statement of Profit and Loss. As at 31st March, 2014 all outstanding options have lapsed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (CONTD.)

A summary of status of the Company's Employee Stock Option Scheme in terms of option granted, forfeited and exercised by the employees is as follows-

Summary of stock options	For the year ended 31.03.2014		For the year ended 31.03.2013	
	No. of stock options	Weighted average exercise price (₹)	No. of stock options	Weighted average exercise price (₹)
Opening options outstanding	60,000	10.50	320,000	10.50
Options granted during the year	-	-	-	-
Options forfeited during the year	-	-	240,000	-
Options lapsed during the year	60,000	-	20,000	-
Options exercised during the year	-	-	-	-
Closing options outstanding	-	-	60,000	10.50
Options exercisable at the end of the year	-	-	-	-
Options vested but not exercised at the end of the year	-	-	-	-

The weighted average remaining contractual life of options (comprising of the vesting period and the exercise period) is Nil years as at 31st March, 2014 (6.33 years as at 31st March, 2013).

B ESOP from the holding company ("Plan 2")

Pursuant to Plan 2 being established by the holding company (i.e. L&T Finance Holdings Limited), stock options were granted to the employees of the Company during the financial year 2012-13 and 2010-11. The total cost incurred by the holding company in respect of options granted to employees of the Company amounts to ₹ 6.71 lacs (₹ 1.27 lacs for 2012-13). This sum is being recovered from the Company over the period of vesting. Accordingly, a sum of ₹ 3.16 lacs has been recovered from the Company during the year (₹ 0.02 lacs during 2012-13), which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 3.53 lacs (₹ 1.25 lacs as at 31st March, 2013) will be recovered in future periods.

37 FOREIGN CURRENCY EXPENDITURE

(₹ in Lakh)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Membership and subscription	2.25	-
Staff welfare	1.02	-
TOTAL	3.27	-

38 From 1 April 2013, the Company has changed its accounting policy in respect of accounting for commission on closed ended schemes. Commission paid in respect of closed ended schemes is now being amortised over the tenure of such schemes. In earlier years, the cost was charged to the Statement of Profit and Loss in the period in which it was incurred. As a result of the change in accounting policy, the commission charged to the Statement of Profit and Loss and loss for the year are lower by ₹ 62.07 lacs.

39 Previous year figures have been reclassified to conform to this year's classification.

In terms of our report attached

For and on behalf of Board of Directors

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar

Partner

Membership No. 39826

Place : Mumbai

Date : April 21, 2014

RAJI VISHWANATHAN

Manager

HEMANG BAKSHI

Company Secretary

VEDPRAKASH CHATURVEDI

Director

R. SHANKAR RAMAN

Director

Place : Mumbai

Date : April 21, 2014

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Twenty First Annual Report of the Company with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the Financial Year ended March 31, 2014 are as under:

	For the year ended 31.03.2014 (₹ in Lakh)	<i>For the year ended 31.03.2013 (₹ in Lakh)</i>
Gross Income	45378	34849
Profit before Tax	6536	7103
Provision for Taxation	(1100)	(1593)
Profit after Tax	7636	8696
Profit/ (Loss) brought forward from previous years	(29065)	(36022)
Profit available for Appropriation	(21429)	(27326)
Appropriations:		
Profit available for Appropriation	(21429)	(27326)
Transfer to Statutory Reserve U/S 45-IC of RBI Act, 1934	1527	1739
Net surplus/ (deficit) in the statement of Profit and Loss	(22956)	(29065)

Your Company proposes to transfer ₹ 1527 Lakhs (*Previous Year ₹ 1739 Lakhs*) to Statutory Reserve created under Section 45-IC of the Reserve Bank of India Act, 1934.

PERFORMANCE OF THE COMPANY

The gross booksize of the Company grew by 71% to ₹ 297911 Lakhs in March, 2014 from ₹ 174005 Lakhs in March, 2013. Profit after tax for the year was lower at ₹ 8696 lakhs as compared to ₹ 7636 lakhs in the preceding financial year. Operations were scaled up in the year under review post acquisition of the Company by L&T Financial Holdings Limited in December 2012, and there were certain expenses incurred for integration of operations with the other retail entities in the group. Accordingly, results of the two financial years are therefore not comparable. The Company registered healthy growth in sourcing of Two Wheeler business. The Company has also acquired a car portfolio of ₹ 45791 Lakhs from L&T Finance Limited, a fellow subsidiary and ₹ 12765 Lakhs of mortgage portfolio from CitiFinancial Consumer Finance India Limited, in order to build scalability and size in business.

Disbursement

During the year loan disbursement in volume terms increased from ₹ 95095 Lakhs in Financial Year 2012-13 to ₹ 135050 Lakhs in Financial Year 2013-14. Two wheelers continued to be the key product which accounts for 80% of the total disbursement of the Company.

Initiatives undertaken during the Financial Year

- Post acquisition of the ownership and management of the Company by L&T Finance Holdings Limited, integration with the Retail entities of the Group has been done successfully to ensure building efficient and focused team across functions and geographies. Cost rationalization by merger of branches and infrastructure, bringing synergies together.
- Preferred financier tie-up with two major Two-wheeler manufacturers, Honda Motorcycle and Scooter India Private Limited and Suzuki Motorcycle India Private Limited.
- Introduction of a new product line, "Three-wheeler" and revamping "New Car Loan Product".
- Extension of Two Wheeler business in additional 50 locations to enhance the market share.
- Introduction of Tablet(s) at the field level for cost efficient and faster acquisition of business which resulted in major improvement in Turn Around Time (TAT/ Response Time) and greater customer satisfaction.

Performance of businesses:

Two wheeler Loans

This segment includes both new and used Two wheeler Loans in the categories of Motorcycles, Scooters, and Mopeds.

The disbursement in this sector witnessed a growth of over 36% in terms of number of units and 46% in terms of value.

New Car Loans

This segment witnessed an excellent rate of growth in the Financial Year in comparison with that of the last year. During the year, for the Company, this segment grew by 36% in terms of units and 46% in terms of value (disbursement).

Apart from above, during the year, the Company, also acquired a Car portfolio from L&T Finance Limited, a fellow subsidiary, resulting in increase of the asset/ book size.

Used Car Loans

This segment witnessed a 30% rate of growth in terms of value in the Financial Year under review.

Loyalty Loans

This segment consists of Personal Loans/ Unsecured Loans given to existing customers of the Company who have a good credit/re-payment history. Disbursement in Loyalty loans witnessed a growth of 13% in terms of value over the last Financial Year.

Three wheeler Loans

The Company initiated financing of Three wheelers in the Financial Year under review. The disbursements in the maiden year amounted close to ₹ 40 Crores.

RESOURCES

a) Issue of Shares

During the year the Company has issued 5,00,00,000 shares of Face Value ₹ 10/- at a premium of ₹ 10/- to L&T Finance Holdings Limited amounting to ₹ 10000 Lakhs.

To provide for the issue of the aforesaid additional shares, the Authorised Share Capital of the Company was increased from ₹ 16430.96 Lakhs divided into 35,43,09,610 Equity shares of ₹ 10/- each and 10,00,000 Redeemable Cumulative Preference Shares of ₹ 100/- each.

b) Issue of Non Convertible Debentures ("NCD")

During the Financial Year 2013-14, your Company raised ₹ 40400 Lakhs by issuing NCDs on private placement basis.

c) Debt position

The aggregate debt (NCDs, Commercial Papers and Bank borrowings) outstanding as on March 31, 2014 was ₹ 271,100.15 Lakhs as compared to ₹ 146,600 Lakhs as on March 31, 2013.

CREDIT RATING

During the year under review, the Company received the following Credit Ratings from CARE & ICRA.

Instrument	CARE Ratings		ICRA Ratings	
	Amount (₹ Crore)	Rating	Amount (₹ Crore)	Rating
Secured Nonconvertible Debentures	600	CARE AA	500	[ICRA] AA (Stable)
Subordinated Debt	100	CARE AA	100	[ICRA] AA (Stable)
Short Term Debt (CP)	1800	CARE A1+	–	–
Long term Borrowing Programme (Bank Borrowings)	2300	CARE AA	–	–

FIXED DEPOSITS

The Company had stopped accepting fresh deposits as well as renewal of existing deposits several years earlier, and during the year, the Company has not accepted any public deposits.

DIRECTORS

Mr. V. V. Subramanian resigned as Director with effect from July 18, 2013. The Board wishes to place on record its appreciation of the contribution rendered by Mr. V. V. Subramanian during his tenure as Director.

Mr. C. S. Damle was appointed as an Additional Director with effect from July 18, 2013 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director up to the date of the forthcoming Annual General Meeting ("AGM"). Due to other commitments, he has indicated his unwillingness to be appointed as a Director, at the forthcoming AGM.

Mr. Vasudevan Ramaswami was appointed as an Additional Director with effect from July 18, 2013 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director up to the date of the forthcoming AGM.

Notice has been received from a Member proposing the candidature of Mr. Vasudevan Ramaswami under Section 160 of the Companies Act, 2013 for appointment as Director in the forthcoming AGM.

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. In compliance with the above Section, the period of office of Mr. Dinanath Dubhashi, is liable to determination by retirement of directors by rotation at the forthcoming AGM and, he being eligible, has offered himself for appointment as Director of your Company.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

FAMILY CREDIT LIMITED

AUDITORS

The Auditors, S. R. Batliboi & Co. LLP, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment for a period of one year.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("the Act") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors.

The Company being a listed company has to comply with the provisions of Section 139 of the Act. Further, since S. R. Batliboi & Co. LLP, had already served as Statutory Auditors of the Company for a period of seven years, they could be further re-appointed for a period of three years of the second term.

However, it was felt prudent to comprehensively review their term and scope before re-appointing them for a period of three years of the second term. This review would also take into consideration additional responsibilities posed on the Auditors under the Act and their readiness to the same. Accordingly, your Directors recommend the re-appointment of S. R. Batliboi & Co. LLP as Statutory Auditors of the Company for a period of one year from the conclusion of 21st AGM till the conclusion of 22nd AGM, subject to approval of the Members in the AGM of the Company.

The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956, and the rules made there under is given in a separate Annexure to this Report and forms part of this report. The same would be furnished to the Members on request.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & 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 inflows during the year 2013-14.

Foreign Exchange Outflow during the year 2013-14 was ₹ 1,01,447/-

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

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;
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 GUIDELINES

The Company continues to comply with all the requirements prescribed by the Reserve Bank of India, from time to time, as applicable to it.

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

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

Place : Mumbai
Date : April 17, 2014

ANNEXURE 'A' TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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 five Directors viz. Mr. N. Sivaraman, Mr. Dinanath Dubhashi, Mr. Gopalakrishnan Krishnamurthy, Mr. Vasudevan Ramaswami and C. S. Damle. All the Directors are Non-Executive Directors. Mr. Sivaraman is the President & Whole-time Director of L&T Finance Holdings Limited. Mr. Dinanath Dubhashi is the Managing Director & Chief Executive of L&T Finance Limited. Mr. Gopalakrishnan Krishnamurthy is currently the Manager & Chief Executive of L&T Infrastructure Finance Company Limited. Mr. Vasudevan Ramaswami is Manager & Chief Executive of L&T Housing Finance Limited and Mr. C. S. Damle is the Group CFO of L&T Financial Services.

During the period under review, five meetings of the Board of Directors were held on April, 22, 2013, July 18, 2013, August 26, 2013, October 17, 2013 and January 16, 2014.

Mr. G. C. Rangan is the Manager & 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 nine core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Management Committee
- Asset-Liability Management Committee
- Nomination and Compensation Committee
- Risk Management Committee
- Credit Committee
- Investment Committee
- Corporate Social Responsibility Committee

The details of various committees of your Company are as under:

1) 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 was re-constituted with effect from July 18, 2013 and comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Dinanath Dubhashi

Mr. C. S. Damle

Mr. G. Krishnamurthy

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee during the year under review were in conformity with Section 292A of the Companies Act, 1956.

During the Fiscal Year 2013-14, the Committee met 6 times.

2) Committee of Directors

The Committee was constituted with effect from January 16, 2014 and currently comprises 3 Directors as per details given below:

Composition of Committee of Directors (COD)

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. Vasudevan Ramaswami

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company, more particularly to comply with the requirements of the Companies Act, 2013/ 1956 and such powers as entrusted by the Board from time to time.

The Committee met 8 times during the year.

FAMILY CREDIT LIMITED

3) Management Committee

The Committee was constituted with effect from July 18, 2013 and currently comprises 2 members as per details given below:

Composition of Management Committee (MC)

Mr. Dinanath Dubhashi

Mr. G. C. Rangan

Role of the Committee

The MC has been entrusted with the powers of general management of affairs of the Company. During the Fiscal Year 2013-14, the decisions of the Committee were taken by resolutions passed by circulation.

4) Asset-Liability Management Committee (ALCO)

The Committee was re-constituted with effect from July 18, 2013.

The Committee is presently chaired by Mr. Sivaraman and consists of 5 other members holding senior executive positions in the Company and group companies.

