# Annual Report of Subsidiary Companies 2011-12

THERMAX LIMITED

THERMAX

**REGISTERED OFFICE**

D-13, M.I.D.C. Industrial Area,
R. D. Aga Road, Chinchwad,
Pune 411019
Ph.: 020-27475941
Fax.: 020-27472049

**CORPORATE OFFICE**

Thermax House
14, Mumbai-Pune Road,
Wakdewadi, Pune 411003
Ph.: 020-25542122
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# SUBSIDIARIES

## WHOLLY OWNED SUBSIDIARIES

### DOMESTIC



### OVERSEAS



### JOINT VENTURES

# THERMAX SUSTAINABLE ENERGY SOLUTIONS LIMITED

## *Board of Directors*

Shishir Joshipura
Gopal Mahadevan
Hemant Mohgaonkar
M S Unnikrishnan

## *Registered Office*

Thermax House
14, Mumbai-Pune Road,
Wakdewadi
Pune 411 003

## *Auditors*

**B. K. Khare & Co.**
Chartered Accountants
Hotel Swaroop, 4th Floor,
Lane No.10, Prabhat Road,
Pune 411 004

## *Bankers*

Canara Bank

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## *Directors' Report*

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-fourth Annual Report of the company together with audited accounts for the year ended March 31, 2012.

**FINANCIAL RESULTS** (Rs. in lakh)

| **Particulars** | **2011-12** | 2010-11 |
|---|---|---|
| Total Income | **34.19** | 25.90 |
| Profit before depreciation | **(291.67)** | (119.69) |
| Depreciation | **9.26** | 3.38 |
| Profit / (Loss) before tax | **(300.93)** | (123.07) |
| Provision for taxation including deferred tax | **0.00** | 0.00 |
| Prior year tax adjustment | **0.00** | 0.00 |
| Profit / (Loss) after tax | **(300.93)** | (123.07) |

**PERFORMANCE**

During the year under review, your company has initiated the implementation of the Programme of Activities (PoA) in India for Clean Development Mechanism (CDM) Projects. Projects are being proposed for inclusion under the registered CDM PoA viz.,"Promotion of Biomass Based Heat Generation Systems in India (4041)". The company has successfully registered two projects under the registered PoA during the year under review.

Total Income for the year was Rs.34 lakh as against Rs. 26 lakh in the previous year. Total Income comprises Rs. 17 lakh towards trading activities in Monitoring & Verification Equipments which have been initiated during the year. Income also included reimbursement of expenses for support rendered to the parent company, Thermax Limited. The company has incurred a net loss of Rs. 301 lakh compared to Rs. 123 lakh in the previous year. This was primarily due to expenditure incurred towards development and validation of CDM projects and development of Information Technology infrastructure.

At the Extraordinary General Meeting held on March 16, 2012, the shareholders have approved amendment to the Memorandum of Association of the company for re-classification of authorised share capital into equity and redeemable cumulative preference shares. The authorised share capital has also been increased to Rs. 875 lakh consequent upon the consent of the shareholders at the said meeting.

**ISSUANCE OF REDEEMABLE PREFERENCE SHARES ON RIGHTS BASIS**

The company has issued 40 lakh, 10 years, 6% Cumulative Redeemable Preference Shares ('CRPS') of face value of Rs. 10 each aggregating to Rs. 400 lakh on Rights basis to the parent company. The said shares were offered in the proportion of sixteen CRPS for every nineteen equity shares of Rs. 10 each held by the existing shareholders of the company. Consequent upon the allotment which was made on April 12, 2012, the paid-up share capital stands increased to Rs. 875 lakh divided into 47.50 lakh equity shares and 40 lakh CRPS of Rs. 10 each.

**PUBLIC DEPOSITS**

The company has not accepted any deposits from the public.

**PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

1. <u>Particulars of Employees</u>

   None of the employees are covered by the provisions contained in Section 217(2A) of the Companies Act, 1956, read with the rules framed there under, as amended.

2. <u>Conservation of Energy and Technology Absorption</u>

   Information pertaining to Conservation of Energy and Technology Absorption is not applicable to your company.

3. <u>Foreign Exchange earnings and outgo</u>

   Information pertaining to foreign exchange outgo, under Section 217 (1) (e) of the Companies Act, 1956 is set out in note no. 3 (vi) of Note 19 – Notes to Accounts.

**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 financial year ended March 31, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the financial statements have been prepared on a going concern basis.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, Mr. Gopal Mahadevan, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

**COMPLIANCE CERTIFICATE**

Compliance Certificate, issued by Mr. Sridhar G. Mudaliar, Company Secretary in Practice, pursuant to The Companies (Compliance Certificate) Rules, 2001, is annexed hereto.

**AUDIT COMMITTEE**

Your company has constituted an Audit Committee as per the provisions of Section 292A of the Companies Act, 1956. The said committee has been constituted at the meeting of the Board of Directors held on April 25, 2012.

**The committee comprises following members - Mr. Gopal Mahadevan, Mr. Hemant Mohgaonkar and Mr. Shishir Joshipura.**

The terms of reference of the committee broadly include:

a) review of internal control systems,
b) review of the half yearly and annual accounts of the Company,
c) decide scope of internal audit,
d) investigate into / act on any matter as may be referred to it by the Board.

**AUDITORS**

M/s. B. K. Khare & Co., Chartered Accountants, retire as Statutory Auditors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**ACKNOWLEDGEMENTS**

The Board of Directors takes this opportunity to thank its customers, bankers, employees and all the other stakeholders for their continued co-operation and support to your company. Your Directors look forward to their continued support in the future as well.

For and on behalf of the Board

| | | |
|---|---|---|
| | Shishir Joshipura<br>Director | Hemant Mohgaonkar<br>Director |
| Pune, April 25, 2012 | Gopal Mahadevan<br>Director | M. S. Unnikrishnan<br>Director |

## *Compliance Certificate*

CCIN - U29219PN1987PLC045658
Nominal Capital: Rs. 87,500,000/- Paid Up Capital: Rs. 47,500,000/-

To,
The Members,
Thermax Sustainable Energy Solutions Limited
Pune.

I have examined the registers, records, books and papers of **Thermax Sustainable Energy Solutions Limited** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2012**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made 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, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a Public Limited Company no comments are required.
4. The Board of Directors duly met Six (6) times on 25.04.2011, 13.07.2011, 12.10.2011, 17.01.2012, 02.02.2012 and 16.03.2012 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 13th July, 2011 after giving due notices to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. One Extra Ordinary Meeting was held on 16th March, 2012 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.
8. The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into 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 Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company:
    i) has not made any allotment / transfer / transmission of any securities during the financial year.
    ii) has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
    iii) has not posted warrants to any member of the Company as no dividend declared during the financial year
    iv) was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon as no amount has remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund and there is no amount lying with the Company.
    v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the appointment of directors and additional directors have been duly made, however there was no appointment of alternate or directors to fill in casual vacancies.
15. The Company has not appointed any Managing Director / Whole-Time Director / Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities 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. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has altered the provisions of the memorandum with respect to share capital of the Company on 16th March, 2012 and complied with the provisions of the Act.
30. The Company has altered its Articles of Association with respect to share capital of the Company on 16th March, 2012 and complied with the provisions of the Act.
31. As informed to me there was no prosecution initiated against the Company, 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 financial year.
33. The Company has not constituted any provident fund for its employees and therefore was not required to deposit any money as required in Section 418 of the Act.

Place : Pune **Sridhar G. Mudaliar**
Date : 26th April, 2012 C.P. No. 2664

**Annexure A**

**Registers as maintained by the Company**

1. Register of Members under Section 150.
2. Register of Transfers.
3. Books of Accounts under Section 209.
4. Register of Contracts in which Director's are interested under Section 301.
5. Register of Directors, Managing Director, Manager and Secretary under Section 303.
6. Register of Directors Shareholdings under Section 307.
7. Register of Directors attendance.

**Annexure B**

**Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2012.**

| Sr. No. | Form No. / Return | Filed under Section | Event Date | Date of filing | Whether filed within prescribed time (Yes/No) | If delay in filing whether requisite additional fees paid (Yes/No) |
|---|---|---|---|---|---|---|
| 1. | Form 32 | Section 303(2) | 25.04.2011 | 19.05.2011 | Yes | NA |
| 2. | Form 66 | Section 383A | 31.03.2011 | 12.08.2011 | Yes | NA |
| 3. | Form 32 | Section 303(2) | 13.07.2011 | 23.08.2011 | No | Yes |
| 4. | Form 20B | Section159 | 13.07.2011 | 12.09.2011 | Yes | NA |
| 5. | Form 23AC & 23ACA XBRL | Section 220 | 31.03.2011 | 06.12.2011 | Yes | NA |

Place : Pune **Sridhar G. Mudaliar**
Date : 26th April, 2012 C.P. No. 2664

## *Auditors' Report*

**To the members of Thermax Sustainable Energy Solutions Limited**

1. We have audited the attached Balance Sheet of Thermax Sustainable Energy Solutions Limited as at 31st March 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our report, we draw your attention to Note 2 in Notes to accounts. Despite the Company's net-worth being eroded, the accounts have been prepared on going concern basis. The management of the company has taken steps to increase the operations of the Company. Further, the holding company is in the process of infusing capital in the company by way of subscription to Preference Capital amounting to Rs.400 lacs. The said amount has been disclosed as Share Application Money pending allotment in the Financial Statements as at 31st March 2012.
5. 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 our audit;
   (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
   (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
   (f) in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
      (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
      (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No.105102W

**Prasad V. Paranjape**
Partner
Membership No. 047296

Place : Pune
Date : 25th April, 2012

## *Annexure to the Auditors' Report*

**(Referred to in paragraph 3 of our report of even date)**

**To the members of Thermax Sustainable Energy Solutions Limited**

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. In our opinion and according to the information and explanations given to us, the requirements of paragraphs 4 (ii) of the Order in respect of 'inventories' are not, on facts, applicable to the Company and hence no comments have been offered there under.
3. The Company has neither taken nor granted 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 clauses 4(iii) (b), (c), (d), (f) and (g) of the order are not applicable to the company and hence not commented upon.
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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. According to the information and explanations given to us, we are of the opinion that the there are no contracts or arrangements with parties referred to in section 301 of the Act. Accordingly, the provisions of clauses 4(v) (b) of the order is not applicable to the company and hence not commented upon.
6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. Based on the examination of books of accounts and information and explanations provided to us, the maintenance of cost records has not been prescribed under Section 209 (1) (d) of the Companies Act, 1956 in respect of products manufactured by the company.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.
   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited.
10. *The accumulated losses of the Company as at the end of financial year are more than fifty percent of the net-worth.* The company has incurred cash losses during the current financial year and also in the immediately preceding financial year.
11. Based on the information and explanations given to us, the Company had no dues to a financial institution or bank or debenture holders.
12. According to the information and explanations given by the management and based on the documents and records produced before 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.
13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause of 4(xiii) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly the provisions of clause 4(xiv) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
15. Based on the information and explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not 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 Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No.105102W

**Prasad V. Paranjape**
Partner
Membership No. 047296

Place : Pune
Date : 25th April, 2012

## *Balance Sheet as at March 31, 2012*

| Particulars | Note No | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| **a.** Share capital | 1 | **475.00** | 475.00 |
| **b.** Reserves and surplus | 2 | **(663.47)** | (362.54) |
| | | **(188.47)** | 112.46 |
| **2. Share application money pending allotment** | | **400.00** | - |
| **3. Non-current liabilities** | | | |
| **a.** Long-term borrowings | 3 | **294.66** | 280.07 |
| | | **294.66** | 280.07 |
| **4. Current liabilities** | | | |
| **a.** Trade payables | 4 | **70.22** | 46.51 |
| **b.** Other current liabilities | 5 | **159.95** | 73.72 |
| **c.** Short-term provisions | 6 | **3.79** | 2.93 |
| | | **233.96** | 123.16 |
| **TOTAL** | | **740.15** | 515.69 |
| **II ASSETS** | | | |
| **1. Non-current assets** | | | |
| **a.** Fixed assets | 7 | | |
| **i** Tangible assets | | **3.56** | 3.22 |
| **ii** Intangible assets | | **59.29** | 66.72 |
| **iii** Capital work-in-progress | | **10.99** | - |
| **b.** Long-term loans and advances | 8 | **0.83** | 1.11 |
| | | **74.67** | 71.05 |
| **2. Current assets** | | | |
| **a.** Current investments | 9 | **-** | 140.93 |
| **b.** Trade receivables | 10 | **0.70** | 1.75 |
| **c.** Cash and cash equivalents | 11 | **403.37** | 66.60 |
| **d.** Short-term loans and advances | 12 | **8.54** | 10.11 |
| **e.** Other current assets | 13 | **252.87** | 225.25 |
| | | **665.48** | 444.64 |
| **TOTAL** | | **740.15** | 515.69 |

Notes to the financial statements 19
The accompanying notes are an integral part of the financial statements.

## *Profit & Loss Statement for the year ended 31st March, 2012*

| | Particulars | Note No | Rs Lacs Year Ended March 31, 2012 | Rs Lacs Year Ended March 31, 2011 |
|---|---|---|---|---|
| I | Revenues from operations | 14 | **16.40** | 5.04 |
| II | Other income | 15 | **17.79** | 20.86 |
| III | **Total Revenue (I+II)** | | **34.19** | 25.90 |
| IV | **Expenses :** | | | |
| | Purchases of Stock-in-Trade | | **8.28** | - |
| | Employee benefits | 16 | **133.19** | 82.46 |
| | Finance costs | 17 | **16.27** | 16.21 |
| | Depreciation and amortisation | | **9.26** | 3.38 |
| | Other expenses | 18 | **168.12** | 46.92 |
| | **Total Expenses** | | **335.12** | 148.97 |
| V | Profit before exceptional and extraordinary items and tax (III-IV) | | **(300.93)** | (123.07) |
| VI | Exceptional items | | **-** | - |
| VII | Profit before extraordinary items and tax (V - VI) | | **(300.93)** | (123.07) |
| VIII | Extraordinary Items | | **-** | - |
| IX | Profit before tax (VII- VIII) | | **(300.93)** | (123.07) |
| X | Tax expense: | | | |
| | 1. Current tax | | **-** | - |
| | 2. Deferred tax | | **-** | - |
| XI | Profit / (loss) for the period from continuing operations (VII-VIII) | | **(300.93)** | (123.07) |
| XII | Profit / (loss) from discontinuing operations | | **-** | - |
| XIII | Tax expense of discontinuing operations | | **-** | - |
| XIV | Profit / (loss) from Discontinuing operations (after tax) (XII-XIII) | | **-** | - |
| XV | Profit (Loss) for the period (XI + XIV) | | **(300.93)** | (123.07) |
| XVI | Earning per equity share: (Refer Note no 3 (ix) | | | |
| | 1. Basic | | **(6.34)** | (2.59) |
| | 2. Diluted (Face Value Rs.10/-) | | **(6.34)** | (2.59) |

Notes to the financial statements 19
The accompanying notes are an integral part of the financial statements.

As per our Report of even date

For and on behalf of the Board

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No.105102W

**Prasad V. Paranjape**
*Partner*
*Membership No.* 047296

Pune, April 25, 2012

**M. S. Unnikrishnan**
*Director*

**Gopal Mahadevan**
*Director*

**Hemant Mohgaonkar**
*Director*

**Shishir Joshipura**
*Director*

Pune, April 25, 2012

*Notes attached to and forming part of the Balance Sheet as at March 31, 2012*

| Particulars | Reference to note no 19 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 1** | | | |
| **Share capital** | | | |
| Share Capital | | | |
| Authorised 4750000 (P.Y. 4750000) | | | |
| Equity Shares of 10/- each | | **475.00** | 750.00 |
| 4000000 (P.Y. 'NIL') Preference | | | |
| Shares of 10/- each | | **400.00** | – |
| Issued, | | **475.00** | 475.00 |
| 4750000 (P.Y. 4750000) Equity Shares of 10/- each | | **475.00** | 475.00 |

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

| Equity Shares | March-12 Nos | March-12 Rs Lacs | March-11 Nos | March-11 Rs Lacs |
|---|---|---|---|---|
| At the beginning of the period | 4750000 | 475.00 | 4750000 | 475.00 |
| Issued during the period | - | - | - | - |
| Outstanding at the end of the period | 4750000 | 475.00 | 4750000 | 475.00 |

b) Term/rights attached to equity shares

The Company has only one class of equity shares having at par value of Rs. 10 per share. Each holder of equity shares is entitled to vote per share. The company declares and pays dividends in Indian Rupees. The 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 holder 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.

100% of the equity shares are held by its holding company, Thermax Limited.

d) Details of Share holding more than 5% shares in the Company.

| | March 31, 2012 | March 31, 2011 |
|---|---|---|
| Equity Shares of Rs. 10 each fully paid up | | |
| Thermax Limited | **100%** | 100% |

| Particulars | Reference to note no 19 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 2** | | | |
| **Reserves and Surplus** | | | |
| General Reserve | | | |
| Per Last Balance Sheet | | **162.52** | 162.52 |
| Transferred from Surplus | | **-** | - |
| | | **162.52** | 162.52 |
| Surplus | | | |
| Per Last Balance Sheet | | **(525.06)** | (401.99) |
| Profit and loss statement balance | | **(300.93)** | (123.07) |
| Transfer to General Reserve | | **-** | - |
| | | **(825.99)** | (525.06) |
| | | **(663.47)** | (362.54) |
| **Note 3** | | | |
| **Long-Term Borrowings** | | | |
| Loans and advances from related parties (Repayable within 24 months. Applicable rate of interest @ 8%) | | **294.66** | 280.07 |
| | | **294.66** | 280.07 |
| **Note 4** | | | |
| **Trade payables** | | | |
| Trade payables | | **70.22** | 46.51 |
| | | **70.22** | 46.51 |
| **Note 5** | | | |
| **Other current liabilities** | | | |
| Customer Advances | | **149.00** | 57.00 |
| Other Liabilities | | **10.95** | 16.72 |
| | | **159.95** | 73.72 |
| **Note 6** | | | |
| **Short-term provisions** | | | |
| Prepaid Short Term Employee Benefits (Gratuity) | | **3.79** | 2.93 |
| | | **3.79** | 2.93 |

**Note 7**
**FIXED ASSETS**
**Amount in Lacs**

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as on 1.4.2011 | Additions During the Year-11-12 | Deductions During the Year-11-12 | Total Cost as on 31.3.2012 | Upto 31st March 2011 | Deductions During the Year-11-12 | Provisions for the Year 11-12 | Total as on 31.3.2012 | As on 31 st March 2012 | As on 31st March 2011 |
| **Tangible Assets** | | | | | | | | | | |
| Office Equip, Computer | 9.29 | 2.17 | | 11.46 | 6.07 | | 1.83 | 7.90 | 3.56 | 3.22 |
| **Intangible Assets** | | | | | | | | | | |
| Technical Knowhow | 66.30 | | | 66.30 | 1.66 | | 6.63 | 8.29 | 58.01 | 64.64 |
| Software | 2.39 | | | 2.39 | 0.31 | | 0.80 | 1.11 | 1.28 | 2.08 |
| **Total** | **77.98** | **2.17** | **-** | **80.15** | **8.04** | **-** | **9.26** | **17.30** | **62.85** | **69.94** |
| **Previous Year** | 8.36 | 69.62 | | 77.98 | 4.66 | | 3.38 | 8.04 | | |
| Capital Work in Progress | | | | | | | | | **10.99** | - |

| Particulars | Reference to note no 19 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 8** | | | |
| **Long-term loans and advances** | | | |
| **Unsecured, considered good** | | | |
| Advances to Staff and Workers | | **0.33** | 0.71 |
| Other loans and advances | | **0.50** | 0.40 |
| (Prepaid Warranty on Computer Assets) | | | |
| | | **0.83** | 1.11 |
| **Note 9** | | | |
| **Current Investments** | | | |
| Investments in Mutual Funds | | **-** | 140.93 |
| | | **-** | 140.93 |
| **Note 10** | | | |
| **Trade Receivables** | | | |
| Unsecured trade receivable outstanding for a period exceeding six month | | | |
| Considered good | | **-** | - |
| Considered doubtful | | **-** | - |
| Less : Provided for | | **-** | - |
| Other trade receivable | | **0.70** | 1.75 |
| | | **0.70** | 1.75 |
| **Note 11** | | | |
| **Cash and cash equivalents** | | | |
| Balances with banks | | | |
| Deposit with more then 12 month in maturity | | **-** | - |
| Deposit others | | **3.06** | 3.13 |
| Balance for unpaid dividend | | **-** | - |
| Cheques, drafts on hand | | **-** | - |
| Cash on hand | | **-** | - |
| Balances in current accounts | | **400.31** | 63.47 |
| | | **403.37** | 66.60 |
| **Note 12** | | | |
| **Short-term loans and advances** | | | |
| Unsecured, considered good | | | |
| Advances recoverable in cash or in kind or for value to be received | | **5.65** | 2.17 |
| Advances to Staff and Workers | | **0.43** | 0.23 |
| Loans and advances to related parties | | **2.46** | 7.71 |
| | | **8.54** | 10.11 |
| **Note 13** | | | |
| **Other current assets** | | | |
| Balance in Central Excise & Customs Accounts | | **42.28** | 19.32 |
| Advance Payment of Income Tax and Wealth Tax [(Net of Provision Rs. 430.70 Lacs (Previous Year :Rs.430.70 Lacs)] | | **209.49** | 205.11 |
| Other current assets | | **1.10** | 0.82 |
| | | **252.87** | 225.25 |

## *Notes attached to and forming part of the Profit and Loss Statement for the year ended March 31, 2012*

| Particulars | Reference to note no 19 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 14** | | | |
| **Revenue from operations** | | | |
| A. Sale of products | | | |
| (i) Domestic | | **16.36** | - |
| | (i) | **16.36** | - |
| (ii) Exports | | **-** | - |
| | (i) + (ii) | **16.36** | - |
| B. Sale of services | | **-** | 5.00 |
| C. Other operating revenues | | | |
| Interest Income | | **0.04** | 0.04 |
| Miscellaneous Income | | **-** | - |
| | | **0.04** | 0.04 |
| D. Less: Excise duty | | **-** | - |
| | (A+B+C-D) | **16.40** | 5.04 |
| **Note 15** | | | |
| **Other income** | | | |
| Interest Income | | **0.27** | 1.07 |
| Dividend Income | | | |
| Current Investment | | **7.94** | 11.17 |
| Other non-operating income | | **9.58** | 8.62 |
| | | **17.79** | 20.86 |
| **Note 16** | | | |
| **Employee Benefits Expense** | | | |
| Salaries and wages | | **120.37** | 71.23 |
| Contribution to provident and other funds | | **12.66** | 11.13 |
| Staff welfare expenses | | **0.16** | 0.10 |
| | | **133.19** | 82.46 |
| **Note 17** | | | |
| **Finance Costs** | | | |
| Interest expense | | **16.27** | 16.21 |
| | | **16.27** | 16.21 |
| **Note 18** | | | |
| **Other Expenses** | | | |
| Power and Fuel | | **3.22** | 3.40 |
| Site Expenses and Contract Labour Charges | | **16.44** | 4.06 |
| Rent and Service Charges | | **6.90** | 7.29 |
| Insurance | | **0.21** | 0.35 |
| Repairs and Maintenance: | | | |
| Building | | **-** | - |
| Plant and Machinery | | **-** | - |
| Others | | **1.55** | 8.96 |
| Communication | | **2.53** | 2.07 |
| Traveling and Conveyance | | **32.85** | 12.21 |
| Advertising and Exhibition Expenses | | **4.64** | - |
| Commission | | **1.59** | - |
| Other Selling and Distribution Expenses | | **1.37** | 1.28 |
| Bank Charges | | **0.12** | 0.04 |
| Legal & Professional Charges | | **88.99** | 3.31 |
| Printing and Stationery | | **0.77** | 0.58 |
| Net gain or loss on foreign currency transaction | | **0.51** | - |
| Security Expenses | | **1.81** | 2.06 |
| Auditors Fees | | **0.41** | 0.41 |
| Software Expenses | | **0.74** | - |
| Allocation of Regional Expenses | | **2.02** | - |
| Directors Sitting Fees | | **0.80** | 0.40 |
| Recruitment Expenses | | **0.22** | 0.13 |
| Miscellaneous Expenses | | **0.43** | 0.37 |
| | | **168.12** | 46.92 |

**Note No 19: Notes to the accounts for the year ended 31st March, 2012**

1. **Significant Accounting Policies**

   **Basis of Preparation of Financial Statements**

   **a)** The financial statements of the Company have been prepared in accordance with generally accepted accounting principle in India. The Company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

   **b) 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 amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

   **c) Fixed Assets & Depreciation**

   i. The fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.

   ii. Depreciation on Computers has been provided by the straight line method at higher rate of 33.33% as compared to 16.21% provided in Schedule XIV to the Companies Act 1956.

   iii. Intangible assets are amortised by straight line method over the estimated useful life of such asset. The useful life is estimated based on the evaluation of future economic benefits expected of such assets.

   **d) Investments**

   Investments classified as long-term investments are carried at cost. Provision for diminution if any, is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

   Investments classified as current investments are carried at lower of cost and fair value.

   **e) Employee Benefits**

   Post-Employment Benefits

   Defined Benefit Obligations

   Contributions made / due to approved superannuation & provident funds are charged to profit and loss account in the year of incurrence.

   Unfunded Gratuity and leave encashment liabilities have been provided for on actual basis as if all the employees were to retire on balance sheet date.

   **f) Provisions and Contingent Liabilities**

   Provisions in respect of present obligations arising out of past events (recognised in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events, if any, are disclosed by way of a note to the Balance Sheet.

   Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

   **g) Revenue Recognition**

   i) Income from CDM Consultancy and other related Services is recognized based on the work accomplishment, when no significant uncertainty exists regarding the amount that will be derived from the rendering of the services and it is also not unreasonable to expect ultimate collection thereof.

   ii) Income from trading of Monitoring and verification supplies is recognized on accrual basis.

   iii) Dividend from investments is recognized when the company's right to receive is established.

   iv) Interest income is accounted on time proportion basis.

   **h) Foreign Currency Transactions**

   Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

   Exchange difference on settlement of transactions in foreign currencies is recognized in the profit & loss account.

   Foreign currency monetary items are translated at the closing exchange rates and the resulting exchange difference is recognized in the profit & loss account.

2. During the year, the Company has incurred substantial cost towards implementation of Programme of Activities resulting in erosion in its net worth. However as a part of activities of Clean Development Mechanism (CDM) consultancy, during the year, the company has successfully included two projects in Clean Development Mechanism Programme of Activities (CDM-PoA) - "Promotion of Biomass Based Heat Generation Systems in India" which was registered with the United Nations Framework Convention on Climate Change (UNFCCC). Implementation of this CDM-PoA has started wherein the company shall register and monitor the client's projects and enable them to claim carbon credits from UNFCCC.

   Further, the Holding Company infused preference capital of Rs. 400 Lacs, which has been shown under the head 'Share Application pending Allotment' as at 31st March 2012. The Company has since allotted the preference shares to the Holding Company.

   In view of the above, the management has prepared financial statements on a 'going concern' basis.

3. **Notes to Accounts**

   i) Contingent Liabilities not provided for :-

   a) Demands disputed in appellate proceedings Rs 191.17 Lacs (Previous Year Rs. 191.17 Lacs)

   b) Appeals preferred by Income Tax department in respect to which, should the ultimate decision be unfavorable to the company, the liability is estimated to be Rs. 138.09 Lacs (Previous Year Rs. 138.09 Lacs)

   ii) Tax Provision

   In absence of taxable income computed in accordance with the provisions of the Income tax Act, 1961 (including u/s 115JB (MAT), no provision for Current Tax has been made for the year. As in the past, on consideration of prudence, no deferred tax asset has been recognised in respect of accumulated loss and other timing differences.

   iii) Employee benefit consists of deputation charges for employees deputed by the parent company.

   iv) Other Expenses include:

| | **Year ended 31st March 2012 Rs. Lacs** | Year ended 31st March 2011 Rs. Lacs |
|---|---|---|
| a) Audit Fees | **0.30** | 0.25 |
| b) Tax Audit Fees | **0.12** | 0.10 |

   *Amounts are exclusive of service tax.*

   v) Information with regard to matter specified in clause 3, 4, 4A, 4C and 4D of Part II of schedule VI of the Companies Act 1956, has been given to the extent relevant and applicable to the company.

   vi) Expenditure in foreign currency (on accrual basis)

| **Particulars** | **2011-12 (Rs. Lacs)** | 2010-11 (Rs. Lacs) |
|---|---|---|
| Legal and Professional charges | **78.14** | 21.54 |

   vii) Segment Reporting

   Primary Segment

   Based on the guiding principle given in the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the company is operating in a single business segment viz. Environment.

   Secondary Segment

   The Company caters mainly to the needs of Indian markets; hence there are no reportable geographical segments.

viii) Related Party Disclosures

a) Name of related parties & description of relationship

| Sr.No. | Relationship | Name of Related Parties |
|---|---|---|
| 1 | Ultimate Holding Company | RDA Holding & Trading Pvt. Ltd. (RDA) |
| 2 | Holding Company | Thermax Limited (TL) |
| 3 | Subsidiaries | - |
| 4 | Fellow Subsidiaries | Thermax Engineering & Construction Company Ltd., (TECCL)<br>Thermax Instrumentation Ltd., (TIL)<br>Thermax Onsite Energy Solutions Ltd.,(TOESL)<br>Thermax Europe Ltd., (TEL)<br>Thermax International Ltd.,<br>Thermax Inc.,<br>Thermax Hong Kong Ltd.,<br>Thermax do Brasil Energia e Equipamentos Ltda.,<br>Thermax (Zhejiang) Cooling & Heating Engineering Co.Ltd.<br>Thermax SPX Energy Technologies Limited<br>Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd.<br>Thermax Denmark ApS<br>Thermax Netherlands B.V.<br>Danstoker A/S<br>Omnical Kessel- und Apparatebau GmbH<br>Ejendomsanpartsselskabet Industrivej Nord 13 |

b) Transactions with the Related parties

| Sr. | Particulars | **2011-12 Rs. Lacs** | 2010-11 Rs. Lacs |
|---|---|---|---|
| 1 | Reimbursement of expenses incurred by the (TL) | **151.96** | 127.40 |
| 2 | Reimbursement of expenses from<br>(TL)<br>(TOESL) | <br>**9.58**<br>**9.27** | <br>8.62<br>7.71 |
| 3 | Interest on loan taken from the (TL) | **16.21** | 16.21 |
| 4 | Outstanding Balances as at 31st March 2012<br>Receivable - (TOESL)<br>Payable - (TL)<br>Loan Payable - (TL)<br>Interest payable - (TL) | <br>**2.46**<br>**47.13**<br>**202.68**<br>**91.98** | <br>7.71<br>44.42<br>202.68<br>77.39 |
| 5 | Share Application money received from (TL) | **400.00** | - |

ix) Earning per Share (EPS)

The earning per share calculated in accordance with Accounting standard – 20 “Earning Per Share” issued by the Institute of Chartered Accountants of India :

| Particulars | **As at 31st March 2012** | As at 31st March 2011 |
|---|---|---|
| Net profit as per Profit & Loss Account (in Rs. Lacs) | **(300.93)** | (123.07) |
| Weighted Average Number of Equity Shares (Face Value Rs.10 each) | **47,50,000** | 4,750,000 |
| **Basic and Diluted EPS (in Rupees)** | **(6.34)** | (2.59) |

x) The company has not received any intimation, from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid / payable as required under the said Act have not been given.

xi) Current year’s financial statements have been prepared in compliance with Revised Schedule VI of Companies Act, 1956. Figures for the previous year have been regrouped according to Revised Schedule VI wherever necessary to conform to this year’s classification.

## *Cash Flow Statement*

| Particulars | **Rs Lacs Year ended March 31, 2012** | Rs Lacs Year ended March 31, 2011 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Profit before taxation | (300.93) | (123.07) |
| Adjustment for : | | |
| Depreciation | 9.26 | 3.38 |
| Dividend income | 7.94 | 11.17 |
| Interest Expenditure | (16.27) | (16.21) |
| **Operating profit before working capital changes** | **(300.00)** | **(124.73)** |
| Changes in Working Capital: | | |
| Increase / (Decrease) in trade payables | 23.78 | 34.87 |
| Increase / (Decrease) in provisions | 0.86 | 0.16 |
| Increase / (Decrease) in other current liabilities | 86.23 | 40.84 |
| Increase / (Decrease) in other long term liabilities | 14.59 | - |
| Increase / (Decrease) in trade receivables | 1.05 | 0.46 |
| Increase / (Decrease) in loans & advances | 1.57 | (26.66) |
| Increase / (Decrease) in other current assets | (27.62) | 27.53 |
| Increase / (Decrease) in other non-current assets | 0.28 | (0.17) |
| **Net Cash generated from operating activities** | **(199.26)** | **(47.70)** |
| **B. Cash flow from Investing Activities** | | |
| Purchase of tangible / intangible assets | (13.16) | (40.65) |
| Purchase of current investments | - | (11.17) |
| Sale of current investments | 140.93 | 75.00 |
| Interest received | 0.32 | 1.11 |
| Dividends received from subsidiaries | | |
| Dividends received | 7.94 | 11.17 |
| **Net cash from investing activities** | **136.03** | **35.46** |
| **C. Cash flow from Financing Activities** | | |
| Share Application Money received | 400.00 | - |
| **Net Cash used in financing activities** | **400.00** | **-** |
| **Net increase in Cash and Cash equivalents** | **336.77** | **(12.24)** |
| **Cash and Cash equivalents at the beginning of the year** | **66.60** | **78.84** |
| **Cash and Cash equivalents at the end of the year** | **403.37** | **66.60** |
| Cash and Cash equivalents comprise of : | | |
| Balances with Banks | 403.37 | 66.60 |
| **Total** | **403.37** | **66.60** |

Note : Previous year figures have been grouped wherever necessary to confirm to this year’s classification.

As per our report of even date

For and on behalf of the Board

**For B K Khare & Company**
*Chartered Accountants*

**M. S. Unnikrishnan**
*Director*

**Gopal Mahadevan**
*Director*

**Prasad V. Paranjape**
*Partner*
*Membership No. 047296*

**Hemant Mohgaonkar**
*Director*

**Shishir Joshipura**
*Director*

Pune, April 25, 2012

Pune, April 25, 2012

# THERMAX ENGINEERING CONSTRUCTION COMPANY LIMITED

## *Board of Directors*

Ravinder Advani
Gopal Mahadevan
R. V. Ramani

## *Registered Office*

Thermax House
14, Mumbai-Pune Road,
Wakdewadi
Pune 411 003

## *Auditors*

**B. K. Khare & Co.**
Chartered Accountants
Hotel Swaroop, 4th Floor,
Lane No.10, Prabhat Road,
Pune 411 004

## *Chief Operating Officer*

Avinash K. Marathe

## *Head Office*

Energy House,
D-II Block, Plot 38 & 39,
MIDC Area,
Chinchwad, Pune 411 019

## *Bankers*

Union Bank of India
HDFC Bank Limited
State Bank of India
Corporation Bank
Oriental Bank of Commerce

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## *Directors' Report*

Dear Shareholders,

Your Directors take pleasure in presenting the Twenty-first Annual Report and the audited accounts of your company for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(Rs. in lakh)

| **Particulars** | **2011-12** | 2010-11 |
|---|---|---|
| Total Income | **17,054.39** | 12,019.52 |
| Profit before depreciation | **1,141,95** | 1,000.26 |
| Depreciation | **92.85** | 57.50 |
| Profit before tax | **1049.10** | 942.76 |
| Provision for taxation including deferred tax | **355.93** | 307.15 |
| Prior year tax adjustment | **0.00** | 0.00 |
| Profit after tax | **693.17** | 635.61 |

**PERFORMANCE**

For the year under review, your company's total income is Rs. 17054 lakh compared to Rs. 12020 lakh in the previous year. The company's total income has been higher owing to increased scale of operations. Your company has achieved profit before tax of Rs. 1049 lakh (previous year, Rs. 943 lakh) and profit after tax of Rs. 693 lakh (previous year, Rs. 636 lakh). The improvement in profit before tax is the result of higher other income and better cost management in the current year.

During the year, your company has erected about 55,800 tons (previous year, 41,200 tons) of boiler equipment.

The company's year-end order balance is Rs. 21,200 lakh, which is lower than the previous year. General slowdown in the capital goods sector has impacted order booking for the company.

While margin pressures continue, the company's management is focusing on increasing efficiency at sites as well as controlling costs.

Your company has successfully completed erection of two Baggase fired, travelling grate boilers in Thailand and a hogg fired AFBC boiler in Malaysia.

**DIVIDEND**

With a view to conserve resources, the Directors do not recommend any dividend for the year.

**SAFETY**

Special focus on safety in operations has resulted in improvement in overall safety at project sites.

**PARTICULARS UNDER SECTION 217**

Information pertaining to conservation of energy and technology absorption, as required under Section 217(1)(e) of the Companies Act, 1956, is not applicable to your company. However, information pertaining to foreign exchange outgo, is set out in note no. 7 of Note16– Notes to Financial Statements.

None of the employees are covered by the provisions contained in Section 217(2A) of the Companies Act, 1956 read with the rules framed thereunder, as amended.