Role of the Committee

- a. 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;
- b. Reviewing the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- c. 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;
- d. Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- e. Product pricing for financial advances, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions.;
- f. Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
- g. Deciding on the source and mix of liabilities and recommending the desired asset mix.

During the Fiscal Year 2013-14, the Committee met 4 times.

5) Nomination and Compensation Committee

The Nomination and Compensation Committee was re-constituted with effect from July 18, 2013.

The Committee currently comprises 3 members as per details given below:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. G. C. Rangan

Head – HR, L&T Financial Services (Secretary to the Committee)

Role of the Committee

- a. 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.
- b. To focus on evaluating senior level employees, their remuneration, promotions etc.

6) Risk Management Committee

The Risk Management Committee was reconstituted with effect from July 18, 2013.

The Committee currently comprises Mr. Dinanath Dubhashi and 4 other members holding senior executive positions in the Company and group companies.

Role of the Committee

The Risk Management Committee would be responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk.

During the Fiscal Year 2013-14, the Committee met 5 times.

7) Credit Committee

The Credit Committee was reconstituted with effect from October 17, 2013. The Credit Committee of the Company is broad based consisting of senior officials from the Company and group companies.

Role of the Committee

The Credit Committee reviews and approves all credit & lending proposals as per the credit and lending authorizations approved by the Board (other than regular proposals for vehicle financing and personal loans). Credit decisions are supported by risk management guidelines and norms approved by the Board of Directors of the Company.

8) Investment Committee

During the year, the Investment Committee was re-constituted. The Investment Committee comprises Mr. Sivaraman, Mr. Dinanath Dubhashi, Mr. C. S. Damle and other members.

Role of the Committee

The Committee decides on investments in/ divestments of:

- Units of Mutual Fund Schemes
- Units of collective investment schemes
- Government securities and Treasury Bills
- Bank Fixed deposits

9) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee ("CSR") was constituted on March 29, 2014. The Committee currently comprises:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. C. S. Damle

Role of the Committee

- a) Formulation of CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and recommendation of the same to the Board;
- b) Determine the amount to be spent on CSR from time to time and recommend the same to the Board;
- c) Monitoring the CSR Policy of the Company from time to time.

Separation of Offices of Chairman and Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. N. Sivaraman is the Non-Executive Chairman of the Board whereas Mr. G. C. Rangan is the Manager & Chief Executive of the Company.

Remuneration of Directors

The Directors on the Board who are / were in the services of the parent holding or other fellow subsidiary companies, drew remuneration from their respective companies. None of the Directors are paid any remuneration from 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 them 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 the 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.

Internal Auditors

The Company has an internal audit department which provides 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.

FAMILY CREDIT LIMITED

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.

Disclosures

During the Financial Year ended March 31, 2014:

- There was no materially significant related party transaction with the Directors that have 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.
- During the year, the Companies Act, 2013 had received President's assent on August 29, 2013 ("the Act"). Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA has notified many sections, and the Company is geared up to implement all of them.

Means of Communication

- The investors (debenture holders) are also communicated the "Half Year Communication" as per the Debt Listing Agreement.
- Annual Reports, official news releases and presentations are also displayed on the website of the Company www.familycreditindia.com.

For and on behalf of the Board of Directors

N. SIVARAMAN
Director

DINANATH DUBHASHI
Director

Place : Mumbai
Date : April 17, 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FAMILY CREDIT LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S. R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI's Firm registration number: 301003E

per VIREN H. MEHTA

Partner

Membership No.: 048749

Place : Mumbai

Date : April 17, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Family Credit Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and does not maintain inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) 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 Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statute	Nature of dues	Provision Amount (₹)	*Amount Paid (₹)	Period to which its relates	Forum where dispute is pending
West Bengal Value Added Tax, 2003	VAT	16,174,736	10,013,342	Financial Year 2005-06 to 2013-14	Supreme Court
Orissa Value Added Tax, 2004	VAT	1,645,375	827,170	Financial Year 2005-06 to 2013-14	Deputy commissioner of sales tax

*The Company has paid these amounts under protest (x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current and 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 financial institutions, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order, are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization at relevant time were gainfully invested in liquid assets payable on demand.

- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has issued 750 debentures of ₹ 1,000,000 each and 1,316 debentures of ₹ 250,000, during the period covered by our audit report. The Company has created security charge in respect of 80 debentures. For the balance 1,986 debentures the Company is taking steps to create security for the debentures (issued in February and March).
- (xx) The Company has not raised money by public issue during the year.
- (xxi) We have been informed that during the year there were fifteen instances of loans given based on fraudulent misrepresentation by the borrowers aggregating to ₹ 1,921,200. The Company is in the process of taking legal action against such borrowers involved. The outstanding balance (net of recovery) aggregating ₹ 613,930 has been fully provided for/written off.

For S. R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI's Firm registration number: 301003E

per VIREN H. MEHTA

Partner

Membership No.: 048749

Place : Mumbai

Date : April 17, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at 31.03.2014 (₹ in Lakh)	As at 31.03.2013 (₹ in Lakh)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	20,431	15,431
Reserves and surplus	4	26,856	14,228
		<u>47,287</u>	<u>29,659</u>
Non-current liabilities			
Long-term borrowings	5	110,066	87,643
Other long-term liabilities	6	196	–
Long-term provisions	7	440	303
		<u>110,702</u>	<u>87,946</u>
Current liabilities			
Short-term borrowings	8	60,950	8,928
Current maturities of long term borrowings	5	100,099	50,082
Other current liabilities	9	5,589	4,232
Short-term provisions	7	690	613
		<u>167,328</u>	<u>63,855</u>
TOTAL		<u>325,317</u>	<u>181,460</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	251	168
Intangible assets	11	214	118
Non-current investments	12	2,300	–
Long-term loans and advances	13	582	535
Long-term loans and advances towards financing activities	13	151,462	80,792
Other non-current assets	15	122	–
		<u>154,931</u>	<u>81,613</u>
Current assets			
Current investments	12	18,500	–
Deferred tax assets (net)	14	2,700	1,600
Cash and bank balances	16	1,397	9,789
Short-term loans and advances	13	4,181	2,019
Current Maturities of Long-term loans towards financing activities	13	139,454	83,610
Other current assets	15	4,154	2,829
		<u>170,386</u>	<u>99,847</u>
TOTAL		<u>325,317</u>	<u>181,460</u>
SIGNIFICANT ACCOUNTING POLICIES	2.1		

The accompanying notes are an integral part of the financial statements

As per our report attached

For and on behalf of the Board of Directors

For **S. R. BATLIBOI & CO. LLP**

Chartered Accountants

ICAI's Firm Registration No.: 301003E

per **VIREN H. MEHTA**

Partner

Membership No. 048749

G. C. RANGAN

Chief Executive and Manager

ABHIJIT CHATTERJEE

Company Secretary

DINANATH DUBHASHI

Director

C. S. DAMLE

Director

Place : Mumbai

Date : April 17, 2014

Place : Mumbai

Date : April 17, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Notes	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
Income			
Revenue from operations	17	44,830	32,805
Other income	18	548	2,044
Total revenue (I)		45,378	34,849
Expenses			
Employee benefit expenses	19	2,436	2,844
Finance costs	20	18,877	12,650
Other expenses	21	15,031	10,646
Depreciation and amortization expense	22	282	278
Provisions and write-offs	23	2,216	1,328
Total expenses (II)		38,842	27,746
Profit before tax (III) = (I)-(II)		6,536	7,103
Tax expenses			
Current tax		-	7
Deferred tax		(1,100)	(1,600)
Total tax expense (IV)		(1,100)	(1,593)
Profit for the year (III)-(IV)		7,636	8,696
Earnings per equity share (Basic and Diluted)	24	4.28	6.19
[nominal value of share ₹ 10 (March 31, 2013: ₹ 10)]			
SIGNIFICANT ACCOUNTING POLICIES	2.1		

The accompanying notes are an integral part of the financial statements

As per our report attached

For and on behalf of the Board of Directors

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI's Firm Registration No.: 301003E

per **VIREN H. MEHTA**
Partner
Membership No. 048749

G. C. RANGAN
Chief Executive and Manager

ABHIJIT CHATTERJEE
Company Secretary

DINANATH DUBHASHI
Director

C. S. DAMLE
Director

Place : Mumbai
Date : April 17, 2014

Place : Mumbai
Date : April 17, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	For the year ended 31.03.2014 (₹ in Lakh)	For the year ended 31.03.2013 (₹ in Lakh)
A. Cash Flows From Operating Activities :		
Net Profit / (Loss) before Taxation	6,536	7,103
Adjustments for :		
Depreciation and amortization	282	278
Profit on sale of fixed assets (net)	(9)	(6)
Provision for loans	(3,272)	(4,028)
Bad debts written off	5,488	5,356
Interest on fixed deposits	(100)	(1,780)
Income from mutual fund	(291)	-
Interest on inter corporate deposit	(54)	(2)
Liabilities no longer required written back	(6)	(193)
Operating profit / (loss) before Working Capital changes	8,574	6,728
Movements in Working Capital:		
Decrease/(increase) in long term loans and advances	(72,629)	(31,036)
Decrease/(increase) in short term loans and advances	(58,006)	(22,974)
Decrease/(increase) in other current assets	(2,016)	(596)
Decrease/(increase) in other non-current assets	(122)	-
Increase/(decrease) in other current liabilities	899	(2,143)
Increase/(decrease) in other long term liabilities	196	(1,389)
Cash generated from / (used in) operations	(123,104)	(51,410)
Direct taxes paid (Including TDS)	(60)	(172)
Net cash used in Operating Activities (A)	(123,164)	(51,582)
B. Cash Flows from Investing Activities :		
Purchase of fixed assets, including capital work in progress and capital advances	(461)	(102)
Proceeds from sale of fixed assets	9	7
Purchase of non-current investments in Equity	(2,300)	-
Purchase of current investments	(830,600)	-
Proceeds from sale/maturity of current investments	812,391	-
Interest received	845	2,555
Decrease/(increase) in fixed deposits greater than three months	8,000	9,903
Net cash from / (used in) Investing Activities (B)	(12,116)	12,363
C. Cash Flows from Financing Activities :		
Proceeds from issuance of share capital including securities premium	9,992	2,500
Proceeds from short-term borrowings	353,790	39,928
Repayment of short-term borrowings	(301,767)	(31,000)
Proceeds from long-term borrowings	175,102	194,250
Repayment of long- term borrowings	(102,662)	(167,008)
Net cash from Financing Activities (C)	134,455	38,670
Net Increase/(Decrease) in Cash and Cash Equivalents (A)+(B)+(C)	(825)	(549)
Cash and Cash Equivalents at the beginning of the year	367	916
Cash and Cash Equivalents at the end of the year	(458)	367
Components of Cash and Cash Equivalents at the year end		
Cash on Hand	454	261
With Banks - on current account (net of book overdraft)	(912)	106
	(458)	367

As per our report attached

For and on behalf of the Board of Directors

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI's Firm Registration No.: 301003E

per **VIREN H. MEHTA**
Partner
Membership No. 048749

G. C. RANGAN
Chief Executive and Manager

ABHIJIT CHATTERJEE
Company Secretary

DINANATH DUBHASHI
Director

C. S. DAMLE
Director

Place : Mumbai
Date : April 17, 2014

Place : Mumbai
Date : April 17, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1. CORPORATE INFORMATION

FamilyCredit Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is a non-deposit accepting non-banking financial company or NBFC-ND registered with the Reserve Bank of India (RBI).

The Company is engaged in the business of financing of two wheelers, automobiles, loyalty personal loans, loans against shares, term loans and loans against property.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the provisions of the Reserve Bank of India ('RBI') as applicable to a non banking financial company. The financial statements have been prepared under historical cost convention on an accrual basis except for interest on loan, which have been classified as non performing assets and is accounted on realised basis.

The accounting policies applied by the Company are consistent with those used in the previous year.

2.1 Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

Fixed assets are stated at historical cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from sale of fixed assets are measured as difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss.

(c) Depreciation on tangible fixed assets

i. Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

	Rates (SLM)	Schedule XIV Rates (SLM)
Plant and Machinery	20.00%	4.75 %
Computers	33.33%	16.21 %
Furniture and Fittings	20.00%	6.33 %
Vehicles	20.00%	9.50 %

ii. Leasehold improvements are amortised over the primary lease period.

iii. Fixed assets costing upto ₹ 5,000 individually are depreciated fully in the year of purchase.

(d) Intangible assets

i. Intangible assets in the nature of software license are amortized over license period.

ii. All others intangible assets are amortized over a period of 3 to 5 years.

(e) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(f) Classification and provisioning of loan portfolio

i. Loans and other credit facilities are classified as standard, sub-standard, doubtful, and loss assets in accordance with Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

- ii. Provision in respect of non-performing assets are made based on management's assessment of the degree of impairment of the loans and advances subject to the minimum provision required as per Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time.

(g) Leases

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

(h) Revenue recognition

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.

- i. Interest income on loans given is recognised under the accrual method. Income including interest or any other charges on non-performing asset is recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized have been reversed.
- ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- iii. Loan origination income i.e. processing fees and other charges collected upfront, are recognised at the inception of the loan.

(i) Foreign currency transactions

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items, or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise.

(j) Retirement and other employee benefits

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the Statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.
- ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on project unit credit method made at the end of each financial year.
- iii. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of profit and loss and are not deferred.
- iv. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Since the Company does not have an unconditional right to defer its leave settlement beyond 12 months, entire leave provision is disclosed in current liability in the balance sheet.

(k) Income Taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(l) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(m) Provisions

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and reliable estimates can be made of the amount of the obligation. Provision are not discounted to its present value and are determined based on best estimated require to settle the obligation at the balance sheet date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(o) Investments

Investments which are readily realisable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

(p) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank, cash in hand, and short term investments with original maturity of three months or less.

(q) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	31.03.2014	<i>31.03.2013</i>
	(₹ in Lakh)	<i>(₹ in Lakh)</i>
3. SHARE CAPITAL		
Authorized shares		
354,309,610 (<i>March 31, 2013: 154,309,610</i>) Equity Shares of ₹ 10 each	35,431	<i>15,431</i>
1,000,000 (<i>March 31, 2013: 1,000,000</i>) Cumulative Preference Shares of ₹ 100 each	1,000	<i>1,000</i>
Issued, subscribed and fully paid-up shares		
204,309,610 (<i>March 31, 2013: 154,309,610</i>) Equity Shares of ₹ 10 each fully paid	20,431	<i>15,431</i>
Total issued, subscribed and fully paid-up share capital	20,431	<i>15,431</i>

The entire share capital of the Company held by Societe Generale Consumer Finance('SGCF') has been transferred to L&T Finance Holdings Limited('LTFH') on December 31, 2012 as per the Share Purchase Agreement between the above parties signed on October 19, 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year**

	31.03.2014		31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
At the beginning of the year	154,309,610	15,431	140,420,860	14,042
Issued during the year- Fresh Issue	50,000,000	5,000	13,888,750	1,389
Outstanding at the end of the year	204,309,610	20,431	154,309,610	15,431

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Dividend declared and paid would be in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the Company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

	31.03.2014		31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
L&T Finance Holdings Limited ('LTFH'), the Holding Company and its Nominees	204,309,610	20,431	154,309,610	15,431

204,309,610 (March 31, 2013: 154,309,610) Equity Shares of ₹ 10 each fully paid.

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares of ₹ 10 each fully paid

	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
L & T Finance Holdings Limited('LTFH'), the Holding Company	204,309,610	100%	154,309,610	100%

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. RESERVES AND SURPLUS**Capital redemption reserve****Securities premium account**

Balance as per the last financial statements

Add: Additions on fresh issue of equity shares

Less: Share & NCD issue expenses

Closing Balance**Statutory reserve**

Balance as per the last financial statements

Add: Amount transferred from surplus balance in the statement of profit and loss

Closing Balance**Surplus/ (deficit) in the statement of profit and loss**

Balance as per last financial statements

Add: Profit for the year

Less: Transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]

Net surplus/ (deficit) in the statement of profit and loss**TOTAL**

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
Capital redemption reserve	320	320
Securities premium account		
Balance as per the last financial statements	40,833	39,722
Add: Additions on fresh issue of equity shares	5,000	1,111
Less: Share & NCD issue expenses	(8)	-
Closing Balance	45,825	40,833
Statutory reserve		
Balance as per the last financial statements	2,140	401
Add: Amount transferred from surplus balance in the statement of profit and loss	1,527	1,739
Closing Balance	3,667	2,140
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(29,065)	(36,022)
Add: Profit for the year	7,636	8,696
Less: Transferred to Statutory Reserve	(1,527)	(1,739)
Net surplus/ (deficit) in the statement of profit and loss	(22,956)	(29,065)
TOTAL	26,856	14,228

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	Non-current portion		Current maturities	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
5. LONG-TERM BORROWINGS				
Non Convertible Debenture				
Secured	32,900	–	–	–
Unsecured	7,500	–	–	–
Term loans				
Indian rupee loan from banks (secured)	45,000	87,643	96,766	50,082
Demand Loan				
Indian rupee loan from banks (secured)	24,666	–	3,333	–
The above amount includes				
Secured borrowings*	102,566	87,643	100,099	50,082
Unsecured borrowings	7,500	–	–	–
Net amount	110,066	87,643	100,099	50,082

*Indian rupee loan from banks are term loans & demand loan secured by exclusive charge on specific book debt and future receivables.

Refer note 5 long-term borrowings**Terms of repayment of Term Loan borrowings as on March 31, 2014**

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	1	17,477	1	833	–	–	–	–	18,310
		3	4,166	2	4,998	–	–	–	–	9,164
		4	55,083	3	7,500	–	–	–	–	62,583
	11%-12%	–	–	1	20,000	–	–	–	–	20,000
		4	15,000	2	7,500	–	–	–	–	22,500
	12%-13%	1	14	–	–	–	–	–	–	14
11		1,694	–	–	–	–	–	–	1,694	
Above 3 years	10%-11%	4	3,332	4	3,332	1	837	–	–	7,501
			96,766		44,163		837			141,766

Refer note 5 long-term borrowings**Terms of repayment of Demand Loan borrowings as on March 31, 2014**

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	–	–	1	20,000	–	–	–	–	20,000
	11%-12%	4	3,333	4	3,333	2	1,333	–	–	7,999
			3,333		23,333		1,333			27,999

Refer note 5 long-term borrowings**Terms of repayment of NCD (Secured) as on March 31, 2014**

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	–	–	–	32,000	–	900	–	–	32,900
					32,000		900			32,900

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Refer note 5 long-term borrowings

Terms of repayment of NCD (Unsecured) as on March 31, 2014

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
Above 3 years	10%-11%	-	-	-	-	-	-	-	7,500	7,500
			-		-		-		7,500	7,500

Refer note 5 long-term borrowings

Terms of repayment of borrowings as on March 31, 2013

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	4	46,000	4	46,000	3	31,250	-	-	123,250
		-	-	-	-	4	4,334	-	-	4,334
		-	-	-	-	-	-	-	-	-
	12%-13%	12	2,633	1	14	-	-	-	-	2,647
		-	-	11	1,161	-	-	-	-	1,161
		-	-	12	533	-	-	-	-	533
		-	-	-	-	-	-	-	-	-
Above 3 years	10%-11%	3	1,449	4	1,933	4	1,933	1	485	5,800
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
			50,082		49,641		37,517		485	137,725

31.03.2014	31.03.2013
(₹ in Lakh)	(₹ in Lakh)

6. OTHER LONG-TERM LIABILITIES

Debt Service Reserve Account

TOTAL

196

196

Long-term

31.03.2014	31.03.2013
(₹ in Lakh)	(₹ in Lakh)

Short-term

31.03.2014	31.03.2013
(₹ in Lakh)	(₹ in Lakh)

7. PROVISIONS**Provision for employee benefits**

Provision for leave benefits

121

152

121

152

Other provisions

Contingent provision against standard assets (refer note 2.1 f)

569

461

569

461

TOTAL

690

613

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
8. SHORT-TERM BORROWINGS		
A. Secured		
Cash credit from banks*	406	1,600
	(A) 406	1,600
B. Unsecured		
Commercial Papers	51,000	7,500
Less: Unamortised discount	(456)	(172)
Revolving Credit		
From Bank	10,000	-
	(B) 60,544	7,328
TOTAL (A+B)	60,950	8,928

*Cash credit from banks are term loans secured by exclusive charge on book debt and future receivables. The cash credit is repayable on demand and carries interest @ 12% p.a.

9. OTHER CURRENT LIABILITIES

Trade payables (including acceptances) (refer note 34 for dues payable to Micro and small enterprises)

Expenses and other payable	2,007	927
Employee benefits payable	167	336
Other liabilities		
Interest accrued but not due on borrowings	646	1,028
Advance from customers	684	404
Bank balance (book overdraft)	1,842	1,409
Statutory dues payable	243	128
TOTAL	5,589	4,232

10. TANGIBLE ASSETS

(₹ in Lakh)

	Gross Block (at cost)				Depreciation/ Amortisation				Net Block	
	As at April 01, 2013	Addition during the year	Disposal during the year	As at March 31, 2014	As at April 01, 2013	For the year	Disposal during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
(i) Asset for own use										
Vehicles	10	-	-	10	10	-	-	10	-	-
Furniture and Fixture	187	6	8	185	184	8	8	184	1	3
Computers	1,016	190	8	1,198	958	83	8	1,033	165	58
Office Equipment	308	40	16	332	230	44	16	258	74	78
Sub-Total (i)	1,521	236	32	1,725	1,382	135	32	1,485	240	139
(ii) Leasehold asset	764	14	85	693	735	32	85	682	11	29
Sub-Total (ii)	764	14	85	693	735	32	85	682	11	29
Total [(i)+(ii)]	2,285	250	117	2,418	2,117	167	117	2,167	251	168
<i>Previous year</i>	2,328	67	110	2,285	2,053	173	109	2,117	168	275

The Company does not have any other leasehold assets except as disclosed above.

All assets have been recognized at cost

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**11. INTANGIBLE ASSETS**

(₹ in Lakh)

	Gross Block (at cost)				Depreciation/ Amortisation				Net Block	
	As at April 01, 2013	Addition during the year	Disposal during the year	As at March 31, 2014	As at April 01, 2013	For the year	Disposal during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Computer software	1,037	212	–	1,249	919	116	–	1,035	214	118
Total	1,037	212	–	1,249	919	116	–	1,035	214	118
<i>Previous year</i>	992	45	–	1,037	814	105	–	919	118	178

10. TANGIBLE ASSETS

(₹ in Lakh)

	Gross Block (at cost)				Depreciation/ Amortisation				Net Block	
	As at April 01, 2012	Addition during the year	Disposal during the year	As at March 31, 2013	As at April 01, 2012	For the year	Disposal during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
(i) Asset for own use										
Vehicles	22	–	12	10	22	–	12	10	–	–
Furniture and Fixture	188	3	4	187	179	10	5	184	3	9
Computers	1,021	23	28	1,016	929	57	28	958	58	92
Office Equipment	300	20	12	308	186	54	10	230	78	114
Sub-Total (i)	1,531	46	56	1,521	1,316	121	55	1,382	139	215
(ii) Leasehold asset	797	21	54	764	737	52	54	735	29	60
Sub-Total (ii)	797	21	54	764	737	52	54	735	29	60
Total [(i) + (ii)]	2,328	67	110	2,285	2,053	173	109	2,117	168	275
<i>Previous year</i>	2,364	124	160	2,328	1,930	279	156	2,053	275	434

The Company does not have any other leasehold assets except as disclosed above.

All assets have been recognized at cost

11. INTANGIBLE ASSETS

(₹ in Lakh)

	Gross Block (at cost)				Depreciation/ Amortisation				Net Block	
	As at April 01, 2012	Addition during the period	Disposal during the period	As at March 31, 2013	As at April 01, 2012	For the year	Disposal during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Computer software	992	45	–	1,037	814	105	–	919	118	178
Total	992	45	–	1,037	814	105	–	919	118	178
<i>Previous year</i>	914	78	–	992	637	177	–	814	178	277

Non-current31.03.2014
(₹ in Lakh)31.03.2013
(₹ in Lakh)**Current**31.03.2014
(₹ in Lakh)31.03.2013
(₹ in Lakh)**12. INVESTMENTS****Non-trade investment (Unquoted)****Investment in associates**

23,000,000 Number of shares of ₹ 10 Each fully paid in L&T infrastructure Debt Fund

2,300

–

–

–

Investment in Mutual Fund (Unquoted)

1,052,705.55 units of ₹ 1757.38 each in L&T Liquid Fund Direct Plan-Growth

–

–

18,500

–

2,300

–

18,500

–

Aggregate amount of quoted investments

–

–

–

–

Aggregate amount of unquoted investments

2,300

–

18,500

–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	Non-current		Current	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
F. Advances recoverable in cash or kind				
Unsecured, considered good	-	-	4,056	320
Unsecured, considered doubtful	33	33	-	-
	33	33	4,056	320
Provision for doubtful advances	(33)	(33)	-	-
(F)	-	-	4,056	320
G. Other loans and advances				
Employee Advances (Secured, considered good)	-	-	2	3
Advance fringe benefit tax (Net of provision)	-	2	-	-
Advance income tax (Net of provision)	282	220	-	-
Prepaid expenses	4	5	123	172
(G)	286	227	125	175
TOTAL (A+B+C+D+E+F+G)	152,044	81,327	143,635	85,629
			31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
14. DEFERRED TAX ASSET (NET)				
Deferred tax asset				
Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting			268	313
Provision for doubtful debts and advances			2,389	3,501
Provision for leave availment			41	51
Interest income on Non performing loan recognised for tax purpose			531	1,607
Net Deferred tax asset			3,229	5,472
Net Deferred tax asset recognised			2,700	1,600
Note: The Company has recognised a net deferred tax asset of ₹ 2,700 lakhs as at March 31, 2014 based on the reasonable certainty of making future taxable profits. The company has recognised DTA of ₹ 16 crore in FY 2012-13 and ₹ 11 crore in current financial year.				
	Non-current		Current	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
15. OTHER ASSETS				
Non-current bank balances (refer note 16)	-	-	-	-
Interest accrued but not due on portfolio loans	-	-	3,169	1,983
Interest accrued and due on portfolio loans	-	-	976	155
Redemption premium accrued but not due on LAS	122	-	-	-
Interest accrued but not due on deposits placed with banks	-	-	-	689
Interest accrued but not due on trade advance	-	-	9	-
Interest accrued but not due on Inter corporate deposit	-	-	-	2
TOTAL	122	-	4,154	2,829