**PUBLIC DEPOSITS**

The company has not accepted any deposits from the public.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and the company's Articles of Association, Mr. R.V. Ramani retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

**COMPANY SECRETARY**

Mr. Devang Trivedi, the Company Secretary of the Company, resigned on April 30, 2012.

**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 financial year ended March 31, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the financial statements have been prepared on a going concern basis.

**AUDIT COMMITTEE**

The committee comprises three members, all being non-executive directors. The chairman, Mr. Gopal Mahadevan is a Chartered Accountant and Company Secretary by qualification. The other members of the committee are Mr. Ravinder Advani and Mr. R.V. Ramani.

The committee met four times during the financial year 2011-12 on the following dates i.e. April 23, 2011, July 13, 2011, October 12, 2011 and January 17, 2012. The Statutory Auditors are permanent invitees and attend all the meetings of the committee.

**AUDITORS**

M/s. B. K. Khare & Co., Chartered Accountants, retire as auditors of the company at the conclusion of the ensuing Annual General Meeting of the company and have given their consent for reappointment.

**ACKNOWLEDGEMENTS**

The Board of Directors takes this opportunity to thank its customers, bankers, employees and all the other stakeholders for their continued co-operation and support to your company. Your Directors look forward to their continued support in the future as well.

For and on behalf of the Board of Directors

| | **Ravinder Advani** | **Gopal Mahadevan** |
|---|---|---|
| Pune, April 30, 2012 | Director | Director |

## *Auditors' Report*

**To the members of Thermax Engineering Construction Company Limited**

1. We have audited the attached Balance Sheet of Thermax Engineering Construction Company Limited as at 31st March 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 our audit;

    (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

    (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

    (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;

    (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

    (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:

        (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;

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

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

**For B. K. Khare & Company**
Chartered Accountants
Firm Registration No. 105102W

**Prasad V. Paranjape**
Partner
Membership no. 047296

Place : Pune
Date : April 30, 2012

## *Annexure to the Auditors' Report (Referred to in paragraph 3 of our report of even date) To the members of Thermax Engineering Construction Company Limited*

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.

   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.

   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. In our opinion and according to the information and explanations given to us, the requirements of paragraphs 4 (ii) of the Companies Auditor's Report order 2003 in respect of 'inventories' are not, on facts, applicable to the Company and hence no comments have been offered there under.

3. The Company has neither taken nor granted 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 clauses 4(iii) (b), (c), (d), (f) and (g) of the order are not applicable to the company and hence not commented upon.

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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.

5. According to the information and explanations given to us, we are of the opinion that the there are no contracts or arrangements with parties referred to in section 301 of the Act. Accordingly, the provisions of clauses 4(v) (b) of the order is not applicable to the company and hence not commented upon.

6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.

8. The Company is in the business of providing Erection and Commissioning services for Industrial Boilers and Heaters. Thus, on facts, maintenance of cost records under Section 209(1) (d) of Companies Act, 1956 is not applicable to the Company.

9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of 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 as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.

   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.

   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited, except for the following:

| **Name of the Statute** | **Nature of Dues** | **Amount under dispute not deposited *Rs. Lakhs*** | **Period to which amount related** | **Forum where dispute is pending** |
|---|---|---|---|---|
| Uttar Pradesh Trade Tax, 1948 | State Sales Tax | 7.23 | 2004-05 | Joint Commisioner (Appeals) IV, Commercial Taxes, Gaziabad |
| Uttar Pradesh Trade Tax, 1948 | State Sales Tax | 3.85 | 2005-06 | Joint Commissioner (Appeals) IV, Commercial Taxes, Gaziabad |
| Rajasthan VAT Act, 2003 | State Sales Tax | 4.72 | 2002-03 | Deputy Commissioner (Appeals) Commercial Taxes, Kota, Rajasthan |
| Andhra Pradesh Sales Tax | State Sales Tax | 3.39 | 2006-07, 2007-08 | Appellate Deputy Commissioner, Punjagutta, Hyderabad |
| West Bengal VAT | State Sales Tax | 52.45 | 2008-09 | Commissioner (Appeals) |
| Service Tax (Finance Act, 1994) | Service Tax | 186.98 | 2004-05 to 2008-09 | Customs, Excise and Service Tax Appellate Tribunal |
| Income Tax Act, 1961 | Income Tax | 98.31 | 2009-10 | Commissioner of Income Tax (Appeals) |

10. The Company has no accumulated losses as at 31st March 2012 neither it has incurred cash loss during current or immediately preceding financial year.

11. Based on the information and explanations given to us, the Company had no dues to a financial institution or bank or debenture holders.

12. According to the information and explanations given by the management and based on the documents and records produced before 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.

13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause of 4(xiii) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.

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

15. Based on the information and explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. The Company has not taken any term loan during the year.

17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not 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 Act during the year.

19. No debentures have been issued during the year.

20. The Company has not raised any money by public issue during the year.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B. K. Khare & Company**
Chartered Accountants
Firm Registration No. 105102W

**Prasad V. Paranjape**
Partner
Membership no. 047296

Place : Pune
Date : April 30, 2012

## Balance Sheet as at 31st March, 2012

| Particulars | Note No | Rs in Lakh As at 31st March, 2012 | Rs in Lakh As at 31st March, 2011 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| **a.** Share capital | 1 | 450.00 | 450.00 |
| **b.** Reserves and surplus | 2 | 2,304.41 | 1,596.44 |
| **2. Non-current liabilities** | | | |
| **a.** Other Long-term liabilities | 3 | 792.77 | 758.78 |
| **4. Current liabilities** | | | |
| **a.** Trade payables | 4 | 2,497.58 | 1,221.83 |
| **b** Other current liabilities | 5 | 3,078.83 | 3,488.92 |
| **c.** Short-term provisions | 6 | 234.17 | 276.55 |
| **TOTAL** | | **9,357.76** | **7,792.52** |
| **II ASSETS** | | | |
| **1. Non-current assets** | | | |
| **a.** Fixed assets | 7 | | |
| **i** Tangible assets | | 277.85 | 318.28 |
| **ii** Intangible assets | | - | - |
| **iii** Capital work-in-progress | | 3.04 | 15.14 |
| **b.** Non-current investments | 8 | - | 150.00 |
| **c.** Other non-current assets | 9 | 188.06 | 92.93 |
| **d.** Deferred tax Asset (Net) | 10 | 127.38 | 97.70 |
| **2. Current assets** | | | |
| **a.** Current investments | 11 | 167.39 | 884.59 |
| **b.** Trade receivables | 12 | 3,985.63 | 3,187.70 |
| **c.** Cash and cash equivalents | 13 | 1,029.69 | 903.48 |
| **d.** Short-term loans and advances | 14 | 956.71 | 599.51 |
| **e.** Other current assets | 15 | 2,622.01 | 1,543.19 |
| **TOTAL** | | **9,357.76** | **7,792.52** |

Notes to the financial statements 16

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

As per our report of even date

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**Prasad V. Paranjape**
*Partner*
Membership No. 047296

Pune, 30th April, 2012

For and on behalf of the Board

**Ravinder Advani** *Director*
**Gopal Mahadevan** *Director*

**Devang Trivedi**
*Company Secretary*

Pune, 30th April, 2012

## Profit and loss statement for the year ended 31st March, 2012

| | Particulars | Note No | Rs in Lakh Current Year | Rs in Lakh Previous Year |
|---|---|---|---|---|
| I | Revenues from operations | 17 | 16,936.90 | 11,934.93 |
| II | Other income | 18 | 160.09 | 84.59 |
| **III** | **Total Revenue (I+II)** | | **17,096.99** | **12,019.52** |
| **IV** | **Expenses :** | | | |
| | Employee benefits | 19 | 1,792.37 | 1,437.33 |
| | Depreciation and amortisation | | 92.86 | 57.50 |
| | Other expenses | 20 | 14,160.48 | 9,582.19 |
| | **Total Expenses** | | **16,045.71** | **11,077.02** |
| V | Profit before exceptional and extraordinary items and tax (III-IV) | | 1,051.28 | 942.50 |
| VI | Exceptional items | | - | - |
| VII | Profit before extraordinary items and tax (V - VI) | | 1,051.28 | 942.50 |
| VIII | Extraordinary Items | | - | - |
| IX | Profit before tax (VII- VIII) | | 1,051.28 | 942.50 |
| X | Tax expense: | | | |
| | 1. Current tax | | 373.00 | 280.00 |
| | 2. Deferred tax | | (29.69) | 26.89 |
| XI | Profit/(loss) for the period from continuing operations (IX-X) | | 707.97 | 635.61 |
| XII | Profit (Loss) for the period (XI + XIV) | | 707.97 | 635.61 |
| XIII | Earning per equity share (Refer Note no. 12 of Note 16) | | | |
| | 1. Basic and Diluted | | 15.73 | 14.12 |
| | 2. Face Value per share Rs 10/- each | | | |

Notes to the financial statements 16

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

As per our report of even date

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**Prasad V. Paranjape**
*Partner*
Membership No. 047296

Pune, 30th April, 2012

For and on behalf of the Board

**Ravinder Advani** *Director*
**Gopal Mahadevan** *Director*

**Devang Trivedi**
*Company Secretary*

Pune, 30th April, 2012

## Notes to Financial Statements

| Particulars | Rs in Lakh As at 31st March, 2012 | Rs in Lakh As at 31st March, 2011 |
|---|---|---|
| **Note 1** | | |
| **Share capital** | | |
| Equity Share Capital | | |
| Authorised 10,00,00,000 | | |
| (Previous Year 10,00,00,000) | 1000.00 | 1000.00 |
| Equity shares of Rs 10/- each | | |
| Issued | | |
| 45,00,000 (Previous Year 45,00,000) | 450.00 | 450.00 |
| Equity shares of Rs 10/- each | | |
| | 450.00 | 450.00 |

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

| Equity Shares | March 2012 Nos | March 2012 Rs lakh | March 2011 Nos | March 2011 Rs lakh |
|---|---|---|---|---|
| At the beginning of the period | 45,00,000 | 450.00 | 45,00,000 | 450.00 |
| Issued during the period | - | - | - | - |
| Outstanding at the end of the period | 45,00,000 | 450.00 | 45,00,000 | 450.00 |

b) Term/rights attached to equity shares

The Company has only one class of equity shares having at par value of Rs. 10 per share. Each holder of equity shares is entitled to vote per share. The company declares and pays dividends in Indian Rupees. The 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 holder 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.

100% of the equity shares are held by its holding company, Thermax Limited.

d) Details of Share holding more than 5% shares in the Company.

| | March 2012 | March 2011 |
|---|---|---|
| Equity Shares of Rs. 10 each fully paid up | | |
| Thermax Limited | 100% | 100% |

| | Rs in Lakh As at 31st March, 2012 | Rs in Lakh As at 31st March, 2011 |
|---|---|---|
| **Note 2** | | |
| **Reserves and Surplus** | | |
| General Reserve | | |
| Per Last Balance Sheet | 325.21 | 225.21 |
| Transferred from Surplus | 100.00 | 100.00 |
| | 425.21 | 325.21 |
| Surplus | | |
| Per Last Balance Sheet | 1,271.23 | 735.62 |
| Profit and loss statement balance | 707.97 | 635.61 |
| Transfer to General Reserve | (100.00) | (100.00) |
| | 1879.20 | 1271.23 |
| | 2,304.41 | 1,596.44 |
| **Note 3** | | |
| **Other Long-term liabilities** | | |
| Trade payables | 792.77 | 758.78 |
| | 792.77 | 758.78 |
| **Note 4** | | |
| **Trade payables** | | |
| Trade payables (Refer Note no. 4 of Note 16) | 2,497.58 | 1,221.83 |
| | 2,497.58 | 1,221.83 |
| **Note 5** | | |
| **Other current liabilities** | | |
| Contracts in Progress | | |
| (Refer Note No. 8 of Note 16) | 1,088.34 | 1,142.37 |
| Customer Advances | | |
| (Refer Note no. 8 of Note 16) | 1,844.07 | 2,198.65 |
| Other Liabilities | 146.42 | 147.90 |
| | 3,078.83 | 3,488.92 |
| **Note 6** | | |
| **Short-term provisions** | | |
| Short Term Employee Benefits | 233.91 | 276.29 |
| Others | 0.26 | 0.26 |
| | 234.17 | 276.55 |

**Note 7**

**FIXED ASSETS**

Rs. in Lakh

| Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on 1st April 2011 | Additions / Adjustments during the year | Deductions / Adjustments during the year | As on 31st March, 2012 | As on 1st April 2011 | On deductions during the year | For the year | As on 31st March, 2012 | As on 31st March, 2012 | As on 31st March, 2011 |
| **Tangible Assets** | | | | | | | | | | |
| Plant & Machinery | 460.30 | 25.42 | 7.26 | 478.46 | 222.58 | 7.18 | 59.44 | 274.84 | 203.62 | 237.73 |
| Office Equipments | 82.72 | 5.53 | - | 88.25 | 57.49 | - | 12.16 | 69.65 | 18.60 | 25.23 |
| Vehicles | 92.15 | 25.00 | 8.54 | 108.61 | 36.83 | 5.11 | 21.26 | 52.98 | 55.63 | 55.32 |
| **Intangible Assets** | - | - | - | 0.00 | - | - | - | 0.00 | 0.00 | - |
| Total | 635.17 | 55.95 | 15.80 | 675.32 | 316.90 | 12.29 | 92.86 | 397.47 | 277.85 | 318.28 |
| Previous Year | 379.18 | 286.78 | 30.79 | 635.17 | 286.46 | 27.06 | 57.50 | 316.89 | | |
| Capital Work-in Progress | | | | | | | | | 3.04 | 15.14 |
| Total | | | | | | | | | 280.89 | 333.42 |

| | | |
|---|---|---|
| **Note 8** | | |
| **Non-current investments** | | |
| Non trade - Quoted but not listed | | |
| Investments in Mutual Funds | | |
| (Refer Note below) | - | 150.00 |
| | - | 150.00 |

**As at 31st March 2011**

| Name of Investment | Units | in NAV Rs Lakh |
|---|---|---|
| Birla Sunlife Fixed Term Plan Series CR - Growth | 15 00 000 | **152.00** |

| | | |
|---|---|---|
| **Note 9** | | |
| **Other non-current assets** | | |
| **(Unsecured and considered good)** | | |
| Long Term Trade Receivables | 178.52 | 84.85 |
| Long Term Employee Benefits | | |
| (Gratuity / Net Plan Asset) | 9.54 | 8.08 |
| (Refer Note No. 2 of Note 16) | | |
| | 188.06 | 92.93 |

| | Rs in Lakh As at 31st March, 2012 | Rs in Lakh As at 31st March, 2011 |
|---|---|---|
| **Note 10** | | |
| **Deferred Tax Asset** | | |
| Deferred Tax Liabilities | | |
| Gratuity (net plan asset) | (3.24) | (2.77) |
| | (3.24) | (2.77) |
| Deferred Tax Assets | | |
| Depreciation | 35.01 | 21.00 |
| Provision for doubtful debt | 89.99 | 68.99 |
| Others | 5.62 | 10.48 |
| | 130.62 | 100.47 |
| Deferred Tax Asset (Net) | **127.38** | **97.70** |
| **Note 11** | | |
| **Current Investments** | | |
| Non trade - Quoted but not listed | | |
| Investments in Mutual Funds | 167.39 | 884.59 |
| | 167.39 | 884.59 |

| **As at 31st March 2012** <br> **Name of Investment** | **Units** | **in NAV Rs Lakh** |
|---|---|---|
| Birla Sunlife Ultra Short Term Fund - Institutional - Dividend Scheme - Reinvestment | 16 652 | **16.66** |
| Tata Liquid Super High Investment Fund - Daily Dividend | 13 524 | **150.73** |
| **Total** | | **167.39** |
| Birla Sunlife Ultra Short Term Fund - Institutional - Dividend Scheme - Reinvestment | 17 19 415 | **172.04** |
| Birla Sunlife Short Term FMP Series 8 - Growth | 20 00 000 | **202.28** |
| Birla Sunlife Interval Income - INSTL - Quarterly - S1 - Growth | 14 73 666 | **154.52** |
| ICICI Prudential Mutual Fund - Floating Rate Plan D - Dividend Scheme | 3 62 475 | **362.56** |
| **Total** | | **891.40** |

| | 2012 | 2011 |
|---|---|---|
| **Note 12** | | |
| **Trade Receivables** | | |
| Unsecured trade receivable outstanding for a period exceeding six month | | |
| Considered good | 1,032.11 | 288.63 |
| Considered doubtful | 266.58 | 201.84 |
| Less : Provision for Doubtful Debts | 266.58 | 201.84 |
| | - | - |
| Other Trade Receivable | 2,953.52 | 2,899.07 |
| | 3,985.63 | 3,187.70 |
| **Note 13** | | |
| **Cash and cash equivalents** | | |
| Balances with banks | | |
| Deposit others | 699.96 | 93.46 |
| Fixed Deposits - deposited as security with Statutory Authorities | 2.00 | 2.00 |
| Cheques, drafts on hand | - | 129.12 |
| Cash on hand | 1.36 | 1.52 |
| Balances in Current Accounts | 326.37 | 677.38 |
| | 1,029.69 | 903.48 |
| **Note 14** | | |
| **Short-term loans and advances** | | |
| Unsecured, considered good | | |
| Advances recoverable in cash or in kind or for value to be received | 850.00 | 489.63 |
| Security Deposits | 31.32 | 30.86 |
| Advances to Staff and Workers | | |
| Considered good | 75.39 | 79.02 |
| Considered doubtful | - | 15.47 |
| Less : Provision for doubtful advances | - | (15.47) |
| | 956.71 | 599.51 |

| | Rs in Lakh Current Year | Rs in Lakh Previous Year |
|---|---|---|
| **Note 15** | | |
| **Other current assets** | | |
| Contracts in Progress (Ref Note 8 of Note 16) | 2,255.14 | 834.10 |
| Advance Payment of Income Tax [Net of Provision Rs 918.00 lakh (Previous Year Rs 960.00 lakh)] | 232.08 | 604.78 |
| Advance Payment of Fringe Benefit Tax [Net of Provision Rs 88.80 lakh (Previous Year Rs 88.80 lakh)] | 4.45 | 4.45 |
| Other current assets | 37.96 | 3.70 |
| Dues from Sales Tax Authorities | | |
| Considered good | 92.38 | 96.16 |
| Considered doubtful | 28.48 | 28.48 |
| Less : Provision for doubtful dues | (28.48) | (28.48) |
| | 2,622.01 | 1,543.19 |
| **Note 17** | | |
| **Revenue from operations** | | |
| A. Sale of services (Erection, Commissioning and Supervision contracts) | | |
| (i) Domestic | 15,390.90 | 11,805.62 |
| Add : Closing Contracts in Progress | 1,166.80 | (308.27) |
| Less : Opening Contracts in Progress | (308.27) | (195.81) |
| (i) | 16,865.97 | 11,693.16 |
| **B**. Other operating revenues | | |
| Balances earlier Written Off now Recovered | - | 140.05 |
| Profit on Sale of Assets | 0.21 | 3.51 |
| Provision for Doubtful Debt Written-back (Net) | - | 49.04 |
| Miscellaneous Income | 70.72 | 49.17 |
| | 70.93 | 241.77 |
| ( A + B ) | 16,936.90 | 11,934.93 |
| **Note 18** | | |
| **Other income** | | |
| Interest Income | 81.35 | 38.61 |
| Dividend Income | | |
| Current Investment | 48.48 | 45.96 |
| Net gain/loss on sale of investments | | |
| Long Term Investment | 15.09 | - |
| Current Investment | 11.68 | 0.02 |
| Exchange Difference Income (Net) | 3.49 | - |
| | 160.09 | 84.59 |
| **Note 19** | | |
| **Employee Benefits Expense** | | |
| Salaries and wages | 1,669.77 | 1,344.84 |
| Contribution to provident and other funds | 101.63 | 77.13 |
| Staff welfare expenses | 6.10 | 4.16 |
| Gratuity (Refer Note no. 2 of Note 16) | 14.87 | 11.20 |
| | 1,792.37 | 1,437.33 |
| **Note 20** | | |
| **OTHER EXPENSES** | | |
| Site Expenses and Contract Labour Charges | 493.29 | 437.55 |
| Erection, Fabrication Charges (including Consummables and Safety materials) | 12,697.87 | 8,517.12 |
| Rent and Service Charges | 63.14 | 50.19 |
| Rates and Taxes | 0.26 | 0.26 |
| Insurance | 42.76 | 32.79 |
| *Repairs & Maintenance* | | |
| - Buildings | 1.07 | 2.90 |
| - Others | 22.95 | 18.94 |
| Communication | 44.66 | 36.95 |
| Travelling & Conveyance | 449.93 | 330.91 |
| Bank Charges | 4.86 | 10.83 |
| Legal & Professional charges | 14.67 | 10.22 |
| Printing & Stationery | 9.21 | 7.44 |
| Bad Debts Written Off | 9.48 | 20.54 |
| Provision for Doubtful Debts/Customer Claims | 64.73 | - |
| Liquidated Damages | 150.75 | 38.91 |
| Loss on sale of Assets | 0.73 | - |
| Balances Written Off | 1.59 | - |
| Miscellaneous Expenses (Refer Note no.5 of Note 16) | 88.53 | 64.50 |
| Loss on Exchanges Fluctuation (Net) | - | 2.14 |
| (Inclusive of Prior Period expenses - refer Note no. 6 of Note 16) | 14,160.48 | 9,582.19 |

**Note 16**

**1. Significant Accounting Policies**

**a) Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

**b) Use of Estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**c) Fixed Assets – Tangible Assets**

Tangible fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use. Borrowing cost, if any, attributable to fixed assets is capitalised.

**d) Depreciation**

Depreciation on Furniture & Fixtures, Air Conditioners, Office Equipments, Electrical Installation at Head Office is provided by the Straight Line Method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956. In respect of assets at sites / other locations, depreciation is provided over the useful economic life of assets based on the technical assessment by the Management. The rates of depreciation so arrived at are higher as compared to the rates provided in Schedule XIV to the Companies Act, 1956. The rates are as given below

| SR. NO. | CLASS OF ASSET | ITEM | DEPRECIATION RATE as applied | DEPRECIATION RATE % P.A. (As per Schedule XIV to The Companies Act) |
|---|---|---|---|---|
| 1 | Plant & Machinery | a. Cranes (10Ton & above) | | |
| | | b. Containers | 14.29 | 4.75 |
| | | c. Cranes (Upto 10Ton) including Hydras | 20.00 | 4.75 |
| | | d. Tractors & Trailers | | (for Tractor 11.31) |
| | | e. Precision Tools, Electrical Winches | | |
| | | f. Generator Set | 25.00 | 4.75 |
| | | g. Grinding, Drilling, Welding, cutting m/c. & Wire Ropes, slings etc. | 50.00 | 4.75 |
| | | h. Pipe Chamfering, Hydraulic Tube Expanding m/c., Rigging & Lifting Tools, Drying Oven etc. | 33.33 | 4.75 |
| | | i. Caliberation Equipments and E&I tools | 100.00 | 4.75 |
| 2 | Furniture & Fixture | a. At Site | 50.00 | 6.33 |
| 3 | Office Equipments | a. Refrigerators, Television and other office equipments at Site | 50.00 | 16.21 |
| | | b. Computers, Printer & Software at H.O. and Site | | |
| | | c. Photocopying m/c., Air Conditioners, Water / Air Coolers at Site | 33.33 | 16.21 |
| 4 | Vehicles | a. Motor Cars used at Site | 33.33 | 9.50 |
| | | b. Motor Cars for Officers (Grade - M1 & M2) | 13.45 | 9.50 |
| | | c. Motor Cars for Officers (Grade - M3 & M4) | 15.00 | 9.50 |

**e) Asset Impairment**

Provision for impairment loss, if any, is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's estimated net selling price and its value in use. Value in use determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**f) Investments**

Investments classified as long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

Investments classified as current investments are carried at lower of cost and fair value.

**g) Employee Benefits**

**Long-Term Benefits**

**Provident Fund**

Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary

**Superannuation Fund**

Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary

**Gratuity**

a. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation, using projected unit credit method.

b. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy is recognised as asset.

c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss statement.

d. Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss statement, as applicable.

**Short-Term Benefits**

**Leave Encashment**

Liability on account of the company's obligation under the employee's leave policy is provided on accrual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

**Medical and Leave Travel Assistance benefits**

Liability on account of the company's obligations under the employee's medical reimbursement scheme and leave travel assistance are provided on accrual basis.

**Bonus & Employee's Short Term Incentive Plan**

Liability on account of the company's obligations in respect of bonus as per Payment of Bonus Act, 1965 and employee short-term incentive plan as applicable is provided on accrual basis.

**h) Provisions and Contingent Liabilities**

Provisions in respect of present obligations arising out of past events (recognised in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events are disclosed by way of a note to the Balance Sheet.

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

**i) Revenue Recognition**

Revenue in respect of contracts of civil work, erection and commissioning of boilers and co-generation plants etc., execution of which is spread over different accounting periods is recognized on the basis of percentage of completion method as provided in AS 7.

Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contracts costs.

Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

Provision for expected loss is recognized immediately when it is probable that the total estimated contract cost will exceed total contract revenue.

Revenue in respect of long-term service / supervision contracts is recognized on the basis of stage of completion as provided in AS 9.

Dividend from investments is recognized when the company's right to receive is established.

Interest income is recognized on time proportion basis.

**j) Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

Exchange differences arising on settlement of transactions in foreign currency are recognised in the Profit & Loss Account.

Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates.

**k) Taxes on Income**

Current tax is provided on the basis of estimated tax liability, computed as per applicable provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**2. Employee Benefits**

**Defined Benefit Plans for Employees (AS 15)**

| | | Rs in Lakh **2011-12** | Rs in Lakh 2010-11 |
|---|---|---|---|
| i | Components of Employer expense | | |
| a | Current Service Cost | **12.29** | 9.62 |
| b | Interest Cost | **5.78** | 4.03 |
| c | Expected Return on Plan Assets | **-7.39** | -5.76 |
| d | Actuarial (Gain)/Loss | **4.20** | 10.11 |
| e | Past Service Cost | **0** | -6.80 |
| f | Total expense recognised in the Profit and Loss Account | **14.87** | 11.20 |
| ii | Net Assets/(Liability) recognised in Balance Sheet as at 31st March | | |
| a | Present Value of Obligation | **93.12** | 74.09 |
| b | Fair Value of Plan Assets | **-102.66** | -82.17 |
| c | (Asset)/Liability recognised in the Balance Sheet | **-9.54** | -8.08 |
| iii | Change in Gratuity Obligation during the year | | |
| a | Present Value of Obligation as at 31st March | **74.09** | 50.88 |
| b | Current Service Cost | **5.78** | 4.03 |
| c | Interest Cost | **12.29** | 9.62 |
| d | Actuarial (Gain)/Loss | **0** | 10.66 |
| e | Benefit Paid | **-3.72** | -1.10 |
| f | Present Value of Obligation as at 31st March | **93.12** | 74.09 |
| iv | Changes in the Fair Value of Plan Assets | | |
| a | Present Value of Plan Assets as 31st March | **82.17** | 61.83 |
| b | Expected Return on Plan Assets | **7.39** | 5.76 |
| c | Actual Company Contribution | **12.61** | 14.03 |
| d | Benefits Paid | **0** | 0 |
| e | Actuarial Gain/(Loss) | **0.48** | 0.55 |
| f | Present Value of Plan Assets as 31st March | **102.66** | 82.17 |
| iv | Acturial Assumptions | | |
| a | Discount Rate | **8% p.a.** | 8% p.a. |
| b | Expected Rate of Return | **8% p.a.** | 8% p.a. |
| c | Mortality | **LIC 1994-96 ULTIMATE** | LIC 1994-96 ULTIMATE |
| d | Future Salary Increases | **7% p.a** | 7% p.a |
| e | Disability | **Nil** | Nil |
| f | Attrition | **2% p.a** | 2% p.a |
| g | Retirement | **60 years** | 60 years |

**3. Contingent Liabilities not provided for ( Rs in Lakh)**

a) Income tax demands disputed in Appellate proceedings Rs. 92.33 (Previous Year Rs. 12.81)

b) Sales tax demands disputed in Appellate proceedings Rs. 71.65 (Previous Year Rs. 19.20)

c) Bank Guarantees for advance payments and performance Rs. 1,425.81 (Previous Year Rs. 2,153.10). Bank guarantees issued to statutory authorities Rs 4.75 (Previous Year Rs 4.75).

d) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 9.32 (Previous Year Rs. 9.31)

e) Disputed demand in respect of Service Tax Rs. 186.98 (inclusive of interest) is under Appeal (Previous Year Rs 186.98, inclusive of interest).

**4. Micro & Small Scale Enterprises**

Micro & Small scale enterprises as defined under the Micro, Small and Medium Enterprises Development Act 2006 have been identified to the extent of information available with the company. This has been relied upon by the auditors.

Rs in Lakh

| Sr. No. | Principal | Amount | Interest | Total |
|---|---|---|---|---|
| A | Total Outstandings to MSMED vendors | Nil | Nil | Nil |
| B | Principal amount and Interest due thereon to MSMED parties BOTH remaining unpaid as on 31st March 2012 | Nil | Nil | Nil |
| C | Amount of Interest paid in terms of Sec 16 of MSMED Act alongwith the RELATED principal amount paid during the Year | Nil | Nil | Nil |
| D | Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on 31st March 2012) | Nil | Nil | Nil |
| E | Total Interest outstanding as on 31st March 2012 (Interest in 'b' + Interest in 'd' above) | Nil | Nil | Nil |

**5. Miscellaneous Expenses include :**

| | **Rs in Lakh 2011-12** | 2010-11 |
|---|---|---|
| Auditors' Remuneration | | |
| (i) Audit Fees | 1.10 | 1.00 |
| (ii) Tax Audit Fees | 0.40 | 0.35 |
| (iii) VAT Audit Fees | 0.30 | 0.25 |
| (iv) Reimbursement of expenses | 0.15 | 0.06 |

**6. Previous year's expenses/income included under various heads of accounts:**

| | **Rs in Lakh 2011-12** | 2010-11 |
|---|---|---|
| Expenses | | |
| Erection charges | 59.62 | 61.49 |
| Expenses | 0.76 | 0.84 |

**7. Expenditure in Foreign Currency.**

| | **Rs in Lakh 2011-12** | 2010-11 |
|---|---|---|
| (i) Travelling Expenses | 157.62 | 96.66 |

**8.** In respect of contracts in progress

**Rs. In Lakh**

| Particulars | **2011-12** | 2010-11 |
|---|---|---|
| a) Aggregate amount recognised as Contract Revenue (RR) for the Year | **16865.97** | 11693.15 |
| b) Amount of Customer Advances received (Unadjusted as on 31st March) | **1844.07** | 2198.65 |
| c) Amount of Retentions | **1451.37** | 769.43 |
| d) Gross amount due from customers for contract work (Positive CIP) | **2255.14** | 834.10 |
| e) Gross amount due to customers for contract work (Negative CIP) | **1088.34** | 1142.37 |
| f) In respect of contracts in progress as on 31 st March 2012 : | | |
| Aggregate amt of Costs incurred and recognised profits (less recognised losses) | **29886.02** | 26772.53 |
| Less: Running Bills | **(28719.22)** | (27080.80) |
| Closing Contracts in Progress | **1166.80** | (308.27) |

**9.** In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of trade receivables, trade payables and advances or deposits have been taken as per books of account.

**10. Segment Reporting:**

Primary Segment

Based on the guiding principle given in the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company is operating in a single business segment viz. Energy.

Secondary Segment

The Company caters mainly to the needs of Indian markets. Hence there are no reportable geographical segments.

**11. Related Party Disclosures**

Related party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

**a) List of related parties and description of relationships:**

**Parties where control exists:**

RDA Holding & Trading Pvt. Ltd - Ultimate Holding Company

Thermax Limited - Holding Company

**Fellow Domestic Subsidiary**

Thermax Instrumentation Limited (India)

Thermax Sustainable Energy Solutions Limited (India)

Thermax Onsite Energy Solutions Limited (India)

**Fellow Overseas Subsidiary**

Thermax International Limited (Mauritius)

Thermax Hong Kong Limited (Hong Kong)

Thermax Europe Limited (U.K)

Thermax Inc. (U.S.A)

Thermax (Zhejiang) Cooling and Heating Engineering Co. Limited (China)

Thermax do Brasil Energia e Equipametos Ltda. (Brazil)

Thermax Netherlands B.V. (Netherlands)

Thermax Denmark ApS (Denmark)

Danstoker A/S (Denmark)

Omnical Kessel- und Apparatebau GmbH (Germany)

Ejendomsanpartsselskabet Industrivej Nord 13 (Netherlands)

Danstoker (UK) Ltd. (UK)

**Fellow Joint Venture Subsidiary**

Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. (India)

Thermax SPX Energy Technologies Ltd (India)

**b) Transactions with the Related Parties**

**Rs. In Lakh**

| **Particulars** | **2011-12** | **2010-11** |
|---|---|---|
| Sales (including recovery of expenses) | | |
| Thermax Ltd | 4,922.05 | 5,343.57 |
| Thermax SPX Energy Tech. Ltd | 0.36 | 0.18 |
| Project Execution Expenditure Thermax Ltd | 134.52 | 110.01 |
| Receiving of ServicesThermax Ltd | 150.15 | 135.12 |
| Management Contracts including for deputation of employeesThermax Ltd | 26.35 | 27.71 |
| Guarantees and Collaterals Thermax Ltd | 3,200.00 | 1,800.00 |
| Outstanding Balances | | |
| Receivables – Thermax Ltd | 848.71 | 1,479.87 |
| Payables – Thermax Ltd | 20.71 | 59.55 |
| Advances received – Thermax Ltd | 5.70 | 28.28 |

**12. Earning Per Share (EPS)**

Earnings per share calculated in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

| **Particulars** | **2011-12** | **2010-11** |
|---|---|---|
| Net profit available for Shareholders (Rs. In Lakh) | 707.97 | 635.61 |
| Weighted average number of Equity Shares of Rs. 10 each | 45,00,000 | 45,00,000 |
| Basic and Diluted earning per share (Rs.) Face Value per share of Rs 10/- each | 15.73 | 14.12 |

**13.** The company has presented the Balance Sheet, Statement of Profit & Loss and Notes thereto in the format prescribed under Revised Schedule VI to the Companies Act, 1956 as notified by the Ministry of Corporate Affairs, Government of India. Information pursuant to Part IV, Schedule VI to companies Act 1956 of India is given in the Annexure. Previous year's figures have been regrouped / rearranged wherever necessary to conform to this year's classification and to comply with Revised Schedule VI requirements.