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	Non-current		Current	
	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
16. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	930	1,515
Cash on hand	-	-	454	261
	-	-	1,384	1,776
Other bank balances				
Deposits with original maturity of more than 3 months but less than 12 months	-	-	13	9
Deposits with original maturity of more than 12 months	-	-	-	8,000
Margin money deposits*	-	-	-	4
	-	-	13	8,013
Amount disclosed under non-current assets (refer note 15)	-	-	-	-
	-	-	1,397	9,789

* Margin money deposit includes margin money against bank guarantee ₹ 0.04 [Previous year: ₹ 0.03]

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
17. REVENUE FROM OPERATIONS		
Interest income		
Interest income on portfolio loans	36,361	22,576
Other operating revenue		
Loan origination income (refer note 2.1 h)	6,307	8,885
Prepayment and other charges	1,884	1,262
Recovery against loans written off	51	5
Other operating fees collected	227	77
TOTAL	44,830	32,805
18. OTHER INCOME		
Interest on fixed deposits	100	1,780
Interest on inter corporate deposits	54	2
Insurance commission	27	61
Income from mutual fund	291	-
Profit on sale of assets	9	6
Liabilities no longer required written back	6	193
Miscellaneous income	61	2
TOTAL	548	2,044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
19. EMPLOYEE BENEFIT EXPENSES		
Salaries and bonuses	2,233	2,515
Leave benefits	(31)	47
Contribution to Provident Fund & Employees State Insurance	108	122
Contribution to Matching Grant Scheme	10	-
Gratuity expenses (refer note 33)	10	42
Staff welfare expenses	104	118
ESOP expenses (refer note 36)	2	-
TOTAL	2,436	2,844
20. FINANCE COSTS		
Interest		
On term loans from banks	15,286	12,424
On cash credit from banks	63	1
On inter-corporate deposits	208	195
On commercial papers	2,955	8
On non convertible debenture	240	-
On demand loan	47	-
On revolving credit	20	-
Loan processing fees	13	22
Brokerage & issue expense	45	-
TOTAL	18,877	12,650

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	31.03.2013 (₹ in Lakh)
21. OTHER EXPENSES		
Rent	746	700
Electricity charges	179	159
Communication expenses	191	174
Printing and stationery	219	160
Rates and taxes	337	770
Bank charges	680	538
Legal and professional charges	759	284
Rating Expense	24	22
Postage and telegram	206	157
Service charges of outsourced employees	2,440	1,684
Advertisement expenses	79	67
Seizure and parking charges	185	84
Brokerage and commission	3,135	1,842
Marketing incentives	844	486
Collection charges	2,975	2,015
Field investigation expenses	920	583
Travelling and conveyance	197	145
Hire charges	7	7
Auditors' remuneration (refer details below)	23	44
Computer network charges	188	145
Repairs and maintenance		
Computer Software and Hardware	258	268
Others	67	62
Insurance premium	5	44
Filling Fees	108	-
Corporate support charges paid to LTF	209	130
Miscellaneous expenses	50	76
TOTAL	15,031	10,646
As auditor:		
Audit fees	8	8
Tax audit fees	2	2
Limited review	3	2
Fees in relation to interim audit	-	20
In other capacity:		
Other services including certification fees	3	4
Reimbursement of expenses	7	8
TOTAL	23	44
22. DEPRECIATION AND AMORTIZATION EXPENSES		
Depreciation of tangible assets	166	173
Amortization of intangible assets	116	105
TOTAL	282	278

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

	31.03.2014 (₹ in Lakh)	<i>31.03.2013</i> (₹ in Lakh)
23. PROVISIONS AND WRITE-OFFS		
Contingent provision against standard assets	245	128
Provision for non-performing assets	(3,517)	(4,154)
Provision for loan management services	-	(2)
Portfolio loans and other balances written off	5,488	5,356
TOTAL	2,216	1,328
24. EARNINGS PER SHARE (EPS)		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net profit for calculation of basic EPS	7,636	8,696
Net profit for calculation of diluted EPS	7,636	8,696
	No. of shares	<i>No. of shares</i>
Weighted average number of equity shares in calculating basic EPS	178,213,720	140,573,065
Effect of dilution:		
Weighted average number of equity shares in calculating diluted EPS	178,213,720	140,573,065

25. CHANGE IN ACCOUNTING ESTIMATES:

During the current year, the Company has changed its estimate of provision for loss on automobile loan to align the provisioning policy followed by the other retail entities of L & T Finance Holdings Limited ('the Holding Company'). Had the Company continued to use earlier estimate the write back to the statement of profit and loss would have been lower by ₹ 2, 228 lacs.

26. SEGMENT INFORMATION

The Company has a single reportable segment i.e. financing which has similar risk and return for the purpose of AS-17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e domestic.

27. RELATED PARTY TRANSACTIONS**List and details of related parties**

Holding Company	L&T Finance Holdings Limited ('LTFH') Larsen & Toubro Limited('L&T')-Ultimate Holding Company Société Générale Consumer Finance ('SGCF') (Till December 30, 2012) Société Générale Bank ('SG')-Ultimate Holding Company (Till December 30, 2012)
Fellow Subsidiaries	L&T Finance Limited ('LTF') L&T FinCorp Limited L&T Housing Finance Limited ('LTHF') L&T Infrastructure Debt Fund L&T Capital Market Ltd. ('LTCM') ALD Automotive Private Limited ('ALD') (Till December 30, 2012) Societe Generale (Mumbai / Delhi banking operations) (Till December 30, 2012)
Key Management Personnel	G C Rangan – Chief Executive and Manager Guy Tamby - Whole time Director (From Jan 01, 2010 till December 31, 2012)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**Transaction during the year :**

(₹ in Lakh)

	Holding Company		Fellow subsidiaries		Key Management Personnel		Total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Personnel expenses paid to Guy Tamby	-	-	-	-	-	81	-	81
Car Lease Rentals paid to ALD	-	-	-	9	-	-	-	9
Term Loan repaid to SG (Mumbai/Delhi Banking operations)	-	-	-	2,083	-	-	-	2,083
Interest on Term Loan from SG (Mumbai/Delhi Banking operations)	-	-	-	129	-	-	-	129
Corporate support charges paid to LTF	-	-	235	146	-	-	235	146
Branch sharing cost from LTFH	-	-	24	1	-	-	24	1
Branch sharing cost to LTFH	-	-	12	-	-	-	12	-
Branch sharing cost from LTF	-	-	33	-	-	-	33	-
Branch sharing cost to LTF	-	-	64	-	-	-	64	-
Investment in L&T Infrastructure debt fund	-	-	2,300	-	-	-	2,300	-
ICD taken from LTFH	64,250	29,500	-	-	-	-	64,250	29,500
Repayment of ICD taken from LTFH	64,250	29,500	-	-	-	-	64,250	29,500
Interest on ICD taken from LTFH	121	193	-	-	-	-	121	193
ICD taken from LTF	-	-	43,000	500	-	-	43,000	500
Repayment of ICD taken from LTF	-	-	43,000	500	-	-	43,000	500
Interest on ICD taken from LTF	-	-	70	0.3	-	-	70	0.3
ICD taken from L&T FinCorp Ltd.	-	-	300	1,000	-	-	300	1,000
Repayment of ICD taken from L&T FinCorp Ltd.	-	-	300	1,000	-	-	300	1,000
Interest on ICD taken from L&T FinCorp Ltd.	-	-	0.4	1.6	-	-	0.4	1.6
ICD given to LTF	-	-	11,369	2,124	-	-	11,369	2,124
Repayment received -ICD given to LTF	-	-	12,893	600	-	-	12,893	600
Interest on ICD given to LTF	-	-	20	2	-	-	20	2
ICD given to L&T FinCorp Ltd.	-	-	9,300	-	-	-	9,300	-
Repayment received -ICD given to L&T FinCorp Ltd.	-	-	9,300	-	-	-	9,300	-
Interest on ICD given to L&T FinCorp Ltd.	-	-	34	-	-	-	34	-
Purchase of loan portfolio from LTF	-	-	46,192	42,440	-	-	46,192	42,440
Collection amount received on loan portfolio from LTF	-	-	21,265	-	-	-	21,265	-
Collection charges under portfolio purchase to LTF	-	-	27	0.2	-	-	27	0.2
ESOP expenses to LTFH	1.6	-	-	-	-	-	1.6	-
Arrangers fees paid to LTCM	-	-	1	-	-	-	1	-
Processing fees to L&T	7	-	-	-	-	-	7	-
Issue of NCD - L&T	2,000	-	-	-	-	-	2,000	-
Issue of NCD - LTFH	7,000	-	-	-	-	-	7,000	-
Interest on NCD issued to LTFH	31	-	-	-	-	-	31	-
Issue of NCD - LTF	-	-	5,900	-	-	-	5,900	-
Issue of Equity Share capital to LTFH (Including securities premium)	10,000	-	-	-	-	-	10,000	-

Balance outstanding as at the year end:

(₹ in Lakh)

	Holding Company		Fellow subsidiaries		Key Management Personnel		Total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Equity Share capital - LTFH	20,431	15,431	-	-	-	-	20,431	15,431
Non Convertible Debentures - LTFH	7,000	-	-	-	-	-	7,000	-
Interest accrued but not due on NCD issued to LTFH	31	-	-	-	-	-	31	-
ICD given to LTF	-	-	-	1,524	-	-	-	1,524
Interest accrued on ICD given to LTF	-	-	-	2	-	-	-	2
Investment in L&T Infrastructure debt fund	-	-	2,300	-	-	-	2,300	-
Receivable from LTF under portfolio purchase agreement	-	-	3,063	223	-	-	3,063	223

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

(₹ in Lakh)

	Holding Company		Fellow subsidiaries		Key Management Personnel		Total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Payable to LTF for collection charges	-	-	3	0.2	-	-	3	0.2
Expenses reimbursable from L&T Ltd.	8	-	-	-	-	-	8	-
Expenses reimbursable to L&T Ltd.	21	0.2	-	-	-	-	21	0.2

28. DISCLOSURE U/S 186 OF COMPANIES ACT 2013 :**Details of Loans and Investments - FY 2013-14**

S. No.	Nature of the transaction (loans given / investment made / guarantee given / security provided)	Name of party	Purpose for which the loan / guarantee / security is proposed to be utilised by the recipient	Amount (₹)
1	Inter-Corporate Deposit	L & T Finance Limited	Working Capital	11,369
2	Inter-Corporate Deposit	L&T Fincorp Limited	Working Capital	9,300
3	Equity Investment	L&T Infrastructure Debt Fund	The Company acquired equity stake in the IDF, which was set up under the sponsorship of L & T Infrastructure Finance Company Ltd.	2,300
			Total	22,969

29. LEASES

Office premises and vehicles are taken on operating lease. The non-cancelable lease term is for 11 months to 60 months and renewable at the option of the Company. Certain lease agreements contain clause for escalation of lease payments. There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to the Statement of profit and loss.

Description	31.03.2014	31.03.2013
Operating lease payments recognized during the year	677	711
Minimum Lease Obligations		
Not later than one year	684	652
Later than one year but not later than five years	945	166
Later than five years	-	-

30. CONTINGENT LIABILITIES NOT PROVIDED FOR

Description	31.03.2014	31.03.2013
Bank Guarantees to Assistant Commissioner of Commercial Taxes	0.3	0.3
Total	0.3	0.3

31. CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2014 is ₹ 19 (Previous Year ₹ 6).

32. EXPENDITURE IN FOREIGN CURRENCY

Expenditure in foreign currency (Accrual basis)	For the Year Ended 31.03.2014	For the Year Ended 31.03.2013
Foreign Traveling	-	22
Subscription Fees	1	-
Transportation Charges	-	4
Software License fee	-	1
Total	1	27

33. GRATUITY:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summarises the component of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**Statement of profit and loss****Net employee benefits expense recognised in the employee cost:**

Particulars	Gratuity	
	31.03.2014	31.03.2013
Current service cost	22	20
Interest cost on benefit obligation	10	7
Expected return on plan assets	(10)	(10)
Net actuarial (gain) / loss recognised in the year	(12)	22
Amount not recognize as asset	-	-
Gratuity expense	10	39
Actual return on plan assets	12	10

Balance Sheet**Details of Provision for gratuity**

Particulars	31.03.2014	31.03.2013
Defined benefit obligation	103	101
Fair value of plan assets	128	123
	25	22
Less: Amount not recognize as asset	-	-
Plan asset / (liability)	25	22

Changes in the present value of the defined benefit obligation are as follows:

Particulars	31.03.2014	31.03.2013
Opening defined benefit obligation	101	63
Interest cost	10	7
Current service cost	22	20
Benefits paid	(20)	(12)
Actuarial (gains) / losses on obligation	(10)	23
Closing defined benefit obligation	103	101

Changes in the fair value of plan assets are as follows:

Particulars	31.03.2014	31.03.2013
Opening fair value of plan assets	123	124
Expected return	10	10
Contributions by employer	13	-
Benefits paid	(20)	(12)
Actuarial gains / (losses)	2	1
Closing fair value of plan assets	128	123

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31.03.2014	31.03.2013
Investments with insurer (%)	100	100

The principal assumptions used in determining gratuity obligation for the Company's plans are shown below:

Particulars	31.03.2014	31.03.2013
Discount rate (%)	9.35	8.10
Expected rate of return on assets (%)	8.00	8.00
Employee Turnover (%)		
Age (Years) 21-44	2.00	2.00
Age (Years) 45-59	1.00	1.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Amounts for the current and previous period are as follows:

Particulars	Gratuity				
	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Defined benefit obligation	103	101	63	44	47
Plan assets	128	123	124	91	75
Surplus / (deficit)	25	22	61	47	28
Experience adjustments on plan liabilities	(6)	11	-	(9)	(3)
Experience adjustments on plan assets	2	1	-	-	-

34. DUES TO MICRO AND SMALL ENTERPRISES

There are no amounts that need to be disclosed pursuant to Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED')

For the year ended Mar 31, 2014, no supplier has intimated the Company about its status as Micro or Small Enterprises or its registration with the appropriate authority under MSMED.