As per our Report of even date
**For B.K.Khare & Co.**
*Chartered Accountants*

**Prasad Paranjape**
*(Partner)*
Membership No.- 047296

Pune, 30th April 2012

For and on behalf of the Board

**Ravinder Advani** *Director*

**Gopal Mahadevan** *Director*

**Devang Trivedi**
*Company Secretary*

Pune, 30th April 2012

## *Cash Flow Statement*

| | | Year ended March 31, 2012 Rs. in lacs | Year ended March 31, 2011 Rs. in lacs |
|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities** | | |
| | Profit before taxation | 1,051.28 | 942.50 |
| | Adjustment for : | | |
| | Depreciation | 92.86 | 57.50 |
| | Loss on sale of tangible assets (net) | 0.52 | (3.51) |
| | Profit on sale of investments (net) | (26.77) | (0.02) |
| | Wealth tax | 0.26 | 0.25 |
| | Provision for Doubtful Debts | 64.73 | (49.04) |
| | Dividend Income | (48.48) | (45.96) |
| | Interest Income | (81.35) | (38.61) |
| | Employee Retirement and Other Benefits | 29.48 | 10.00 |
| | **Operating profit before working capital changes** | **1,082.53** | **873.10** |
| | Changes in Working Capital: | | |
| | Increase / (Decrease) in long term trade payables | 33.99 | 533.54 |
| | Increase / (Decrease) in current trade payables | 1,275.75 | (527.97) |
| | Increase / (Decrease) in provisions | (42.38) | 62.99 |
| | Increase / (Decrease) in other current liabilities | (410.09) | 1,185.11 |
| | (Increase) / Decrease in trade receivables | (862.69) | (1,224.34) |
| | (Increase) / Decrease in loans & advances | (357.20) | (126.77) |
| | (Increase) / Decrease in other current assets | (1,417.50) | (198.46) |
| | (Increase) / Decrease in Non-current assets | (124.61) | (78.78) |
| | **Cash Generated from Operations** | **(822.20)** | **498.42** |
| | Taxes paid (net of refunds) | (0.30) | (118.39) |
| | **Net Cash generated from operating activities** | **(822.50)** | **380.03** |

| | | Year ended March 31, 2012 Rs. in lacs | Year ended March 31, 2011 Rs. in lacs |
|---|---|---|---|
| **B.** | **Cash flow from Investing Activities** | | |
| | Purchase of tangible assets | (43.85) | (299.88) |
| | Sale of tangible assets | 2.99 | 7.23 |
| | Purchase of long term investments | - | 150.00 |
| | Sale of long term investments | 165.09 | - |
| | Purchase of current investments | (2,508.06) | (3,832.10) |
| | Sale of current investments | 3,236.97 | 3,903.92 |
| | Interest received | 47.09 | 34.75 |
| | Dividends received | 48.48 | 45.96 |
| | **Net cash from investing activities** | **948.71** | **9.89** |
| | **Net increase in Cash and Cash equivalents(A + B)** | **126.21** | **389.92** |
| | **Cash and Cash equivalents at the beginning of the year** | **903.48** | **513.56** |
| | **Cash and Cash equivalents at the end of the year** | **1,029.69** | **903.48** |
| | **Cash and Cash equivalents comprise of :** | | |
| | Cash on Hand | 1.36 | 1.52 |
| | Cheques on Hand | - | 129.12 |
| | Balances with Banks in Current and Deposit Accounts | 1,028.33 | 772.84 |
| | Less: Fixed Deposits with Statutory authorities | (2.00) | (2.00) |
| | **Total** | **1,027.69** | **901.48** |

As per our Report of even date
**For B.K.Khare & Co.**
*Chartered Accountants*

**Prasad Paranjape**
*(Partner)*
Membership No.- 047296

Pune, 30th April 2012

For and on behalf of the Board

**Ravinder Advani** — *Director*
**Gopal Mahadevan** — *Director*

**Devang Trivedi**
*Company Secretary*

Pune, 30th April 2012

| Board of Directors | Registered Office | Auditors |
|---|---|---|
| Ravinder Advani<br>Gopal Mahadevan<br>R. V. Ramani | Thermax House<br>14, Mumbai-Pune Road,<br>Wakdewadi,<br>Pune 411 003 | **B. K. Khare & Co.**<br>Chartered Accountants<br>Hotel Swaroop, 4th Floor,<br>Lane No. 10, Prabhat Road,<br>Pune 411 004 |
| ***Manager***<br>M. L. Bindra | | |
| ***Company Secretary***<br>Sudhir Lale | ***Corporate Office***<br>Sai Chambers<br>15, Mumbai-Pune Road,<br>Wakdewadi,<br>Pune 411 003 | ***Bankers***<br>Union Bank of India<br>HDFC Bank Limited<br>State Bank of India<br>Corporation Bank<br>ICICI Bank<br>Citibank |

## *Directors' Report*

Dear Shareholder,

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the audited accounts for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(Rs. in lakh)

| **Particulars** | **2011-12** | 2010-11 |
|---|---|---|
| Total Income | **24,946.31** | 23,653.50 |
| Profit / (Loss) before Depreciation | **(1,084.61)** | 660.48 |
| Depreciation | **74.40** | 155.16 |
| Profit / (Loss) before Tax | **(1,159.01)** | 505.32 |
| Provision for Taxation including Deferred Tax | **(119.16)** | 167.92 |
| Profit / (Loss) after tax | **(1,039.85)** | 337.40 |

**PERFORMANCE**

During the year, your company earned a total income of Rs. 24,946.31 lakh as against Rs. 23,653.50 lakh in the previous year. Loss before tax was Rs. 1159.01 lakh as against previous year's profit before tax of Rs. 505.32 lakh and loss after tax as against Rs.1,039.85 lakh as against previous year's profit after tax of Rs. 337.40 lakh.

During the year, the company commissioned four power plants aggregating to 45.50 MW. The Current year's performance was impacted due to cost overruns / provisions on certain contracts.

The company is currently managing construction activities spread across a number of sites over 1000 MW which are under various stages of erection and commissioning. Due to the slowdown in the power sector resulting from the overall economic environment of the country, the year did not see many large order finalisations in the power sector. Financial year 2012-13 is going to be challenging for the company. However to derisk the business, Company is exploring opportunities in other related areas like balance of plant for in thermal and nuclear segments.

**SAFETY**

The company continues to focus on improving safety at sites, and its performance in this area was recognised by five of its large customers. The company has also bagged several awards for its safety practices.

Various process improvements have also been implemented in the parent division –

- Established Severity Index measurement at sites for a quantitative assessment of safety situation,
- Measurement of basic safety parameters
- Measurement of contractor's performance on safety.

The company has made significant progress in its operational excellence initiatives, last year, with the automation of its system for monitoring and ensuring all statutory and legal compliances at site.

**DIVIDEND**

In view of loss incurred during the year, the Directors do not recommend any dividend.

**PUBLIC DEPOSITS**

The company has not accepted any deposits from the public.

**PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

1. Particulars of employees

   None of the employees is covered by the provisions contained in Section 217(2A) of the Companies Act, 1956, read with the rules framed there under, as amended.

2. Conservation of energy and technology absorption

   Information pertaining to conservation of energy and technology absorption is not applicable to your company.

3. Foreign exchange earnings and outgo

   Information pertaining to foreign exchange earnings and outgo, under Section 217(1)(e) of the Companies Act, 1956 is set out in point (e) of Note 24 - Notes to Accounts.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mr. Ravinder Advani, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment as a Director.

**MANAGER**

The shareholders had approved appointment of Mr. M. L. Bindra as 'Manager' of the company, for a period from April 1, 2011 to March 31, 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 financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the directors present the accounts for the financial year ended March 31, 2012 on a 'going concern' basis.

**AUDIT COMMITTEE**

The committee comprises three members, all being non-executive directors. The chairman, Mr. Gopal Mahadevan is a Chartered Accountant and Company Secretary by qualification. The other members of the committee are Mr. Ravinder Advani and Mr. R.V. Ramani.

The committee met four times during the financial year 2011-12 on April 22, 2011, July 13, 2011, October 12, 2011 and January 17, 2012. The Statutory Auditors are permanent invitees and attend all the meetings of the committee.

**AUDITORS**

M/s. B. K. Khare & Co., Chartered Accountants, retire as auditors of the company at the conclusion of the ensuing Annual General Meeting of the company and have given their consent for reappointment.

**ACKNOWLEDGEMENTS**

Your directors wish to place on record their appreciation for the continued support extended by the company's clients, vendors and bankers during the year; and the dedicated contribution made the employees and look forward to their continued support in the future as well.

For and on behalf of the Board of Directors

Pune, April 25, 2012

R. V. Ramani
Director

Gopal Mahadevan
Director

Ravinder Advani
Director

## *Auditors' Report*

**To the members of Thermax Instrumentation Limited**

1. We have audited the attached Balance Sheet of Thermax Instrumentation Limited as at 31st March 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
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 our audit;
   (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
   (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
      (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
      (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date

**For B.K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Prasad V. Paranjape**
**Partner**
Membership no. 047296

Place : Pune
Date : April 25, 2012

## *Annexure to the Auditors' Report*

**(Referred to in paragraph 3 of our report of even date)**

**To the members of Thermax Instrumentation Limited**

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. In our opinion and according to the information and explanations given to us, the requirements of paragraphs 4 (ii) of the Order in respect of 'inventories' are not, on facts, applicable to the Company and hence no comments have been offered there under.
3. The Company has neither taken nor granted 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 clauses 4(iii) (b), (c), (d), (f) and (g) of the order are not applicable to the company and hence not commented upon.
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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. According to the information and explanations given to us, we are of the opinion that the there are no contracts or arrangements with parties referred to in section 301 of the Act. Accordingly, the provisions of clauses 4(v) (b) of the order is not applicable to the company and hence not commented upon.
6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. Company is in the business of providing Erection and Commissioning services for Thermal and other power plants. Thus, on facts, maintenance of cost records under Section 209(1) (d) of Companies Act, 1956 is not applicable to the Company.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of 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 as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.
   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited, except for the following:

Rs. Lakh

| Name of the Statue | Nature of Dues | Amount under dispute not deposited | Period to which amount relates | Forum where dipuste is pending |
|---|---|---|---|---|
| West Bengal Sales Tax | Sales Tax | 38.15 | 2007-08 to 2008-09 | Appellate Authority |
| Service Tax | Service Tax | 1808.18 | 2006-07 to 2010-11 | Appellate Authority |

10. The Company does not have accumulated losses as at 31st March 2012.During the current financial year the company has incurred cash losses, however, in the immediately preceding financial year company has not incurred cash losses.
11. Based on the information and explanations given to us, the Company had no dues to a financial institution or bank or debenture holders.
12. According to the information and explanations given by the management and based on the documents and records produced before 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.
13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause of 4(xiii) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly the provisions of clause 4(xiv) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
15. Based on the information and explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not 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 Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B.K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Prasad V. Paranjape**
**Partner**
Membership no. 047296

Place : Pune
Date : April 25, 2012

## *Balance Sheet as at March 31, 2012*

| Particulars | Note No | Rs. Lakh As at March 31, 2012 | Rs. Lakh As at March 31, 2011 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| a. Share capital | 1 | **900.00** | 900.00 |
| b. Reserves and surplus | 2 | **368.06** | 1,309.85 |
| | | **1,268.06** | 2,209.85 |
| **2. Non-current liabilities** | | | |
| a. Other Long-term liabilities | 3 | **96.81** | 86.18 |
| b. Long-term provisions | 4 | **60.50** | 37.22 |
| | | **157.31** | 123.40 |
| **3. Current liabilities** | | | |
| a. Trade payables | 5 | **3,015.14** | 3,048.82 |
| b. Other current liabilities | 6 | **11,748.76** | 9,664.73 |
| c. Short-term provisions | 7 | **330.36** | 384.34 |
| | | **15,094.26** | 13,097.89 |
| **TOTAL** | | **16,519.63** | 15,431.14 |
| **II ASSETS** | | | |
| **1. Non-current assets** | | | |
| a. Fixed assets | 8 | | |
| i Tangible assets | | **353.13** | 368.28 |
| ii Intangible assets | | **-** | - |
| iii Capital work-in-progress | | **-** | - |
| b. Non-current investments | 9 | - | 500.00 |
| c. Long-term loans and advances | 10 | **91.26** | 60.12 |
| d. Other non-current assets | 11 | **406.49** | 432.06 |
| e. Deferred tax Asset (Net) | 12 | **62.73** | 46.98 |
| | | **913.61** | **1,407.44** |
| **2. Current assets** | | | |
| a. Current investments | 13 | **234.39** | 3,183.62 |
| b. Inventories | | **-** | - |
| c. Trade receivables | 14 | **3,518.28** | 2,484.23 |
| d. Cash and cash equivalents | 15 | **5,050.09** | 3,047.16 |
| e. Short-term loans and advances | 16 | **1,274.27** | 1,152.95 |
| f. Other current assets | 17 | **5,528.99** | 4,155.74 |
| | | **15,606.02** | 14,023.70 |
| **TOTAL** | | **16,519.63** | 15,431.14 |

Notes to the financial statements 24

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

## *Profit and loss statement for the year ended March 31, 2012*

| | Particulars | Note No | Rs. Lakh Year Ended March 31, 2012 | Rs. Lakh Year Ended March 31, 2011 |
|---|---|---|---|---|
| I | Revenues from operations | 18 | **24,489.56** | 23,312.32 |
| II | Other income | 19 | **456.75** | 341.18 |
| III | **Total Revenue (I+II)** | | **24,946.31** | 23,653.50 |
| IV | **Expenses :** | | | |
| | Cost of materials consumed | 20 | **4,531.53** | 5,669.72 |
| | Purchases of Stock-in-Trade | | **-** | - |
| | Changes in inventories | | **-** | - |
| | Employee benefits | 21 | **1,690.79** | 1,347.88 |
| | Finance costs | 22 | **3.51** | 2.77 |
| | Depreciation and amortisation | | **74.40** | 155.16 |
| | Other expenses | 23 | **19,805.08** | 15,972.65 |
| | **Total Expenses** | | **26,105.31** | 23,148.18 |
| V | Profit before exceptional and extraordinary items and tax (III-IV) | | **(1,159.00)** | 505.32 |
| VI | Exceptional items | | **-** | - |
| VII | Profit before extraordinary items and tax (V - VI) | | **(1,159.00)** | 505.32 |
| VIII | Extraordinary Items | | **-** | - |
| IX | Profit before tax (VII- VIII) | | **(1,159.00)** | 505.32 |
| X | Tax expense: | | | |
| | 1. Current tax | | **50.88** | 158.48 |
| | 2. Mat Credit Entitlement (for earlier years) | | **(150.69)** | - |
| | 3. Deferred tax | | **(19.35)** | 9.44 |
| XI | Profit/(loss) for the period from continuing operations (VII-VIII) | | **(1,039.84)** | 337.40 |
| XII | Profit/(loss) from discontinuing operations | | **-** | - |
| XIII | Tax expense of discontinuing operations | | **-** | - |
| XIV | Profit/(loss) from Discontinuing operations (after tax) (XII-XIII) | | **-** | - |
| XV | Profit/(Loss) for the period (XI + XIV) | | **(1,039.84)** | 337.40 |
| XVI | Profit/(Loss) Brought Forward From the Previous Year | | **187.02** | 150.38 |
| XVII | Balance Carried To Balance Sheet | | **(852.82)** | 187.02 |
| XVIII | Earning per equity share: (Refer Note No.2l of Note 24) | | | |
| | 1. Basic | | **(11.55)** | 3.75 |
| | 2. Diluted | | **(11.55)** | 3.75 |
| | 3. Face Value per Share (Rs.) | | **10.00** | 10.00 |

Notes to the financial statements 24

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

As per our report of even date

For and on behalf of the Board

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**Prasad V. Paranjape**
*Partner*
Membership No. 047296

Pune, April 25, 2012

**R. V. Ramani**
*Director*

**Gopal Mahadevan**
*Director*

**M. L. Bindra**
*Manager*

**Sudhir Lale**
*Company Secretary*

Pune, April 25, 2012

## *Notes attached to and forming part of the Balance Sheet as at March 31, 2012*

| Particulars | Reference to note no 24 | Rs. Lakh As at March 31, 2012 | Rs. Lakh As at March 31, 2011 |
|---|---|---|---|
| **Note 1** | | | |
| **Share capital** | | | |
| Share Capital | | **2,000.00** | 2,000.00 |
| Authorised 2,00,00,000 (Previous Year: 2,00,00,000) Equity shares of Rs 10/- each | | | |
| Issued, | | **900.00** | 900.00 |
| 90,00,000 Shares of Rs. 10/- each (Previous Year : 90,00,000) Equity Shares of Rs. 10/- each | | | |
| | | **900.00** | 900.00 |

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

| Equity Shares | March-12 Nos | March-12 Rs Lacs | March-11 Nos | March-11 Rs Lacs |
|---|---|---|---|---|
| At the beginning of the period | **9000000** | **900** | 9000000 | 900 |
| Issued during the period | **-** | **-** | **-** | - |
| Outstanding at the end of the period | **9000000** | **900** | 9000000 | 900 |

b) Term/rights attached to equity shares

The Company has only one class of equity shares having at par value of Rs. 10 per share. Each holder of equity shares is entitled to vote per share. The company declares and pays dividends in Indian Rupees. The 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 holder 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.

100% of the equity shares are held by its holding company, Thermax Limited.

d) Details of Share holding more than 5% shares in the Company.

| | March-12 | March-11 |
|---|---|---|
| Equity Shares of Rs. 10 each fully paid up | | |
| Thermax Limited | 100% | 100% |

| Particulars | Reference to note no 24 | Rs. Lakh As at March 31, 2012 | Rs. Lakh As at March 31, 2011 |
|---|---|---|---|
| **Note 2** | | | |
| **Reserves and Surplus** | | | |
| Capital Reserves | | | |
| Per Last Balance Sheet | | **1,118.84** | 1,118.84 |
| Forex Currency Translation reserve | | | |
| Per Last Balance Sheet | | **3.98** | (4.11) |
| Adjusted to Profit and loss statement | | **98.06** | 8.10 |
| | | **102.04** | 3.99 |
| Surplus | | | |
| Per Last Balance Sheet | | **187.02** | (150.38) |
| Profit and loss statement balance | | **(1,039.84)** | 337.40 |
| | | **(852.82)** | 187.02 |
| | | **368.06** | 1,309.85 |
| **Note 3** | | | |
| **Other Long-term liabilities** | | | |
| Trade payables (Refer Note No. 2 c of Note 24) | | **83.10** | 86.18 |
| Others | | **13.71** | - |
| | | **96.81** | 86.18 |
| **Note 4** | | | |
| **Long-term provisions** | | | |
| Long Term Employee Benefits (Gratuity) | | **60.50** | 37.22 |
| | | **60.50** | 37.22 |
| **Note 5** | | | |
| **Trade payables** | | | |
| Trade payables (Refer Note No. 2 c of Note 24) | | **3,015.14** | 3,048.82 |
| | | **3,015.14** | 3,048.82 |
| **Note 6** | | | |
| **Other current liabilities** | | | |
| Contracts in Progress (Refer Note No. 2 f of Note 24) | | **2,467.20** | 1,868.36 |
| Customer Advances | | **8,898.49** | 7,566.51 |
| Other Liabilities | | **383.07** | 229.86 |
| | | **11,748.76** | 9,664.73 |
| **Note 7** | | | |
| **Short-term provisions** | | | |
| Short Term Employee Benefits | | **162.97** | 163.67 |
| Others | | **167.39** | 220.67 |
| | | **330.36** | 384.34 |

**Note 8**

**Fixed Assets** **Amount in Lakh**

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost As On 1.4.2011 | Additions During the Year 11-12 | Deductions During the Year 11-12 | Total Cost as on 31.3.2012 | Upto 31.3.2011 | Deductions During the Year 11-12 | Provisions During the Year 11-12 | Total as on 31.3.2012 | As on 31.3.2012 | As on 31.3.2011 |
| **Tangible Assets** | | | | | | | | | | |
| Land - Leasehold | 12.22 | - | - | **12.22** | 2.37 | - | 0.18 | **2.55** | **9.67** | 9.85 |
| Building | 304.19 | - | - | **304.19** | 107.21 | - | 10.16 | **117.37** | **186.82** | 196.98 |
| Plant & Machinery | 150.15 | 0.18 | - | **150.33** | 56.21 | - | 7.14 | **63.35** | **86.98** | 93.94 |
| Electrical Installation | 37.38 | - | - | **37.38** | 37.38 | - | - | **37.38** | **-** | - |
| Office Equipments, Computer | 225.05 | 49.56 | 1.05 | **273.56** | 174.06 | 0.11 | 53.77 | **227.72** | **45.84** | 50.99 |
| Vehicles | 26.67 | 10.44 | - | **37.11** | 10.14 | - | 3.15 | **13.29** | **23.82** | 16.52 |
| **Intangible Assets** | **-** | **-** | **-** | - | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **755.66** | **60.18** | **1.05** | **814.79** | **387.38** | **0.11** | **74.40** | **461.66** | **353.13** | **368.28** |
| Previous Year | 555.32 | 227.78 | 27.44 | 755.66 | 258.49 | 26.28 | 155.16 | 387.38 | | |
| Capital Work in Progress for Current Year and Previous Year is Nil | - | - | - | - | - | - | - | - | | |

## *Notes attached to and forming part of the Balance Sheet as at March 31, 2012*

| Particulars | Reference to note no 24 | Rs. Lakh As at March 31, 2012 | Rs. Lakh As at March 31, 2011 |
|---|---|---|---|
| **Note 9** | | | |
| **Non-current investments** | | | |
| Investments in Mutual Funds | | - | 500.00 |
| | | - | 500.00 |
| **Note 10** | | | |
| **Long-term loans and advances** | | | |
| **Unsecured, considered good** | | | |
| Security Deposits | | 15.16 | 10.84 |
| Advances recoverable in cash or in kind or for value to be received | | 76.10 | 49.28 |
| | | 91.26 | 60.12 |
| **Note 11** | | | |
| **Other non-current assets** | | | |
| Long Term Trade Receivables | | | |
| Unsecured Considered good | | 297.25 | 420.28 |
| Fixed Deposit with more than 12 month in maturity | | 107.08 | 0.27 |
| Interest accrued on Fixed Deposit | | 2.16 | 11.51 |
| | | 406.49 | 432.06 |
| **Note 12** | | | |
| **Deferred tax Asset (net)** | | | |
| a) Deferred Tax Liabilities | | - | - |
| b) Deferred Tax Assets | | | |
| Depreciation | | 6.92 | 7.33 |
| Gratuity | | 2.94 | 1.07 |
| Provision for doubtful debt | | 48.38 | 21.81 |
| Others | | 4.49 | 16.77 |
| **Deferred tax Asset** | | 62.73 | 46.98 |
| **Deferred tax Asset (net) (b - a)** | | 62.73 | 46.98 |
| **Note 13** | | | |
| **Current Investments** | | | |
| Non trade | | | |
| Investments in Mutual Funds (Refer Note below) | | 234.39 | 3,183.62 |
| | | 234.39 | 3,183.62 |

**Note :**

**Mar-12**

| Name of Investment | Units (in Lakh) | NAV (Rs) | Market Value, as shown above ( Rs. Lakh) |
|---|---|---|---|
| Birla Sun Life Ultra Short Term Fund - Inst.Daily Dividend, Folio-1014868105 | 0.01 | 100.06 | 1.25 |
| Birla Sun Life Short Term Fund - Inst.Daily Dividend, Folio-1015084020 | 1.18 | 100.06 | 118.04 |
| TATA Liquid Fund High Inv - Daily Dividend, Folio-1314385/89 | 0.10 | 1,114.34 | 115.10 |
| **Total** | | | 234.39 |

**Mar-11**

| Name of Investment | Units (in Lakh) | NAV (Rs) | Market Value, as shown above ( Rs. Lakh) |
|---|---|---|---|
| Birla Sun Life Ultra Short Term Fund - Inst.Daily Dividend, Folio-1014868105 | 117.73 | 10.01 | 1,177.99 |
| Birla Sun Life Short Term Fund - Inst Daily Dividend, Folio-1015084020 | 53.15 | 10.01 | 531.77 |
| ICICI Prudential Floating Rate Plan D - Daily Dividend, Folio-1818683/07 | 10.57 | 100.02 | 1,057.68 |
| ICICI Prudential Floating Rate Plan D - Daily Dividend, Folio-4465460/96 | 4.16 | 100.02 | 416.18 |
| **Total** | | | 3,183.62 |

| Particulars | Reference to note no 24 | Rs. Lakh As at March 31, 2012 | Rs. Lakh As at March 31, 2011 |
|---|---|---|---|
| **Note 14** | | | |
| **Trade Receivables** | | | |
| Unsecured trade receivable outstanding for a period exceeding six month | | | |
| Considered good | | 204.30 | 253.19 |
| Considered doubtful | | 149.10 | 67.22 |
| Less : Provision for doubtful debts | | (149.10) | (67.22) |
| Other trade receivable | | 3,313.98 | 2,231.04 |
| | | 3,518.28 | 2,484.23 |
| **Note 15** | | | |
| **Cash and cash equivalents** | | | |
| Balances with banks | | | |
| Deposit with more than 12 month in maturity | | 107.08 | 0.27 |
| Deposit others | | 2,638.90 | 598.63 |
| Fixed Deposits - deposited as security with Statutory Authorities and includes fixed deposit under lien | | - | 1,069.94 |
| Cash on hand | | 1.58 | 2.00 |
| Balances in current accounts | | 2,409.61 | 1,376.59 |
| | | 5,157.17 | 3,047.43 |
| Less : Deposit with more than 12 month in maturity disclosed under Other non-current assets | | 107.08 | 0.27 |
| | | 5,050.09 | 3,047.16 |
| **Note 16** | | | |
| **Short-term loans and advances** | | | |
| Unsecured, considered good | | | |
| Advances recoverable in cash or in kind or for value to be received | | | |
| Considered good | | 1,169.47 | 1,113.08 |
| Considered doubtful | | 1.63 | - |
| Less : Provision for doubtful advances | | (1.63) | - |
| Advances to Staff and Workers | | 104.80 | 39.87 |
| | | 1,274.27 | 1,152.95 |
| **Note 17** | | | |
| **Other current assets** | | | |
| Contracts in Progress (Refer Note No. 2 f of Note 24) | | 1,813.54 | 1,615.66 |
| Balance in Central Excise & Customs Accounts | | 848.05 | 593.02 |
| Advance Payment of Income Tax and Wealth Tax | | 2,232.37 | 1,673.69 |
| Advance Payment of Fringe Benefit Tax | | 40.52 | 40.52 |
| MAT Credit Entitlement | | 150.69 | - |
| Other current assets | | 443.82 | 232.85 |
| | | 5,528.99 | 4,155.74 |

## *Notes attached to and forming part of the Profit and Loss Account for the year ended March 31, 2012*

| Particulars | Reference to note no 24 | Rs. Lakh Year Ended March 31, 2012 | Rs. Lakh Year Ended March 31, 2011 |
|---|---|---|---|
| **Note 18** | | | |
| **Revenue from operations** | | | |
| A. Sale of services | | | |
| (i) Domestic | | **24,351.56** | 25,571.33 |
| Add : Closing Contracts in Progress | | **(653.66)** | (252.70) |
| Less : Opening Contracts in Progress | | **(252.70)** | 2,839.34 |
| | (i) | **23,950.60** | 22,479.29 |
| (ii) Exports | | **347.61** | 712.97 |
| Add : Closing Contracts in Progress | | **-** | - |
| Less : Opening Contracts in Progress | | **-** | - |
| | (ii) | **347.61** | 712.97 |
| | (i) + (ii) | **24,298.21** | 23,192.26 |
| (From Contracting Services Rs 23795.92 Lakh, from Other Services Rs 154.68 Lakh & Exports Rs 347.61 Lakh) | | | |
| B. Other operating revenues | | | |
| Claims and Refunds | | **18.39** | 13.70 |
| Sale of Scrap | | **160.41** | 63.21 |
| Miscellaneous Income | | **12.55** | 43.15 |
| | | **191.35** | 120.06 |
| | ( A + B ) | **24,489.56** | 23,312.32 |
| **Note 19** | | | |
| **Other income** | | | |
| Interest Income | | **198.94** | 93.01 |
| Dividend Income | | | |
| Long-term Investment | | **68.56** | - |
| Current Investment | | **179.41** | 237.03 |
| Net gain/loss on sale of investments - Current | | **0.23** | 0.03 |
| Other non-operating income | | **9.61** | 11.11 |
| | | **456.75** | 341.18 |
| **Note 20** | | | |
| **Cost of Material consumed** | | | |
| Consumption of raw materials and components | | | |
| Opening Stocks | | **-** | - |
| Add: Purchases (Other than Trading purchases) | | **4,531.53** | 5,669.72 |
| | | **4,531.53** | 5,669.72 |
| Less: Closing Stocks | | **-** | - |
| | | **4,531.53** | 5,669.72 |
| **Details of major raw material & components consumed** | | | |
| Ferrous Sheets, Plates, Ferrous Tubes and Fabricated Items | | **2907.27** | 4,373.95 |
| Cement, Hardware and other items | | **1367.97** | 1,258.62 |
| Electrical and Instrumentation Items | | **10.13** | 3.26 |
| Others | | **246.17** | 33.88 |
| **Total Consumption** | | **4,531.53** | 5,669.72 |
| **Break-up of Imported & Indigenous Material:** | | | |
| i) Imported | | **-** | - |
| ii) Indigenous | | **4531.53** | 5,669.72 |
| **Total Consumption** | | **4,531.53** | 5,669.72 |

| Particulars | Reference to note no 24 | Rs. Lakh Year Ended March 31, 2012 | Rs. Lakh Year Ended March 31, 2011 |
|---|---|---|---|
| **Note 21** | | | |
| **Employee Benefits Expense** | | | |
| Salaries and wages | | **1,505.30** | 1,218.76 |
| Contribution to provident and other funds | | **124.03** | 87.76 |
| Gratuity (Refer Note no 2 a of Note 24) | | **25.51** | 11.90 |
| Staff welfare expenses | | **35.95** | 29.46 |
| | | **1,690.79** | 1,347.88 |
| **Note 22** | | | |
| **Finance Costs** | | | |
| Interest expense | | **3.51** | 2.77 |
| | | **3.51** | 2.77 |
| **Note 23** | | | |
| **Other Expenses** | | | |
| Consumption of stores and spare parts | | **93.50** | 33.14 |
| Power and Fuel | | **240.94** | 230.46 |
| Drawing, Design and Technical Service Charges | | **8.05** | 9.60 |
| Site Expenses and Contract Labour Charges | | **18,811.30** | 15,085.20 |
| Insurance | | **223.82** | 208.33 |
| Repairs and Maintenance: | | | |
| Building | | **-** | - |
| Plant and Machinery | | **-** | - |
| Others | | **12.09** | 10.79 |
| Communication | | **18.71** | 18.59 |
| Travelling and Conveyance | | **124.31** | 99.78 |
| Other Selling and Distribution Expenses | | **4.14** | 3.36 |
| Bank Charges | | **33.88** | 50.62 |
| Legal & Professional Charges | | **103.91** | 93.67 |
| Printing and Stationery | | **18.95** | 11.64 |
| Donations | | **0.20** | - |
| Provision for Doubtful Debts/ Customer Claims | | **83.50** | 67.22 |
| Loss on Assets sold/discarded (net) | | **0.94** | 1.16 |
| Loss on Sale of Investment | | **1.59** | - |
| Net gain or loss on foreign currency transaction and translation | | **0.28** | 30.92 |
| Miscellaneous Expenses | | **24.97** | 18.17 |
| | | **19,805.08** | 15,972.65 |

## *Notes forming part of the Accounts*

**Notes to Accounts**

**Note 24**

**1. Significant Accounting Policies**

**a) Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

**b) 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 amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/materialised.

**c) Fixed Assets**

(i) Tangible assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.

(ii) Borrowing costs, if any, attributable to fixed assets, are capitalised.

**d) Depreciation**

Cost incurred on Leasehold land is amortised over the period of lease.

Depreciation on Buildings, Plant & Machinery, Office Equipments, Electrical Installation, Motor Vehicles is provided by the Straight Line Method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956.

Depreciation on computers is provided at accelerated rates (@33.33% SLM).

Similarly, Depreciation on Site Infrastructure is provided (@100%) as compared to the rates prescribed in Schedule XIV to the Companies Act, 1956 in view of higher wear & tear at the site locations.

**e) Asset Impairment**

Impairment loss if any is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**f) Investments**

Investments classified as long-term investments are carried at cost. Provision for diminution if any, is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

Investments classified as current investments are carried at lower of cost and fair value.

**g) Employee Benefits**

**Short-Term Benefits**

**Leave Encashment**

Liability on account of the company's obligation under the employee's leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

**Medical and Leave Travel Assistance benefits**

Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is provided on actual basis.

**Bonus & Employee's Short Term Incentive Plan**

Liability on account of the company's obligation under the statutory regulations, agreement with trade union and employee short-term incentive plan as applicable is provided on actual basis as per the relevant terms as determined.

**Long-Term Benefits**

**Provident Fund**

Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

**Superannuation Fund**

Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

**Gratuity**

a. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation using projected unit credit method.

b. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy is recognised as asset.

c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss Statement.

d. Past service cost/effect of any curtailment or settlement is charged/ credited to the profit and loss statement, as applicable.

**h) Provisions and Contingent Liabilities**

Provisions in respect of present obligations arising out of past events (recognised in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events, if any, are disclosed by way of a note to the Balance Sheet.

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

**i) Revenue Recognition**

Revenue in respect of contracts of civil work, erection and commissioning of boilers, steam turbines and co-generation plants etc., execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method.

Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contracts costs.

Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

Provision for expected Loss is recognized immediately when it is probable that the total estimated Contract cost will exceed Total Contract Revenue.

Revenue in respect of services is recognized on 'as billed' basis.

Dividend from investments is recognized when the company's right to receive is established.

Interest income is recognized on time proportion basis.

**j) Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

Exchange difference arising on settlement of transactions in foreign currencies is dealt with in the Profit & Loss Account.

Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates.

Financial statements of a non-integral foreign operation are incorporated in financial statements of the company using following procedures:

a) the assets and liabilities, both monetary and non-monetary are translated at the closing rate;

b) income and expense items are translated at average exchange rate for the year; and

c) all resulting exchange differences are accumulated in a foreign currency translation reserve.

**k) Taxes on Income:**

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961.Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability is consider as an asset if there is convincing evidence that the Company will pay normal tax on profits in future years.

MAT paid in the year is charged to Profit & Loss account as current tax. The company recognizes MAT credit available as an Asset, only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period. In the Year in which the Company recognizes MAT credit as an asset, the said asset is created by way of credit to the statement of Profit & Loss and shown as MAT Credit Entitlement. The Company reviews the Mat Credit Entitlement Asset at each reporting date & writes down the Asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences 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 are recognized 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. If 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 such deferred tax assets can be realised against future taxable profits.

**2. Defined Benefit Plans for Employees (AS 15)**

As per Actuarial valuation as on March 31, 2012 and recognized in financial statements in respect of Gratuity schemes:

**Defined Benefit Plans for Employees (AS 15)**

Rs. Lakh

| | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| i) | Components of Employer expense | | |
| a | Current Service Cost | **16.65** | 12.70 |
| b | Interest Cost | **3.03** | 1.93 |
| c | Expected Return on Plan Assets | **(3.48)** | (2.25) |
| d | Actuarial (Gain)/Loss | **4.46** | (0.47) |
| e | Total expense recognised in the Profit and Loss Account | **20.66** | 11.90 |
| ii) | Net Assets/(Liability) recognised in Balance Sheet as at 31 st March | | |
| a | Present Value of Obligation | **61.48** | 37.83 |
| b | Faire Value of Plan Assets | **(52.41)** | (34.51) |
| c | (Asset)/Liability recognised in the Balance Sheet | **9.07** | 3.31 |
| iii) | Change in Gratuity Obligation during the year | | |
| a | Present Value of Obligation as at 31st March | **37.83** | 24.14 |
| b | Current Service Cost | **16.65** | 12.70 |
| c | Interest Cost | **3.03** | 1.93 |
| d | Actuarial (Gain)/Loss | **3.98** | (0.95) |
| e | Benefit Paid | **0.00** | 0.00 |
| f | Present Value of Obligation as at 31st March | **61.48** | 37.83 |
| iv) | Changes in the Fair Value of Plan Assets | | |
| a | Present Value of Plan Assets as at 31st March | **34.51** | 21.84 |
| b | Expected Return on Plan Assets | **3.48** | 2.25 |
| c | Actual Company Contribution | **14.90** | 10.89 |
| d | Benefits Paid | **0.00** | 0.00 |
| e | Actuarial Gain/(Loss) | **(0.48)** | (0.47) |
| f | Present Value of Plan Assets as at 31st March | **52.41** | 34.51 |
| v) | Acturial Assumptions | | |
| a | Discount Rate | **8% p.a.** | 8% p.a. |
| b | Expected Rate of Return | **8% p.a.** | 8% p.a. |
| c | Employee Turnover | 2% | 2% |
| vi | Gratuity | | |
| | Defined Benefit Obligation | **61.48** | 37.83 |
| | Plan Assets | **52.41** | 34.51 |
| | Surplus/(deficit) | **(9.07)** | (3.32) |
| | Experience adjustment on Plan Liabilities | **3.98** | (0.95) |
| | Experience adjustment on Plan Assets | **(0.48)** | (0.47) |

**b) Contingent liabilities not provided for**

- Corporate Guarantees given to customers Rs. 822.40 Lakh (*Previous Year : Rs.1045.42 lakh*)
- Bank Guarantees advance payments, performance and security deposits Rs.4861.23 Lakh (*Previous Year : Rs.7523.08 Lakh*)
- Corporate undertaking to subcontractors for compensation for possible Cenvat/Service Tax liabilities – amount not determinable.
- Disputed demands in respect of Tamilnadu VAT Rs. 1.25 Lakh *(Previous Year : Rs. 1.25 Lakh),*West Bengal Sales Tax Rs 38.15 Lakh (Previous Year : NIL)
- Disputed demand in respect of Service Tax Rs. 1808.18 Lakh plus interest Rs.614.22 Lakh is under Appeal *(Previous Year : Nil)*

**c) Micro Small & Medium Enterprises**

Micro & Small scale enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 have been identified to the extent of information available with the company. This has been relied upon by the auditors.

Details of MSMED Vendors:

**Rs. Lakh**

| Sr. No. | Particulars | 2011-12 | | |
|---|---|---|---|---|
| | | Principal | Interest | Total |
| a | Total outstanding dues to micro smalland Medium enterprises | 86.16 | 2.80 | 88.96 |
| b | Principal amount and interest due thereon remaining unpaid as at end of the year | 2.00 | 0.44 | 2.44 |
| c | Amount of interest paid in terms of section 16 of MSMED Act along with the amount of the payment made to supplier beyond appointed day | 84.16 | 2.36 | 86.52 |
| d | Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on March 31) | - | - | - |
| e | Total Interest outstanding as on March 31 (Interest in 'b' + interest in 'd' above) | 2.00 | 0.44 | 2.44 |

**d) Miscellaneous Expenses include**

**Rs. Lakh**

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| i. Audit Fees | **1.50** | 1.25 |
| ii. Tax Audit Fees | **0.40** | 0.35 |
| iii. VAT Audit Fees | **0.35** | 0.30 |

All figures are exclusive of service tax.

**e) Expenditure in foreign currency (on accrual basis)**

**Rs. Lakh**

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Foreign Travel Expenses | **33.65** | 17.84 |
| Expenses in foreign offices | | |
| Revenue | **147.32** | 196.71 |
| Capital | - | - |
| **Total** | **180.17** | 214.55 |

**f) In respect of Contracts in progress**

**Rs. Lakh**

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| a) Aggregate amount recognised as Contract Revenue (RR) for the Year | **23795.92** | 21871.27 |
| b) In respect of contracts in progress as on 31 st March : | | |
| (i) Aggregate amount of Costs incurred and recognised profits (less recognised losses) | **85014.73** | 63219.94 |
| (ii) Amount of Customer Advances received (Unajusted as on 31st March) [Customer Advances for Contracting Services - Rs 8823.37 Lakh, Other Customer Advances - Rs 75.12 Lakh] | **8823.37** | 7434.32 |
| (iii) Amount of Retentions | **730.42** | 597.3 |
| c) Gross amount due from customers for contract work (Positive CIP) | **1813.54** | 1615.66 |
| d) Gross amount due to customers for contract work (Negative CIP) | **2467.2** | 1868.36 |

**g) Taxes on Income**

Current Tax for the year Rs. 50.88 lakh (*Previous year Rs. 158.48 lakh*) includes tax paid/payable in the 'Philippines' in accordance with local tax laws, on income from operations of the branch in that country.

**h)** In cases where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of account.

**i)** Estimated amount of contracts remaining to be executed on capital account (net of capital advance) and not provided is Nil (Previous year Rs. 1.41 Lakh)

**j) Segment Reporting**

**Primary Segment**

Based on the guiding principle given in the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company is operating in a single business segment, viz Energy.

**Secondary Segment**

Secondary segments have been identified with reference to geographical location of external customers. Composition of secondary segments is as follows:

a) India

b) Outside India - represents branch office started by the company in Philippines

**Rs. Lakh**

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| **Revenue:** | | |
| India | **24141.95** | 22597.25 |
| Outside India | **347.61** | 715.07 |
| **Total Revenue** | **24489.56** | 23312.32 |
| **Carrying amount of Segment Assets:** | | |
| India | **12864.42** | 9101.97 |
| Outside India | **934.51** | 884.36 |
| **Addition to Fixed Assets:** | | |
| India | **60.18** | 227.78 |
| Outside India | **-** | - |

**k) Related Party Disclosures**

Related party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

**a) List of related parties and description of relationships:**

**Parties where control exists:**

RDA Holding & Trading Pvt. Ltd – Ultimate Holding Company
Thermax Limited – Holding Company

**Fellow Subsidiary**

Thermax Engineering & Construction Company Limited (India)
Thermax Sustainable Energy Solutions Limited (India)(erstwhile Thermax Surface Coating Limited)
Thermax International Limited (Mauritius)
Thermax Hong Kong Limited (Hong Kong)
Thermax Europe Limited (U.K.)
Thermax Inc. (U.S.A.)
Thermax (Zhejiang) Cooling and Heating Engineering Co. Limited (China)
Thermax do Brasil Energia e Equipametos Ltda. (Brazil)
Thermax Onsite Energy Solutions Limited (India)
Thermax Netherlands B.V. (Netherlands)
Thermax Denmark ApS (Denmark)
Danstoker A/S (Denmark)
Omnical Kessel- und Apparatebau GmbH (Germany)
Ejendomsanpartsselskabet Industrivej Nord 13 (Netherlands)

**Fellow Joint Venture Subsidiary**

Thermax Babcock & Wilcox Energy Solutions Pvt. Ltd. ( India)

Thermax SPX Energy Technologies Limited (India)

**b) Key Management Personnel**

Mr. M. L. Bindra – Manager

**c) Transactions with the Related Parties** **Rs. Lakh**

| Particulars | Holding Company |
|---|---|
| **Sales** | |
| - Thermax Limited | **1447.20** |
| | (1824.89) |
| **Rendering of services** | |
| - Thermax Limited | **112.80** |
| | (94.00) |
| **Reimbursement of Expenses claimed (Net)** | |
| - Thermax Limited | **662.65** |
| | (62.59) |
| **Advances received during the year (Net)** | |
| - Thermax Limited | **35.70** |
| | (122.47) |
| **Advances given during the year** | |
| - Thermax Limited | **0.82** |
| | (4.65) |
| **Creditors balances outstanding** | |
| - Thermax Limited | **22.69** |
| | (20.91) |
| **Debtors balances outstanding** | |
| - Thermax Limited | **522.52** |
| | (329.71) |
| **Guarantees and Collaterals** | |
| - Thermax Limited | **4861.23** |
| | (6289.59) |

Previous year's figures are in brackets.

**l) Earning per Share (EPS)**

Earning per share calculated in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Net profit available for shareholders (Rs. Lakh) | **(1,039.85)** | 337.40 |
| Weighted average number of Equity Shares of Rs.10 each | **9000000** | 9000000 |
| Face Value of Equity Share (Rs.) | **10** | 10 |
| Basic earning per share (Rs.) | **(11.55)** | 3.75 |
| Diluted earning per share (Rs.) | **(11.55)** | 3.75 |

m) The Company has presented the Balance Sheet, Statement of Profit & Loss and Notes there to in the format prescribed under Revised Schedule VI to the Companies Act,1956 as notified by the ministry of Corporate Affairs, Government of India. Previous Year's figures have been regrouped wherever necessary to conform to this Year's classification & to comply with Revised Schedule VI requirements.

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| | | |
|---|---|---|
| As per our report of even date | | For and on behalf of the Board |
| **For B. K. Khare & Co.** | | |
| *Chartered Accountants* | **R. V. Ramani** | **Gopal Mahadevan** |
| Firm Registration No. 105102W | *Director* | *Director* |
| **Prasad V. Paranjape** | **M. L. Bindra** | **Sudhir Lale** |
| *Partner* | *Manager* | *Company Secretary* |
| Membership No. 047296 | | |
| Pune, April 25, 2012 | | Pune, April 25, 2012 |

## *Cash Flow Statement*

| Particulars | Rs. Lakh Year ended March 31, 2012 | Rs. Lakh Year ended March 31, 2011 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Profit before taxation | (1,159.01) | 505.32 |
| Adjustment for : | | |
| Depreciation | 74.40 | 155.16 |
| Loss on sale of tangible assets (net) | 0.93 | 1.16 |
| Profit on sale of investments (net) | (1.52) | (0.03) |
| Provision for Doubtful Debts | 83.50 | 67.22 |
| Dividend / Interest / Brokerage Income | (257.58) | (248.14) |
| Unrealised foreign currency losses | 98.06 | 8.10 |
| Provision for Gratuity | 9.07 | 3.31 |
| Other Non-cash expense | 1.97 | - |
| **Operating profit before working capital changes** | **(1,150.18)** | **492.10** |
| Changes in Working Capital: | | |
| Increase / (Decrease) in current trade payables | (33.68) | (2,836.12) |
| Increase / (Decrease) in short term provisions | (53.98) | 87.33 |
| Increase / (Decrease) in other current liabilities | 2,084.03 | 3,103.74 |
| Increase / (Decrease) in other long term liabilities | 1.56 | (11.70) |
| Increase / (Decrease) in long term provisions | 23.28 | 10.25 |
| Increase / (Decrease) in current trade receivables | (1,034.05) | 382.36 |
| Increase / (Decrease) in loans & advances | (121.33) | (437.46) |
| Increase / (Decrease) in other current assets | (701.22) | (143.15) |
| Increase / (Decrease) in Non-current assets | (6.16) | (0.27) |
| **Cash Generated from Operations** | **(991.73)** | **647.08** |
| Taxes paid (net of refunds) | (662.84) | (647.38) |
| **Net Cash generated from operating activities** | **(1,654.57)** | **(0.30)** |
| **B. Cash flow from Investing Activities** | | |
| Purchase of tangible / intangible assets | (60.18) | (227.78) |
| Purchase of current investments | (11,093.11) | (9,767.03) |
| Sale of current investments | 14,543.87 | 9,870.00 |
| Dividends , Interest & Brokerage received | 266.92 | 247.32 |
| **Net cash from investing activities** | **3,657.50** | **122.51** |
| **Net increase in Cash and Cash equivalents (A + B)** | **2,002.93** | **122.21** |
| **Cash and Cash equivalents at the beginning of the year** | **3,047.16** | **2,924.95** |
| **Cash and Cash equivalents at the end of the year** | **5,050.09** | **3,047.16** |
| **Cash and Cash equivalents comprise of :** | | |
| Cash on Hand | 1.58 | 2.00 |
| Cheques on Hand | - | - |
| Balances with Banks | 5,048.51 | 3,045.16 |
| **Total** | **5,050.09** | **3,047.16** |

As per our report of even date

For and on behalf of the Board

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**R. V. Ramani**
*Director*

**Gopal Mahadevan**
*Director*

**Prasad V. Paranjape**
*Partner*
Membership No. 047296

**M. L. Bindra**
*Manager*

**Sudhir Lale**
*Company Secretary*

Pune, April 25, 2012

Pune, April 25, 2012

# THERMAX ONSITE ENERGY SOLUTIONS LIMITED

### *Board of Directors*

Gopal Mahadevan
Ishrat Mirza
Hemant Mohgaonkar
M. S. Unnikrishnan

### *Registered Office*

Thermax House
14, Mumbai-Pune Road,
Wakdewadi,
Pune 411 003

### *Auditors*

**B. K. Khare & Co.**
Chartered Accountants
Hotel Swaroop, 4th Floor,
Lane No. 10, Prabhat Road,
Pune 411 004

### *Bankers*

Corporation Bank

## *Directors' Report*

Dear Shareholders,

Your Directors have pleasure in presenting their Third Annual Report and the audited accounts of the company for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(Rupees in lakh)

| **Particulars** | **2011-12** | 2010-11 |
|---|---|---|
| Total income | **923.31** | 614.28 |
| Profit before depreciation | **202.25** | 112.49 |
| Depreciation | **37.11** | 22.07 |
| Profit before tax | **165.14** | 90.42 |
| Provision for taxation (incl. deferred tax) | **53.57** | 30.27 |
| Profit after tax | **111.57** | 60.15 |

**PERFORMANCE**

During the year, your company earned a total income of Rs. 923.31 lakh as against Rs. 614.28 lakh in the previous year. Profit before tax stood at 165.14 lakh (previous year, Rs. 90.42 lakh) and profit after tax was Rs. 111.57 lakh (previous year Rs. 60.15 lakh). The improvement in the results is owing to increase in steam/heat off-take by the customers and enhanced operating efficiency.

During the period under review, your company bagged two more repeat contracts from a leading paint manufacturing company for supply of steam and heat for their new facility in southern and western India. These orders are expected to improve the company's revenues.

The company, during the financial year, has produced and supplied 42789 tons of steam and 4489 Mn Kcal of heat from the existing three projects.

Your company's business model of 'Utility Delivery' is generating market amongst leading Indian corporates and MNCs. The use of green fuel in the three on-going projects, helps clients to reduce their carbon footprints and thus, can be a factor favouring the Company's efforts to expand business.

**DIVIDEND**

To conserve resources, the Directors do not recommend any dividend for the year.

**PUBLIC DEPOSITS**

The company has not accepted any deposits from the public.

**PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

1. Particulars of employees

   The company has no employees who are covered under Section 217(2A) of the Companies Act, 1956.

2. Conservation of energy and technology absorption

   There is nothing to report relating to conservation of energy and technical know-how.

3. Foreign exchange earnings and outgo

   Information pertaining to foreign exchange earnings and outgo, under Section 217 (1) (e) of the Companies Act, 1956 is set out in note no. 2 (e) of Note no. 21 – Notes to the Accounts.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mr. Ishrat H. Mirza retires by rotation and being eligible offers, himself for re-appointment as director.

**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 financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a going concern basis.

**COMPLIANCE CERTIFICATE**

Compliance Certificate issued by Mr. Sridhar G. Mudaliar, Company Secretary in Practice, pursuant to The Companies (Compliance Certificate) Rules, 2001, is annexed hereto.

**AUDITORS**

M/s. B. K. Khare & Co., Chartered Accountants, retire as Statutory Auditors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**ACKNOWLEDGEMENTS**

Your directors wish to place on record their appreciation for the support extended by the company's clients, vendors and bankers during the year and look forward to their continued support in the future as well.

For and on behalf of the Board of Directors

| | | |
|---|---|---|
| | M. S. Unnikrishnan<br>Director | Gopal Mahadevan<br>Director |
| Pune, April 25, 2012 | Hemant Mohgaonkar<br>Director | I. H Mirza<br>Director |

## *Compliance Certificate*

CCIN - U40109PN2009PLC134659
Nominal Capital: Rs. 10,00,00,000/- Paid Up Capital: Rs. 3,65,00,000/-

To,
The Members,
Thermax Onsite Energy Solutions Limited
Pune.

I have examined the registers, records, books and papers of **Thermax Onsite Energy Solutions Limited** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2012. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made 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, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a Public Limited Company no comments are required.
4. The Board of Directors duly met four (4) times on 25.04.2011, 13.07.2011, 12.10.2011 and 17.01.2012 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 13th July, 2011 after giving due notices 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 advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into 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 Central Government, as the case may be.
12. The Company has not issued any duplicate certificates during the financial year.
13. The Company:
    i) has delivered all certificates on allotment of securities within the prescribed time limit and there was no transfer / transmission of securities during the financial year.
    ii) has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
    iii) has not posted warrants to any member of the Company as no dividend declared during the financial year.
    iv) was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon as no amount has remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund and there is no amount lying with the Company.
    v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made, however there was no appointment of alternate or directors to fill in casual vacancies.
15. The Company has not appointed any Managing Director / Whole-Time Director / Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities 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 issued 21,00,000 equity shares during the financial year. However the company has not issued any debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. As informed to me there was no prosecution initiated against the Company, 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 financial year.
33. The Company has not constituted any provident fund for its employees and therefore was not required to deposit any money as required in Section 418 of the Act.

Place : Pune **Sridhar G. Mudaliar**
Date : 25th April, 2012 C.P. No. 2664

**Annexure A**

**Registers as maintained by the Company**

1. Register of Members under Section 150
2. Register of Transfers
3. Books of Accounts under Section 209
4. Register of Contracts in which Directors are interested under Section 301
5. Register of Directors, Managing Director, Manager and Secretary under Section 303
6. Register of Directors Shareholdings under Section 307
7. Register of Directors attendance.

**Annexure B**

**Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2012.**

| Sr. No. | Form No. / Return | Filed under Section | Event Date | Date of filing | Whether filed within prescribed time (Yes/No) | If delay in filing whether requisite additional fees paid (Yes/No) |
|---|---|---|---|---|---|---|
| 1. | Form 2 | Section 75 | 25.04.2011 | 20.05.2011 | Yes | NA |
| 2. | Form 66 | Section 383 A | 31.03.2011 | 03.08.2011 | Yes | NA |
| 3. | Form 32 | Section 303(2) | 13.07.2011 | 03.08.2011 | Yes | NA |
| 4. | Form 20B | Section159 | 13.07.2011 | 23.08.2011 | Yes | NA |
| 5. | Form 23AC & 23ACA | Section 220 | 31.03.2011 | 05.12.2011 | Yes | NA |

Place : Pune **Sridhar G. Mudaliar**
Date : 25th April, 2012 C.P. No. 2664

## *Auditors' Report*

***To the members of Thermax Onsite Energy Solutions Limited***

1. We have audited the attached Balance Sheet of Thermax Onsite Energy Solutions Limited as at 31st March 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 our audit;

   (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

   (c) The Balance Sheet, The Profit and Loss Account and The Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, The Balance Sheet, The Profit and Loss Account and The Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;

   (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;

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

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

**For B. K. Khare & Co.**
**Chartered Accountants**
Firm Registration No.105102W

**Prasad V. Paranjape**
**Partner**
Membership no. 047296

Pune, 25th April 2012

## *Annexure to the Auditors' Report*

***(Referred to in paragraph 3 of our report of even date)***
***To the members of Thermax Onsite Energy Solutions Limited***

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets including fixed assets installed at customers' sites.

   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.

   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) Company is in the business of production and sale of steam. Company does not have inventory of raw materials, work in progress and finished goods. The inventory of fuel has been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.

   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the company are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of examination of records of inventory, in our opinion, The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification between the physical stocks and the book records.

3. The Company has neither taken nor granted 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 clauses 4(iii) (b), (c), (d), (f) and (g) of the order are not applicable to the company and hence not commented upon.

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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.

5. According to the information and explanations given to us, we are of the opinion that the there are no contracts or arrangements with parties referred to in section 301 of the Act. Accordingly, the provisions of clauses 4(v) (b) of the order is not applicable to the company and hence not commented upon.

6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.

8. Based on the examination of books of accounts and information and explanations provided to us, the maintenance of cost records has not been prescribed under Section 209 (1) (d) of the Companies Act, 1956 in respect of products manufactured by the company.

9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of 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 as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.

   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.

   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited.

10. The Company has no accumulated losses as at 31st March 2012 neither it has incurred cash loss during current or immediately preceding financial year.

11. Based on the information and explanations given to us, the Company had no dues to a financial institution or bank or debenture holders.

12. According to the information and explanations given by the management and based on the documents and records produced before 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.

13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause of 4(xiii) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.

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

15. Based on the information and explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. The Company has not taken any term loan during the year.

17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not 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 Act during the year.

19. No debentures have been issued during the year.

20. The Company has not raised any money by public issue during the year.

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B. K. Khare & Co.**
**Chartered Accountants**
Firm Registration No.105102W

**Prasad V. Paranjape**
**Partner**
Membership no. 047296

Pune, 25th April 2012

## *Balance Sheet as at March 31, 2012*

| Particulars | Note No | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| **a.** Share capital | 1 | **365.00** | 155.00 |
| **b.** Reserves and surplus | 2 | **163.23** | 51.66 |
| | | **528.23** | 206.66 |
| **2. Share application money pending allotment** | | **-** | 210.00 |
| **3. Non-current liabilities** | | | |
| **a.** Deferred tax liabilities (Net) | 3 | **52.87** | 27.22 |
| **b** Other Long-term liabilities | 4 | **202.40** | 59.28 |
| **c** Long-term provisions | 5 | **17.91** | - |
| | | **273.18** | 86.50 |
| **4. Current liabilities** | | | |
| **a.** Trade payables | 6 | **25.29** | 49.99 |
| **b** Other current liabilities | 7 | **20.15** | 29.10 |
| **c.** Short-term provisions | 8 | **83.93** | 36.75 |
| | | **129.37** | 115.84 |
| **TOTAL** | | **930.78** | 619.00 |
| **II ASSETS** | | | |
| **1. Non-current assets** | | | |
| **a.** Fixed assets | 9 | | |
| **i** Tangible assets | | **329.78** | 300.04 |
| **ii** Intangible assets | | **-** | - |
| **iii** Capital work-in-progress | | **20.78** | 49.58 |
| **b.** Long-term loans and advances | 10 | **51.49** | - |
| | | **402.05** | 349.62 |
| **2. Current assets** | | | |
| **a.** Inventories | 11 | **22.59** | 8.48 |
| **b.** Trade receivables | 12 | **70.81** | 53.12 |
| **c.** Cash and cash equivalents | 13 | **329.15** | 159.97 |
| **d.** Short-term loans and advances | 14 | **11.90** | 1.33 |
| **e.** Other current assets | 15 | **94.28** | 46.48 |
| | | **528.73** | 269.38 |
| **TOTAL** | | **930.78** | 619.00 |

Notes to the financial statements 21

The accompanying notes are an integral part of the financial statements

## *Profit & Loss Statement for the year ended March 31, 2012*

| | Particulars | Note No | Rs Lacs Year Ended March 31, 2012 | Rs Lacs Year Ended March 31, 2011 |
|---|---|---|---|---|
| **I** | Revenues from operations | 16 | **907.12** | 612.59 |
| **II** | Other income | 17 | **16.19** | 1.68 |
| **III** | **Total Revenue (I+II)** | | **923.31** | 614.27 |
| **IV** | **Expenses :** | | | |
| | Cost of materials consumed | 18 | **451.09** | 334.23 |
| | Employee benefits | 19 | **117.58** | 67.51 |
| | Depreciation and amortisation | | **37.11** | 22.07 |
| | Other expenses | 20 | **152.39** | 100.05 |
| | **Total Expenses** | | **758.17** | 523.86 |
| **V** | Profit before exceptional and extraordinary items and tax (III-IV) | | **165.14** | 90.41 |
| **VI** | Exceptional items | | **-** | - |
| **VII.** | Profit before extraordinary items and tax (V - VI) | | **165.14** | 90.41 |
| **VIII** | Extraordinary Items | | **-** | - |
| **IX** | Profit before tax (VII- VIII) | | **165.14** | 90.41 |
| **X** | Tax expense: | | | |
| | 1. Current tax (MAT) | | **(38.10)** | (26.40) |
| | 2. MAT Credit entitlement | | **10.18** | 23.35 |
| | 3. Deferred tax | | **(25.65)** | (27.22) |
| **XI** | Profit / (loss) for the period from continuing operations (VII-VIII) | | **111.57** | 60.14 |
| **XII** | Profit / (loss) from discontinuing operations**-** | | | - |
| **XIII** | Tax expense of discontinuing operations | | **-** | - |
| **XIV** | Profit / (loss) from Discontinuing operations (after tax) (XII-XIII) | | **-** | - |
| **XV** | Profit (Loss) for the period (XI + XIV) | | **111.57** | 60.14 |
| **XVI** | Earning per equity share: (Refer Note No. 2 (i)) | | | |
| | 1. Basic | | **3.17** | 5.34 |
| | 2. Diluted (Face Value of Rs. 10/-) | | **3.17** | 5.34 |

Notes to the financial statements 21

The accompanying notes are an integral part of the financial statements

As per our Report of even date

For and on behalf of the Board

**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No.105102W

**Prasad V. Paranjape**
*Partner*
*Membership No. 047296*

Pune, April 25, 2012

**M. S. Unnikrishnan**
*Director*

**Hemant Mohgaonkar**
*Director*

**Gopal Mahadevan**
*Director*

**I. H. Mirza**
*Director*

Pune, April 25, 2012

## *Notes attached to and forming part of the Balance Sheet as at March 31, 2012*

| Particulars | Reference to note no 21 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 1** | | | |
| **Share capital** | | | |
| Share Capital | | **1,000.00** | 1,000.00 |
| Authorised 10000000 Shares of 10/- each | | | |
| Issued, | | **365.00** | 155.00 |
| 3650000 Shares of 10/- each (Previous Year 1550000 shares) (Entirely held by Holding Company - Thermax Limited, including Six shares held jointly with nominees) | | | |
| | | **365.00** | 155.00 |

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

| | March-12 Nos | March-12 Rs Lacs | March-11 Nos | March-11 Rs Lacs |
|---|---|---|---|---|
| At the beginning of the period | 1550000 | 155.00 | 50000 | 5.00 |
| Issued during the period | 2100000 | 210.00 | 1500000 | 150.00 |
| Outstanding at the end of the period | 3650000 | 365.00 | 1550000 | 155.00 |

b) Term/rights attached to equity shares
The Company has only one class of equity shares having at par value of Rs. 10 per share. Each holder of equity shares is entitled to vote per share. The company declares and pays dividends in Indian Rupees. The 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 holder 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.
100% of the equity shares are held by its holding company, Thermax Limited.

d) Details of Share holding more than 5% shares in the Company.

| | March 31, 2012 | March 31, 2011 |
|---|---|---|
| Equity Shares of Rs. 10 each fully paid up | | |
| Thermax Limited | **100%** | 100% |

| Particulars | Reference to note no 21 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 2** | | | |
| **Reserves and Surplus** | | | |
| Surplus / (deficit) in the statement of Profit & Loss | | | |
| As per last financial statement | | **51.66** | (8.48) |
| Profit and loss for the year | | **111.57** | 60.14 |
| Proposed Equity Dividend | | **-** | - |
| Tax on Dividend | | **-** | - |
| Transfer to General Reserve | | **-** | - |
| Net surplus in the statement of Profit & Loss | | **163.23** | 51.66 |
| Total Reserves and Surplus | | **163.23** | 51.66 |

| Particulars | Reference to note no 21 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 3** | | | |
| **Deferred tax liabilities (net)** | | | |
| **Deferred Tax Liabilities** | | | |
| Depreciation | | **(73.39)** | (42.40) |
| | | **(73.39)** | (42.40) |
| **Deferred Tax Assets** | | | |
| Provision for Maintenance | | **5.81** | - |
| Share issue expenses | | **0.07** | - |
| Provision for Doubtful debts | | **13.04** | 13.06 |
| Preliminary Expenses | | **1.60** | 2.12 |
| | | **20.52** | 15.18 |
| | | **52.87** | 27.22 |
| **Note 4** | | | |
| **Other Long-term liabilities** | | | |
| Trade Deposits | | **202.40** | 59.28 |
| Others | | **-** | - |
| | | **202.40** | 59.28 |
| **Note 5** | | | |
| **Long-term provisions** | | | |
| Provision for Maintenance | | **17.91** | - |
| | | **17.91** | - |
| **Note 6** | | | |
| **Trade payables** | | | |
| Trade payables | | **25.29** | 49.99 |
| (Refer Note no.2(c) in Notes to the financial statements) | | | |
| | | **25.29** | 49.99 |
| **Note 7** | | | |
| **Other current liabilities** | | | |
| Trade Deposits | | **8.50** | 12.50 |
| Other Liabilities | | **11.65** | 16.60 |
| | | **20.15** | 29.10 |
| **Note 8** | | | |
| **Short-term provisions** | | | |
| Short Term Employee Benefits | | **19.43** | 10.35 |
| Provision for Tax | | **64.50** | 26.40 |
| | | **83.93** | 36.75 |

**Note 9**
**FIXED ASSETS**

**Amount in Lacs**

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as on 1.4.2011 | Additions During the Year-11-12 | Deductions During the Year-11-12 | Total Cost as on 31.3.2012 | Upto 31st March 2011 | Deductions During the Year-11-12 | Provisions for the Year-11-12 | Total As on 31.3.2012 | As on 31 st March 2012 | As on 31 st March 2011 |
| **Tangible Assets** | | | | | | | | | | |
| Plant & Machinery * | 315.74 | 66.43 | - | 382.17 | 20.66 | - | 35.01 | 55.67 | 326.50 | 295.08 |
| Office Equip, Computer | 6.37 | 0.51 | 0.09 | 6.79 | 1.41 | - | 2.10 | 3.51 | 3.28 | 4.96 |
| **Intangible Assets** | - | - | - | - | - | - | - | - | - | - |
| **Total** | **322.11** | **66.94** | **0.09** | **388.96** | **22.07** | **-** | **37.11** | **59.18** | **329.78** | **300.04** |
| Previous Year | **-** | 322.11 | **-** | 322.11 | **-** | **-** | 22.07 | 22.07 | | |
| Capital Work in Progress | | | | | | | | | **20.78** | 49.58 |

* Machinery at various Project sites

| Particulars | Reference to note no 21 | Rs Lacs As at March 31, 2012 | Rs Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 10** | | | |
| **Long-term loans and advances** | | | |
| **Unsecured, considered good** | | | |
| Loans and advances to related parties | | **51.02** | - |
| Other loans and advances | | **0.47** | - |
| | | **51.49** | - |
| **Note 11** | | | |
| **Inventories** | | | |
| Fuel Stock at Site | | **22.59** | 8.48 |
| | | **22.59** | 8.48 |
| **Note 12** | | | |
| **Trade Receivables** | | | |
| Unsecured trade receivable outstanding for a period exceeding six month | | | |
| Considered good | | **-** | - |
| Considered doubtful | | **39.27** | 39.33 |
| Less : Provided for | | **39.27** | 39.33 |
| Other trade receivable | | **70.81** | 53.12 |
| | | **70.81** | 53.12 |
| **Note 13** | | | |
| **Cash and cash equivalents** | | | |
| Balances with banks | | | |
| Deposit with more than 12 month in maturity | - | - | |
| Deposit others | | **250.00** | 70.00 |
| Balance for unpaid dividend | | **-** | - |
| Deposit as Margin Money for Guarantee | | **0.50** | 0.53 |
| Cheques, drafts on hand | | **-** | - |
| Cash on hand | | **-** | - |
| Balances in current accounts | | **78.65** | 89.44 |
| | | **329.15** | 159.97 |
| **Note 14** | | | |
| **Short-term loans and advances** | | | |
| Unsecured, considered good | | | |
| Advances recoverable in cash or in kind or for value to be received | | **-** | 1.31 |
| Security Deposits | | **-** | - |
| Advances to Staff and Workers | | **0.11** | 0.02 |
| Loans and advances to related parties | | **-** | - |
| Others | | **11.79** | - |
| | | **11.90** | 1.33 |
| **Note 15** | | | |
| **Other current assets** | | | |
| Balance in Central Excise & Customs Accounts | | **-** | 7.92 |
| Advance Payment of Income Tax and Wealth Tax | | **60.75** | 14.26 |
| Advance Payment of Fringe Benefit Tax | | **-** | - |
| MAT credit entitlement | | **33.53** | 23.35 |
| Other current assets | | **-** | 0.95 |
| | | **94.28** | 46.48 |

**Notes attached to and forming part of the Profit and Loss Statement for year ended March 31, 2012**

| Particulars | Reference to note no 21 | Rs Lacs Year Ended March 31, 2012 | Rs Lacs Year Ended March 31, 2011 |
|---|---|---|---|
| **Note 16** | | | |
| **Revenue from operations** | | | |
| A. Sale of products | | | |
| (i) Domestic | | **895.29** | 611.09 |
| Add : Closing Contracts in Progress | | **-** | - |
| Less : Opening Contracts in Progress | | **-** | - |
| | (i) | **895.29** | 611.09 |
| (ii) Exports | | **-** | - |
| | (ii) | **-** | - |
| | (i) + (ii) | **895.29** | 611.09 |
| B. Sale of services | | **-** | 1.50 |
| C. Other operating revenues | | | |
| Exchange Difference Income | | **8.94** | - |
| Provision for Doubtful Debt Written-back | | **0.06** | - |
| Miscellaneous Income | | **2.83** | - |
| | | **11.83** | - |
| D. Less: Excise duty | | **-** | - |
| | (A+B+C-D) | **907.12** | 612.59 |
| **Note 17** | | | |
| **Other income** | | | |
| Interest Income | | **16.19** | 1.68 |
| | | **16.19** | 1.68 |
| **Note 18** | | | |
| **Cost of Fuel consumed** | | | |
| Consumption of Fuel | | | |
| Opening Stocks | | **8.48** | - |
| Add: Purchases (Other then Trading purchases) | | **465.20** | 342.71 |
| | | **473.68** | 342.71 |
| Less: Closing Stocks of Fuel | | **22.59** | 8.48 |
| | | **451.09** | 334.23 |
| **Note 19** | | | |
| **Employee Benefits Expense** | | | |
| Salaries and wages | | **112.40** | 64.57 |
| Contribution to provident and other funds | | **5.18** | 2.94 |
| | | **117.58** | 67.51 |
| **Note 20** | | | |
| **Other Expenses** | | | |
| Site Expenses and Contract Labour Charges | | **103.84** | 42.98 |
| Rent and Service Charges | | **0.09** | - |
| Insurance | | **1.16** | 0.79 |
| Repairs and Maintenance: | | **-** | - |
| Building | | **-** | - |
| Plant and Machinery | | **-** | - |
| Others | | **2.95** | 0.43 |
| Communication | | **1.83** | 1.12 |
| Traveling and Conveyance | | **15.54** | 9.10 |
| Other Selling and Distribution Expenses | | **0.36** | - |
| Bank Charges | | **0.84** | - |
| Legal & Professional Charges | | **2.73** | 2.10 |
| Printing and Stationery | | **0.67** | 0.35 |
| Provision for Doubtful Debts/Customer Claims | | **-** | 39.33 |
| Net gain or loss on foreign currency transaction | | **4.06** | 3.08 |
| Provision for Maintenance | | **17.91** | - |
| Miscellaneous Expenses | | **0.41** | 0.77 |
| | | **152.39** | 100.05 |

## *Note No 21: Notes to the Accounts for the year ended 31st March, 2012*

1. **Significant Accounting Policies**

Basis of Preparation of Financial Statements

a) The financial statements of the Company have been prepared in accordance with generally accepted accounting principle in India. The Company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

b) 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 amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialized.

c) Fixed Assets & Depreciation

i. Tangible assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.

ii. Depreciation on all fixed assets has been provided by the straight line method at rates and in the manner prescribed by Schedule XIV to the Companies Act 1956. In case of computers, which are depreciated at a higher rate of 33.33% as compared to 16.21% provided in Schedule XIV.

d) Asset Impairment

Provision for impairment loss, if any, is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

e) Provisions and Contingent Liabilities

Provisions in respect of present obligations arising out of past events (recognized in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events are disclosed by way of a note to the Balance Sheet.

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

f) Revenue recognition

All income and expenses are accounted on the accrual basis and provision is made for all known losses and liabilities.

Revenue from sale of goods (steam / heat) is recognized on delivery of thereof to customer.

Interest is accounted on time proportion basis.

g) Cost of Fuel and Fuel stock valuation

Cost of fuel and fuel stock valuation is arrived at on the basis of weighted average cost.

h) Foreign Currency Transactions

i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

ii. Exchange difference on settlement of transactions in foreign currencies is recognized in the profit & loss account.

iii. Foreign currency monetary items are translated at the closing exchange rates and the resulting exchange difference is recognized in the profit & loss account.

i) Taxes on Income

Current tax is provided on the basis of estimated tax liability (including MAT, where applicable), computed as per applicable provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of Profit & Loss account as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Company recognizes MAT credit as an asset, the said asset is created by way of credit to the statement of Profit & Loss and shown as MAT Credit Entitlement.

The Company reviews the 'MAT Credit Entitlement' asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

Deferred tax is recognized, subject to the consideration of prudence, in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

j) Preliminary Expenses

Expenses relating to formation of the company are charged to Profit and Loss account as and when incurred.

2. **Notes to Accounts**

a) During the financial year, the company has issued 21,00,000 Equity shares of Rs. 10/- each on Right basis to its existing shareholders.

b) Contingent liabilities not provided for Counter Guarantee given to the bank for Guarantee issued by them on company's behalf Rs. 0.50 Lacs.

c) Micro & Small Enterprises

The company has not received any intimation, from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/ payable as required under the said Act have not been given.

d) Legal and Professional Fees include:

| | Year ended 31st March 2012 Rs Lacs | 31st March 2011 Rs Lacs |
|---|---|---|
| i) Audit Fees | **0.30** | 0.25 |
| ii) Tax Audit Fees | **0.12** | 0.10 |

All figures are exclusive of service tax.

e) Additional Information under Part II of the revised Schedule VI to the Companies Act, 1956

Earnings in Foreign Currency (on accrual basis)

| Particulars | **March – 12 Value (Rs. Lacs)** | March -11 Value (Rs. Lacs) |
|---|---|---|
| Sale of Steam to SEZ unit | **535.30** | 428.80 |

f) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for **Rs. 461.44 Lacs** (Previous Year Rs. 10.96 Lacs)

g) Segment Reporting:

Primary Segment

Based on the guiding principle given in the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the company is operating in a single business segment viz. Energy.

Secondary Segment

The Company caters mainly to the needs of Indian markets; hence there are no reportable geographical segments.

h) Related party Disclosures

Related party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

A) Name of related parties & description of relationship

| Sr. No | Relationship | Name of Related Parties |
|---|---|---|
| 1 | Holding Company | Thermax Limited (TL) |
| 2 | Ultimate Holding Company | RDA Holding & Trading Pvt. Ltd. (RDA) |
| 3 | Subsidiaries | - |
| 4 | Fellow Subsidiaries | Thermax Sustainable Energy Solutions Ltd., (TSESL) Thermax Engineering & Construction Company Ltd., (TECCL)<br>Thermax Instrumentation Ltd., (TIL)<br>Thermax Europe Ltd., (TEL)<br>Thermax International Ltd.,<br>Thermax Inc.,<br>Thermax Hong Kong Ltd.,<br>Thermax do Brasil Energia e Equipamentos Ltda.,<br>Thermax (Zhejiang) Cooling & Heating Engineering Co.Ltd.<br>Thermax SPX Energy Technologies Ltd.<br>Thermax Babcock & Wilcox Energy Solutions Pvt Ltd<br>Thermax Denmark ApS<br>Thermax Netherlands B.V.<br>Danstoker A/S<br>Omnical Kessel- und Apparatebau GmbH<br>Ejendomsanpartsselskabet Industrivej Nord 13 |

b) Transactions with the Related parties

| Sr. No. | b) Transaction with related parties | **2011-12 Rs. Lacs** | 2010-11 Rs. Lacs |
|---|---|---|---|
| 1 | Reimbursement of expenses incurred for (TL) | **2.62** | - |
| 2 | Reimbursement of expenses incurred by<br>(TL)<br>(TSESL) | <br>**76.97**<br>**9.27** | <br>49.74<br>7.71 |
| 3 | Purchases from<br>(TL)<br>Spares and consumables<br>Capital Equipments | <br><br>**4.81**<br>**-** | <br><br>5.13<br>350.80 |
| 4 | Outstanding Balances as at 31st March 2012<br>Payables – (TL)<br>Payables – (TSESL)<br>Receivables – (TL)<br>Advances for capital purchases – (TL) | <br>**8.82**<br>**2,46**<br>**1.57**<br>**51.02** | <br>3.67<br>7.71<br>-<br>- |
| 5. | Equity infusion by (TL)<br>Share Application Money from (TL) | **-**<br>**-** | 150.00<br>210.00 |

i) Earning per Share (EPS)

The earning per share for the period computed as per the requirement under Accounting standard – 20 "Earning Per Share" issued by the Institute of Chartered Accountants of India, as under:

| Particulars | **As at 31st March 2012** | As at 31st March 2011 |
|---|---|---|
| Net profit as per Profit & Loss Account (in Rupees Lacs) | **111.57** | 60.14 |
| Weighted Average Number of Equity Shares (Face Value Rs.10 each) | **35,22,279** | 11,26,712 |
| Basic and Diluted EPS (in Rupees) | **3.17** | 5.34 |

j) Current year's financial statements have been prepared in compliance with Revised Schedule VI of Companies Act, 1956. Figures for the previous year have been regrouped according to Revised Schedule VI wherever necessary to conform to this year's classification.