35. VALUE ADDED TAX

The Company received an order from West Bengal Taxation Tribunal (WBTT) for payment of VAT on sale of repossessed assets. In its decision dated April 16, 2010, WBTT concluded that Non-banking financial companies are 'dealers' within the meaning of definition of dealer under Section 2(11)(d) of West Bengal VAT Act, 2003 and accordingly liable for payment of VAT. The Company being one of the petitioners to the Tribunal on the above matter has provided for VAT liability of ₹ 162. However the Company has paid VAT under protest amounting to ₹ 100 out of the above liability, on the sale value of repossessed vehicles after claiming benefit of Rule 26K of West Bengal VAT Rules, 2005. The Company had filed a petition before the Calcutta High Court against the order of the WBTT. However, the Calcutta High Court has dismissed the petition in favour of WBTT. The Company along with other petitioners has filed petition before the Supreme Court against the order of the Calcutta High Court.

Further, the Company has received an order from VAT authorities in the state of Orissa in December 2012 levying an amount of ₹ 17 on sale of repossessed assets in Orissa. The Company has made an appeal against the order of the Deputy Commissioner of Sales Tax and made a provision of ₹ 16 as at March 31, 2014 out of which ₹ 8 has been paid. Apart from the above proceedings, there are no other proceedings against the Company for payment of VAT on sale of repossessed assets.

36. Pursuant to the Employees Stock Options Scheme established by ['the holding company'] L&T Finance Holdings Limited, stock options were granted to the employees of the Company during the financial year 2013-14. The total cost incurred by the holding company, in respect of options granted to employees of the Company amounts to ₹ 2.36. This sum is being recovered from the Company over the period of vesting. Accordingly, sum of ₹ 1.6 has been recovered from the Company during the year which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 0.76 will be recovered in future periods.**37. ADDITIONAL DISCLOSURE REQUIRED BY RBI****a) Capital to Risk-Asset Ratio (CRAR)**

Sl. No.	Items	Current year	Previous year
(i)	CRAR (%)	16.49%	16.91%
(ii)	CRAR- Tier I Capital (%)	13.84%	16.46%
(iii)	CRAR- Tier II Capital (%)	2.65%	0.45%

b) Exposures to Real Estate Sector

Category	Current year	Previous Year
a) Direct exposure		
(i) Residential Mortgages -	Nil	Nil
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakh may be shown separately)		
(ii) Commercial Real Estate -	22,999	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;		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

Category	Current year	Previous Year
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised 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).		

c) Disclosure on fraud

Type of fraud	Number of cases	Amount involved (₹)	Amount recovered (₹)	Provision/Loss (₹)
Fraudulent misrepresentation	15	19.2	13.1	6.1

Previous year

Type of fraud	Number of cases	Amount involved (₹)	Amount recovered (₹)	Provision/Loss (₹)
Fraudulent misrepresentation	2	11.0	0.2	10.8

d) Maturity pattern of certain items of assets and liabilities

Particulars	Upto 1 mth	1 to 2 mths	2 to 3 mths	3 to 6 mths	6 mths to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings	20,567	41,530	24,316	22,950	51,687	102,566	-	7,500	271,116
Assets									
Advances	15,012	17,770	12,559	36,599	62,102	113,982	26,388	11,234	295,646
Investments	18,500	-	-	-	-	-	-	2,300	20,800

Previous Year

Particulars	Upto 1 mth	1 to 2 mths	2 to 3 mths	3 to 6 mths	6 mths to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings	1,819	219	19,047	12,641	25,283	87,157	485	-	146,651
Assets									
Advances	10,318	8,493	7,811	21,813	36,778	68,059	12,827	20	166,118

Note: Advances considered above are as per note 13 of the financial statement, net of Provision for Non-performing asset and contingency provision for standard assets given in note 7 of the financial statements.

38. PREVIOUS YEAR FIGURES

Figures for the previous year have been regrouped, rearranged or reclassified, where necessary to conform to the current period's classification.

For and on behalf of the Board of Directors

G. C. RANGAN
Chief Executive and Manager

ABHIJIT CHATTERJEE
Company Secretary

DINANATH DUBHASHI
Director

C. S. DAMLE
Director

Place : Mumbai
Date : April 17, 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)**Schedule to the Balance Sheet of a Non-Banking Financial Company**

Disclosure as required in terms of Paragraph 13 of Non- Banking Financial (Non-Deposit Accepting or Holding) Companies

Prudential Norms (Reserve Bank) Directions, 2007 .

(₹ in Lakh)

SL No.	Particulars	Amount Outstanding	Amount Overdue
	Liabilities side :		
(1)	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	32,900	–
	: Unsecured (other than falling within the meaning of public deposits*)	7,500	–
	(b) Deferred Credits	–	–
	(c) Term Loans	141,766	
	(d) Inter-corporate loans and borrowing	–	–
	(e) Commercial Paper	50,544	–
	(f) Public Deposits*	–	–
	(g) Other Loans (specify nature)		–
	- Cash Credit from Bank and WCDL	406	–
	- Revolving Credit	10,000	–
	- Demand Loan	27,999	–
	- Temporary Overdraft	1,842	–
	(h) Accrued Interest on above borrowings (a to g)	646	–
	Assets Side	Amounts Outstanding	
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (3) below]:		
	(a) Secured		283,426
	(b) Unsecured		7,490
(3)	Break up of Leased Assets and stock on hire & hypothecation loans counting towards AFC activities		
	(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 AFC activities		
	(a) Loans where assets have been repossessed		–
	(b) Loans other than (a) above		–
(4)	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		–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd.)

(₹ in Lakh)

SL No.	Particulars	Amount Outstanding	Amount Overdue
	(ii) Debentures and Bonds		–
	(iii) Units of mutual funds		18,500
	(iv) Government Securities		–
	(v) Others (please specify)		–
	Long Term 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		2,300
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of mutual funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		–
(5)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:		
	Category	Secured	Unsecured
	Total		
	1. Related Parties		
	(a) Subsidiaries	–	–
	(b) Companies in the same group	–	–
	(c) Other related parties	–	–
	2. Other than related parties	283,426	7,490
	Total	283,426	7,490
(6)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties		
	(a) Subsidiaries	–	–
	(b) Companies in the same group	20,822	20,800
	(c) Other related parties	–	–
	2. Other than related parties	–	–
	Total	20,822	20,800
(7)	Other information		Amount
	(i) Gross Non-Performing Assets		
	(a) Related parties		–
	(b) Other than related parties		8,186
	(ii) Net Non-Performing Assets		
	(a) Related parties		–
	(b) Other than related parties		2,167
	(iii) Assets acquired in satisfaction of debt		–

Notes:

- As defined in Paragraph 2 (1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investment and other assets as also assets acquired in satisfaction of debt. However, market value in respect of unquoted investment should be disclosed irrespective of whether they are classified as long term or current in (4) above.

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, 2013.

FINANCIAL RESULTS

Financial Results	2013 ₹ in Lakhs	<i>2012 ₹ in Lakhs</i>
Total Income	4,209.79	3,769.70
Profit / (Loss) for the year	(6,001.01)	3,044.13

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. Due to general downward trend in the market, your Company posted a loss of ₹ 6,001.01 lakhs for the year 2013 mainly due to impairment on investment and loan advanced to Subsidiary companies.

The Company has been making equity Investments in Subsidiary & Associate Companies in various countries after careful analysis. In 2013, an additional investment/ advance towards equity of ₹ 1,658.19 lakhs was made and loan of ₹ 16,196.92 lakhs was advanced to various JV companies/ subsidiaries in the Middle East andn China.

During the year, Company reviewed the performance of one of subsidiaries in China and took a decision to sell as the return on investment was very low. In the year under review one company namely M/s Larsen & Toubro Jiangsu Valve Company Limited's stake of 25%, was sold at ₹ 204 lakhs and incurred loss of ₹ 1,056 lakhs.

CURRENT BUSINESS SCENARIO & FUTURE OUTLOOK

It appears the general Economic conditions in the world and in particular Gulf is appearing to be positive in the coming years. The various operational subsidiary & associate companies in which the Company has invested funds are working towards improved performance.

CAPITAL EXPENDITURE

During the year, the Company sold Plant & Machinery worth ₹ 1,146 lakhs to parent company.

PERSONNEL

The Officers of the Company are working in ex-officio capacity and are employees of the parent company.

AUDITORS REPORT

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

AUDITORS

The auditors M/s PKF continue to be the auditors of the Company for the year 2013.

PARTICULARS OF EMPLOYEES

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.

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.

MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET & 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.

DIVIDEND

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

DIRECTORS

During the year, Mr. R Govindan was inducted as Director.

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 states of affairs of the Company as at December 31, 2013 and the profits 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.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended by the customers, vendors, bankers, Auditors, L&T India and staff of the Company.

For and on behalf of the Board

Place : Mumbai
Date : August 8, 2014

N HARIHARAN
Director

R GOVINDAN
Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO INTERNATIONAL FZE

The financial statements of **LARSEN & TOUBRO INTERNATIONAL FZE** for the year ended December 31, 2013, being a company registered in the United Arab Emirates, are audited by the statutory auditors Pannell Kerr Forster and we have been furnished with their audit report dated June 4, 2014.

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:

Report on the financial statements

We have audited the accompanying financial statements of Larsen & Toubro International FZE ("the Company"), which comprise the balance sheet as at December 31, 2013, and the statement of profit and loss and the cash flow statement for the year ended on that date, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the central government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013, issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; 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.

SHARP & TANNAN

*Chartered Accountants
Firm's Registration No. 109982W
By the hand of*

RAGHUNATH P. ACHARYA

*Partner
Membership No. 39920*

Place : Mumbai

Date : August 8, 2014

ANNEXURE TO THE INDEPENDENT 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) During the year, the Company has disposed off substantial part of fixed assets. Based on the information and explanations given by the management, we are of the opinion that the sale of the said assets has not affected the going concern status of the Company.
- 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 In our opinion, the Company has an internal audit system commensurate with the 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 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, the Company is regular in depositing undisputed statutory dues with appropriate authorities and there are no undisputed statutory dues outstanding for a period exceeding six months as at December 31, 2013.
- (b) According to the information and explanations given to us, there are no dues towards income tax, sales tax, service tax, customs duty, excise duty and wealth tax that were under dispute as at December 31, 2013.
- 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.
- 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
Firm's Registration No. 109982W
By the hand of

RAGHUNATH P. ACHARYA
Partner
Membership No. 39920

Place : Mumbai
Date : August 8, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note No.	As at 31.12.2013		As at 31.12.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share capital	A	11,473,973,500		11,473,973,500	
Reserves and Surplus	B	379,896,148		(288,781,547)	
			11,853,869,648		11,185,191,953
Non - Current Liabilities					
Long term provisions	C		694,066		515,632
Current Liabilities					
Short term Borrowings	D(I)	-		333,808,871	
Trade payables	D(II)	1,256,853		823,715	
Other Current liabilities	D(III)	-		1,588,586	
			1,256,853		336,221,172
TOTAL			11,855,820,567		11,521,928,757
ASSETS:					
Non Current Assets					
Fixed assets:					
Tangible Assets	E		39,926,363		85,129,345
Non - Current Investments	F		6,803,507,834		6,727,018,098
Long-term Loans and Advances	G		3,570,659,420		2,009,022,345
Current Assets					
Trade Receivables	H(I)	7,639,061		16,272,415	
Cash and bank balances	H(II)	1,297,662,181		2,176,043,425	
Short term loans and advances	H(III)	136,425,708		508,443,129	
			1,441,726,950		2,700,758,969
TOTAL			11,855,820,567		11,521,928,757
CONTINGENT LIABILITES	O(9) & P(13)				
COMMITMENTS(CAPITAL AND OTHERS)	O(7) & P(14)				
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