As per our Report of even date
**For B. K. Khare & Co.**
**Chartered Accountants**
**Firm Registration No.105102W**

**Prasad V. Paranjape**
**Partner**
Membership No.047296

Pune, April 25, 2012

For and on behalf of the board

**M. S. Unnikrishnan**
**Director**

**Gopal Mahadevan**
**Director**

**Hemant Mohgaonkar**
**Director**

**I. H. Mirza**
**Director**

Pune, April 25, 2012

## *Cash Flow Statement*

| Particulars | **Rs Lacs Year ended March 31, 2012** | Rs Lacs Year ended March 31, 2011 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Profit before taxation | **165.14** | 90.41 |
| Adjustment for : | | |
| Depreciation | **37.11** | 22.07 |
| Interest income | **(0.03)** | - |
| **Operating profit before working capital changes** | **202.22** | **112.48** |
| Changes in Working Capital: | | |
| Increase / (Decrease) in trade payables | **(25.37)** | 43.32 |
| Increase / (Decrease) in provisions | **47.18** | 23.88 |
| Increase / (Decrease) in other current liabilities | **(8.95)** | 31.68 |
| Increase / (Decrease) in other long term liabilities | **133.81** | 59.78 |
| Increase / (Decrease) in trade receivables | **(17.69)** | (53.12) |
| Increase / (Decrease) in inventories | **(14.11)** | (8.48) |
| Increase / (Decrease) in loans & advances | **(10.57)** | - |
| Increase / (Decrease) in other current assets | **(47.80)** | (55.28) |
| Increase / (Decrease) in other non-current assets | **(51.49)** | - |
| **Net Cash generated from operating activities** | **207.23** | **154.26** |
| **B. Cash flow from Investing Activities** | | |
| Purchase of tangible / intangible assets | **(38.05)** | (371.69) |
| Purchase of current investments | **(0.50)** | (0.53) |
| Sale of current investments | **0.50** | 0.53 |
| Interest received | **0.03** | - |
| **Net cash from investing activities** | **(38.02)** | **(371.69)** |
| **C. Cash flow from Financing Activities** | | |
| Proceeds from share allotment | **-** | 360.00 |
| **Net Cash used in financing activities** | **-** | **360.00** |
| **Net increase in Cash and Cash equivalents** | **169.21** | **142.57** |
| **Cash and Cash equivalents at the beginning of the year** | **159.44** | **16.87** |
| **Cash and Cash equivalents at the end of the year** | **328.65** | **159.44** |
| Cash and Cash equivalents comprise of : | | |
| Balances with Banks | **329.15** | 159.97 |
| Margin Money with Bank | **(0.50)** | (0.53) |
| **Total** | **328.65** | **159.44** |

Note : Previous year figures have been grouped wherever necessary to confirm to this year's classification.

As per our Report of even date
**For B. K. Khare & Co.**
**Chartered Accountants**
**Firm Registration No.105102W**

**Prasad V. Paranjape**
**Partner**
Membership No.047296

Pune, April 25, 2012

For and on behalf of the board

**M. S. Unnikrishnan** — **Director**
**Gopal Mahadevan** — **Director**
**Hemant Mohgaonkar** — **Director**
**I. H. Mirza** — **Director**

Pune, April 25, 2012

# THERMAX EUROPE LIMITED

| ***Board of Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| Gopal Mahadevan<br>H emant Mohgaonkar | I Lumley Street<br>Mayfair<br>London W1K 6TT | Slaven Jeffcote LLP<br>1 Lumley Street<br>Mayfair<br>London W1K 6TT |
| ***Senior Statutory Auditor*** | ***Administrator & Secretary*** | ***Bankers*** |
| Nicholas Paling, FCCA | JD Secretariat Limited | Natwest Bank |

## *Report of the Directors' for the year ended 31 March 2012*

The directors present their report with the financial statements of the company for the year ended 31 March 2012.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the sale and service of absorption chillers and boilers.

**REVIEW OF BUSINESS**

In comparison to last year the year closed with a turnover of £ 5.35 Million (previous year £4.30 million. The pretax profit stands at £ 611,864 (previous year £571,415). Although the market has remained flat in comparison to last year, the company's focus on niche market segments and new applications helped in not only retaining its market share but improve it. The year also saw one of the best order booking figure of £ 6.4 Million.

Some of the prestigious orders/installation made during the year are Vienna Railway station, Stanlow refinery, Kaiser compressor, Peroni Brewery, Heat pumps for Skagen district heating Co.

The revenue from spares and service have performed very well.

The outlook for 2012-13 is split. The markets in southern Europe have fallen off a cliff due to the economic situation. However the enquiry levels in Northern European countries like Germany and Scandinavian countries have gone up. Based on the quality of enquiries on hand, we expect to increase our business volume for 2012-13.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2012.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2011 to the date of this report.

G Mahadevan
H P Mohgaonkar

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## *Report of the Directors for the year ended 31 March 2012*

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**On behalf of the board:**
H P Mohgaonkar - Director

24 April, 2012

## *Report of the Independent Auditors to the Members of Thermax Europe Limited*

We have audited the financial statements of Thermax Europe Limited for the year ended 31 March 2012 on pages five to thirteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditors**

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

– give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

– adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

– the financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Nicholas Paling FCCA (Senior Statutory Auditor)
for and on behalf of Slaven Jeffcote LLP

1 Lumley Street
Mayfair
London
W1K 6TT
Date: 24/4/2012

## *Balance Sheet as at 31 March 2012*

| | NOTE | 2012 £ | 2012 Rs | 2011 £ | 2011 Rs |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible fixed assets | 6 | **9,172** | **604,622** | 6,569 | 469,567 |
| **Current assets** | | | | | |
| Stocks | 7 | **304,272** | **20,057,735** | 612,635 | 43,792,515 |
| Debtors | 8 | **1,826,638** | **120,412,728** | 1,492,984 | 106,721,824 |
| Investments | 9 | **-** | **-** | 9,399 | 671,861 |
| Cash at bank and in hand | | **1,369,325** | **90,266,467** | 905,869 | 64,753,535 |
| | | **3,500,235** | **230,736,930** | 3,020,887 | 215,939,736 |
| **Creditors:** Amounts falling due within one year | 10 | **(930,896)** | **(61,365,047)** | (902,230) | (64,493,411) |
| **Net current assets** | | **2,569,339** | **169,371,883** | 2,118,657 | 151,446,325 |
| **Total assets less current liabilities** | | **2,578,511** | **169,976,505** | 2,125,226 | 151,915,892 |
| **Capital and reserves** | | | | | |
| Called up share capital | 12 | **200,000** | **13,184,082** | 200,000 | 14,296,446 |
| Profit and loss account | 13 | **2,378,511** | **156,792,423** | 1,925,226 | 137,619,446 |
| **Shareholders' funds** | 16 | **2,578,511** | **169,976,505** | 2,125,226 | 151,915,892 |

The financial statements were approved by the director on 28 April 2011 and were signed by:

H.P.Mohgaonkar
**Director**

## *Profit and Loss Account for the year ended 31 March 2012*

| | NOTE | 2012 £ | 2012 Rs | 2011 £ | 2011 Rs |
|---|---|---|---|---|---|
| **Turnover** | 2 | **5,352,532** | **352,841,110** | 4,305,433 | 307,761,948 |
| Cost of sales | | **4,152,988** | **273,766,676** | 3,162,586 | 226,068,697 |
| **Gross profit** | | **1,199,544** | **79,074,434** | 1,142,847 | 81,693,251 |
| Administrative expenses | | **615,589** | **40,579,880** | 690,214 | 49,338,035 |
| Other operating income | | **2,138** | **140,938** | 94,070 | 6,724,333 |
| **Operating profit** | 4 | **586,093** | **38,635,492** | 546,703 | 39,079,549 |
| Interest receivable and similar income | | **16,622** | **1,095,729** | 24,710 | 1,766,326 |
| **Profit on ordinary activities before taxation** | | **602,715** | **39,731,221** | 571,413 | 40,845,875 |
| Amounts written off investments | | **9,149** | **603,106** | - | - |
| Tax on profit on ordinary activities | 5 | **158,581** | **10,453,725** | 160,462 | 11,470,181 |
| **Profit for the financial year after taxation** | | **453,283** | **29,880,602** | 410,951 | 29,375,693 |

**Continuing Operations**
None of the company's activities were acquired or discontinued during the current year or previous year.

**Total Recognized gains and losses**
The company has no recognized gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

Exchange rate : as at 31 March 2012 is £= Rs 65.92
Exchange rate : as at 31 March 2011 is £= Rs 71.48

## Cash Flow Statement for the year ended 31 March 2012

| | NOTE | 2012 £ | 2012 Rs | 2011 £ | 2011 Rs |
|---|---|---|---|---|---|
| **Net cash (outflow) /inflow from operating activities** | 1 | **549,238** | **36,205,995** | (447,112) | (31,960,562) |
| Returns on investments and servicing of finance | 2 | **16,622** | **1,095,729** | 24,710 | 1,766,326 |
| Taxation | | **(115,850)** | **(7,636,880)** | (170,109) | (12,159,770) |
| Capital expenditure | 2 | **(5,102)** | **(336,326)** | (3,397) | (242,825) |
| Acquisitions and disposals | 2 | **18,548** | **1,222,692** | (9,399) | (671,861) |
| **(DECREASE) / INCREASE IN CASH IN THE PERIOD** | | **463,456** | **30,551,210** | (605,307) | (43,268,694) |

## Reconciliation of net Cash Flow to movement in net funds

| | NOTE | 2012 £ | 2012 Rs | 2011 £ | 2011 Rs |
|---|---|---|---|---|---|
| (Decrease) / Increase in Cash in the period | | **463,456** | **30,551,210** | (605,307) | (43,268,694) |
| Cash outflow from increase in liquid resources | | **(9,399)** | **(619,586)** | 9,399 | 671,861 |
| Change in net funds resulting from cash flows | | **454,057** | **29,931,624** | (595,908) | (42,596,832) |
| Net Funds at 1 April 2011 | 3 | **915,268** | **60,334,843** | 1,511,176 | 108,022,229 |
| **Net Funds at 31 March 2012** | | **1,369,325** | **90,266,467** | 915,268 | 65,425,397 |

The notes form part of these financial statements.

## *Notes to the Cash Flow Statement for the year ended 31 March 2012*

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

| | 2012 £ | 2011 £ |
|---|---|---|
| Operating profit | 586,093 | 546,705 |
| Depreciation charges | 2,501 | 2,670 |
| Decrease/(increase) in stocks | 308,363 | (428,235) |
| Increase in debtors | (333,654) | (854,596) |
| (Decrease)/increase in creditors | (14,065) | 286,344 |
| **Net cash inflow/(outflow) from operating activities** | 549,238 | (447,112) |

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

| | 2012 £ | 2011 £ |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| **Interest received** | 16,622 | 24,710 |
| **Net cash inflow for returns on investments and servicing of finance** | 16,622 | 24,710 |
| **Capital expenditure** | | |
| Purchase of tangible fixed assets | (5,102) | (3,397) |
| **Net cash outflow for capital expenditure** | (5,102) | (3,397) |
| **Acquisitions and disposals** | | |
| Proceeds from disposal of investment | 18,548 | (9,399) |
| **Net cash inflow/(outflow) for acquisitions and disposals** | 18,548 | (9,399) |

3. **ANALYSIS OF CHANGES IN NET FUNDS**

| | At 1.4.11 £ | Cash flow £ | At 31.3.12 £ |
|---|---|---|---|
| Net cash: | | | |
| Cash at bank and in hand | 905,869 | 463,456 | 1,369,325 |
| | 905,869 | 463,456 | 1,369,325 |
| Liquid resources: | | | |
| Current asset investments | 9,399 | (9,399) | – |
| | 9,399 | (9,399) | – |
| **Total** | 915,268 | 454,057 | 1,369,325 |

## *Notes to the Financial Statements for the year ended 31 March 2012*

1. **ACCOUNTING POLICIES**

**Accounting convention**

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

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|---|---|
| Plant & Machinery | - 20% on reducing balance |
| Fixtures & Fittings | - 20% on reducing balance |
| Computer equipment | - 33% on reducing balance |

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

2. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| United Kingdom | 1,441,789 | 1,066,602 |
| Rest of World | 3,910,743 | 3,238,834 |
| | 5,352,532 | 4,305,436 |

3. **STAFF COSTS**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 231,197 | 312,872 |
| Social security costs | 32,701 | 32,066 |
| Other pension costs | 2,358 | 1,720 |
| | 266,256 | 346,658 |

The average monthly number of employees during the year was as follows:

| | 2012 | 2011 |
|---|---|---|
| Director | 2 | 2 |
| Administration | 5 | 7 |
| | 7 | 9 |

4. **OPERATING PROFIT**

The operating profit is stated after charging:

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Other operating leases | 5,273 | 6,830 |
| Depreciation - owned assets | 2,500 | 2,669 |
| Auditors' remuneration | 2,000 | 2,000 |
| Foreign exchange differences | 57,149 | 106,372 |
| Directors' remuneration | – | – |

5. **AMOUNTS WRITTEN OFF INVESTMENTS**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Sale of investment | (9,149) | – |

6. **TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 158,581 | 160,462 |
| Tax on profit on ordinary activities | 158,581 | 160,462 |

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | 611,864 | 571,415 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011 - 28%) | 159,085 | 159,996 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 420 | 1,004 |
| Capital allowances for the year in excess of depreciation respect of prior periods | (924) | (537) |
| Other | – | (1) |
| Current tax charge | 158,581 | 160,462 |

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

7. **TANGIBLE FIXED ASSETS**

| | Plant and machinery | Fixtures and fittings | Computer equipment | Totals |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **COST** | | | | |
| At 1 April 2011 | 2,861 | 3,160 | 11,319 | 17,340 |
| Additions | 232 | 2,679 | 2,191 | 5,102 |
| At 31 March 2012 | 3,093 | 5,839 | 13,510 | 22,442 |
| **DEPRECIATION** | | | | |
| At 1 April 2011 | 1,582 | 2,104 | 7,084 | 10,770 |
| Charge for year | 286 | 569 | 1,645 | 2,500 |
| At 31 March 2012 | 1,868 | 2,673 | 8,729 | 13,270 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2012 | 1,225 | 3,166 | 4,781 | 9,172 |
| At 31 March 2011 | 1,279 | 1,056 | 4,235 | 6,570 |

8. **STOCKS**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Stocks | 304,272 | 612,635 |

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Trade debtors | 1,713,087 | 1,318,217 |
| Amounts owed by group undertakings | 94,297 | 98,549 |
| Interest Accrued | 13,478 | 18,326 |
| VAT | – | 52,255 |
| Prepayments | 5,776 | 5,637 |
| | 1,826,638 | 1,492,984 |

10. **CURRENT ASSET INVESTMENTS**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Shares in group undertakings | – | 9,399 |

11. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Trade creditors | 46,345 | 19,091 |
| Amounts owed to group undertakings | 386,084 | 556,415 |
| Tax | 116,393 | 73,662 |
| Social security and other taxes | 4,738 | 7,748 |
| VAT | 19,072 | - |
| Customer Advance Payments | 135,992 | 30,944 |
| Accrued expenses | 222,272 | 214,369 |
| | 930,896 | 902,229 |

12. **OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

| | Land and buildings | |
|---|---|---|
| | 2012 | 2011 |
| | £ | £ |
| Expiring: | | |
| Between one and five years | 7,800 | 18,281 |

13. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number: Class: | Nominal value: | 2012 | 2011 |
|---|---|---|---|
| | £ | £ | |
| 200,000 Ordinary | £1 | 200,000 | 200,000 |

14. **RESERVES**

| | Profit and loss account |
|---|---|
| | £ |
| At 1 April 2011 | 1,925,228 |
| Profit for the year | 453,283 |
| At 31 March 2012 | 2,378,511 |

15. **RELATED PARTY DISCLOSURES**

Thermax Limited owns 100% of the shares in Thermax Europe Limited.

During the year Thermax Europe Limited made sales amounting to £188,958 (2011:£112,918) to Thermax Limited and £22,470 to Danstoker A/S.. Purchases were made in the year to Thermax Limited of £930,027 (2011: £3,094,662) and to Thermax China of £216,540.

At 31/03/2012 Thermax Europe Limited was owed £88,342 (2011: £98,549) from Thermax Limited, £2,542 from Thermax China and £5,000 from Danstoker A/S. Thermax Europe Limited also owed £223,611 (2011:£556,415) to Thermax Limited and £162,250 to Thermax China.

16. **ULTIMATE CONTROLLING PARTY**

The ultimate parent undertaking is RDA Holding & Trading Private Limited, a company incorporated in India.

The immediate parent company is Thermax Limited, a company incorporated in India.

17. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Profit for the financial year | 453,283 | 410,953 |
| Net addition to shareholders' funds | 453,283 | 410,953 |
| Opening shareholders' funds | 2,125,228 | 1,714,275 |
| Closing shareholders' funds | 2,578,511 | 2,125,228 |

18. **CHARGE**

A Charge was created on 17 September 2010 in respect of a rent deposit deed for £2,956.

A charge on a cash deposit dated 23 February 2010 and created by Thermax Europe Limited for securing all monies due or to become due from the company to the Bank of Baroda was registered on 9 March 2010.

19. **WARRANTY GUARANTEE**

A cash deposit has been placed with the Bank of Baroda to cover warranty obligations on an overseas contract.

# THERMAX INTERNATIONAL LIMITED

## *Board of Directors*

Pheroz Pudumjee
Meher Pudumjee
Yuvraj Thacoor
A. Sattar Hajee Abdoula
Farhana Alimohamed
*(Alternate to Yuvraj Thacoor)*

## *Registered Office*

9th Floor,
Ebene Tower
52 Cybercity, Ebene
Republic of Mauritius

## *Auditors*

Yousouf Peerbaye, FCA
Chartered Accountant
$6^{th}$ Floor, Richard House
Remy Ollier Street
Port-Louis
Republic of Mauritius

## *Administrator & Secretary*

Anex Management Services Limited
9th Floor,
Ebene Tower
52 Cybercity, Ebene
Republic of Mauritius

## *Bankers*

HSBC Bank (Mauritius) Ltd.

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## *DIRECTORS' REPORT*

**RESULTS**

The results for the year are as shown in the income statement and related notes.

**DIRECTORS**

The present membership of the Board is set out on page 2.

None of the directors has any beneficial interest in the shares of the Company.

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company, and
- would enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

**AUDITORS**

The auditor, Yousouf Peerbaye, F.C.A, has indicated his willingness to continue in office.

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**CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001**

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of **Thermax International Limited** under the Mauritius Companies Act 2001 during the financial year ended 31 March 2012.

***for* Anex Management Services Limited**
**Company Secretary**

**Registered Office:**
9th Floor,
Ebene Tower
52 Cybercity
Ebene
Republic of Mauritius
**Date: 25 Apr. 2012**

## *AUDITOR'S REPORT*

**TO THE MEMBER OF THERMAX INTERNATIONAL LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of Thermax International Limited, the "Company", which comprise the balance sheet at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements on pages 7 to 18 give a true and fair view of the financial position of the Company at 31 March 2012, and of its financial performance and its cash flows for the year ended in accordance with International Financing Reporting Standards and comply with the Mauritius Companies Act 2001.

**Report on Other Legal and Regulatory Requirements**

***Mauritius Companies Act 2001***

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

**Other Matters**

This report is made solely to the members of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Y PEERBAYE, FCA**
Chartered Accountant
Port-Louis-Mauritius

Date: April 25, 2012

## *Income Statement for the Year Ended 31 March 2012*

| | Notes | 2012 USD | 2012 Rs | 2011 USD | 2011 Rs |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Payables written off | | - | - | - | - |
| | | - | - | - | - |
| **EXPENSES** | | | | | |
| Management fees | | **2,200** | **105,251** | 2,200 | 98,098 |
| Licence fees | | **1,740** | **83,244** | 1,740 | 77,587 |
| Bank charges | | **40** | **1,914** | 10 | 446 |
| Audit fees | | **805** | **38,512** | 805 | 35,895 |
| Accountancy Fees | | **1,500** | **71,762** | 1,500 | 66,885 |
| Taxation Fees | | **1,000** | **47,841** | 1,000 | 44,590 |
| Disbursements Fees | | **425** | **20,333** | 130 | 5,797 |
| | | **7,710** | **368,857** | 7,385 | 329,297 |
| Loss For the Year Before Taxation | | **(7,710)** | **(368,857)** | **(7,385)** | (329,297) |
| Taxation | 4 | **-** | **-** | - | - |
| Loss For The Year | | **(7,710)** | **(368,857)** | (7,385) | (329,297) |

## *Balance Sheet As at 31 March 2011*

| | Notes | 2012 USD | 2012 Rs | 2011 USD | 2011 Rs |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investments | 5 | **500,001** | **23,920,762** | 500,001 | 22,295,045 |
| | | **500,001** | **23,920,762** | 500,001 | 22,295,045 |
| **Current assets** | | | | | |
| Prepayments | | **1,105** | **52,865** | 1,105 | 49,272 |
| Cash at bank and in hand | | **20,601** | **985,581** | 13,311 | 593,537 |
| | | **21,706** | **1,038,446** | 14,416 | 642,809 |
| **Total assets** | | **521,707** | **24,959,208** | 514,417 | 22,937,854 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 6 | **3,242,300** | **155,116,264** | 3,227,300 | 143,905,307 |
| Revenue deficit | | **(2,723,898)** | **(130,315,172)** | (2,716,188) | (121,114,823) |
| | | **518,402** | **24,801,092** | 511,112 | 22,790,484 |
| **Current liabilities** | | | | | |
| Accruals | | **3,305** | **158,116** | 3,305 | 147,370 |
| **Total equity and liabilities** | | **521,707** | **24,959,208** | 514,417 | 22,937,854 |

Approved by the Board of Directors on21 April,2011 and signed on its behalf by:

**Farhana Alimohamed**
Director

**A. Sattar Hajee Abdoula**
Director

The notes on pages 11 to 18 form an integral part of these financial statements.

Exchange Rate : as at 31 March 2012 is 1 US $ = Rs 47.84
Exchange Rate : as at 31 March 2011 is 1 US $ = Rs 44.59

## *Statement of Changes in Equity for the Year Ended 31 March 2012*

| | Share Capital USD | Share Capital Rs | Revenue Deficit USD | Revenue Deficit Rs | Total USD | Total Rs |
|---|---|---|---|---|---|---|
| Balances at 1st April 2010 | 3,227,300 | 143,905,307 | (2,708,803) | (120,785,526) | 518,497 | 23,119,781 |
| Issue of shares | - | - | - | - | - | - |
| Loss for the year | - | - | (7,385) | (329,297) | (7,385) | (329,297) |
| Balances as at 31st March 2011 | 3,227,300 | 143,905,307 | (2,716,188) | (121,114,823) | 511,112 | 22,790,484 |
| Balances at 1st April 2011 | 3,227,300 | 154,398,642 | (2,716,188) | (129,946,314) | 511,112 | 24,452,328 |
| Issue of shares | 15,000 | 717,621 | - | - | 15,000 | 717,621 |
| Loss for the year | - | - | (7,710) | (368,857) | (7,710) | (368,857) |
| Balances as at 31st March 2012 | 3,242,300 | 155,116,264 | (2,723,898) | (130,315,172) | 518,402 | 24,801,092 |

## *Cash Flow Statement for the Year Ended 31 March 2012*

| | 2012 USD | 2012 Rs | 2011 USD | 2011 Rs |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss for the year | **(7,710)** | **(368,857)** | (7,385) | (329,297) |
| *Adjustment for:* | | | | |
| (Increase)/ Decrease in prepayments | **-** | **-** | **-** | **-** |
| (Increase)/ Decrease in accruals | **-** | **-** | (805) | (35,895) |
| **Net cash used in operating activities** | **(7,710)** | **(368,857)** | (8,190) | (365,192) |
| **Cash flow from financing activities** | | | | |
| Issue of shares | **15,000** | **717,621** | - | - |
| **Net cash inflow from financing activities** | **15,000** | **717,621** | - | - |
| Net Increase/(Decrease) in cash and cash equivalents | **7,290** | **348,764** | (8,190) | (365,192) |
| Cash and cash equivalents at start of year | **13,311** | **636,817** | 21,501 | 958,730 |
| **Cash and cash equivalents at end of year** | **20,601** | **985,581** | 13,311 | 593,537 |
| Cash and cash equivalents made up of: | | | | |
| Bank balance | **20,601** | **985,581** | 13,311 | 593,537 |

The notes on page 11 to 18 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. **COMPANY PROFILE**

Thermax International Limited, the “Company”, is a private company with limited liability and was incorporated on 24 January 2000. The Company was granted a Category 1 Global Business Licence under the Financial Services Act 2007. (The surviving Act of the former Financial Services Development Act 2001)

The principal activity of the company is to hold investments and its registered office is at 9th Floor, Ebene Tower, 52 Cybercity, Ebene, Republic of Mauritius.

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting years beginning on or after 1 April 2011.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

| | |
|---|---|
| IAS 1 | Amendment to IAS 1: *Presentation of financial statements - Capital Disclosures and a revised presentation* |
| IAS 23 | Amendment to IAS 23: *Capitalisation of Borrowings Costs* |
| IFRS 7 | *Financial Instruments: Disclosure* |
| IFRS 8 | *Operating Segments* |
| IFRIC 7 | *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* |
| IFRIC 8 | *Scope of IFRS 2* |
| IFRIC 9 | *Reassessment of Embedded Derivatives* |
| IFRIC 10 | *Interim Financial Reporting and Impairment* |
| IFRIC 11 | *Group and Share Treasury Transactions* |
| IFRIC 12 | *Service Concession Arrangements* |
| IFRIC 13 | *Customer Loyalty Programmes* |
| IFRIC 14 | *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

3. **ACCOUNTING POLICIES**

(a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(b) **Basis of preparation**

The financial statements are prepared under the historical cost convention.

(c) **Investments in subsidiary**

Investment in subsidiary is stated in the Company’s balance sheet at cost less impairment losses since the fair value cannot be reliably measured.

(d) **Consolidation**

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

No consolidated financial statements are presented since the company itself is wholly-owned by a company incorporated in India which prepares consolidated financial statements under Indian GAAP.

Subsidiaries are consolidated from the date on which control is transferred to the Company to the date on which control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

(e) **Cash and cash equivalents**

Cash comprises cash at bank. Cash equivalent are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) **Revenue recognition**

Revenues are recognised as follows: -

Dividend income – when the right to receive payment is established.

Interest income – as it accrues unless collectibility is in doubt.

(g) **Expense recognition**

All expenses are accounted for in the income statement on the accrual basis.

(h) **Foreign currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

(i) **Impairment of assets**

At each balance sheet date, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment losses exists, the carrying amount of the assets is assessed and is written down to its recoverable amount.

(j) **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses. All known risks at balance sheet date are reviewed in detail and provision is made where necessary.

(k) **Financial instruments**

Financial assets and liabilities are recognised on the balance sheet when the Company has become a party to the contractual provisions of the instrument.

The Company’s policies in respect of the main financial instruments are as follows:

- **Other receivables**

  Other receivables are stated at their nominal values.

- **Other payables**

  Other payables are stated at their nominal values.

- **Cash resources**

  Cash resources are measured at fair values.

(l) **Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individual or other entities.

(m) **Set up costs**

Set up Costs are expensed in the period in which they are incurred.

(n) **Comparatives**

Where necessary, comparitive figures have been adjusted to confirm with changes in presentation in the current year.

4. **TAXATION**

Under the applicable laws, the Company is liable to income tax in Mauritius on its chargeable income at the rate of 15%. However, the Company is entitled to a tax credit equivalent to the higher of any foreign tax suffered and 80% of the Mauritian tax on its foreign source income, such that its effective tax rate becomes 3%. Capital gains of the Company are exempt from tax in Mauritius.

The Company has no income tax liability due to tax losses of USD 7,710 (2011: USD 7,385) carried forward.

***Deferred tax***

A deferred tax asset has not been recognised in respect of the tax losses carried forward as the directors consider that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

5. **INVESTMENTS**

(i) Value of investments

| | 2012 | 2011 |
|---|---|---|
| | **USD** | **USD** |
| Value at beginning of year | 500,001 | 500,001 |
| Impairment loss | - | - |
| Value at close of year | 500,001 | 500,001 |

(ii) Details of the investments are as follows:

| Investee Company | % Holding | Country of incorporation | Cost | Fair Value | Cost | Total |
|---|---|---|---|---|---|---|
| | | | USD | USD | USD | USD |
| ME Engineering Ltd | 100% | UK | 2,338,635 | 1 | - | 1 |
| Thermax Inc. | 100% | U.S.A | 500,000 | - | 500,000 | 500,000 |
| | | | 2,838,635 | 1 | 500,000 | 500,001 |

The directors are of the opinion that the investment is stated at cost since the fair value cannot be reliably measured. The directors are of the opinion that the cost is a reflective of the fair value at 31 March 2012.

6. **STATED CAPITAL**

| | 2012 | 2011 |
|---|---|---|
| | USD | USD |
| ***Authorised*** | | |
| 5,000,000 ordinary shares of USD 1 each | 5,000,000 | 5,000,000 |
| ***Issued and Fully Paid*** | | |
| 1,495,000 ordinary shares of USD 1 each | 1,495,000 | 1,480,000 |
| 1,747,300 cumulative redeemable preference shares | 1,747,300 | 1,747,300 |
| | 3,242,300 | 3,227,300 |

7. **FINANCIAL INSTRUMENTS**

(a) **Values of financial instruments**

The Company's investments are valued as described in Note 3.

The Company's other financial assets and liabilities include cash and cash equivalents, other receivables and accruals which are realised or settled within a short-term period. The carrying amounts of these assets and liabilities approximate their fair values

(b) **Financial Risks**

The Company's investment activities expose it to the various types of risks which are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

*(i) Market risk*

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

*(ii) Currency risk*

The Company invests in securities denominated in currencies other than its reporting currency. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to those currencies may change in a manner which has a material effect on the reported values of that portion of the Company's assets which are denominated in those currencies.

*(iii) Concentration risk*

The directors consider that the Company is not exposed to any concentration risk.

(iv) *Liquidity risk*

The Company is not exposed to any liquidity risk.

(v) *Interest rate risk*

The Company's exposure to interest rate risk is limited to its bank balance and the rates thereon are based on market interest rates.

(c) ***Currency profile***

The currency profile of the Company's financial assets and liabilities is as follows:

| | Financial assets 2012 | Financial liabilities 2012 | Financial assets 2011 | Financial liabilities 2011 |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| GBP | 1 | - | 1 | - |
| United States Dollars | 520,601 | 3,305 | 513,311 | 3,305 |
| | 520,602 | 3,305 | 513,312 | 3,305 |

8. **RELATED PARTY TRANSACTIONS**

During the year, the company has not entered into any transactions with a related party.

9. **HOLDING COMPANY**

RDA Holding and Trading Private Ltd is now considered as the company's ultimate holding company

10. **POST BALANCE SHEET EVENT**

There are no material post-balance sheet events which would require disclosure or adjustments to the 31 March 2012 financial statements.

11. **CONTINGENT LIABILITIES**

At 31 March 2012, the Company has no material litigation claims outstanding, pending or threatened against it, which would have a material adverse effect on the Company's financial position or results of operations.

12. **CAPITAL COMMITMENTS**

The Company has no material capital commitments at 31 March 2012.

13. **REPORTING CURRENCY**

The financial statements are presented in the United States Dollars (USD).

# THERMAX INC.

| ***Board of Directors*** | ***Registered Office*** | ***Auditors*** |
|---|---|---|
| S. Ramachandran | 21800, Haggerty Road | **Plante & Moran, PLLC** |
| Gopal Mahadevan | Suite 112 | 27400 Northwestern Highway |
| Hemant Mohgaonkar | Northville MI 48167 | PO Box 307 |
| | USA | Southfield MI 48037-0307 |

## *Independent Auditor's Report*

To,
The Board of Directors of THERMAX, INC.

We have audited the accompanying balance sheet of Thermax Inc. (the "Company") as of March 31, 2012 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Thermax Inc. as of March 31, 2011 were audited by other auditors, whose report dated April 20, 2011 expressed an unqualified opinion on those statements.

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

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of Thermax Inc. at March 31, 2012 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 24, 2012

## *Balance Sheet March 31, 2012 and 2011*

| **ASSETS** | **2012** | | 2011 | |
|---|---|---|---|---|
| | **USD** | **Rs** | USD | Rs |
| **CURRENT ASSETS** | | | | |
| Cash And Cash Equivalents | **1,622,141** | **77,605,543** | 856,022 | 38,170,021 |
| Accounts Receivable, Net | **2,330,371** | **111,488,278** | 1,427,228 | 63,640,097 |
| Inventory, Net | **2,279,540** | **109,056,450** | 2,522,060 | 112,458,655 |
| Advances to Related Parties | **397,500** | **19,016,968** | 0 | 0 |
| Refundable Taxes | **185,068** | **8,853,918** | 503,724 | 22,461,053 |
| Deferred Tax Assets | **179,000** | **8,563,616** | 287,000 | 12,797,330 |
| Other Current Assets | **57,141** | **2,733,707** | 20,895 | 931,708 |
| **Total Current Assets** | **7,050,761** | **337,318,479** | 5,616,929 | 250,458,864 |
| Property And Equipment, Net | **62,609** | **2,995,304** | 72,848 | 3,248,292 |
| **Total Assets** | **7,113,370** | **340,313,783** | 5,689,777 | 253,707,156 |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | **2012 USD** | **Rs** | 2011 USD | Rs |
| **CURRENT LIABILITIES** | | | | |
| Trade accounts Payable | **435,006** | **20,811,308** | 143,793 | 6,411,730 |
| Trade payables to related parties | **3,261,165** | **156,018,792** | 2,831,868 | 126,272,994 |
| Provision for warranty and start-up costs | **437,294** | **20,920,770** | 434,213 | 19,361,558 |
| Customer Deposits and advances | **518,704** | **24,815,540** | 28,320 | 1,262,789 |
| Other Current Liabilities | **298,784** | **14,294,253** | 299,942 | 13,374,414 |
| **Total Current Liabilities** | **4,950,953** | **236,860,664** | 3,738,136 | 166,683,484 |
| **Deferred Tax Liabilities** | **21,000** | **1,004,670** | 25,000 | 1,114,750 |
| **Stockholder's Equity** | | | | |
| Common Stock, $10 Par Value 50,000 Authorized and Outstanding | **500,000** | **23,920,714** | 500,000 | 22,295,000 |
| Retained Earnings | **1,641,417** | **78,527,734** | 1,426,641 | 63,613,922 |
| **Total Stockholder's Equity** | **2,141,417** | **102,448,448** | 1,926,641 | 85,908,922 |
| **Total Liabilities And Stockholder's Equity** | **7,113,370** | **340,313,783** | 5,689,777 | 253,707,156 |

## *Statment of Income and retained earnings for the years ended March 31, 2012 and 2011*

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **USD** | **Rs** | USD | Rs |
| Operating Revenues | **13,338,683** | **638,141,650** | 11,605,772 | 517,501,373 |
| Other Revenues | **122,120** | **5,842,395** | 124,253 | 5,540,441 |
| **Total Revenues** | **13,460,803** | **643,984,045** | 11,730,025 | 523,041,815 |
| Costs of revenues | **10,631,815** | **508,641,218** | 9,074,983 | 404,653,492 |
| **Gross Margin** | **2,828,988** | **135,342,827** | 2,655,042 | 118,388,323 |
| Selling general and administrative expenses | **2,337,984** | **111,852,495** | 2,479,631 | 110,566,746 |
| **Income- Before Income Taxes** | **491,004** | **23,490,333** | 175,411 | 7,821,576 |
| Income tax | **276,228** | **13,215,142** | 136,613 | 6,091,574 |
| **Net Income** | **214,776** | **10,275,191** | **38,798** | **1,730,003** |
| Retained Earnings, Beginning of Year | **1,426,641** | **68,252,543** | 1,387,843 | 61,883,919 |
| Retained Earnings, End of Year | **1,641,417** | **78,527,734** | 1,426,641 | 63,613,922 |

Exchange Rate : as at 31 March 2012 is 1 US $ = Rs 47.84
Exchange Rate : as at 31 March 2011 is 1 US $ = Rs 44.59

## *Statment of Cash flows for the years ended March 31, 2012 and 2011*

| Particulars | 2012 USD | 2012 Rs | 2011 USD | 2011 Rs |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net income | **214,776** | **10,275,191** | 38,798 | 1,730,003 |
| Adjustment to reconcile net income to net cash flows from operating activities | | | | |
| Depreciation | **23,281** | **1,113,796** | 18,760 | 836,508 |
| Gain on disposal of assets | **1,042** | **49,851** | (9,803) | (437,116) |
| Bad debt recovery expense | **(73,212)** | **(3,502,567)** | 77,945 | 3,475,568 |
| Deferred Tax Asset | **104,000** | **4,975,509** | (37,800) | (1,685,502) |
| (INCREASE) DECREASE IN: | | | | |
| Accounts receivable | **(829,931)** | **(39,705,085)** | 3,135,187 | 139,797,988 |
| Inventory | **242,520** | **11,602,503** | (1,135,198) | (50,618,479) |
| Advances to Vendor | **-** | **-** | 2,443 | 108,933 |
| Other Assets | **282,410** | **13,510,898** | (475,918) | (21,221,184) |
| (INCREASE) DECREASE IN: | | | | |
| Accounts payable | **291,213** | **13,932,046** | (332,848) | (14,841,692) |
| Accounts payable- Related Parties | **429,297** | **20,538,182** | (482,054) | (21,494,788) |
| Advances and accrued liabilities | **494,271** | **23,646,631** | (562,290) | (25,072,511) |
| Provision for warranty and start-up costs | **3,081** | **147,399** | (86,494) | (3,856,767) |
| Other liabilities | **(5,045)** | **(241,360)** | (454,518) | (20,266,958) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **1,177,703** | **56,342,994** | (303,790) | (13,545,996) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Purchase of property and equipment | **(14,084)** | **(673,799)** | (25,525) | (1,138,160) |
| Advances to Related Parties | **(397,500)** | **(19,016,968)** | - | - |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(411,584)** | **(19,690,767)** | (25,525) | (1,138,160) |
| **NET CHANGE IN CASH DURING THE YEAR** | **766,119** | **36,652,227** | (329,315) | (14,684,156) |
| Cash, Beginning of year | **856,022** | **40,953,315** | 1,185,337 | 52,854,177 |
| Cash, End of year | **1,622,141** | **77,605,543** | 856,022 | 38,170,021 |
| Supplemental Cash Flow Information- Paid for Income Tax | **208,700** | **9,984,506** | 843,920 | 37,630,393 |

The Accompanying Notes Are An Integral Part of These Financial Statements

Exchange Rate : as at 31 March 2012 is 1 US $ = Rs 47.84
Exchange Rate : as at 31 March 2011 is 1 US $ = Rs 44.59

## *Notes to Financial Statements March 31, 2012 and 2011*

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

Thermax Inc. (the "Company") was incorporated on October 23, 2000. The Company's operations consist of two segments - Environment and Energy. The Environment segment consists of the sale of ion exchange resins primarily within North America. The Energy segment consists of the sale of absorption chillers with operations conducted primarily in North and South America.

The Company is a wholly owned subsidiary of Thermax International Limited, (Mauritius) which, in turn, is wholly owned by Thermax Ltd., an Indian publicly listed company. Thermax Ltd. is a subsidiary of RDA Holding & Trading Pvt. Ltd., a company incorporated in India. The Company acquires substantially all of its products for sale from Thermax Ltd. and its affiliates.

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Credit Risk and Major Customers -** The Company has entered into an exclusivity agreement whereby the Company has agreed to sell certain types of absorption chillers exclusively to one customer. Total sales to this customer were $3,482,664 and $1,734,060 during the years ended March 31, 2012 and 2011, respectively. Accounts receivable from this customer totaled $945,280 and $127,800 at March 31, 2012 and 2011, respectively.

The Company's Environment business segment includes sales to a single customer of $1,347,489 and $1,285,575 for the years ended March 31, 2012 and 2011, respectively. Accounts receivable from this customer totaled $242,520 and $165,975 at March 31, 2012 and 2011, respectively.

**Advertising Expenses -** Advertising expenses are charged to income during the year in which they are incurred. Advertising and promotion expenses for the years ended March 31, 2012 and 2011 were $48,338 and $40,658, respectively.

**Revenue Recognition -** Revenue is recognized upon delivery to the customer site, acceptance by the customer, and there are either no unfulfilled Company obligations or obligations are deemed inconsequential and will not affect the customer's final acceptance of the arrangement. Any cost of these obligations is accrued when the corresponding revenue is recognized. In the Energy segment, the Company records a provision for warranty and start-up costs at the time of shipment of the products.

The Company occasionally receives down payments from its customers. These are recorded as customer deposits and advances in the balance sheet. Customer advances totaled $518,704 and $28,320 as of March 31, 2012 and 2011, respectively.

**Cash Equivalents -** The Company utilizes a money market account to earn interest on funds held.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Property and Equipment -** Property and equipment are recorded at cost. The straight-line depreciation method is used for computing depreciation over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

The estimated useful lives used to determine depreciation are as follows:

| | |
|---|---|
| Furniture and fixtures | 5-7 years |
| Office equipment | 5 years |
| Machinery and equipment | 5 years |

**Income Taxes -** A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

The Company has elected to classify interest and penalties related to income tax obligations as a part of income tax expense.

**Inventory -** Inventories consist of product purchased primarily from Thermax Ltd. and are stated at the lower of cost or market, with cost determined using the average cost method. The cost of inventory includes the purchase price of the products, expenses incurred on freight, and other incidental expenses.

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

## *Notes to Financial Statements March 31, 2012 and 2011*

**Reclassification -** Certain prior year amounts have been reclassified to conform with current year presentation, including reimbursements from Thermax Ltd. totaling $475,128, which were reclassified from other revenue to costs of revenue and selling, general, and administrative expenses.

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

**Subsequent Events -** The financial statements and related disclosures include evaluation of events up through and including April 24, 2012, which is the date the financial statements were available to be issued.

**Note 2 - Accounts Receivable**

The Company's accounts receivable are primarily related to sales of ion exchange resins and vapor absorption chillers and spares. Credit is extended based on prior experience with the customer and evaluation of the customer's financial condition. Accounts receivable are generally due within 30 days. An allowance for doubtful accounts is established based on Company policy and the specific assessment of all invoices that remain unpaid following the normal customer payment periods. All accounts or portions thereof deemed to be uncollectible are written off in the period that determination is made.

The following is a detail of accounts receivable as of March 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Trade accounts receivable | $ 2,338,247 | $ 1,594,614 |
| Less allowance for doubtful accounts | (7,876) | (167,386) |
| Total accounts receivable | $ 2,330,371 | $ 1,427,228 |

**Note 3 - Inventory**

Inventory, net of reserves, at March 31, 2012 and 2011 consists of the following:

| | 2012 | 2011 |
|---|---|---|
| Traded goods-Ion exchange resins and spare parts | $ 1,268,285 | $ 1,418,299 |
| Goods in transit-Ion exchange resins | 468,233 | 373,761 |
| Goods in transit-Chillers | 543,022 | 730,000 |
| Total inventory | $ 2,279,540 | $ 2,522,060 |

The Company maintains inventory of ion exchange resins and spare parts at its warehouse in Farmington Hills, Michigan as well as outside warehouses located in various states. At March 31, 2012 and 2011, gross inventory valued at $962,244 and $1,086,505, respectively, was located at the Farmington Hills warehouse and inventory valued at $433,349 and $527,237, respectively, was located at outside warehouses.

At March 31, 2012 and 2011, the Company maintained a reserve for inventory obsolescence of $127,308 and $195,443, respectively.

**Note 4 - Property and Equipment**

Property and equipment at March 31, 2012 and 2011 consists of the following:

| | 2012 | 2011 |
|---|---|---|
| Office equipment | $ 44,910 | $ 36,304 |
| Furniture and fixtures | 21,040 | 19,915 |
| Machinery and equipment | 59,405 | 77,656 |
| Total cost | 125,355 | 133,875 |
| Accumulated depreciation | 62,746 | 61,027 |
| Net property and equipment | $ 62,609 | $ 72,848 |

Depreciation expense was $23,281 and $18,760 for the years ended March 31, 2012 and 2011, respectively.

**Note 5 - Related Party Transactions**

Following is a description of transactions between the Company and related parties:
**Advances -** At March 31, 2012, the Company had advances outstanding to Thermax (Zhejiang) Cooling & Heating Engg. Co., Ltd. of $40,000 and to Thermax Ltd. of $357,500. These advances were provided to the related parties to begin production of chillers. There were no advances to related parties outstanding at March 31, 2011.

**Accounts Payable -** At March 31, 2012 and 2011, the Company had net accounts payable to related parties totaling $3,261,165 and $2,831,868, respectively, before advances provided as disclosed above.

**Purchases -** For the years ended March 31, 2012 and 2011, the Company had purchases of ion exchange resins, absorption chillers, boilers, and spare parts from Thermax Ltd. totaling $7,238,637 and $7,075,167, respectively. For the years ended March 31, 2012 and 2011, the Company had purchases of absorption chillers from Thermax (Zhejiang) Cooling & Heating Engg. Co., Ltd. totaling $476,843 and $466,700, respectively.

**Note 6 - Operating Leases**

The Company conducts its operations in leased facilities in Michigan. The Company leases office space under a noncancelable operating lease that expires in December 2015. In addition, the Company maintains a warehouse under a noncancelable operating lease that expires in June 2014. The Company has also leased office equipment and automobiles under noncancelable operating leases. The lease expense for the years ended March 31, 2012 and 2011 was $135,515 and $101,640, respectively.

Future minimum annual commitments under these operating leases are as follows:

| Years Ending March 31 | Amount |
|---|---|
| 2013 | $ 135,572 |
| 2014 | 126,448 |
| 2015 | 65,205 |
| Total | $ 327,225 |

**Note 7 - Warranty and Start-up Costs**

The Company has a policy to record provisions for start-up costs and warranties related to the sale of vapor absorption chillers under its Energy business segment. These provisions are recorded as and when the related sales income is recorded. These provisions are based on the estimates of likely expenses for start-up of the chillers and warranty claims, considering the types of chillers, geographical location of the job sites, capacity of the chillers under consideration, and past performance data.

The Company adjusts these provisions as and when the chillers are started up and on expiry of the chiller warranties.

The Company has accrued $182,544 and $206,050 at March 31, 2012 and 2011, respectively, for estimated chiller start-up costs. In addition, the Company has accrued $254,750 and $228,163 at March 31, 2012 and 2011, respectively, for estimated future warranty claims.

**Note 8 - Line of Credit**

The Company has available borrowings of $500,000 under a line of credit agreement with a bank maturing July 26, 2012. Interest is payable monthly at a rate of 3.15 percent above LIBOR (an effective rate of 3.39 percent and 3.40 percent at March 31, 2012 and 2011, respectively), and is secured by all assets of the Company. There were no borrowings outstanding under the line of credit agreement at March 31, 2012 and 2011.

**Note 9 - Income Taxes**

The components of the income tax provision included in the statement of operations are all attributable to continuing operations and are detailed as follows:

| | 2012 | 2011 |
|---|---|---|
| Current income tax expense (benefit) | $ 172,228 | $ (64,387) |
| Deferred income tax expense | 104,000 | 201,000 |
| Total income tax expense | $ 276,228 | $ 136,613 |

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes is as follows:

| | 2012 | 2011 |
|---|---|---|
| Income tax expense - Computed at 34 percent of pretax income | $ 166,941 | $ 59,640 |
| State income taxes - Net of federal tax benefit | 21,930 | 4,365 |
| Nondeductible expenses and adjustments to prior year estimate - Net | 87,357 | 72,608 |
| Total income tax expense | $ 276,228 | $ 136,613 |

The details of the net deferred tax asset are as follows:

| | 2012 | 2011 |
|---|---|---|
| Deferred tax assets: | | |
| Warranty reserve | $ 86,700 | $ 77,600 |
| Inventory reserve | 55,700 | 78,900 |
| Allowance for doubtful accounts | 2,700 | 57,000 |
| Accrued bonuses | 22,100 | - |
| Net operating loss carryforward | - | 48,000 |
| Other | 11,800 | 25,500 |
| Gross deferred tax assets | 179,000 | 287,000 |
| Deferred tax liabilities - Depreciation | (21,000) | (25,000) |
| Net deferred tax asset | $ 158,000 | $ 262,000 |

No valuation allowance has been recognized for the deferred tax assets.

The Company files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, the Company is no longer subject to income tax examinations by taxing authorities for years ended before March 31, 2008. There are no pending or ongoing tax examinations.

**Note 10 - Segment Information**

The Company has two reportable segments, the Environment segment and the Energy segment.

The Environment segment is engaged in the distribution of ion exchange resins and the Energy segment is engaged in the distribution of absorption chillers and the sale of spares. The two segments consist of distinct product lines that are managed separately as each has different marketing and distribution requirements.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. All corporate expenses have been allocated to reportable segments based on revenues generated. For the years ended March 31, 2012 and 2011, the allocation was 56 percent and 68 percent to the Environment segment and 44 percent and 32 percent to the Energy segment, respectively. Segment profit is based on operating profit before income taxes.

Intersegment charges for administrative services are allocated by management.

The following is summarized information about profit or loss, assets, and other information for each reportable segment for the years ended March 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| **Environment Segment** | | |
| Revenue from external customers | $ 7,462,250 | $ 7,841,963 |
| Other revenue | 119,289 | 120,300 |
| Depreciation expense and loss on disposal | 13,609 | 14,403 |
| Segment pre-tax profit | 274,689 | 118,525 |
| Segment assets | 2,473,195 | 2,880,199 |
| Segment liabilities | 2,139,337 | 1,642,156 |
| **Energy Segment** | | |
| Revenue from external customers | 5,876,433 | 3,763,809 |
| Other revenue | 2,831 | 3,953 |
| Depreciation expense and loss on disposal | 10,717 | 6,913 |
| Segment pre-tax profit | 216,315 | 56,886 |
| Segment assets | 2,642,986 | 1,192,756 |
| Segment liabilities | 2,727,245 | 2,080,041 |

The following are reconciliations from the segment information above the amounts reported in the accompanying financial statements for the years ended March 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| **Revenue by Country** | | |
| United States | $ 11,404,143 | $ 9,542,310 |
| South America | 421,040 | 714,231 |
| Canada | 238,142 | 474,750 |
| Mexico | - | 311,381 |
| Other | 1,397,478 | 687,353 |
| Total revenue | $ 13,460,803 | $ 11,730,025 |
| **Assets** | | |
| Total assets for reportable segments | $ 5,116,181 | $ 4,072,955 |
| Unallocated amounts | 1,997,189 | 1,616,822 |
| Total assets | $ 7,113,370 | $ 5,689,777 |
| **Liabilities** | | |
| Total liabilities for reportable segments | $ 4,866,582 | $ 3,722,197 |
| Unallocated amounts | 105,371 | 40,939 |
| Total liabilities | $ 4,971,953 | $ 3,763,136 |

Revenue is allocated based on the geographic location of the customers.

Revenue from one customer of the Environment segment represents approximately $1,347,000 (10 percent) and $1,286,000 (11 percent) of the Company's total revenue for the years ended March 31, 2012 and 2011, respectively. Revenue from one customer of the Energy segment represents approximately $3,483,000 (26 percent) and $1,734,000 (15 percent) of the Company's total revenue for the years ended March 31, 2012 and 2011, respectively.

**Note 11 - Retirement Plan**

The Company has a defined contribution profit sharing 401(k) plan covering substantially all employees. Company contributions are discretionary. The Company has the option to match up to 50 percent of an employee's deferral amount, not to exceed 4 percent of the employee's compensation. For the years ended March 31, 2012 and 2011, the Company made matching contributions totaling $17,478 and $16,238, respectively.

**Note 12 - Contingencies and Settlements**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions, if any, will not materially affect the Company's financial statements.

# Thermax do Brasil-Energia e Equipamentos Ltda

***Supervisory Board***
Gopal Mahadevan

***Registered Office***
Av. Paulista, 37-04
ander-Edificio Pq
cultural Paulista
Sao Paulo, SP, Brazil

***Auditors***
Novamir Auditoria E Servicos Contabeis
CRC- SP 2SP 024.744
São Paulo, Brazil

***Bankers***
Banco Citibank S. A.
Banco Real S. A.

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## AUDITORS' REPORT

To Quotaholders
**Thermax do Brasil – Energia e Equipamentos Ltda.**
São Paulo - SP

**1.** We have examined the balance sheet of **Thermax do Brasil – Energia e Equipamentos Ltda.,** as of March 31, 2012 and the related statements of income, changes in quotaholders' equity and changes in financial position for the period then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

**2.** We conducted our audit in accordance with auditing standards generally accepted in Brazil and, accordingly, included: a) the planning of the audit work, considering the materiality of the balances, volume of transactions, and the system of internal controls of the Company; b) the verification on a test basis, of the evidence and records which support the values and information in the published financial statements; and c) evaluation of the accounting practices and the more material accounting estimates adopted by Company management as well as the presentation of the financial statements taken as a whole.

**3.** In our opinion, the financial statements referred in the paragraph 1 present fairly, in all material respects, the financial position of **Thermax do Brasil – Energia e Equipamentos Ltda**. as of March 31, 2012, and of the results of their operations, changes in their quotaholders' equity and changes in its financial position for the period then ended, in accordance with accounting principles generally accepted in Brazil.

**NOVAMIR AUDITORIA E SERVIÇOS CONTABEIS**

**CNPJ no. 04.933.947/0001-06**
**CRC- SP 2SP 024.744**
São Paulo, Brazil
April, 24, 2012

# Thermax do Brasil-Energia e Equipamentos Ltda

## Statement of Income for the Period ended March 31, 2012

| PARTICULARS | 2012 BRL | 2012 Rs. | 2011 BRL | 2011 Rs. |
|---|---|---|---|---|
| **GROSS INCOMES** | | | | |
| Sale of services | **142,369** | **4,008,773** | 136,038 | 3,718,007 |
| | **142,369** | **4,008,773** | 136,038 | 3,718,007 |
| **DEDUCTION FROM GROSS INCOMES** | | | | |
| Tax incident on sales | **(26,015)** | **(732,516)** | (22,907) | (626,070) |
| Gross profit | **116,354** | **3,276,257** | 113,131 | 3,091,937 |
| **OPERATING EXPENSES** | | | | |
| General and administrative expenses | **(44,820)** | **(1,262,030)** | (58,579) | (1,601,000) |
| Financial (expenses) income | **936** | **26,346** | (4) | (96) |
| Interest - past years | **-** | **-** | - | - |
| | **(43,884)** | **(1,235,684)** | (58,582) | (1,601,096) |
| **Net Profit** | **72,470** | **2,040,572** | 54,548 | 1,490,841 |
| **Revenues/expenses not operational** | **-** | **-** | (35,319) | (965,299) |
| **Net Profit for the period** | **72,470** | **2,040,572** | 19,229 | 525,542 |
| **Taxes on income** | **(5,272)** | **(148,444)** | (9,067) | (247,806) |
| **Profit after tax** | **67,198** | **1,892,128** | 10,162 | 277,736 |

See the accompanying notes to the financial statements
Exchange Rate : As at 31 Mar 12 is 1 BRL = Rs 28.16
Exchange Rate : As at 31 Mar 11 is 1 BRL = Rs 27.33

## Balance Sheet as at March 31, 2012

| PARTICULARS | 2012 BRL | 2012 Rs. | 2011 BRL | 2011 Rs. |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| **Shareholders' Funds :** | | | | |
| Share Capital | **1,087,130** | **30,611,030** | 1,087,130 | 29,711,999 |
| Accumulated losses | **(912,902)** | **(25,705,173)** | (980,100) | (26,786,792) |
| **Total Funds Employed** | **174,228** | **4,905,857** | 107,030 | 2,925,207 |
| **APPLICATION OF FUNDS** | | | | |
| Fixed Assets | | | | |
| Gross Block | **-** | **-** | - | - |
| Less: Depreciation | **-** | **-** | - | - |
| Net Block | **-** | **-** | - | - |
| Current Assets, Loans & Advances : | | | | |
| Trade receivables | **38,429** | **1,082,077** | 45,102 | 1,232,679 |
| (-) Provision for doubtful accounts | **-** | **-** | - | - |
| Recoverable taxes | **35,556** | **1,001,174** | 44,623 | 1,219,576 |
| (-) Provision for losses | **(10,941)** | **(308,063)** | (10,941) | (299,015) |
| Other receivables | **-** | - | - | |
| Cash & Bank Balances | **123,266** | **3,470,880** | 45,798 | 1,251,701 |
| | **186,311** | **5,246,068** | 124,583 | 3,404,941 |
| Less : Current Liabilities & Provisions : | | | | |
| Accounts payable | **-** | **-** | - | - |
| Taxes payable | **-** | - | 13,803 | 377,244 |
| Other accounts payable | **-** | - | 3,750 | 102,490 |
| | **-** | **-** | 17,553 | 479,734 |
| Net Current Assets | **186,311** | **5,246,068** | 107,030 | 2,925,207 |
| **Total Funds Applied** | **186,311** | **5,246,068** | 107,030 | 2,925,207 |

## Statement of Changes in Quotaholders' Equity

| | Capital | | Accumulated losses | | Total | |
|---|---|---|---|---|---|---|
| | **BRL** | **Rs.** | **BRL** | **Rs.** | **BRL** | **Rs.** |
| Balances at April 1, 2011 | 1,087,130 | 30,611,030 | (980,100) | (27,597,311) | 107,030 | 3,013,719 |
| Net Profit for the period | - | **-** | 67,198 | 1,892,128 | 67,198 | 1,892,128 |
| Balances at March 31, 2012 | 1,087,130 | 30,611,030 | (912,902) | (25,705,183) | 174,228 | 4,905,847 |

## Statement of Changes in Financial Position Period ended March 31, 2012

| | 2012 BRL | 2012 Rs. | 2011 BRL | 2011 Rs. |
|---|---|---|---|---|
| **Sources** | | | | |
| From Operations | | | | |
| Net Profit for the period | **67,198** | **1,892,128** | 10,162 | 277,736 |
| Expenses (incomes) that do not affect net working capital: | | | | |
| Depreciation | **-** | **-** | - | - |
| Advance to Capital | **-** | **-** | - | - |
| **Total sources** | **67,198** | **1,892,128** | 10,162 | 277,736 |
| **Applications** | **-** | **-** | **-** | **-** |
| **Reduction in net working capital** | **67,198** | **1,892,128** | 10,162 | 277,736 |

## Statement of variation in net working capital

| | March 31 | | March 31 | | Variation | |
|---|---|---|---|---|---|---|
| | **2012** BRL | **2012** Rs. | 2011 BRL | 2011 Rs. | **2012** BRL | **2012** Rs. |
| **Current Assets** | 186,311 | 5,246,068 | 124,583 | 3,404,941 | 61,727 | 1,738,100 |
| **Current Liabilities** | 12,083 | 340,221 | 17,553 | 479,734 | 5,470 | 154,029 |
| **Net working capital** | **174,228** | **4,905,847** | 107,030 | 2,925,207 | **67,198** | **1,892,128** |

See the accompanying notes to the financial statements

*Notes to the financial statements March 31, 2012*

**Notes to the Financial Statements**
**March 31, 2012**

**(In reais)**

1. **Operational Context**

The Company is a subsidiary of Thermax Ltd which in turn is a subsidiary of RDA Holding and Trading Pvt. Ltd., a Company incorporated in India. The Company's business activities mainly consist of rendering services, including technical assistance, which may be provided through hiring outsourced companies.

2. **Presentation of the Financial Statements**

The financial statements were prepared in accordance with accounting practices emanated from the Brazilian Corporation Law.

3. **Summary of the Significant Accounting Policies**

a. **Revenue and expenses recognition**

Income and expenses are recorded on monthly accrual basis.

b. **Current and long-term assets**

Current and long-term assets are recorded at lower of cost or market value plus accrued income until the end of the period. An allowance is recorded in case the market value is lower than cost.

c . **Current and long-term liabilities**

Liabilities are recorded at known or estimated amounts.

4. **Trade Receivables**

| **Description** | **2012** |
|---|---|
| Accounts receivable | 38.429,23 |
| Net accounts receivable | **38.429,23** |

5. **Recoverable Taxes**

| **Description** | **2012** |
|---|---|
| IRPJ – 2005 | 89,28 |
| CSLL – 2005 | 10.851,37 |
| IR - financial income | 4.823,85 |
| PIS | 1,35 |
| COFINS | 6,21 |
| CSLL – sales | 186,43 |
| IR - Sales | 5.002,10 |
| IR - others | 14.595,43 |
| | **35.556,02** |
| Provision for losses | **(10.940,65)** |
| **Net** | **24.615,37** |

The value of the recoverable taxes basically represents withholding taxes by the Customers. The possibility of setting off the recoverable taxes against the tax liabilities is being analysed.

6. **Taxes and Contributions payable**

| **Description** | **2012** |
|---|---|
| PIS | 354,41 |
| COFINS | 1.632,43 |
| ISS – SALES | 1.073,98 |
| TAXES ON INCOME – IRPJ E CSLL | 5.271,89 |
| **TOTAL** | **8.332,71** |

The above balances were compared with the tax books of the Company and subsequent events and do not present differences.

The company paid off all the taxes related to the prior years during 2011/2012 and the taxes that have not been paid yet refer only to 03/2012.

7. **Other liabilities**

| **Description** | **2012** |
|---|---|
| Rent | 250,00 |
| Provision – INSS – Inspection | 500,00 |
| Nova Mir - Auditoria | 3.000,00 |
| **TOTAL** | **3.750,00** |

8. **Capital Social**

The paid-in Capital is represented by R$ 1.087.130,00 with nominal value of R$ 1,00 (one real) each.

9. **Services**

The company's total sales, net of sales returns for the period, amounted to R$ 142.368,85, as presented below:

| **DESCRIPTION** | **2012** |
|---|---|
| Services Sales | 142.368,85 |
| **Net sales** | **142.368,85** |

The services sales amounts were checked against the company's tax books and do not present differences.

10. **Taxes incident on Services**

The company's total taxes related to sales, amounted to R$ 26.014,81, as presented below:

| **DESCRIPTION** | **2012** |
|---|---|
| ISS - SALES | 10.793,14 |
| COFINS - SALES | 2.715,22 |
| PIS - SALES | 12.506,45 |
| **TOTAL** | **26.014,81** |

11. **Operating Expenses**

The composition of the " Operating Expenses" account is presented below:

| **DESCRIPTION** | **2012** |
|---|---|
| Rents | 3.250,00 |
| Accounting Outsourcing | 35.100,00 |
| Internet | 507,90 |
| Auditory | 3.000,00 |
| Juridical Services | 2.381,91 |
| Others | 1.481,10 |
| **TOTAL** | **45.720,91** |

12. **Financial ( expenses) income**

The balance of the Financial ( expenses) income and exchange variation income account is presented below:

| **DESCRIPTION** | **2012** |
|---|---|
| Interest Income | -o- |
| Finance Income | 1.836,42 |
| Other income | -o- |
| (-) Bank Expenses | 900,77 |
| (-) Interest - expenses | -o- |
| **TOTAL** | **935,65** |

13 . **Identified Contingencies**

In the month of March 2009, the Company received a notice from the Federal Authorities (National Institute of Social Security) for submission of certain documents and information related to the year 2005. In response to this notice various documents were submitted to the Federal Authorities.

The inspection of documents by Federal Authorities is now over and the total amount of payment as levied by the Federal Authority is R$ 500,00. The payment is not made as the Federal Tax Authority may waive 50% amount of this payment . The notification for this waiver was not received until March, 2012.

NOVAMIR AUDITORIA E SERVIÇOS CONTABEIS
CNPJ no. 04.933.947/0001-06
CRC- SP 2SP 024.744
São Paulo, Brazil
April, 24, 2012

# Thermax (Zhejiang) Cooling & Heating Engineering Co. Ltd.

***Supervisor***
M. S. Unnikrishnan

***Executive Director***
H. P. Mohgaonkar

***General Manager***
Ashish Vaishnav

***Registered Office***
No. 645,
Chayuan Road,
Jiaxing Economic Development Zone,
Jiaxing, Zhejiang, PRC.
Post 314003

***Auditors***
Zhejiang Zhong Ming Certified Public
Accountants Co. Ltd.
Jiaxing, China

***Bankers***
Industrial and Commercial Bank of China

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## AUDITOR'S REPORT

ZZKS[2012]NO.1174

**TO THE BOARD OF DIRECTORS OF**
**THERMAX (ZHEJIANG) COOLING & HEATING ENGINEERING CO., LTD.**

We have audited the accompanying financial statements of Thermax (Zhejiang) Cooling & Heating Engineering Co., Ltd. (herein after referred as "the Company"), which comprise the balance sheet as of 31 December 2011, the income statement, cash flow statement and statement of changes in owners' equity for the year then ended and notes to the financial statements.

**I. Responsibility of management**

It is the responsibility of management to prepare and present the financial statements fairly .And the responsibilities include: i) Preparing the financial statements in conformity with the requirements of both the accounting standards and Accounting System for Business Enterprises, and to be presented fairly. ii) designing, implementing and maintaining internal misstatement, whether due to fraud or error.

**II. Responsibility of auditors**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Certified Public Accountants. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

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 marking those risk assessments, the auditor considers internal control relevant to the entitys preparation 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 reasonableness of 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 basis for our audit opinion.

**III. Audit opinion**

In our opinion, the financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises, and present fairly, in all material aspects, the financial position of the Company as of 31 December 2011 and the results of its operations and its cash flows for the year then ended.

ZHEJIANG ZHONGMING

Certified Public Accountants CO., LTD. Certified Public Accountant: Li Aizhong

Certified Public Accountant: Luo Bin

Jiaxing, China
Date: March 14, 2012

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principle and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principle and practices generally accepted in other countries and jurisdictions. In cash the English version does not conform to the Chinese version, the Chinese version prevails.

## *Balance Sheet as at 31st December, 2011*

| PARTICULARS | 2011 RMB | 2011 Rs. | 2010 RMB | 2010 Rs. |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash & cash equivalents | **13,176,908** | **98,572,066** | 310,013 | 2,111,000 |
| Accounts receivable | **16,307,370** | **121,990,003** | 6,609,020 | 45,003,470 |
| Other receivables | **1,361,969** | **10,188,439** | 524,437 | 3,571,098 |
| Advance to suppliers | **810,504** | **6,063,111** | 415,508 | 2,829,358 |
| Inventories | **19,977,379** | **149,444,125** | 12,550,037 | 85,458,232 |
| Prepaid expenses | **191,729** | **1,434,264** | 187,451 | 1,276,427 |
| Allowance receivable | **574,532** | **4,297,886** | 94,815 | 645,634 |
| TOTAL CURRENT ASSETS | **52,400,393** | **391,989,893** | 20,691,280 | 140,895,220 |
| **NON-CURRENT ASSETS** | | | | |
| Fixed Assets - cost | **59,963,116** | **448,564,107** | 59,412,964 | 404,566,694 |
| Less: Accumulated depreciation | **13,914,784** | **104,091,864** | 9,841,043 | 67,011,606 |
| Fixed Assets - Net book value | **46,048,332** | **344,472,243** | 49,571,922 | 337,555,088 |
| Intangible assets | **6,350,246** | **47,504,078** | 6,596,389 | 44,917,458 |
| Long-term deferred and prepaid expenses | **13,465** | **100,729** | 30,324 | 206,488 |
| TOTAL NON-CURRENT ASSETS | **52,412,044** | **392,077,051** | 56,198,635 | 382,679,034 |
| TOTAL ASSETS | **104,812,436** | **784,066,944** | 76,889,915 | 523,574,254 |
| **LIABILITIES AND OWNER'S EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | **26,100,000** | **195,245,412** | 16,900,000 | 115,078,875 |
| Accounts payable | **17,259,161** | **129,110,036** | 14,129,511 | 96,213,503 |
| Advances from customers | **4,121,781** | **30,833,668** | 4,326,689 | 29,462,162 |
| Accrued Payroll | **70,119** | **524,538** | 101,849 | 693,533 |
| Taxes payable | **1,200,246** | **8,978,637** | (579,163) | (3,943,750) |
| Other amounts payables | **224,269** | **1,677,684** | 233,536 | 1,590,241 |
| Accrued expenses | **5,107,031** | **38,203,998** | 2,747,842 | 18,711,156 |
| TOTAL CURRENT LIABILITIES | **54,082,606** | **404,573,972** | 37,860,265 | 257,805,720 |
| **OWNER'S EQUITY** | | | | |
| Paid in capital | **95,039,017** | **710,955,252** | 74,996,269 | 510,679,660 |
| Accumulated losses | **(44,309,187)** | **(331,462,281)** | (35,966,619) | (244,911,126) |
| TOTAL OWNER'S EQUITY | **50,729,830** | **379,492,972** | 39,029,650 | 265,768,534 |
| **TOTAL LIABILITIES AND OWNER'S EQUITY** | **104,812,436** | **784,066,944** | 76,889,915 | 523,574,254 |

## *Statement of changes in Equity for the Year Ended 31 December 2011*

| | Share Capital 2011 RMB | Share Capital 2011 RS | Accumulated Losses 2010 RMB | Accumulated Losses 2010 RS | Total 2011 RMB | Total 2011 RS |
|---|---|---|---|---|---|---|
| Balances at 1 January 2011 | **74,996,269** | **561,022,120** | (35,966,619) | (269,054,301) | **39,029,650** | **291,967,819** |
| Profit for the current period | **-** | **-** | (8,342,569) | (62,407,979) | **(8,342,569)** | **(62,407,979)** |
| Contribution by Owners | **20,042,749** | **149,933,132** | - | - | **20,042,749** | **149,933,132** |
| Balances at 31 December 2011 | **95,039,017** | **710,955,252** | (44,309,187) | (331,462,281) | **50,729,830** | **379,492,972** |

## *Income statement for the year ended 31st December, 2011*

| PARTICULARS | 2011 RMB | 2011 Rs. | 2010 RMB | 2010 Rs. |
|---|---|---|---|---|
| Revenue from main operations | **56,711,178** | **424,237,446** | 30,423,840 | 207,168,125 |
| Revenue from other operations | **1,613,216** | **12,067,929** | 938,259 | 6,388,979 |
| Less : Cost of main operations | **48,316,269** | **361,437,925** | 30,113,485 | 205,054,792 |
| Cost of other operations | **604,520** | **4,522,210** | 130,788 | 890,588 |
| Selling Expenses | **8,415,986** | **62,957,190** | 5,977,500 | 40,703,195 |
| General and administrative expenses | **7,915,168** | **59,210,738** | 6,290,410 | 42,833,925 |
| Finance expenses | **1,554,200** | **11,626,454** | 874,760 | 5,956,594 |
| **Loss from Operations** | **(8,481,749)** | **(63,449,142)** | (12,024,845) | (81,881,991) |
| Add: Revenue from subsidies | **113,634** | **850,062** | 166,979 | 1,137,025 |
| Non-operating revenue | **29,845** | **223,260** | 68,021 | 463,180 |
| Less: Non-operating expenses | **4,299** | **32,159** | - | - |
| **Loss before tax** | **(8,342,569)** | **(62,407,979)** | (11,789,846) | (80,281,787) |
| Income tax | **-** | **-** | - | - |
| **Net loss for the year** | **(8,342,569)** | **(62,407,979)** | (11,789,846) | (80,281,787) |

The annexed Notes form an integral part of financial statements.
Exchange rate : as at 31 December 2011 is 1 RMB = Rs 7.48
Exchange rate : as at 31 December 2010 is 1 RMB = Rs 6.81

## *Cash Flow Statement for the year ended 31 December 2011*

| PARTICULARS | 2011 RMB | 2011 Rs. | 2010 RMB | 2010 Rs. |
|---|---|---|---|---|
| **Cash Flows from Operating activities** | | | | |
| Cash received from sale of goods or rendering of services | **53,552,550** | **400,608,802** | 31,692,763 | 215,808,728 |
| Refund of taxes | **3,277,054** | **24,514,552** | 2,822,776 | 19,221,416 |
| Other cash received relating to operating activities | **6,437** | **48,157** | 3,115 | 21,212 |
| Cash paid for goods & services | **(55,978,722)** | **(418,758,183)** | (22,545,480) | (153,521,215) |
| Cash paid to & on behalf of employees | **(9,781,423)** | **(73,171,566)** | (8,917,040) | (60,719,703) |
| Other cash paid relating to operating activities | **(5,049,486)** | **(37,773,521)** | (7,238,296) | (49,288,459) |
| **Net cash used in operating activities** | **(13,973,588)** | **(104,531,759)** | (4,182,163) | (28,478,022) |
| Less : Payment of all types of taxes | **560,083** | **4,189,795** | 554,798 | 3,777,840 |
| **Net cash used in operating activities** | **(14,332,642)** | **(107,217,722)** | (4,736,960) | (32,255,862) |
| **Cash Flows from Investing activities** | | | | |
| Acquisition of Fixed Assets,Intangible Assets and Other long term assets | **(560,151)** | **(4,190,305)** | (541,810) | (3,689,398) |
| **Net cash used in investing activities** | **(560,151)** | **(4,190,305)** | (541,810) | (3,689,398) |
| **Cash Flows from Financing activities** | | | | |
| Cash Received from investors | **20,042,749** | **149,933,132** | - | - |
| Cash Received from borrowings | **54,800,000** | **409,940,558** | 26,200,000 | 178,406,304 |
| Repayment of borrowings | **(45,600,000)** | **(341,118,421)** | (20,100,000) | (136,868,958) |
| Cash paid for distribution of dividends or profits and for interest expenses | **(1,382,545)** | **(10,342,362)** | (788,372) | (5,368,340) |
| **Net cash received in financing activities** | **27,860,203** | **208,412,907** | 5,311,628 | 36,169,005 |
| **Effect of Foreign exchange rate changeson cash and cash equivalents** | **(100,515)** | **(751,916)** | (46,604) | (317,346) |
| **Net (decrease)/increase in cash at banks and in hand** | **12,866,896** | **96,252,965** | (13,746) | (93,601) |
| **Cash at banks and in hand at beginning of year** | **310,013** | **2,319,105** | 323,759 | 2,204,605 |
| **Cash at banks and in hand at end of year** | **13,176,909** | **98,572,069** | 310,013 | 2,111,003 |

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended Dec.31, 2011**

**(Unless otherwise specified, all amounts are in RMB )**

**1. Company background**

Thermax (ZheJiang) Cooling & Heating Engineering Company Limited (the "Company") is a wholly foreign owned enterprise established in Jiaxing, Zhejiang Province in the People's Republic of China (PRC) by Thermax Company Limited. The Company obtained an approval certificate Shang Wai Zi-Zhe Fu Zi Jia Zi [2006] No.03662 from the People's Government of Zhejiang Province on 14 December 2006, and a business license (No.330400400008751) on 15 December 2006 issued by Zhejiang Province Administration of Industry and Commerce of the PRC. The registered capital is USD13, 470,000 and the paid-in capital is USD 13, 470,000.