By the hand of

RAGHUNATH P. ACHARYA

Partner

Membership No. 39920

N. HARIHARAN

Director

R. GOVINDAN

Director

Place : Mumbai

Date : August 8, 2014

Place : Mumbai

Date : August 8, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

	Note No.	2013		2012	
		₹	₹	₹	₹
REVENUE:					
Revenue from operations	I		16,115,979		57,356,634
Other Income	J		386,862,817		319,613,781
TOTAL REVENUE			402,978,796		376,970,415
EXPENSES:					
Operating Expenses	K	1,328,266		3,162,020	
Employee benefits expense	L	13,657,766		14,258,956	
Administration and other expenses	M	975,917,480		14,741,530	
Finance Costs	N	2,329,321		6,804,964	
Depreciation on tangible assets		9,847,211		27,389,452	
TOTAL EXPENSES			1,003,080,044		66,356,922
Profit/(loss) before tax			(600,101,248)		310,613,493
Tax expenses					
Current tax					
Withholding tax paid (Note O (3))			-		6,200,373
Profit/(loss) after tax carried to balance sheet			(600,101,248)		304,413,120
Earnings per equity share : Basic and Diluted (₹)	Note O(10)		(328,103)		166,437
Face Value per Equity Share (USD \$)			150,000		150,000
OTHER NOTES FORMING PART OF ACCOUNTS	O				
SIGNIFICANT ACCOUNTING POLICIES	P				

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

By the hand of

RAGHUNATH P. ACHARYA

Partner

Membership No. 39920

N. HARIHARAN

Director

R. GOVINDAN

Director

Place : Mumbai

Date : August 8, 2014

Place : Mumbai

Date : August 8, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 ₹	2012 ₹
A. Cash Flow from operating activities		
Net profit/(Loss) before tax	(600,101,248)	310,613,493
Adjustments for:		
Provision for diminution in value of Investments	744,712,774	-
Provision of doubtful debts	218,837,394	-
Depreciation	9,847,211	27,389,452
Dividend Income	(432,318,491)	(301,962,521)
(Profit) / Loss on sale of fixed assets	(5,099)	(619,243)
Interest expense	2,329,321	6,804,964
Interest Income	(60,156,034)	(35,576,018)
Loss /(Gain) on sale of long term of investments	105,675,519	18,740,185
Foreign currency translation reserve	27,070,405	11,449,174
Operating profit before working capital changes	15,891,752	36,839,486
(Increase) / decrease in trade and other receivables	474,435,312	(469,276,082)
Increase / (decrease) in trade payables and other current liabilities	(1,339,563)	(32,657,076)
Cash (used in) / generated from Operating Activities	488,987,501	(465,093,672)
B. Cash Flow from Investing Activities		
Purchase of Fixed assets	(67,305)	(87,002)
Sale of fixed assets	45,373,006	85,011,106
Loans & Advances to subsidiaries / associates/joint venture partners	(1,619,682,267)	(296,658,649)
Investment in subsidiaries / associates	(165,819,006)	(203,681,187)
Proceeds on disposal of investments	20,400,928	664,527,075
Dividend received from subsidiaries	432,318,491	301,962,521
Interest received	28,132,654	35,576,018
Net Cash (used in) / from Investing Activities	(1,259,343,499)	586,649,882
C. Cash Flow from Financing activities		
Interest paid	(2,329,321)	(6,804,964)
Loans from Subsidiary and Associate Companies (net of repayment)	(375,142,415)	(7,545,149)
Net cash (used in) / from Financing Activities	(377,471,736)	(14,350,113)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(1,147,827,734)	107,206,097
Cash and cash equivalents at beginning of the year	2,176,043,425	1,997,738,088
Foreign Exchange difference in cash and cash equivalents	269,446,490	71,099,240
Cash and cash equivalents at end of the year	1,297,662,181	2,176,043,425

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 & Cash equivalent represent fixed deposits including interest accrued thereon and cash and bank balances.
- 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

Firm's Registration No. 109982W

By the hand of

RAGHUNATH P. ACHARYA

Partner

Membership No. 39920

N. HARIHARAN

Director

R. GOVINDAN

Director

Place : Mumbai

Date : August 8, 2014

Place : Mumbai

Date : August 8, 2014

NOTES FORMING PART OF ACCOUNTS

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE A : SHARE CAPITAL		
A(i) Share capital authorised, issued, subscribed and paid-up:		
Authorised:		
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)	16,588,690,735	16,588,690,735
Issued, subscribed and fully paid- up		
1,829 Equity Shares of USD 150,000 each (Previous year 1,829 Equity Shares of USD 150,000 each)	11,473,973,500	11,473,973,500

Note : All the above equity shares are held by Larsen & Toubro Limited, the holding company.

	As at 31.12.2013		As at 31.12.2012	
	No. of Shares	₹	No. of Shares	₹
A(ii) Reconciliation of the number of equity shares and share capital:				
Issued, subscribed and fully paid-up equity shares outstanding at the beginning of the year	1,829	11,473,973,500	1,829	11,473,973,500
Add: Shares issued during the year	-	-	-	-
Issued, subscribed and fully paid-up equity shares outstanding at the end of the year	1,829	11,473,973,500	1,829	11,473,973,500

A(iii) Terms/rights attached to equity shares:

The company has only one class of equity shares having a face value of USD 1,50,000 per share. Each holder of equity shares is entitled to one vote per share.

A(iv) The Company has not reserved any shares for issue under options and contracts/ commitments for the sale of shares/disinvestments.

A(v) The aggregate number of equity shares allotted as fully paid-up by way of bonus shares in immediately preceding five years ended December 31, 2013 is Nil (previous period of five years ended December 31, 2012 is Nil).

A(vi) The aggregate number of equity shares issued pursuant to contract, without payment being received in cash in immediately preceding last five years ended on December 31, 2013 – Nil (previous period of five years ended December 31, 2012 is Nil).

A(vii) The Directors have not recommended payment of dividend during the year.

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE B : RESERVES AND SURPLUS				
Foreign currency translation reserve:				
As per last Balance Sheet	2,551,999,792		2,168,612,162	
Addition/(deduction) during the year	1,268,778,944		383,387,630	
		3,820,778,736		2,551,999,792
Surplus / (deficit) in the statement of profit and loss				
As per last Balance Sheet	(2,840,781,340)		(3,145,194,459)	
Profit / (Loss) for the year	(600,101,248)		304,413,120	
		(3,440,882,588)		(2,840,781,339)
TOTAL		379,896,148		(288,781,547)

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013	As at 31.12.2012
	₹	₹
NOTE C : LONG TERM PROVISIONS		
Provision for employee benefits		
Gratuity	694,066	515,632
TOTAL	694,066	515,632
NOTE D (i) : SHORT TERM BORROWINGS		
Loans from related parties:		
Intercorporate borrowings from subsidiary company (Unsecured)	-	333,808,871
TOTAL	-	333,808,871
NOTE D (ii) : TRADE PAYABLES		
Due to related parties		
Parent Company	552,744	-
Due to Others	704,109	823,715
TOTAL	1,256,853	823,715
NOTE D (iii) : OTHER CURRENT LIABILITIES		
Other Payables	-	1,588,586
TOTAL	-	1,588,586

NOTE E : TANGIBLE ASSETS

CLASS OF ASSETS	COST / VALUATION					DEPRECIATION					BOOK VALUE	
	As at 01.01.2013	Exchange difference included in the translation reserve	Additions	Deductions	As at 31.12.2013	Upto 31.12.2012	Exchange difference included in the translation reserve	For the Year	Deductions	As at 31.12.2013	As at 31.12.2013	As at 31.12.2012
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Building	28,533,441	3,533,124	-		32,066,565	8,315,684	1,215,047	3,060,492	-	12,591,223	19,475,372	20,217,757
Plant and Equipment	141,307,123	17,496,963	-	(104,800,746)	54,003,340	77,358,055	9,982,553	6,669,469	(60,361,746)	33,648,332	20,355,008	63,949,068
Furniture and Fixtures	4,736,169	586,390	67,305	(231,891)	5,157,973	4,578,281	574,062	117,250	(207,602)	5,061,990	95,983	157,888
Vehicles	8,588,074	1,063,453	-	(9,651,527)	-	7,783,442	963,777	-	(8,747,219)	-	-	804,632
Total	183,164,807	22,679,930	67,305	(114,684,164)	91,227,878	98,035,462	12,735,441	9,847,211	(69,316,567)	51,301,545	39,926,363	85,129,345
Previous year	289,941,087	10,319,184	87,002	(117,182,466)	183,164,807	99,050,651	4,405,871	27,389,452	(32,810,512)	98,035,462		
Add: Capital work-in-progress											-	-
											39,926,363	85,129,345

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE F : NON-CURRENT INVESTMENTS				
(at cost unless otherwise specified)				
Long term Investments				
1. Trade investments				
i. Investments in equity instruments fully paid				
(a) Subsidiary Companies:				
Larsen & Toubro Electromech LLC	41,961,374		37,338,030	
195,000 shares of Omani Riyal 1 each				
Larsen & Toubro (Oman) LLC	108,441,537		96,493,347	
947,144 shares of Omani Riyal 1 each				
Larsen & Toubro Saudi Arabia LLC	27,070		24,088	
3800 shares of Saudi Riyal 1 each				
Larsen & Toubro Qatar LLC	1,715,884		1,526,826	
98 shares of Qatari Riyal 1000 each				
Larsen & Toubro (East Asia) SDN.BHD.	139,061		123,739	
225,000 shares of Malaysian ringgit 1 each				
Larsen & Toubro Overseas Projects Nigeria Limited	4,326,328		3,849,650	
9,999,998 shares of Naira 1 each				
L&T Modular Fabrication Yard LLC	302,293,153		268,986,209	
1,875,000 shares of Omani Riyal 1 each				
Larsen & Toubro Ready Mix Concrete Industries LLC	8,246,229		7,337,653	
490 shares of UAE Dirham 1000 each				
L&T Electricals & Automation Saudi Arabia Company Limited (formerly known as L&T Electricals Saudi Arabia Company LLC)	222,615,646		198,087,645	
13,500 shares of Saudi Riyal 1000 each				
Larsen & Toubro Kuwait Construction General Contracting Company WLL	211,040,429		187,787,797	
980 shares of Kuwaiti Dinar 1000 each				
Larsen & Toubro (Qingdao) Rubber Machinery Company Limited.	719,667,894		497,387,209	
Equity shares aggregating to US Dollar 11,644,226 (previous year US Dollar 9,044,226)				
Larsen & Toubro ATCO Saudia LLC	12,428,087		7,240,367	
750 shares of Saudi Riyal 1000 each (previous year 490 shares of Saudi Riyal 1000 each)				
Larsen & Toubro Heavy Engineering LLC	641,175,554		570,530,229	
39,65,500 shares of Omani Riyal 1 each				
L&T Electrical & Automation FZE	16,829,049		14,974,809	
1 Equity share of AED 1,000,000				
PT Tamco Indonesia	129,638,633		115,354,927	
247,500 shares of Indonesian Rupiah 2010 each				
Tamco Electrical Industries Australia Pty Limited	319,014,539		283,865,217	
13,500,000 shares of Australian Dollar 1 each				
Tamco Switchgear Malaysia SDN. BHD.	4,495,779,687		4,000,430,451	
100,000,000 shares of Malaysian Ringgits 1 each				
Thalest Limited, U K	228,738,329		203,535,725	
133,656 shares of GBP 1 each				

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
Larsen & Toubro T and D SA (PTY) Ltd 725 shares of South African Rand	49,508,346		44,053,470	
Larsen & Toubro Consultoria E Projeto Ltda. 618,300 shares of Brazilian Rand 1 each	32,262,053		28,707,390	
		7,545,848,882		6,567,634,778
Provision for diminution in value of Investments		(784,410,543)		–
Total Investment in Subsidiary Companies- 1(i)(a)		6,761,438,339		6,567,634,778
(b) Associate Companies:				
L&T Camp Facilities LLC Equity shares aggregating to US Dollar 667,164	41,233,871		36,690,684	
Larsen & Toubro (Jiangsu) Valve Company Ltd (previous year equity shares aggregating to RMB 16,000,000)	–		117,880,573	
Larsen & Toubro Hydrocarbon International LLC Equity shares aggregating to US Dollar 13,521 (previous year Nil)	835,624		–	
		42,069,495		154,571,257
Provision for diminution in value of Investments		–		–
Total Investment in Associate Companies-1(i)(b)		42,069,495		154,571,257
Total Investment in Subsidiary & Associate Companies-1		6,803,507,834		6,722,206,035
(2) Other Investments				
Partly paid equity shares in incorporated Joint Ventures				
Indiran Engg & Project Services Krish LLC 875 shares of Irani Riyal 1,000,000 each	5,407,911		4,812,063	
		5,407,911		4,812,063
Provision for diminution in value of Investments		(5,407,911)		–
Total Investment in other Companies-2		–		4,812,063
Total Long Term Investment- (1+2)		6,803,507,834		6,727,018,098

Note: The above investments are unquoted.

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE G : LONG TERM LOANS AND ADVANCES				
Unsecured-Considered good				
Loans and advances to related Parties				
Subsidiary companies				
Loans	1,601,967,392		1,724,243,057	
Inter-corporate deposits including interest accrued thereon	1,675,231,727		32,997,000	
Associate companies				
Loans	148,415,424		122,718,593	
Joint Venture Companies				
Loans	3,244,747		2,887,237	
Considered doubtful				
Loan to Subsidiary company	232,091,914		244,249,788	
	<u>3,660,951,204</u>		<u>2,127,095,675</u>	
Less: Provision for doubtful Advances	<u>232,091,914</u>		<u>244,249,788</u>	
		3,428,859,290		1,882,845,887
Other loans and advances				
Loan to joint venture partners		141,800,130		126,176,458
TOTAL		<u>3,570,659,420</u>		<u>2,009,022,345</u>
NOTE H (i) : TRADE RECEIVABLES				
Unsecured				
Debts outstanding for more than 6 months:				
Considered good	-		-	
Considered doubtful	-		98,089,962	
	-		<u>98,089,962</u>	
Other Debts:				
Considered good	7,639,061		16,272,415	
	<u>7,639,061</u>		<u>114,362,377</u>	
Less: Provision for doubtful debts (Refer Note O(1)(VI)(c))	-		<u>98,089,962</u>	
		<u>7,639,061</u>		<u>16,272,415</u>
TOTAL		<u>7,639,061</u>		<u>16,272,415</u>
NOTE H (ii) : CASH AND BANK BALANCES				
Cash and cash equivalent				
Cash on hand	114,214		62,034	
Cheques on hand			7,723,443	
Balances with banks	11,466,696		11,936,829	
Fixed deposits with banks including interest accrued thereon (maturity less than 3 months)	118,260,199		1,095,881,021	
		<u>129,841,109</u>		<u>1,115,603,327</u>
Other bank balances				
Fixed deposits with banks including interest accrued thereon [including ₹ 8,50,14,069 of bank deposits with more than 12 months maturity (previous year: ₹ Nil)]		1,167,821,072		1,060,440,098
TOTAL		<u>1,297,662,181</u>		<u>2,176,043,425</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.12.2013		As at 31.12.2012	
	₹	₹	₹	₹
NOTE H (iii) : SHORT TERM LOANS AND ADVANCES				
Unsecured				
Considered good				
Subsidiary companies				
Inter-corporate deposits including interest accrued thereon		64,034,685		41,010,046
Others				
Considered good				
Security deposits		294,845		269,860
Advances recoverable in cash or in kind		72,096,178		467,163,223
TOTAL		136,425,708		508,443,129
		2013		2012
		₹		₹
NOTE I : REVENUE FROM OPERATIONS				
Other operational revenue				
Revenue from Hiring of Plant and Machinery		16,115,979		57,356,634
TOTAL		16,115,979		57,356,634
NOTE J : OTHER INCOME				
Interest Income				
Interest Income on Bank Deposits		27,285,589		28,593,998
Interest Income on Inter-corporate Deposits to Subsidiaries		32,223,012		6,479,464
Interest Income others		647,433		502,556
Dividend Income				
From long term Investments				
Subsidiary Companies		432,318,491		301,962,521
Net gain/ (loss) on Sale of Investments				
Long term Investments (net)		(105,675,519)		(18,740,185)
Net gain/ (loss) on Sale of Fixed Assets (net)		5,099		619,243
Miscellaneous Income				
Miscellaneous Receipts		58,712		196,184
TOTAL		386,862,817		319,613,781
NOTE K : OPERATING EXPENSES				
Repairs and Maintenance - Plant and Machinery		316,503		1,649,557
Insurance		1,008,907		1,492,642
Freight and Forwarding		2,856		19,821
TOTAL		1,328,266		3,162,020
NOTE L : EMPLOYEE BENEFITS EXPENSE				
Salaries		12,436,154		12,097,199
Welfare and other expenses		1,221,612		2,161,757
TOTAL		13,657,766		14,258,956

NOTES FORMING PART OF ACCOUNTS (Contd.)

	2013		2012	
	₹	₹	₹	₹
NOTE M : ADMINISTRATION AND OTHER EXPENSES				
Power and fuel		433,700		593,828
Professional fees		3,721,863		16,648,973
Audit fees		563,313		464,246
Rent		1,234,726		1,006,497
Rates and taxes		3,114,030		3,019,118
Travelling and conveyance		1,454,474		1,689,413
General repairs and maintenance		667,366		440,695
Telephone, postage and telegram		701,186		727,139
Printing and stationery		68,931		98,465
Bank charges		150,684		174,179
Security charges		147,842		1,148,334
Exchange (gain)/ loss (net)		(803,175)		(11,990,742)
Miscellaneous expenses		912,372		721,385
Provision for doubtful advances		218,837,394		
Provision for diminution in value of Investments		744,712,774		
Bad debts and advances written off	362,735,717		–	
Less : Adjustments of provisions for doubtful debts and advances made in earlier years	362,735,717		–	
		–		–
TOTAL		975,917,480		14,741,530
NOTE N : FINANCE COST				
Interest on bank overdraft		69,704		–
Interest on Inter corporate borrowing from subsidiary companies		2,259,617		6,804,964
TOTAL		2,329,321		6,804,964

NOTE O**O(1) Disclosure of related parties/related party transactions pursuant to Accounting Standard 18 "Related Party Disclosures"****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 ATCO Saudia LLC	Subsidiary**
6	Larsen & Toubro (Qingdao) Rubber Machinery Company Limited	Wholly owned Subsidiary
7	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary**
8	L & T Electrical & Automation Saudi Arabia Company Limited (LLC)	Subsidiary*
9	Larsen & Toubro Qatar LLC	Subsidiary**
10	Larsen & Toubro (East Asia) SDN.BHD	Subsidiary**

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr. no.	Name of the related party	Relationship
11	L&T Overseas Projects Nigeria Limited	Wholly owned Subsidiary
12	Larsen &Toubro Kuwait Construction General Contracting Company WLL	Subsidiary**
13	Thalest Limited	Wholly owned Subsidiary
14	Servowatch System Limited	Subsidiary of Thalest Limited
15	Henikwon Corporation Sdn Bhd	Subsidiary of Tamco Switchgear Malaysia SDN. BHD
16	Qingdao Larsen & Toubro Trading Company Limited	Subsidiary of Larsen & Toubro (Qingdao) Rubber Machinery Company Limited
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	L&T Electrical & Automation FZE	Wholly owned Subsidiary
22	Larsen & Toubro T&D SA (Proprietary) Ltd	Subsidiary*
23	Larsen & Toubro Consultoria E Projecto Ltda	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.

III Names of the associates & joint ventures of the company and status of transactions carried during the year

Sr. No.	Name of the related party	Relationship	Transactions entered during the year (Yes/No)
1	L&T Camp Facilities LLC	Associate	No
2	Larsen & Toubro(Jiangsu) Valves Company Limited	Associate*	Yes
3	Larsen & Toubro Hydrocarbon International LLC	Associate**	Yes
4	Indiran Engg & Project Services Krish LLC	Incorporated Joint Venture	Yes

* The company has sold its shares on April 01, 2013 ** The company has invested in the Associate on April 23, 2013. Although, the Company holds 10% of the share capital of Larsen & Toubro Hydrocarbon International LLC, it is able to exercise significant influence as the balance 90% of the share capital is held by the ultimate parent company i.e. Larsen & Toubro Limited.

IV. Names of the related parties with whom transactions were carried out during the year, description of relationship and particulars of transactions:

Sr No.	Related party	Nature of relationship	Nature of transaction	2013 Amount in ₹	2012 Amount in ₹
1.	Larsen & Toubro Limited	Holding Company	Equipment Hire Income	3,528,557	35,036,805
2	Larsen &Toubro Oman LLC	Subsidiary Company	Equipment Hire Income	12,587,422	11,087,984
3	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Equipment Hire Income	-	575,446
4	Larsen & Toubro Saudi Arabia LLC	Subsidiary Company	Equipment Hire Income		10,656,400
5	Larsen & Toubro Electromech LLC	Subsidiary Company	Dividend Income	59,015,019	80,918,947
6	Larsen & Toubro Oman LLC	Subsidiary Company	Dividend Income	36,885,341	45,865,945
7	L&T Electrical & Automation FZE	Subsidiary Company	Dividend Income	-	1,450,816
8	Tamco Switchgear (Malaysia) SDN.BHD.	Subsidiary Company	Dividend Income	336,418,131	173,726,813
9	Larsen & Toubro Limited	Holding Company	Sale of plant & equipment	45,373,006	84,371,734
10	Larsen & Toubro Qingdao Rubber Machinery Co.Ltd	Subsidiary Company	Interest Income	10,179,320	-
11	L&T Electrical & Automation Saudi Arabia Company Limited	Subsidiary Company	Interest Income	1,748,253	2,540,006
12	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Interest Income	143,240	3,939,458
13	L&T Electrical & Automation FZE	Subsidiary Company	Interest Income	660,956	-
14	Larsen & Toubro Saudi Arabia LLC	Subsidiary Company	Interest Income	19,426,646	

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr No.	Related party	Nature of relationship	Nature of transaction	2013 Amount in ₹	2012 Amount in ₹
15	L&T Camp Facilities LLC	Associate Company	Interest Income	64,569	-
16	Tamco Switchgear (Malaysia) SDN.BHD.	Subsidiary Company	Interest Expenses	2,259,617	6,804,911
17	Larsen & Toubro Limited	Holding Company	Cost of Services rendered by	8,575,472	9,627,684
18	Larsen & Toubro ATCO Saudia LLC	Subsidiary Company	Overheads charged to	409,616	391,356
19	L&T Realty FZE	Fellow Subsidiary	Cost of services	-	191,089
20	Larsen & Toubro Heavy Engineering LLC	Subsidiary Company	Subscription of Equity	-	145,572
21	Larsen & Toubro Qingdao Rubber Machinery Co.Ltd	Subsidiary Company	Subscription of Equity	160,692,220	-
22	Larsen & Toubro ATCO Saudia LLC	Subsidiary Company	Subscription of Equity	4,291,162	-
23	Larsen & Toubro Hydrocarbon International LLC	Associate Company	Subscription of Equity	835,600	-
24	Thalest Ltd, UK	Subsidiary Company	Subscription of Equity	-	203,535,725
25	L&T Camp Facilities LLC	Associate Company	Loan advanced	10,501,298	39,773,099
26	Larsen & Toubro Heavy Engineering LLC	Subsidiary Company	Loan Advanced	-	364,970,578
27	Larsen & Toubro Readymix Concrete Industries LLC	Subsidiary Company	Repayment of loan advanced	61,564,218	81,628,584
28	Tamco Switchgear Malaysia SDN. BHD.	Subsidiary Company	Repayment of loan advanced	375,142,415	418,897
29	Larsen & Toubro Electrical & Automation Saudi Arabia Company Ltd	Subsidiary Company	Part repayment of ICD given	-	26,361,908
30	Larsen & Toubro Atco Saudia LLC	Subsidiary Company	Loan advanced net of repayment	-	324,361
31	Larsen & Toubro Qingdao Rubber Machinery Co.Ltd (Refer Note v(a))	Subsidiary Company	Inter Corporate Deposit	269,993,538	-
32	Larsen & Toubro Saudi Arabia LLC	Subsidiary Company	Inter Corporate Deposit	1,406,056,925	-

V. Amount due to / from related parties:

Sr No.	Related party	Nature of transaction	Nature of relationship	2013 Amount in ₹		2012 Amount in ₹	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
1.	Larsen & Toubro Limited	Trade receivables	Holding Company	8,526,267	-	98,108,880	-
2	Larsen & Toubro Qatar LLC	Trade receivables	Subsidiary Company	-	-	98,089,962	-
3	Larsen & Toubro (Oman) LLC	Trade receivables	Subsidiary Company	6,674,908	-	2,535,270	-
4	Larsen & Toubro Limited	Other Payable	Holding Company	552,744	-	-	-
5	Larsen & Toubro Qingdao Rubber Machinery Ltd (Refer Note v(a))	Inter Corporate Deposit	Subsidiary Company	269,993,538	-	-	-
6	L&T Electrical & Automation Saudi Arabia Company Limited	Inter Corporate Deposit	Subsidiary Company	37,082,820	-	32,997,000	-
7	Larsen & Toubro Saudi Arabia LLC	Inter Corporate Deposit	Subsidiary Company	1,406,056,925	-	-	-
8	Larsen & Toubro Qatar LLC	Loan advanced	Subsidiary Company	-	-	244,249,788	-
9	L&T Camp Facilities LLC	Loan advanced	Associate Company	148,415,396	-	122,718,593	-

NOTES FORMING PART OF ACCOUNTS (Contd.)