The operating activities mainly include products and services in heating, cooling, waste heat recovery, captive power, water treatment and recycling, waste management and performance chemicals

**2. Significant accounting policies accounting estimates**

**2.1 Accounting regulations**

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprise-Basic Standard issued in 2006, specific accounting standards issued before 2006 and the "Accounting System for Business Enterprises" as promulgated by the State of the People's Republic of China.

**2.2 Accounting period**

The Company adopts the calendar year as its accounting year, i.e. from January 1 to December 31.

**2.3 Reporting currency**

The recording currency of the Company is RMB.

**2.4 Basis of preparation and measurement basis**

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost.

**2.5 Translation of foreign currencies**

Foreign currency transactions are translated into RMB at the exchange rates stipulated by the People's Bank of China at the beginning of the month. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the stipulated exchange rates at the balance sheet date. Exchange differences relevant to the acquisition of fixed assets are recorded as the acquisition cost of fixed assets. Exchange differences irrelevant to the acquisition of fixed assets are recorded as long-term prepaid expenses if arising during the pre-operating period or recorded as finance expenses if not.

**2.6 Cash equivalents**

Cash equivalents refer to short-term (due within three months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.7 Provision for bad debts**

I. Provision for bad debts on trade and other receivables is accounted for using the allowance method: Aging analysis method. Aging analysis method is based on relevant information such as past experience, actual financial position and cash flows of debtors, as well as other relevant information. Company Policy: A 100% Provision to be made for Receivables (other than Retentions) which are more than 2 years and 50% provision to be made for Receivables (other than Retentions) which are more than one year but less than two years.

II. Criteria for recognition of bad debts: (1) The irrecoverable amount for a debtor who becomes bankrupt after pursuing the statutory recovery procedures or died and has no offsetting estate and obligatory undertakes. (2) The irrecoverable amount or this amount with less possibility to be recovered with sufficient evidence for a debtor who does not comply with repayment obligation after the debt becomes due.

**2.8 Inventory costing method**

Inventories encompass finished goods produced, or work in progress being produced by the enterprise and include materials and supplies awaiting use in the production process.

Inventories are stated at actual cost. The cost of materials is assigned using the Weighted Moving Average Method, the cost of finished goods and work-in-progress are assigned using specific identification of their individual costs. Low-value consumables are written-off in full when issued for use.

Inventories are measured at the lower of cost and net realizable at the end of a period.

If inventories are damaged, they have become wholly or partially obsolete, or if their selling prices have declined. Where the net realizable value is lower than the cost, the differences is recognized as the Provision for obsolete stocks. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed net realizable value, the materials are written down to net realizable value. As per company policy, Inventory Obsolete provision has been made for100% if Inventory aged more than two years & 50% if inventory is aged more than one year but less than two years.

**2.9 Valuation and depreciation of the fixed assets**

1) Fixed assets are recorded at actual costs. Fixed assets are assets held by the company for use in the production of goods and for administrative purposes. They are expected to be used for more than one year.

2) The valuation of fixed assets:

(1) Fixed assets purchased are recorded at cost plus packaging expenditure, freight, installation cost as well as related taxes.

(2) Fixed assets constructed by the Company are recorded at all the expenditure that is related to the construction before they are ready for their intended use.

(3) Fixed assets invested by shareholder are recorded at the confirmed value by all shareholders.

(4) Fixed assets accepted as the compensation of debts from debtors or obtained in a non-monetary transaction, are recorded at values confirmed in accordance with Debt Recombination and Non-monetary Transaction Postulates.

3) Fixed assets are depreciated using the straight-line method of the assets. The estimated useful lives, estimated residual value rate expressed as a percentage of cost and depreciation rate are as follows:

| Category | Estimated useful life | Estimated residual value rate | Estimated annual depreciation rate |
|---|---|---|---|
| Buildings | 20 years | 10% | 4.5% |
| Machinery | 10 years | 10% | 9% |
| Electronic equipment | 3 -5 years | 10% | 18-30% |

4) Fixed assets are valued at the lower of the carrying value and the recoverable amount. Individual assets for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or changes in circumstances, are viewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss. When there is an indication that the need for an impairment provision record in a prior period no longer exists or has decreased; the provision for impairment loss is reversed to the extent of the impairment loss previously recognized.

**2.10 Construction in progress**

Construction in progress is recorded at its real costs

(1) Direct expenditure on contracted construction comprises the contract price, the original cost of machinery and equipment, installation costs, interests and discount or premium amortization on specific borrowings, as well as capitalized exchange differences.

(2) Direct expenditure on self-operated construction comprises the used material costs, raw material costs with tax cannot be deducted, inventory's costs with related taxes, costs of labor service provided

by the Company's aided production department, interests and discount or premium amortization on specific borrowings, as well as capitalized exchange differences.

When the construction has reached its expected usable condition but without final accounting completed, the estimated construction cost in that account is capitalized as fixed assets in accordance with the budget, construction cost or real costs. The fixed asset's book value should be adjusted after final accounting completion.

Impairment of construction in progress should be recognized when

(1) The construction in progress is suspended for a long period and is not expected to be resumed in three years, or

(2) Construction project is technically and physically obsolete and its economic benefits to the company are uncertain.

**2.11 Intangible assets**

1) Intangible assets are recorded at actual costs when obtained.

2) The cost of an intangible asset are amortized evenly over its expected useful life or the effective period stipulated by law (whichever is shorter) starting in the month in which it is obtained. If neither of the above can be determined, the amortization period should not be longer than 10 years.

If an intangible asset brings no more future economic benefits, its carrying amount should be recognized in the income statement for the current period.

3) The Company reviews the carrying amount of its intangible assets as well as its recoverable net value at the balance sheet date. The difference by which the recoverable amount is lower than the carrying amount of the intangible assets should be provided for and recognized.

**2.12 Long-term prepayments**

Long-term prepayments are recorded at the actual costs and amortized evenly over the beneficial periods of their own. If a long-term prepayment brings no more future economic benefits, its book value should be recognized in the income statement for the current period.

**2.13 Revenue recognitions**

Revenue from the sale of goods is recognized with following basis:

(1) The seller has transferred the significant risks and rewards of ownership to the buyer;

(2) The seller does not retain continuing managerial involvement to the degree usually associated with ownership and does not have effective control over the goods sold;

(3) It is probable that the economic benefits associated with the transaction will flow to the enterprise;

(4) The amount of revenue and the costs incurred or to be incurred in respect of the transaction is measured reliably.

Revenue from services is recognized with following basis:

(1) When the provision of services is started and completed within the same fiscal year, revenue is recognized at the time of completion of the services when the money or the right to collect the money is received.

(2) When the provision of services is started and completed in different fiscal years, the Company recognizes the service revenue at the balance sheet date by the use of the percentage of completion method. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied: (a) the total amount of service revenue and costs can be measured reliably; (b) it is probable that the economic benefits associated with the transaction will flow to the enterprise; and (c) the stage of completion of the services provided can be measured reliably.

(3) When the result of the long construction contract can be estimated authentically, revenue from service as well as the cost should be recognized according to the percentage of completion.

**2.14 Accounting for income tax**

Income tax is recognized under the tax payable method.

## 3. TAXATION

**3.1 Value Added Tax (VAT)**

The company's sales of products are subjected to Value Added Tax (VAT). The applicable tax rate for domestic sales is 17%. Sale of Goods in overseas market is subject to the method of tax exemption, credit and refund, the refund rate is 17%.

**3.2 Enterprise Income Tax**

The statutory rate of corporate income tax applicable to the Company is 25%. First two years 'NIL' & next three years 50%, i.e. 12.5%, current year the rate is 12.5%.

## 4. MAIN ITEMS OF THE FINACIAL STATEMENTS

**4.1 Cash and equivalents**

| *Items* | *2010-12-31* | | | *2011-12-31* | | |
|---|---|---|---|---|---|---|
| | Original currency | E/X rate | RMB amount | Original currency | E/X rate | RMB amount |
| Cash on hand | - | - | 21,452.62 | - | - | 108,549.43 |
| RMB | | | 15,161.05 | | | 106,974.20 |
| USD | 950 | 6.6227 | 6,291.57 | 250.00 | 6.3009 | 1,575.23 |
| Cash in bank | - | - | 288,559.99 | - | - | 13,068,359.01 |
| RMB | - | - | 288,524.00 | - | - | 619,547.48 |
| USD | 1.1 | 6.6227 | 7.28 | 1,974,501.35 | 6.3009 | 12,448,734.43 |
| EUR | 3.26 | 8.8067 | 28.71 | 9.21 | 8.1625 | 75.18 |
| AUD | - | - | - | 0.30 | 6.4093 | 1.92 |
| Total | | | 310,012.61 | | | 13,176,908.44 |

**4.2 Accounts receivable**

| *Account Age* | *2010-12-31* | | | *2011-12-31* | | |
|---|---|---|---|---|---|---|
| | amount | % | Bad debt provision | amount | % | Bad debt provision |
| Within 1 year | 6,134,920.43 | 92.83% | - | 15,431,996.54 | 93.18% | - |
| 1-2 years | 474,100.00 | 7.17% | - | 780,676.00 | 4.79% | 216,000.00 |
| 2-3 years | - | - | - | 310,697.00 | 2.03% | - |
| Total | 6,609,020.43 | 100% | | 16,523,369.54 | 100% | 216,000.00 |

**4.3 Other receivable**

| *Account Age* | *2010-12-31* | | | *2011-12-31* | | |
|---|---|---|---|---|---|---|
| | amount | % | Bad debt provision | amount | % | Bad debt provision |
| Within 1 year | 475,796.50 | 90.73% | - | 992,529.69 | 72.87% | - |
| 1~2years | 12,640.00 | 2.41% | - | 320,799.59 | 23.55% | - |
| 2~3years | 36,000.00 | 6.86% | - | 12,640.00 | 0.94% | - |
| Over 3 years | | | | 36,000.00 | 2.64% | |
| Total | 524,436.50 | 100% | - | 1,361,969.28 | 100% | - |

**4.4 Accounts in advance**

| *Account Age* | *2010-12-31* | | | *2011-12-31* | | |
|---|---|---|---|---|---|---|
| | amount | % | Bad debt provision | amount | % | Bad debt provision |
| Within 1 year | 415,507.64 | 100.00% | - | 810,504.06 | 100.00% | - |
| Total | **415,507.64** | 100.00% | - | 810,504.06 | 100.00% | - |

**4.5 Allowance receivable**

| *Items* | *2010-12-31* | *2011-12-31* |
|---|---|---|
| VAT refund | 94,815.14 | 574,532.40 |
| Total | 94,815.14 | 574,532.40 |

**4.6 Inventory**

| Items | 2010-12-31 | | 2011-12-31 | |
|---|---|---|---|---|
| | Amount | Provision for obsolete stocks | Amount | Provision for obsolete stocks |
| Raw material | 2,824,637.15 | 135,215.50 | 3,331,015.38 | 115,350.00 |
| Finished goods | 2,698,095.07 | - | 8,672,527.44 | - |
| Work-in-progress | 7,162,520.09 | - | 8,089,186.51 | - |
| Total | 12,685,252.31 | 135,215.50 | 20,092,729.33 | 115,350.00 |

**4.7 Prepaid expenses**

| Items | Bal. B/Y | Increase in this year | Amortization in this year | Bal. E/Y |
|---|---|---|---|---|
| Tuition | 41,060.00 | 380,770.00 | 421,830.00 | - |
| Life Insurance | 115,285.22 | 217,309.20 | 208,974.06 | 123,620.36 |
| Property Insurance | 16,305.55 | 41,065.93 | 40,010.67 | 17,360.81 |
| House rent | 14,800.00 | 92,490.00 | 56,541.69 | 50,748.31 |
| Total | 187,450.77 | 731,635.13 | 727,356.42 | 191,729.48 |

**4.8 Fixed assets and accumulated depreciation**

| Items | Bal. B/Y | Increase in this year | Decrease in this year | Bal. E/Y |
|---|---|---|---|---|
| I Original value | 59,412,964.41 | 550,151.18 | - | 59,963,115.59 |
| Plant and buildings | 33,303,687.15 | | - | 33,303,687.15 |
| Machinery | 24,175,535.3 | 469,143.27 | - | 24,644,678.57 |
| Transportation equipment | 389,208.28 | 46,319.87 | - | 435,528.15 |
| Office equipment | 396,351.61 | 32,188.04 | - | 428,539.65 |
| Furniture and others | 1,148,182.07 | 2,500.00 | | 1,150,682.07 |
| II Accumulated depreciation | 9,841,042.86 | 4,073,740.76 | | 13,914,783.62 |
| Plant and buildings | 3,734,399.09 | 1,498,934.81 | - | 5,233,333.90 |
| Machinery | 5,207,974.17 | 2,223,036.05 | - | 7,431,010.22 |
| Transportation equipment | 232,535.56 | 77,071.24 | - | 309,606.80 |
| Office equipment | 211,809.79 | 67,880.72 | - | 279,690.51 |
| Furniture and others | 454,324.25 | 206,817.94 | - | 661,142.19 |
| III Impairment of fix assets | - | - | - | - |
| Plant and buildings | - | - | - | - |
| Machinery | - | - | - | - |
| Transportation equipment | - | - | - | - |
| Office equipment | - | - | - | - |
| Furniture and others | - | - | - | - |
| IV Net value of fixed assets | 4,9571,921.55 | - | - | 46,048,331.97 |
| Plant and buildings | 29,569,288.06 | - | - | 28,070,353.25 |
| Machinery | 18,967,561.13 | - | - | 17,213,668.35 |
| Transportation equipment | 156,672.72 | - | - | 125,921.35 |
| Office equipment | 184,541.82 | - | - | 148,849.14 |
| Furniture and others | 693,857.82 | - | - | 489,539.88 |

**4.9 Intangible assets**

| Items | Bal. B/Y | Increase in this year | Decrease in this year | Bal. E/Y |
|---|---|---|---|---|
| Land use right | 6,432,831.71 | - | 139,088.28 | 6,293,743.43 |
| Auto desk | 1,555.40 | - | 1,555.40 | - |
| UFIDA | 4,444.48 | - | 4,444.48 | - |
| Antivirus software | 18,850.48 | - | 6,283.44 | 12,567.04 |
| Office software | 71,684.82 | - | 27,749.04 | 43,935.78 |
| ERP system | 67,022.19 | - | 67,022.19 | - |
| Total | 6,596,389.08 | 0.00 | 246,142.83 | 6,350,246.25 |

**4.10 Long-term prepayments**

| Items | Bal. B/Y | Increase in this year | Amortization in this year | Bal. E/Y |
|---|---|---|---|---|
| Decorating | 30,324.00 | - | 18,192.00 | 12,132.00 |
| Internet Leased Line | - | 10,000.00 | 8,666.71 | 1,333.29 |
| Total | 30,324.00 | 10,000.00 | 26,858.71 | 13,465.29 |

**4.11 Short-term loans**

| Bank Name | 2010-12-31 | 2011-12-31 |
|---|---|---|
| Citibank (china) | 16,900,000.00 | 26,100,000.00 |
| Total | 16,900,000.00 | 26,100,000.00 |

Note: As of 31 December 2011, the bank loan borrowed from Citibank (China) Co., Ltd. ShangHai Branch with the amount of RMB26,100,000 is supported by Thermax limited.

**4.12 Accounts payable**

| Account age | 2010-12-31 | | 2011-12-31 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Within 1 year | 14,129,510.73 | 100% | 17,259,160.74 | 100% |
| Total | 14,129,510.73 | 100% | 17,259,160.74 | 100% |

**4.13 Deposit received**

| Account age | 2010-12-31 | | 2011-12-31 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Within 1 year | 4,248,144.07 | 98.18% | 4,121,780.50 | 100% |
| 1~2years | 78,545.22 | 1.82% | - | - |
| Total | 4,326,689.29 | 100% | 4,121,780.50 | 100% |

**4.14 Accrued payroll**

| Item | 2010-12-31 | 2011-12-31 |
|---|---|---|
| Payroll for Chinese employee | 101,849.32 | 70,119.12 |
| Total | 101,849.32 | 70,119.12 |

**4.15 Tax and other fees payable**

| Item | 2010-12-31 | 2011-12-31 |
|---|---|---|
| VAT | -848,771.54 | 790,210.18 |
| Individual income tax | 39,973.58 | 53,466.07 |
| Land use tax | 52,870.00 | 52,870.00 |
| Stamp tax | 2,780.51 | 5,188.21 |
| Real estate tax payable | 174,398.98 | 174,425.32 |
| Water conservancy construction fund | 6,484.34 | 12,414.25 |
| Business tax | - | 3,135.00 |
| Local education surtax | - | 18,089.42 |
| urban maintenance and construction tax | - | 63,312.98 |
| Education surtax | -6,898.45 | 27,134.13 |
| Total | -579,162.58 | 1,200,245.56 |

### 4.16 Other payable

| Accounting age | 2010-12-31 | | 2011-12-31 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Within 1 year | 231,136.07 | 98.97% | 214,269.24 | 95.54% |
| 1~2 years | 2,400.00 | 1.03% | 10,000.00 | 4.46% |
| Total | 233,536.07 | 100% | 224,269.24 | 100% |

### 4.17 Accrued expenses

| Item | 2010-12-31 | 2011-12-31 |
|---|---|---|
| Water, Electricity, Steam fee | 90,681.41 | 25,822.56 |
| Freight fee | 23,430.00 | 112,553.37 |
| Product warranty fee | 1,297,362.41 | 2,384,696.70 |
| Payroll | - | 329,137.00 |
| Material cost | 26,635.00 | - |
| Commission | 423,663.00 | 1,073,841.14 |
| Commission to employee | 493,069.00 | 883,779.18 |
| Entertainment expenses | 141,522.30 | 36,909.80 |
| Interest | 24,568.19 | 68,642.50 |
| Others | 226,910.43 | 191,648.58 |
| Total | 2,747,841.74 | 5,107,030.83 |

### 4.18 Paid-in capital

| Investor | Registered capital (USD) | Beg. Bal. USD | Beg. Bal. RMB Equivalent | End. Bal. USD | End. Bal. RMB Equivalent |
|---|---|---|---|---|---|
| Thermax Ltd. | 13,470,000 | 10,344,985 | 74,996,268.58 | 13,470,000 | 95,039,017.37 |
| Total | | | 74,996,268.58 | | 95,039,017.37 |

### 4.19 Undistributed profit

| Item | Amount |
|---|---|
| Undistributed profits at beginning of the year | -35,966,618.62 |
| Add : Net profit of this period | -8,342,568.70 |
| Less: Appropriation of statutory surplus reserve | - |
| Less : Appropriation of discretionary surplus reserve | - |
| Less : Dividend payable on common stock | - |
| Less : Common stock dividend converted into capital | - |
| Undistributed profits at the end of the year | -44,309,187.32 |

### 4.20 Revenue from main operations and cost of main operations

| Item | Revenue from main operations | | Cost of main operations | |
|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 |
| Domestic sales | 15,493,931.69 | 30,187,333.23 | 18,018,460.26 | 28,214,974.62 |
| Overseas sales | 14,929,908.50 | 26,523,844.99 | 12,095,024.67 | 20,101,294.46 |
| Total | 30,423,840.19 | 56,711,178.22 | 30,113,484.93 | 48,316,269.08 |

### 4.21 Profit from other operations

| Item | Revenue from other operations | | Cost of other operations | |
|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 |
| Spares Materials sales | 447,122.79 | 1,080,074.31 | 124,988.07 | 601,614.91 |
| Service revenue | 491,135.81 | 533,141.35 | 5,800.00 | 2,904.64 |
| Total | 938,258.60 | 1,613,215.66 | 130,788.07 | 604,519.55 |

### 4.22. Operation expenses

| Item | 2010 | 2011 |
|---|---|---|
| Salaries and welfare | 2,075,321.95 | 2,528,878.81 |
| Warranty and FOC | 643,198.77 | 1,236,148.04 |
| Business trip | 711,005.61 | 586,583.84 |
| Entertainment expenses | 580,452.82 | 363,786.29 |
| Consulting fee | 394,626.00 | 1,798,234.58 |
| House Rent | 244,330.40 | 220,034.09 |
| Transportation expenses | 372,282.22 | 610,183.11 |
| Exported fee | 192,443.08 | 381,562.08 |
| Office expenses | 70,267.87 | 47,577.96 |
| Commission to employee | 182.86 | -12,970.00 |
| Exhibition expenses | 345,139.23 | 300,660.00 |
| Others | 348,249.41 | 355,307.28 |
| Total | 5,977,500.22 | 8,415,986.08 |

### 4.23 General and administrative expenses

| Item | 2010 | 2011 |
|---|---|---|
| Salaries and welfare | 2,397,056.87 | 3,026,156.35 |
| Consulting expenses | 274,170.45 | 522,045.91 |
| Taxes | 554,794.74 | 816,253.41 |
| Deprecation | 492,481.94 | 471,466.83 |
| Car expenses | 430,891.00 | 436,987.06 |
| Maintain expense | 23,270.26 | 46,398.45 |
| House rent | 28,755.00 | 320,620.00 |
| Travel expenses | 397,547.65 | 580,156.92 |
| Amortization | 276,371.55 | 262,779.54 |
| Fesco | 311,827.91 | 374,495.06 |
| Provision for obsolete stocks | -101,991.28 | -19,865.50 |
| Insurance | 195,633.43 | 174,594.61 |
| Communication expenses | 143,363.13 | 145,332.79 |
| Office expenses | 157,153.02 | 147,065.00 |
| Entertainment expenses | - | 155,888.20 |
| Bad debt reserves | - | 216,000.00 |
| Others | 709,084.52 | 238,793.53 |
| Total | 6,290,410.19 | 7,915,168.16 |

### 4.24 Financial expenses

| Item | 2010 | 2011 |
|---|---|---|
| Interest expense | 792,945.73 | 1,382,545.45 |
| Less: interest income | -1,499.70 | -6,437.47 |
| Exchange Loss | 13,088.22 | 78,204.73 |
| Others | 67,226.78 | 99,887.48 |
| Total | 874,760.43 | 1,554,200.19 |

### 4.25 Revenue from subsidies

| Item | 2010 | 2011 |
|---|---|---|
| Estate tax refund | 166,228.68 | 113,634.49 |
| Government subsidies | 750.00 | - |
| Total | 166,978.68 | 113,634.49 |

### 4.26 Non-operating revenue

| Item | 2010 | 2011 |
|---|---|---|
| Debt exemption | 60,409.94 | - |
| others | 7,610.66 | 29,844.93 |
| Total | 68,020.60 | 29,844.93 |

**5. Related parties and related party transactions**

**5.1 Related parties**

(1) Related party under control

| Name of related parties | Relationship with the company |
|---|---|
| Thermax Ltd. | Foreign Investor |
| RDA HOLDING & TRADING PRIVATE LIMITED | Ultimate holding company |

(2) Related Party where control does not exist, but transactions occurred

| Name of related parties | Relationship with the company |
|---|---|
| Thermax Inc. | Under a common control of the same ultimate holding company |
| Thermax Europe Limited | Under a common control of the same ultimate holding company |

**5.2 Related party transactions**

1. Purchases of goods

| Name of related parties | 2010 | 2011 |
|---|---|---|
| Thermax Ltd. | 1,402,338.10 | 1,498,196.58 |
| Thermax Inc | 24,942.12 | 12,974.69 |
| Thermax Europe Limited | - | 816,906.61 |
| Total | 1,427,280.22 | 2,328,077.88 |

2. Sales of goods and services

| Name of related parties | 2010 | 2011 |
|---|---|---|
| Thermax Inc | 2,108,970.00 | 3,063,195.98 |
| Thermax Europe Limited | 5,394,069.10 | 12,133,593.80 |
| Thermax Ltd. | 4,474,025.16 | 2,984,405.51 |
| Total | 11,979,289.52 | 18,181,195.29 |

3. Amounts due from/to related parties

| Name of related parties | Account | Foreign currency | Amount |
|---|---|---|---|
| Thermax Ltd. | Accounts receivable | USD3523 | 22,198.07 |
| Thermax Inc | Accounts receivable | USD50992.50 | 321,298.64 |
| Thermax Europe Limited | Accounts receivable | EUR116000 | 946,850.00 |
| Thermax Europe Limited | Accounts receivable | GBP42500 | 412,743.00 |
| Thermax Inc | Accounts payable | USD2048 | 12,904.24 |
| Thermax Ltd. | Accounts payable | USD2048 | 12,904.24 |
| Thermax Europe Limited | Accounts payable | GBP2542.5 | 24,688.83 |

**7. CONTINGENT EVENTS**

End of the date of the financial report issued, the company had no contingent events to be disclosed.

**8. NON-ADJUSTMENT EVENTS IN FUTURE EVENTS OF BALANCE SHEET**

End of the date of the financial report issued, the company has no non-adjustment events in future events of the balance sheet to be disclosed.

**9. BANK GUARANTEE:**

End of the date of the balance sheet date, the Citi bank had opened the guarantee letter of 1257410 CNY for the company comprising of Advance & Performance Guarantee.

**10. Others**

The Market to Market figure of the company's forward FX contracts is USD22, 665.47 as of 2011-12-31.

**THERMAX (ZHEJIANG) COOLING & HEATING ENGINEERING CO., LTD**

| Board of Directors | Registered Office | Auditors |
|---|---|---|
| Gopal Mahadevan<br>TMF Netherlands B.V. | Herikerbergweg 238, Luna<br>Arena, 1101 CM Amsterdam<br>Zuidoost, The Netherlands. | Ernst & Young Accountants LLP<br>Cross Towers<br>Antonio Vivaldistraat 150<br>1008 AB Amsterdam<br>The Netherlands |

# THERMAX NETHERLANDS B.V.

Amsterdam, the Netherlands

# ANNUAL REPORT 2011/2012

# THERMAX NETHERLAND B.V.

## *Balance Sheet as at 31st March 2012*

*(Before appropriation of results)*

| | Notes | 31 March 2012 Euro | Rs. |
|---|---|---|---|
| **FINANCIAL FIXED ASSETS** | | | |
| Investment in Subsidiary | 3 | 20,021,767.00 | 1,293,474,795 |
| | | 20,021,767.00 | 1,293,474,795 |
| **CURRENT ASSETS** | | | |
| Prepaid expenses | | 3,593.00 | 232,120 |
| Cash at Bank | 4 | 404,737.00 | 26,147,397 |
| | | 408,330.00 | 26,379,518 |
| **CURRENT LIABILITIES** | | | |
| Other payables/ accrued expenses | | 9,004.00 | 581,689 |
| | | 9,004.00 | 581,689 |
| NET CURRENT ASSETS/ (LIABILITIES) | | 399,326.00 | 25,797,828 |
| | | **20,421,093.00** | **1,319,272,624** |
| **CAPITAL AND RESERVES** | 5 | | |
| Share Capital | | 20,500,000.00 | 1,324,370,287 |
| Result for the period | | (78,907.00) | (5,097,662) |
| | | **20,421,093.00** | **1,319,272,624** |

## *Profit & Loss Account for the period ended 31st March 2012*

| | Notes | 5/11/2010- 31/03/2012 Euro | Rs. |
|---|---|---|---|
| **FINANCIAL INCOME/ (EXPENSES)** | | | |
| Bank Interest | | 282.00 | 18,218 |
| | | 282.00 | 18,218 |
| **OTHER INCOME/ (EXPENSES)** | | | |
| General and administrative expenses | | (79,189.00) | (5,115,880) |
| | | (79,189.00) | (5,115,880) |
| OPERATING RESULT BEFORE TAXATION | | (78,907.00) | (5,097,662) |
| Corporate income tax | | - | - |
| **NET RESULT FOR THE PERIOD** | 5 | **(78,907.00)** | **(5,097,662)** |

**Statement of Changes in Equity**
**for the period ended 31 March, 2012**

| | 5/11/2010- 31/03/2012 Euro | Rs. |
|---|---|---|
| Issued Share Capital: | | |
| Issue of new shares [ at incorporation] | 20,500,000.00 | 1,324,370,287 |
| Movements during the period | - | - |
| Balance at the end of the period | 20,500,000.00 | 1,324,370,287 |
| Result for the period | (78,907.00) | (5,097,662) |
| Total capital and reserves | **20,421,093.00** | **1,319,272,624** |

Exchange rate: as at 31 Mar 2012 is 1 Euro = Rs 64.60343

***Notes to the Annual Accounts as at 31 March 2012***

**1. General**

Thermax Netherlands B.V. ("Company") is a limited liability company, established in Amsterdam on 5 November 2010, having its business and statutory seat at Herikerbergweg 238 in Amsterdam Zuidoost.

The principal activity of the Company is to act as a holding company. The Company is wholly owned by Thermax Limited registered in Chinchwad Pune, India.

The first financial year covers the period as from incorporation until 31 March 2012. The next financial years will run from 1 April until 31 March.

**2. Summary of principal accounting policies**

*(a) General*

The accompanying accounts have been prepared in accordance with the EU-Directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

*(b) Consolidation*

Consolidation has not taken place, since the Company makes use of Section 408, Part 9, Book 2 of the Dutch Civil Code in filing the annual accounts of its ultimate parent company Thermax Limited, India with the Chamber of Commerce in Amsterdam.

*(c) Comparative figures*

The Company has been incorporated on 5 November 2010 hence the annual accounts do not contain comparative figures.

*(d) Foreign currencies*

All assets and liabilities expressed in currencies other than euros are translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies are translated into euros at rates of exchange approximating those ruling at the date of the transactions. Resulting exchange differences (if any) are recognised in the Profit and Loss account.

The following exchange rate has been applied as at 31 March 2012:

1 euro = 1.33378 USD.

*(e) Subsidiary*

The subsidiary is stated at cost less a provision for permanent diminution in value, if any.

*(f) Other assets and liabilities*

Unless otherwise indicated assets and liabilities are stated at face value.

*(g) Determination of income*

Income and expenses are accounted for on accrual basis.

*(h) Taxation*

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit for commercial and profit for tax purposes. Deferred tax assets arising from available tax loss carry forwards are only recognized to the extent that recovery is reasonable certain.

**3. Subsidiary**

*Thermax Denmark ApS*

On 8 November 2010 the Company subscribed for 74,920,000 newly issued shares in Thermax Denmark ApS with a nominal value of DKK 1 each. The total consideration involved was EUR 20,000,000.

On 22 June 2011 the Company acquired the remaining 80,000 shares in Thermax Denmark ApS with a nominal value of DKK 1 each. The total consideration involved was EUR 21,767.

As per 31 March 2012 the Company holds 100% of the issued share capital of Thermax Denmark ApS. The total amount involved was EUR 20,021,767.

**4. Cash at bank**

The Company maintains a EUR bank account with the Royal Bank of Scotland in Amsterdam of which the balance is available on demand.

**5. Capital and reserves**

At incorporation the authorised share capital of the Company consisted of 30,000,000 shares of EUR 1 each, amounting to EUR 30,000,000. As at 31 March 2012 20,500,000 shares were issued and fully paid up in cash.

**6. Directors**

The Company has two Managing Directors, who received no remuneration during the period.

**7. Staff number and employment costs**

The Company has no employees and hence incurred no wages, salaries and related social security premiums during the period.

| | |
|---|---|
| The Management, | Amsterdam, 4 May 2012 |
| Mr. G. Mahadevan | TMF Netherlands B.V. |

***Supplementary information***

**Retained earnings**

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with Article 18 of the Articles of Association of the Company.

**Proposed appropriation of result**

The management proposes that the loss sustained by the Company during the period under review be carry forward.

**Post-balance sheet events**

No events have occurred since 31 March 2012 that would make the present financial position substantially different from that shown in the balance sheet as at balance sheet date.

## Independent Auditor's Report

To: the general meeting of shareholders of Thermax Netherlands B.V.

**Report on the financial statements**

We have audited the accompanying financial statements for the year ended March 31, 2012 of Thermax Netherlands B.V., Amsterdam, which comprise the balance sheet as at March 31, 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

*Management's responsibility*
Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that wecomply with ethical requirements and plan and perform the audit to obtain reasonable assurance aboutwhether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures inthe financial statements. The procedures selected depend on the auditor's judgment, including theassessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparationand fair presentation of the financial statements in order to design audit procedures that are appropriatein the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'sinternal control. An audit also includes evaluating the appropriateness of accounting policies used and thereasonableness of accounting estimates made by management, as well as evaluating the overall presentationof the financial statements.

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

*Opinionwith respect to the financial statements*
In our opinion, the financial statements give a true and fair view of the financial position of Thermax Netherlands B.V. as at March 31, 2012 and of its result and its cash flows for the year then ended in accordance with Part 9 of Book2 of the Dutch Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have nodeficiencies to report as a result of our examination whether themanagement board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, andwhether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we reportthat themanagement board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub4 of the Dutch Civil Code.

Amsterdam, 4 May 2012

Ernst & Young Accountants LLP

S. van den Ham

# THERMAX DENMARK ApS

## *Executive Board*

Gopal Mahadevan

## *Registered Office*

C/o Bech-Bruun
LangelinieAlle' 35
DK-2100 København Ø

## *Auditors*

KPMG
Statsautoriseret
REvisionpartnerselskab
Havengade 33
6701 Esbjerg

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## *Statement by the Board of Directors and the Executive Board*

The Board of Directors and the Executive Board have today discussed and approved the annual report of Thermax Denmark ApS for the financial year 29 October 2010 – 31 March 2012.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the Group financial statements and Parent financial statements give a true and fair view of the Group and Company's financial position at 31 March 2012 and of the results of the Group and Company's operations and the Group's cash flows for the financial year 29 October 2010 – 31 March 2012.

Further, in our opinion, the Management's review gives a fair review of the development in the Group and Company's operations and financial matters and the results of the Group and Company's operations and its financial position.

We recommend that the annual report be approved at the annual general meeting.

København, Date 26 April 2012
Executive Board:

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Gopal Mahadevan

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## *Independent auditors' report*

**To the shareholders of Thermax Denmark ApS**

**Independent auditors' report on the Group financial statements and the Parent financial statements**

We have audited the Group financial statements and the Parent financial statements of Thermax Denmark ApS for the financial year 29 October 2010 – 31 March 2012. The Group financial statements and the Parent financial statements comprise accounting policies, income statement, balance sheet and notes, and cash flow statement in the Group financial statements. The Group financial statements and the Parent financial statements are prepared in accordance with the Danish Financial Statements Act.

**Management's responsibility for the Group financial statements and the Parent financial statements**

Management is responsible for the preparation of the Group financial statements and the Parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of the Group financial statements and Parent financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on the Group financial statements and the Parent financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group financial statements and the Parent financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the Group financial statements and the Parent financial statements give a true and fair view of the Group and Company's financial position at 31 March 2012 and of the results of its operations and the Group's cash flows for the financial year 29 October 2010 – 31 March 2012 in accordance with the Danish Financial Statements Act.

**Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the Group financial statements and the Parent financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the Group financial statements and the Parent financial statements.