Sr No.	Related party	Nature of transaction	Nature of relationship	2013 Amount in ₹		2012 Amount in ₹	
				Due from related parties	Due to related parties	Due from related parties	Due to related parties
10	L&T Modular Fabrication Yard LLC	Loan advanced	Subsidiary Company	303,559,099	-	270,112,672	-
11	Larsen & Toubro Readymix Concrete Industries LLC	Loan advanced	Subsidiary Company	403,906,199	-	414,184,448	-
12	Indiran Engineering Project & Systems Kish	Loan advanced	Jointly Controlled Entity	3,244,747	-	2,887,238	-
13	L & T Electricals & Automation FZE	Loan advanced	Subsidiary Company	44,975,651	-	40,020,191	-
14	Larsen & Toubro ATCO Saudia LLC	Loan advanced	Subsidiary Company	77,330,436	-	73,631,156	-
15	Larsen & Toubro Saudi Arabia LLC	Loan advanced	Subsidiary Company	194,180,726	-	172,785,711	-
16	Larsen & Toubro Heavy Engineering LLC	Loan advanced	Subsidiary Company	889,863,668	-	791,817,625	-
17	Tamco Switchgear (Malaysia) SDN. BHD. (Refer Note VI)	Loan availed	Subsidiary Company	-	-	-	333,808,856
18	Larsen & Toubro Saudi Arabia LLC	Interest accrued on ICD	Subsidiary Company	19,530,656	-	-	-
19	L&T Electrical Automation Saudi Arabia Ltd	Interest accrued on ICD	Subsidiary Company	1,854,141	-	-	-
20	L&T Camp Facilities LLC	Interest accrued on ICD	Associate Company	68,480	-	-	-
21	Larsen & Toubro Qingdao Rubber Machinery Ltd	Interest accrued on ICD	Subsidiary Company	4,679,852	-	-	-
22	Larsen & Toubro ATCO LLC	BG Charges	Subsidiary Company	112,684	-	-	-

VI. Notes to Related Party Transactions:

- The Company has made a provision towards doubtful advances as at December 31, 2013 towards amounts due from Larsen & Toubro Qingdao Rubber Machinery Ltd, of ₹ 232,091,914 (*Previous year : ₹ NIL*) which has accumulated losses as at December 31, 2013.
- The loans which are interest-free are for the term of those subsidiaries and associates, except for the loans given to L&T Electrical & Automation Saudi Arabia Co. Ltd, L&T Qingdao Rubber Machinery Ltd, and L&T Saudi Arabia LLC which bear interest at the rate of 5% per annum, 6% per annum and 3% p.a. respectively.
- The provision of doubtful advances of ₹ 36,27,35,717 made in earlier years towards loan to L&T Qatar LLC has been written off in the current year.
- The Company has adjusted dividend receivable of ₹ 336,418,131 from Tamco Switchgear Malaysia SDN BHD with the Inter Corporate borrowings from the subsidiary.
- The Company has converted loan given to Larsen & Toubro ATCO Saudia LLC of ₹ 4,291,137 into investment in equity shares of the subsidiary.

O(2) Operating Lease

- 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 ₹	
	2013	2012
Not later than one year	1,498,825	1,165,234
Between one and five year	3,123,918	4,113,406
Later than 5 years	Not Established	Not Established

NOTES FORMING PART OF ACCOUNTS (Contd.)

- b) Contingent rent recognized in profit and loss account is ₹ Nil (*previous year ₹ Nil*)
 c) Lease Rental expense in respect of operating leases: ₹ 1,234,726 (*previous year : (₹ 1,006,497)*)

O(3) Taxation:

There is no income tax payable in UAE where the Company is registered.

- O(4)** There are no transactions with micro and small enterprises as defined in the Micro, Small & Medium Enterprises Development Act, 2006 during the year.

O(5) Auditors remuneration and expenses charged to the accounts:

	2013 ₹	2012 ₹
Audit fees	563,313	464,246

O(6) Segment 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.
- Hence disclosure of primary or secondary/ Geographical segment information is not required

- O(7)** The estimated amount of contracts remaining to be executed on capital account (net of advances): ₹ NIL (*previous year ₹. NIL*)

- O(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 is required to be made for impairment in the accounts.

O(9) Contingent Liabilities:

	2013 ₹	2012 ₹
Banker's Letters of guarantee issued as counter guarantee for the facilities granted to Subsidiary/Associate Companies	44,824,600	39,885,784
Corporate Guarantees given to Banks with respect to facilities availed by Subsidiary Companies	22,340,606,717	14,156,427,935

O(10) Basic and diluted Earnings per share (EPS):

Particulars	2013	2012
Loss after tax as per accounts (₹)	(600,101,246)	304,413,120
Weighted Average number of equity shares	1,829	1,829
Basic & Diluted EPS (₹)	(328,103)	166,437

- O(11)** Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.

NOTE - P : SIGNIFICANT ACCOUNTING POLICIES:**Brief Description of the Company**

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.

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. Further the guidance notes/announcements issued by ICAI are also considered, wherever applicable.

The preparation of financial statements in conformity with GAAP requires the management of the Company to make 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 on the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, allowance 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

2. Presentation and disclosure of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI (Revised) to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

3. Revenue Recognition

- a) Interest income is accrued at applicable interest rate.
- b) Dividend Income is accounted when the right to receive the same is established.
- c) Revenue from hire charges of equipment is accounted based on contract with customers.

4. Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

5. Tangible Fixed Assets

Tangible fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation and accumulated 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 capitalised as a part of the cost of the fixed assets.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress".

(Also refer to policy on impairment of assets and borrowing costs).

6. Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category of Asset	Rate of Depreciation (% p.a.)
Plant and equipment	10% to 50%
Vehicles	20%
Furniture and Fixtures	33.33%
Office Equipment	33.33%
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.

7. Intangible assets and amortization

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortization and cumulative impairment. 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 amortized over their useful life as follows:

Specialized Software is amortized over a period of six years.

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalized as a part of the cost of the intangible assets. Amortization on impaired assets is provided by adjusting the amortization charges in the remaining periods so as to allocate the assets' revised carrying amount over its remaining useful life.

8. Impairment

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

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

Impairment loss recognized when the carrying amount of assets exceeds its recoverable amount.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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 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. Investments

Trade investments comprise investments in subsidiary companies and entities in which the Company has strategic business interest.

Investments, which are readily realizable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long term investments including trade investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature.

Current investments are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

Purchase and sale of investments are recognized based on the trade date of accounting.

10. Cash and bank balances

Cash and bank balances also include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

11. Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction, or production of a qualifying asset are capitalized or inventorised as part of such asset till such time as the asset is ready for its intended use or sale. Qualifying asset is an asset that necessarily takes 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.

12. Foreign Currency Transactions

- a) The functional currency of the Company is United States Dollar (USD). Accounts are translated in Indian Rupees as follows:
- b) Share capital is retained at the initial contribution amount.
- c) All other assets and liabilities are translated at year-end rate.
- d) Revenue transactions are translated at the average rate.
- e) The resultant difference is accounted as translation reserve in the Balance Sheet.

13. 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) present obligation arising from a 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.

14. Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified as and disclosed as follows:

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
- b) Uncalled liability on shares and other investments partly paid;

NOTES FORMING PART OF ACCOUNTS (Contd.)

- c) Funding related commitment to subsidiary, associate and joint venture Companies; and
 d) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of the management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

15. Operating cycle for current and non-current classification:

Operating cycle for the business activities of the Company covers the duration of the specific contract / service and extends up to the realization of receivables within the agreed credit period normally applicable to the respective lines of business.

16. Cash Flow Statement:

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- a) transactions of a non-cash nature;
 b) any deferrals or accruals of past or future operating cash receipts or payments; and
 c) items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

17. 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.

18. The Company's interests in joint ventures are consolidated as follows :

Type of Joint Ventures	Accounting Treatment
Joint Controlled Operations	Company's share of revenues, common expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.
Jointly Controlled Assets	Share of the Assets, according to nature of the assets, and share of the liabilities are shown as part of gross block and liabilities respectively. Share of expenses incurred on maintenance of the assets is accounted as expense. Monetary benefits, if any, from use of the assets are reflected as income.
Joint Controlled Entities	The Company's interest in Jointly controlled entities are proportionately consolidated on a line by line basis by adding together the book values of assets, liabilities, income and expenses, after eliminating unrealised profits / losses on intra group transactions.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

By the hand of

RAGHUNATH P. ACHARYA

Partner

Membership No. 39920

N. HARIHARAN

Director

R. GOVINDAN

Director

Place : Mumbai

Date : August 8, 2014

Place : Mumbai

Date : August 8, 2014

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	Larsen & Toubro Electromech LLC	Larsen & Toubro (Oman) LLC	Larsen & Toubro Saudi Arabia LLC	Larsen & Toubro Qatar LLC	Larsen & Toubro Overseas Projects Nigeria Limited	Larsen & Toubro Modular Fabrication Yard LLC
Financial year of the subsidiary company ended on	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE at the above date -						
- Equity shares	195,000 of OMR 1 each	947,144 of OMR 1 each	3800 of SR 1000 each	98 of QR 1000 each	1,000,000 of Naira 1 each	1,875,000 of RO 1 each
- Preference shares	Nil	Nil	Nil	Nil	Nil	Nil
The Extent of interest in Subsidiary Companies of LTIFZE as at above date	65%	65%	95%	49%	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:						
	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2012	5.90	3.69	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	23.98	18.66	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, 2012	(44.41)	(51.58)	(37.75)	2.99	(0.01)	(34.78)
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	88.37	271.21	(26.57)	(29.32)	(0.27)	32.02
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2012						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2012						
(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 (Contd.)

Name of the subsidiary company	Larsen & Toubro Ready Mix Concrete Industries LLC	Larsen & Toubro Electricals and Automation Saudi Arabia Company Limited	Larsen & Toubro Kuwait Construction Contracting Company WLL	Larsen & Toubro Qingdao Rubber Machinery Co. Ltd.	Qingdao Larsen & Toubro Trading Company Limited	Larsen & Toubro Heavy Engineering LLC
Financial year of the subsidiary company ended on	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE at the above date -						
- Equity shares	490 of AED 1000 each	13,500 of SR 1000 each	980 of KD 1000 each	See Note 1	Nil	3,965,500 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%	70%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:						
	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2012	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	2.72	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, 2012	(7.60)	(2.14)	1.05	(33.91)	(0.10)	(2.21)
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	3.15	(4.80)	0.32	(24.98)	0.60	(75.41)
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2012						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2012						
(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 (Contd.)

Name of the subsidiary company	Thalest Limited	Servowatch System Limited	Henikwon Corporation SDN BHD
Financial year of the subsidiary company ended on	31.12.2013	31.12.2013	31.12.2013
Number of Shares in the subsidiary company held by Larsen & Toubro International FZE at the above date -			
- Equity shares	133,656 of GBP1 each	Nil	Nil
- Preference shares	Nil	Nil	Nil
The Extent of interest in Subsidiary Companies of LTIFZE as at above date	100%	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:			
	₹ crore	₹ crore	₹crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :			
(a) for the subsidiary's financial year ended December 31, 2012	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
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:			
(a) for the subsidiary's financial year ended December 31, 2012	0.56	(12.35)	(3.48)
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	2.96	(4.94)	(20.22)
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2012			
Number of shares acquired	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2012			
(i) Fixed assets (net additions)	Nil	Nil	Nil
(ii) Investments	Nil	Nil	Nil
(iii) Moneys lent by the subsidiary	Nil	Nil	Nil
(iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil

STATEMENT PURSUANT TO SECTION 212 (Contd.)

Name of the subsidiary company	Tamco Switchgear (MALAYSIA) SDN BHD	Larsen & Toubro T&D SA (Proprietary) Limited	Tamco Electrical Industries Australia Pty Ltd	PT Tamco Indonesia	Larsen & Toubro ATCO Saudia LLC	L&T Electrical & Automation FZE
Financial year of the subsidiary company ended on	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Number of shares in the subsidiary company held by Larsen & Toubro International FZE at the above date -						
- Equity Shares	100,000,000 of RM 1 each	725 of SA Rand 1 each	13,500,000 of AUD 1 each	247,500 of IDR 2010 each	750 of SR 1 each	1 of AED 1 Million each
- Preference Shares	Nil	Nil	Nil	Nil	Nil	Nil
The Extent of interest in Subsidiary Companies of LTFZE as at above date	100%	72.5%	100%	100%	49%	100%
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the members of Larsen & Toubro International FZE:						
	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore	₹ crore
(i) Dealt with in the accounts of Larsen & Toubro International FZE amounted to :						
(a) for the subsidiary's financial year ended December 31, 2012	33.64	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	69.96	0.00	0.00	0.00	0.00	0.15
(ii) Not dealt with in the accounts of Larsen & Toubro International FZE amounted to:						
(a) for the subsidiary's financial year ended December 31, 2012	47.35	0.07	1.74	3.71	(2.43)	46.59
(b) for previous financial years of the subsidiary since it became subsidiary of Larsen & Toubro International FZE	201.09	(1.25)	(28.67)	(34.43)	(1.83)	91.05
Changes in the interest of Larsen & Toubro International FZE between the end of the subsidiary's financial year and December 31, 2012						
Number of shares acquired	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and December 31, 2012						
(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 LTFZE in Larsen & Toubro Qingdao Rubber Machinery Co. Ltd. is USD 11,644,226

For and on behalf of the Board

N. HARIHARAN
Director**R. GOVINDAN**
DirectorPlace : Mumbai
Date :