Esbjerg, Date 26 April 2012
**KPMG**
Statsautoriseret Revisionspartnerselskab

John Lesbo
State Authorised
Public Accountant

Birgitte Nygaard Jørgensen
State Authorised
Public Accountant

# THERMAX DENMARK ApS

## *Management's review*

**Company details**

Thermax Denmark ApS
c/o Bech-Bruun
Langelinie Allé 35
DK-2100 København Ø

| | |
|---|---|
| Telephone.: | 72 27 35 75 |
| Fax: | 72 27 00 27 |
| Registration No.: | 33 25 57 48 |
| Established: | 29 October 2010 |
| Registered office: | København |
| Financial year: | 1 April- 31 March<br>(First financial year: 29 October 2010 - 31 March 2012) |

**Executive Board**
Gopal Mahadevan

**Auditors**
KPMG
Statsautoriseret Revisionspartnerselskab
Havnegade 33
6701 Esbjerg

**Financial highlights for the Group**

| DKKm | 2010/12 |
|---|---|
| **Key figures** | |
| Revenue | 535 |
| Operating profit | 19 |
| Profit from financial income and expenses | -7 |
| **Profit for the year** | **7** |
| Non-current assets | 200 |
| Current assets | 139 |
| **Total assets** | **339** |
| **Equity** | **156** |
| Provisions | 23 |
| Non-current liabilities other than provisions | 95 |
| Current liabilities other than provisions | 65 |
| Cash flows from operating activities | 13 |
| Cash flows from investing activities | -203 |
| Portion relating to investment in property, plant and equipment | -4 |
| Cash flows from financing activities | 216 |
| **Total cash flows** | **26** |
| **Financial ratios** | |
| Operating margin | 3,6 |
| Return on invested capital | 7,6 |
| Solvency ratio | 46,1 |
| Return on equity | 4,7 |
| **Average number of full-time employees** | **241** |

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.

**Operating review**

**Principal activities of the Company**

Thermax Denmark ApS is a wholly owned subsidiary of Thermax Netherlands B.V. which in turn is wholly owned by Thermax Ltd., an Indian publicly listed company. Thermax Ltd. is a subsidiary of RDA Holding & Trading Pvt Ltd, a company incorporated in India.

The main activitity of the company is owning shares in the fully-owned daughter companies Danstoker A/S, Danstoker's daughter company Omnical Kessel- und Apparatebau GmbH (Germany) and the "Ejendomsanpartssselskabet Industrivej Nord 13" (estate company). All operational acitivities take place within these respective daughter companies.

Danstoker A/S is the parent company of Omnical Kessel - und Apparatebau GmbH. (Germany).

The Danstoker Group designs, produces and sells boilers and relevant equipment to the energy market, including also rebuilding and servicing of boilers. The product range of the Danstoker Group is continuously adapted to the 4 energy categories:

- Solid fuel market, mainly based on bio fuels
- Combined heat and power market (co-generation)
- Exhaust gas market
- Oil/gas market

The activity of the "Ejendomsanpartsselskabet Industrivej Nord 13" is to own and lease the estate at Industrivej Nord 13, 7400 Herning.

**Development in activities and financial position**

Thermax Denmark ApS was founded on 29 October 2010. Hence, the balance sheet submitted for Thermax Denmark ApS covers the period from 29 October 2010 to 31 March 2012. In the future the financial year of Thermax Denmark ApS will run from 1 April to 31 March.

Thermax Denmark ApS has acquired Danstoker A/S as well as the "Ejendomsanpartsselskabet Industrivej Nord 13" by purchase of 100% of the shares/ partnership in the two companies.

The profit for the year of the Thermax Denmark Group before tax of T.DKK 12,199 and after tax of T.DKK 7,269 respectively is deemed satisfactory by the Management.

**Danstoker A/S**

The decision-making processes have developed positively, and orders previously put on hold have been restarted. The level of activity has remained cautious on the minor boiler projects and within the industrial sector in general, but optimism is clearly returning to the markets again.

Danstoker has maintained a high level of activity within the field of biomass and has been able to maintain its position as the absolute market-leader within medium-sized bio-fuel boilers in Scandinavia.

Within the market segment of oil and gas-fired boilers, Danstoker has maintained and expanded its position in the primary markets.

The market segments of combined heat and power boilers and for exhaust gas boilers have been more or less on budget in the year under review, and the area of services has developed positively.

Danstoker has continued working successfully on the implementation of the Lean idea and Lean processes throughout the value chain of the Company, from the initial customer contact until the handing-over of boilers.

**Omnical Kessel- und Apparatebau GmbH (Tyskland)**

At Omnical, the very low price of gas has to some extent slowed down the activities in the budding biomass market in Germany. The biomass market in Germany, however, is only just coming into existence and right now – owing to the current gas price – we see the transformation to biomass only as an opportunity where today oil is used as fuel. In the relatively short term there is no doubt, however, that biomass-based energy has a future in Germany owing to the strong political desire and the $CO_2$ discussion in general.

The development within special boilers is more or less at the same level as in the preceding years, but here we now see clear indications of optimism and willingness to invest again.

Services, especially within reconstruction and optimisation, have experienced a small positive development again this year.

The implementation of Lean thinking and Lean processes has been commenced at Omnical.

This year, Omnical GmbH has achieved overall results very close to the result provided for in the budget. Viewed in the light of the extreme market conditions under which the company has been working, the results achieved are deemed satisfactory.

**Ejendomsanpartsselskabet Industrivej Nord 13**

The activity of the company remains unchanged as compared to 2009/10. The result of the year is deemed satisfactory.

**Outlook**

Danstoker's overall volume of orders at the end of the financial year is again very high and absolutely satisfactory.Omnical's volume of orders at the end of the financial year is equal to the budget and is deemed satisfactory.

The improved order fulfilment in Danstoker has resulted in significant improvements, and throughout the coming year, Danstoker will continue to focus on Lean optimisations, internal training and improvement of working processes.At Omnical, the Lean idea, the optimisation process in general and order fulfilment in particular will be brought into focus.

The growing necessary global political focus on $CO_2$ will in the long term contribute to making our $CO_2$-neutral products within bio fuels even more relevant and will contribute to securing the Danstoker Group's continued positive development.

Satisfactory results are expected for the financial year 2012/13.

**Particular risks**

The Management of the Group is not of the opinion that it is faced with special risks in the long term, neither in terms of its markets, nor otherwise.

**Social Responsibility**

With regard to §99a of the Financial Statements Act on policies regarding Social Responsibility, it should be noted that the Thermax Denmark Group does not, so far, have such written policies.

However, it is the declared intention of the Group in every respect and at any time to run a decent and responsibility business, in compliance with all existing laws and regulations as well as with human rights.

**Environmental Conditions**

The Thermax Denmark Group is devoted to environmental issues and is constantly striving to reduce the environmental impact resulting from the operations of the Group.

**Events after balance sheet date**

The Management is of the opinion that from the balance sheet date until today, no events have occurred likely to alter the assessment of the annual report substantially.

**Group and Parent financial statements for the period**

**29 October 2010 - 31 March 2012**

**Accounting policies**

The annual report of Thermax Denmark ApS for 2010/12 has been prepared in accordance with the provisions applying to reporting class C enterprises (large) under the Danish Financial Statements Act.

The financial statements are prepared for the first time.

**Recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

**Consolidated financial statements**

The consolidated financial statements comprise the parent company, Thermax Denmark ApS, and subsidiaries in which Thermax Denmark ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

**Business combinations**

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

**Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

**Income statement**

**Revenue**

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Contract work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

**Production costs**

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

**Distribution costs**

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

**Administrative expenses**

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

**Profits/losses from investments in subsidiaries**

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

**Financial income and expenses**

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

**Tax on profit/loss from ordinary activities**

The parent company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

**Balance sheet**

**Intangible assets**

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Software rights are measured at cost less accumulated amortisation and impairment losses. Software rights are amortised on a straight-line basis over the expected useful life which has been fixed at three years.

Gains and losses on the disposal of software rights licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

**Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

| | |
|---|---|
| Buildings | 50 years |
| Roofing tiles and paving stones | 20 years |
| Plant and machinery | 3-10 years |
| Fixtures and fittings, tools and equipment | 3-5 years |

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

**Leases**

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

**Investments in subsidiaries**

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Thermax Denmark A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, see Consolidated financial statements above.

**Impairment of non-current assets**

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

**Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

**Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

**Work in progress (customised orders)**

Work in progress (customised orders) are measured at the selling price of the work performed, less any payments received on account of the customer and expected losses. The orders are characterized by the fact that the orders contain high levels of individualization of the design. Moreover, it is a requirement that before the start of the order a binding order has been entered, which will result in penalty or replacement by later removal.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When it is probable that total costs for an order will exceed total revenue, the expected loss on the order immediately is recognised as an expense and a provision.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognized as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

**Prepayments**

Prepayments comprise costs incurred in relation to subsequent financial years.

**Equity**

**Reserve for net revaluation according to the equity method**

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

**Dividends**

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

**Corporation tax and deferred tax**

In its capacity as the administrative company, Thermax Denmark ApS is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

**Provisions**

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranties comprise obligations to make good any defects within the warranty period of one to five years. Provisions for warranties are measured at net realisable value and recognised based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond interest rate.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

**Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

**Cash flow statement**

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

**Cash flows from operating activities**

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

**Cash flows from investing activities**

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

**Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

**Segment information**

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

**Financial ratios**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Return on invested capital $$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$$

Invested capital: Operating intangible assets and property, plant and equipment plus net working capital

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$$

**Income statement for the the period 29 October 2010 - 31 March 2012**

| Particulars | Note | Consoli-dated DKK'000 | Consoli-dated Rs.'000 | Parent company DKK'000 | Parent company Rs.'000 |
|---|---|---|---|---|---|
| **Revenue** | 1 | 535.19 | 4624 | 0 | 0 |
| Production costs | 2 | -441.03 | -3810 | 0 | 0 |
| **Gross profit** | | 94.16 | 813 | 0 | 0 |
| Distribution costs | 2 | -31.69 | -273 | 0 | 0 |
| Administrative expenses | 2,3 | -43.36 | -374 | -0.318 | -2 |
| **Operating profit** | | 19.10 | 165 | -0.318 | -2 |
| Profits/losses from investments in subsidiaries | | 0 | 0 | 10.639 | 91 |
| Financial income | 4 | 5.04 | 43 | 0.135 | 1 |
| Financial expenses | 5 | -11.95 | -103 | -4.252 | -36 |
| **Profit before tax** | | 12.19 | 105 | 6.204 | 53 |
| Tax on profit for the year | 6 | -4.93 | -42 | 1.065 | 9 |
| **Profit for the year** | | 7.26 | 62 | 7.269 | 62 |
| **Proposed profit appropriation** | | | | | |
| Proposed dividends | | 0 | 0 | 0 | 0 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 10.63 | 91 |
| Retained earnings | | 7.26 | 62 | -3.37 | -29 |
| | | 7.26 | 62 | 7.26 | 62 |

**Balance sheet as of 31st March, 2012**

| Particulars | Note | Consolidated 2010/12 DKK'000 | Consolidated Rs.'000 | Consolidated Opening balance DKK'000 | Consolidated Opening balance Rs.'000 | Parent Company 2010/12 DKK'000 | Parent Company Rs.'000 | Parent Company Opening balance DKK'000 | Parent Company Opening balance Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| **Intangible assets** | 7 | | | | | | | | |
| Goodwill | | 129.57 | 1119 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rights, software | | 0.37 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 129.95 | 1122 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Property, plant and equipment** | 8 | | | | | | | | |
| Land and buildings | | 61.20 | 528 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant and machinery | | 6.52 | 56 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fixtures and fittings, tools and equipment | | 1.69 | 14 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments for property, plant and equipment under construction | | 0.124 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 69.55 | 600 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Investments** | 9 | | | | | | | | |
| Investments in subsidiary | | 0 | 0 | 0 | 0 | 229.34 | 1981 | 0 | 0 |
| | | 0 | 0 | 0 | 0 | 229.34 | 1981 | 0 | 0 |
| **Total non-current assets** | | 199.5 | 1723 | 0 | 0 | 229.34 | 1981 | 0 | 0 |
| **Current assets** | | | | | | | | | |
| **Inventories** | | | | | | | | | |
| Raw materials and consumables | | 20.65 | 178 | 0 | 0 | 0 | 0 | 0 | 0 |
| Work in progress | | 2.46 | 21 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 23.12 | 199 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Receivables** | | | | | | | | | |
| Trade receivables | | 34.49 | 298 | 0 | 0 | 0 | 0 | 0 | 0 |
| Work in progress | 10 | 49.25 | 425 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables from group entreprises | | 0 | 0 | 0 | 0 | 0.36 | 3 | 0 | 0 |
| Receivable tax | | 1.72 | 14 | 0 | 0 | 1.72 | 14 | 0 | 0 |
| Other receivables | | 3.20 | 27 | 0 | 0 | 0.08 | 0 | 0 | 0 |
| Prepayments | 11 | 1.09 | 9 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 89.77 | 775 | 0 | 0 | 2.17 | 18 | 0 | 0 |
| **Cash at bank and in hand** | | 26.57 | 229 | 80 | 691 | 0.26 | 2 | 80 | 691 |
| **Total current assets** | | 139.47 | 1205 | 80 | 691 | 2.43 | 21 | 80 | 691 |
| **Total assets** | | 338.97 | 2928 | 80 | 691 | 231.78 | 2002 | 80 | 691 |

# THERMAX DENMARK ApS

| Particulars | Note | Consolidated 2010/12 DKK'000 | Rs.'000 | Opening balance DKK'000 | Rs.'000 | Parent Company 2010/12 DKK'000 | Rs.'000 | Opening balance DKK'000 | Rs.'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | | | | | |
| **Equity** | 12 | | | | | | | | |
| Share capital | | 75.00 | 648 | 80 | 691 | 75.00 | 648 | 80 | 691 |
| Net revaluation according to the equity method | | 0 | 0 | 0 | 0 | 10.41 | 90 | 0 | 0 |
| Retained earnings | | 81.2 | 701 | 0 | 0 | 70.78 | 611 | 0 | 0 |
| Proposed dividends | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total equity** | | 156.2 | 1349 | 80 | 691 | 156.2 | 1349 | 80 | 691 |
| **Provisions** | | | | | | | | | |
| Deferred tax | 13 | 18.59 | 160 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other provisions | 14 | 4.13 | 35 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total provisions** | | 22.72 | 196 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liabilities other than provisions** | | | | | | | | | |
| **Non-current liabilities other than provisions** | 15 | | | | | | | | |
| Mortgage debt | | 19.45 | 168 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bank loans | | 75.90 | 655 | 0 | 0 | 73.28 | 633 | 0 | 0 |
| | | 95.36 | 823 | 0 | 0 | 73.28 | 633 | 0 | 0 |
| **Current liabilities other than provisions** | | | | | | | | | |
| Current portion of non-current liabilities other than provisions | | 2.39 | 20 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments received from customers | | 16.65 | 143 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade payables | | 17.34 | 149 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts owed to subsidiaries | | 0.30 | 2 | 0 | 0 | 1.56 | 13 | 0 | 0 |
| Other payables | | 27.98 | 241 | 0 | 0 | 0.73 | 6 | 0 | 0 |
| | | 64.68 | 558 | 0 | 0 | 2.29 | 19 | 0 | 0 |
| **Total liabilities other than provisions** | | 160.04 | 1382 | 0 | 0 | 75.58 | 653 | 0 | 0 |
| **Total equity and liabilities** | | 338.97 | 2928 | 80 | 691 | 231.78 | 2002 | 80 | 691 |

| | |
|---|---|
| **Contractual obligations and contingencies, etc.** | 16 |
| **Mortgages and collateral** | 17 |
| **Related party disclosures** | 18 |

### Cash flow statement for the period 29 October 2010 - 31 March 2012

| Particulars | 2010/12 DKK'000 | Rs.'000 |
|---|---|---|
| Net profit or loss for the year before tax | 12.199 | 105 |
| Depreciation for the year | 15.952 | 137 |
| Changes in equity | -0.329 | -2 |
| Corporation tax paid | -2.77 | -23 |
| Cash flows from operations (operating activities) before changes in working capital | 25.052 | 216 |
| Change in inventories | -0.744 | -6 |
| Change in receivables | 23.361 | 201 |
| Change in provisions | 0.631 | 5 |
| Change in current liabilities | -34.883 | -301 |
| **Cash flows from operating activities** | 13.417 | 115 |
| Acquisition of subsidiaries | -198.409 | -1714 |
| Acquisition of intangible asset | -0.453 | -3 |
| Acquisition of property, plant and equipment, net | -4.063 | -35 |
| **Cash flows from investing activities** | -202.925 | -1753 |
| Repayment of long-term debt | -6.35 | -54 |
| Proceeds from loans | 73.281 | 633 |
| Capital increase | 149.072 | 1288 |
| **Cash flows from financing activities** | 216.003 | 1866 |
| **Net cash flows for the year** | 26.495 | 228 |
| Cash and cash equivalents at 29 October | 0.08 | 0 |
| **Cash and cash equivalents at 31 March** | 26.575 | 229 |

Exchange rate: as at 31 March 2012 is 1 DKK = Rs 8.64025
Exchange rate: as at 30 Sep 2010 is 1 DKK = Rs 8.3798

**Statement of Changes in Equity for the period 29 October 2010- 31 March 2012**

| Consolidated | Share capital | | Retained earnings | | Proposed dividends | | Total | |
|---|---|---|---|---|---|---|---|---|
| | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 |
| Equity at the foundation 29 October 2010 | 0.08 | 0.69 | 0 | 0.00 | 0 | 0 | 0.08 | 0.69122 |
| Capital increase | 74.92 | 647.33 | 74.152 | 640.69 | 0 | 0 | 149.072 | 1288.02 |
| Transferred, cf. profit appropriation | 0 | 0.00 | 7.269 | 62.81 | 0 | 0 | 7.269 | 62.806 |
| Foreign currency translation adjustments, foreign subsidiary | 0 | 0.00 | -0.058 | -0.50 | 0 | 0 | -0.058 | -0.5011 |
| Change in value adjustments of hedging instruments in investments | 0 | 0.00 | -0.271 | -2.34 | 0 | 0 | -0.271 | -2.3415 |
| Tax on changes in equity | 0 | 0.00 | 0.108 | 0.93 | 0 | 0 | 0.108 | 0.93315 |
| **Equity at 31 March 2012** | 75 | 648.02 | 81.2 | 701.59 | 0 | 0 | 156.2 | 1349.61 |

**Statement of Changes in Equity for the period 29 October 2010- 31 March 2012**

| Parent | Share capital | | Reserve for net revaluation under the equity method | | Retained earnings | | Proposed dividends | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 |
| Equity at the foundation 29 October 2010 | 0.08 | 0.691 | 0 | 0.000 | 0 | 0.000 | 0 | 0 | 0.08 | 0.691 |
| Capital increase | 74.92 | 647.328 | 0 | 0.000 | 74.152 | 640.692 | 0 | 0 | 149.072 | 1288.019 |
| Transferred, cf. profit appropriation | 0 | 0.000 | 10.639 | 91.924 | -3.37 | -29.118 | 0 | 0 | 7.269 | 62.806 |
| Foreign currency translation adjustments, foreign subsidiary | 0 | 0.000 | -0.058 | -0.501 | 0 | 0.000 | 0 | 0 | -0.058 | -0.501 |
| Change in value adjustments of hedging instruments in investments | 0 | 0.000 | -0.271 | -2.342 | 0 | 0.000 | 0 | 0 | -0.271 | -2.342 |
| Tax on changes in equity | 0 | 0.000 | 0.108 | 0.933 | 0 | 0.000 | 0 | 0 | 0.108 | 0.933 |
| **Equity at 31 March 2012** | 75 | 648.019 | 10.418 | 90.014 | 70.782 | 611.574 | 0 | 0 | 156.2 | 1349.607 |

The share capital comprises 75.000.000 shares of DKK 1 each. All shares rank equally.

## *Notes to the financial statements*

**1 Segment information**

| DKK'000 | Consolidated | Parent company |
|---|---|---|
| Revenue - boilers etc. | | |
| Europe | 479.912 | 0 |
| Outside Europe | 55.283 | 0 |
| | 535.195 | 0 |

**2 Costs**

| | | |
|---|---|---|
| Wages and salaries | 135.369 | 0 |
| Pensions | 10.603 | 0 |
| Other social security costs | 5.195 | 0 |
| | 151.167 | 0 |
| Remuneration and pensions of the Executive Board and the Board of Directors | 0 | 0 |
| Average number of full-time employees | 241 | 0 |

**3 Fees paid to auditors appointed at the annual general meeting**

| | | |
|---|---|---|
| Total fees to KPMG | 632 | 131 |
| Fee regarding statutory audit | 235 | 20 |
| Assurance engagements | 257 | 45 |
| Other assistance | 140 | 66 |
| | 632 | 131 |

| DKK'000 | Consolidated 2010/12 | Parent Company 2010/12 |
|---|---|---|
| **4 Financial income** | | |
| Interest income from group enterprises | 0 | 0 |
| Other financial income | 5.046 | 135 |
| | 5.046 | 135 |
| **5 Financial expenses** | | |
| Interest expense for group enterprises | 0 | 6 |
| Other interest expense | 11.956 | 4.246 |
| | 11.956 | 4.252 |
| **6 Tax on the profit for the year** | | |
| Current tax for the year | 1.048 | -1.065 |
| Deferred tax adjustment for the year | 3.774 | 0 |
| | 4.822 | -1.065 |
| Specified as follows: | | |
| Tax on profit for the year | 4.930 | -1.065 |
| Tax on changes in equity | -108 | 0 |
| | 4.822 | -1.065 |

**7 Intangible assets**

**Consolidated**

| DKK'000 | Goodwill | Rights, software | Rights, software |
|---|---|---|---|
| Cost at 29 October 2010 | 0 | 0 | 0 |
| Additions | 139.453 | 536 | 139.989 |
| Cost at 31 March 2012 | 139.453 | 536 | 139.989 |
| Impairment losses and amortisation at 29 October 2010 | 0 | 0 | 0 |
| Amortisation | 9.878 | 161 | 10.039 |
| Impairment losses and amortisation at 31 March 2012 | 9.878 | 161 | 10.039 |
| **Carrying amount at 31 March 2012** | 129.575 | 375 | 129.950 |

**8 Property, plant and equipment**

**Consolidated**

| DKK'000 | Land and buildings | Plant and machinery | Fixtures and fittings, tools and equipment | Prepayments and plants under construction | Total |
|---|---|---|---|---|---|
| Cost at 29 January 2010 | 0 | 0 | 0 | 0 | 0 |
| Additions | 63.749 | 8.704 | 2.912 | 124 | 75.489 |
| Disposals | 0 | -27 | -21 | 0 | -48 |
| Cost at 31 March 2012 | 63.749 | 8.677 | 2.891 | 124 | 75.441 |
| Impairment losses and depreciation at 1 January 2010 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 2.541 | 2.149 | 1.201 | 0 | 5.891 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Impairment losses and depreciation at 31 March 2012 | 2.541 | 2.149 | 1.201 | 0 | 5.891 |
| **Carrying amount at 31 March 2012** | 61.208 | 6.528 | 1.690 | 124 | 69.550 |

| DKK'000 | Investments in subsidiary |
|---|---|
| **9 Investments** | |
| **Parent Company** | |
| Cost at 29October 2010 | 0 |
| Additions | 218.925 |
| Cost at 31 March 2012 | 218.925 |
| Value adjustments at 29 October 2010 | 0 |
| Foreign currency translation adjustments | -58 |
| Value adjustments for the period | 20.517 |
| Change in value adjustments of hedging instruments in investments | -163 |
| Depreciation, goodwill | -9.878 |
| Value adjustments at 31 March 2012 | 10.418 |
| **Carrying amount at 31 March 2012** | 229.343 |

| Name | Registered office | Voting rights and ownership | Share capital | Equity | Profit/loss before tax | Profit/loss after tax |
|---|---|---|---|---|---|---|
| Danstoker A/S | Herning, Denmark | 100% | 10.001 | 94.191 | 27.733 | 20.345 |
| Ejendomsanparts-selskabet Industri-vej Nord 13 | Herning, Denmark | 100 % | 200 | 5.578 | 2.707 | 2.030 |

| DKK'000 | 2010/12 |
|---|---|
| 10 Work in progress (customer-specific orders) | |
| Consolidated | |
| Work in progress | 162.668 |
| Payment on account | -113.411 |
| | 49.257 |
| 11 Prepayments | |
| Consolidated | |
| Prepaid insurance premiums | 305 |
| Other prepaid costs | 785 |
| | 1.090 |

**12 Share capital**

| DKK'000 | Consolidated Share capital | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|
| Equity at the foundation 29 October 2010 | 80 | 0 | 0 | 80 |
| Capital increase | 74.920 | 74.152 | 0 | 149.072 |
| Transferred, cf. profit appropriation | 0 | 7.269 | 0 | 7.269 |
| Foreign currency translation adjustments, foreign subsidiary | 0 | -58 | 0 | -58 |
| Change in value adjustments of hedging instruments in investments | 0 | -271 | 0 | -271 |
| Tax on changes in equity | 0 | 108 | 0 | 108 |
| **Equity at 31 March 2012** | 75.000 | 81.200 | 0 | 156.200 |

Parent company

| DKK'000 | Share capital | Reserve for net revaluation under the equity method | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|---|
| Equity at the foundation 29 October 2010 | 80 | 0 | 0 | 0 | 80 |
| Capital increase | 74.920 | 0 | 74.152 | 0 | 149.072 |
| Transferred, cf. profit appropriation | 0 | 10.639 | -3.370 | 0 | 7.269 |
| Foreign currency translation adjustments, foreign subsidiary | 0 | -58 | 0 | 0 | -58 |
| Change in value adjustments of hedging instruments in investments | 0 | -271 | 0 | 0 | -271 |
| Tax on changes in equity | 0 | 108 | 0 | 0 | 108 |
| **Equity at 31 March 2012** | 75.000 | 10.418 | 70.782 | 0 | 156.200 |

The share capital comprises 75.000.000 shares of DKK 1 each. All shares rank equally.

| DKK'000 | 2010/12 |
|---|---|
| **13 Deferred tax** | |
| Consolidated | |
| Deferred tax at 29 October 2010 | 0 |
| Addition related to acquisition | 14.823 |
| Deferred tax adjustment | 3.774 |
| **Deferred tax at 31 March 2012** | 18.597 |
| **14 Other provisions** | |
| Consolidated | |
| Other provisions at 29 October 2010 | 0 |
| Utilised during the year | 3.331 |
| Provision for the year | 799 |
| Other provisions at 31 March 2012 | 4.130 |

**15 Mortgage debt and bank loans**

**Consolidated**

| DKK'000 | Total liabilities at 31/3 2012 | Instal-ments next year | Non-current share | Residual liabilities after 5 years |
|---|---|---|---|---|
| Mortgage credit institutions | 21.850 | 2.395 | 19.455 | 14.433 |
| Banks | 75.906 | 0 | 75.906 | 9.160 |
| **Total liabilities** | 97.756 | 2.395 | 95.361 | 23.593 |

**Parent company**

| DKK'000 | Total liabilities at 31/3 2012 | Instal-ments next year | Non-current share | Residual liabilities after 5 years |
|---|---|---|---|---|
| Banks | 75.906 | 0 | 75.906 | 9.160 |
| **Total liabilities** | 75.906 | 0 | 75.906 | 9.160 |

**16 Contractual obligations and contingencies, etc.**

**Contingent liabilities**

**Consolidated**

Lease obligations (operating leases) falling due within five years total DKK 4.982 thousand.

The Group has entered an interest rate swap contract concerning on loan amounted to DKK 13,348 thousand, with a net position as of 31 March 2012 on DKK -2,385 thousand.

**17 Mortgages and collateral**

Consolidated

Land and buildings with a carrying amount of DKK 29,611 thousand out of a total carrying amount of land and buildings of DKK 61,208 thousand at 31 March 2012 have been provided as collateral for mortgages of DKK 20,493 thousand.

The Company has issued mortgages registered to the owners of DKK 7,500 thousand, secured on plant and machinery etc. with a carrying amount of DKK 5,376 thousand.

Inventories, receivables, fixtures and fittings, tools and equipment and replacements in Omnical Kessel- und Apparatebau GmbH have been provided as collateral for debt to Sydbank, Flensborg (carrying amount at 31 March 2012: DKK 70.032 thousand).

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 60,874 thousand.

**18 Related party disclosures**

Thermax Denmark ApS' related parties comprise the following:

Parties exercising control

Thermax Netherlands B.V. holds the majority of the share capital in the Company.

**Ownership**

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Thermax Netherlands B.V.

Strawinskylaan 3105 Atrium

1077ZX Amsterdam

The consolidated financial statements of Thermax Ltd. are available at the Company's address or on the Company's website www.thermaxindia.com.

## *Board of Directors*

Hemant Mohgaonkar *(Chairman)*
Gopal Mahadevan *(Vice Chairman)*
Jan Enemark
Kalimili Chakravarthy
Holger Michael Diechmann Japsen
Morten Friis Jensen

## *Registered Office*

Industivej Nord 13
DK-7400 Herning

## *Auditors*

KPMG
Havengade 33
6701 Esbjerg

## *Executive Board*

Jan Enemark
Knud Dürr

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Annual Report for the period 1 October 2010 - 31 March 2012

The following is a translation of an original Danish document. The original Danish document shall be the governing document for all purposes, and in case of any discrepancy the Danish wording shall be applicable.

Registration No. 16 14 72 49

## *Statement by the Executive Board and the Board of Directors*

The Board of Directors and the Executive Board have today discussed and approved the annual report of Danstoker A/S for the financial year 1 October 2010 - 31 March 2012.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 March 2012 and of the results of the Company's operations and cash flows for the financial year 1 October 2010 - 31 March 2012.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

We recommend that the annual report be approved at the annual general meeting.

Herning, 26 April 2012

Executive Board:

| | |
|---|---|
| Jan Enemark | Knud Dürr |

Board of Directors:

| | | |
|---|---|---|
| Hemant Prabhakar Mohgaonkar Chairman | Gopal Mahadevan Vice Chairman | Jan Enemark |
| Kalimili Chakravarthy | Holger Michael Diechmann Jepsen (Elected by the employees) | Morten Friis Jensen (Elected by the employees) |

## *Independent auditor's report*

**To the shareholders of Danstoker A/S**

We have audited the financial statements of Danstoker A/S for the period 1 October 2010 – 31 March 2012, pp. 9-25. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for Danstoker A/S. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In addition to our audit, we have read the Management's review which is prepared in accordance with the Danish Financial Statements Act and provided a statement hereon.

**Management's responsibility**

Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management is also responsible for the preparation of a Management's review that includes a fair review in accordance with the Danish Financial Statements Act.

**Auditors' responsibility and basis of opinion**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' 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 auditors consider internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2012 and of the results of its operations for the financial year 1 October 2010 – 31 March 2012 in accordance with the Danish Financial Statements Act.

**Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Esbjerg, 26 April 2012
**KPMG**
Statsautoriseret Revisionspartnerselskab

| | |
|---|---|
| John Lesbo State Authorised Public Accountant | Birgitte Nygaard Jørgensen State Authorised Public Accountant |

## *Management's Review*

**Company details**

Danstoker A/S
Industrivej Nord 13
DK-7400 Herning
Telephone: + 45 99 28 71 00
Fax: + 45 99 28 71 11

Reg. no. 16 14 72 49
Established: 13 April 1992
Registered office: Herning
Financial year: 1 April – 31 March
(Conversion period 1 October 2010 - 31 March 2012)

**Board of Directors**

Hemant Prabhakar Mohgaonkar (Chairman)
Gopal Mahadevan (Vice Chairman)
Jan Enemark
Kalimili Chakravarthy
Holger Michael Diechmann Jepsen (Elected by the employees)
Morten Friis Jensen (Elected by the employees)

**Executive Board**

Jan Enemark
Knud Dürr

**Auditors**

KPMG
Havnegade 33
DK-6701 Esbjerg

**Annual General Meeting**

Annual General meeting held on 26 April 2012.

## *Management's Review*

**Financial highlights**

| mDKK | 2010/12 18 month | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Gross profit | 74 | 51 | 31 | 35 | 14 |
| Ordinary operating profit/loss | 30 | 26 | 11 | 16 | -2 |
| Profit/loss before tax | 28 | 24 | 16 | 20 | 3 |
| **Profit/loss for the year** | **20** | **17** | **13** | **17** | **2** |
| Total assets | 140 | 137 | 121 | 119 | 108 |
| **Equity** | **94** | **74** | **70** | **74** | **57** |
| **Financial ratios** | | | | | |
| Return on invested capital | 33,4 | 23,9 | 9,0 | 14,1 | -4,2 |
| Equity ratio | 67,5 | 54,3 | 58,1 | 62,1 | 52,6 |
| Return on equity | 15,5 | 15,4 | 12,4 | 16,2 | 2,9 |
| **Average number of full-time employees** | **132** | **117** | **114** | **105** | **109** |

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

## *Management's Review*

**Review**

Danstoker A/S, which has its registered address in the municipality of Herning, is a fully-owned subsidiary of Thermax Denmark ApS. Thermax Denmark ApS took over Danstoker in November 2010. The ultimate parent undertaking is RDA Holding & Trading Private Ltd., a company incorporated in India. As the financial year of all companies in the Group runs from 1 April – 31 March, it has been decided to change the Company's financial year to 1 April – 31 March as well. The transition period runs from 1 October 2010 until 31 March 2012.

Danstoker A/S is the parent company of Omnical Kessel- und Apparatebau GmbH (Germany).

The Danstoker Group designs, produces and sells boilers and relevant equipment to the energy market, including also rebuilding and servicing of boilers. The product range of the Danstoker Group is continuously adapted to the 4 energy categories:

- Solid fuel market, mainly based bio fuels
- Combined heat and power market
- Exhaust gas market
- Oil/gas market

**Development during the year under review**

The decision-making processes have developed positively, and orders previously put on hold have been restarted. The level of activity has remained cautious on the minor boiler projects and within the industrial sector in general, but optimism is clearly returning to the markets again.

Danstoker has maintained a high level of activity within the field of biomass and has been able to maintain its position as the absolute market-leader within medium-sized bio-fuel boilers in Scandinavia.

Within the market segment oil- and gas-fired boilers, Danstoker has maintained and expanded its position in the primary markets.

The market segments for combined heat and power boilers and for exhaust gas boilers have been more or less on budget in the year under review, and the area of services has developed positively.

Danstoker has continued working successfully on the implementation of the Lean idea and Lean processes throughout the value chain of the Company, from the initial customer contact until the handing-over of boilers.

At Omnical, the very low price of gas has to some extent slowed down the activities in the budding biomass market in Germany. The biomass market in Germany, however, is only just coming into existence and right now – owing to the current gas price – we see the transformation to biomass only as an opportunity where today oil is used as fuel. In the relatively short term there is no doubt, however, that biomass-based energy has a future in Germany owing to the strong political desire and the $CO_2$ discussion in general.

The development within special boilers is more or less at the same level as in the preceding years, but here we now see clear indications of optimism and willingness to invest again.

Services, especially within reconstruction and optimisation, have experienced a small positive development again this year.

The implementation of Lean thinking and Lean processes has been commenced at Omnical.

This year, the Danstoker Group has achieved overall results that are slightly higher than provided for in the budget. Seen against the background of the extreme market conditions under which we have been working, the results achieved are deemed satisfactory.

Profit for the year before tax of tDKK 27,733 and after tax of tDKK 20,345 respectively is deemed satisfactory by the Management.

**Events after the balance sheet date**

The Management is of the opinion that from the balance sheet date until today, no events have occurred which could alter the assessment of the annual report substantially.

**Future outlook**

The Group's overall volume of orders at the end of the financial year is again very high and absolutely satisfactory.

The improved order fulfilment in Danstoker has resulted in significant improvements, and throughout the coming year, Danstoker will continue to focus on Lean optimisations, internal training and improvement of working processes.

At Omnical, the Lean idea, the optimisation process in general and order fulfilment in particular will be brought into focus.

It is the aim of the Danstoker Group to create into two profitable, strong and individually independent sales companies in Danstoker and Omnical, both as an attractive workplace with competent employees, based on competitive products sold to professional co-operation partners and customers in selected markets where such products are delivered in the quality and at the time and price agreed.

It is also the Group's aim to achieve optimal utilisation of the production facilities.

The Management of Danstoker is not of the opinion that the Company is facing special risks in the long term, neither in its markets nor otherwise.

The growing necessary global political focus on $CO_2$ will in the long term contribute to making our $CO_2$-neutral products within bio fuels even more relevant and will contribute to securing the Danstoker Group's continued positive development.

Satisfactory results are expected for the financial year 2012/13.

## *Financial statements 1 October 2010 – 31 March 2012*

**Accounting policies**

The annual report for the period 1 October 2010– 31 March 2012 have been prepared in accordance with the provisions for recognition and measurement applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

Consolidated financial statements and cash flow statements have not been prepared in accordance with section 86 and 112(1) of the Danish Financial Statements Act. The annual report of Danstoker A/S and related subsidiaries forms part of the consolidated financial statements of the Danish parent company, Thermax Denmark ApS.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

**General comments on recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

**Foreign currency translation**

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rates at the transaction date and the exchange rate at the date of payment are recognised as a financial item in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the exchange rates at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised as financial income or financial expenses in the income statement.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month in question, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on the translation of the income statements determined on the basis of average exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as currency hedges of foreign subsidiaries are also recognised directly in equity.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

**Income statement**

**Revenue**

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

**Sales and distribution costs**

Sales and distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns, etc., carried out during the year. Also, costs relating to sales staff, advertising, exhibition and depreciation are recognised as sales and distribution costs.

**Administrative expenses**

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, office premises and office expenses as well as depreciation.

**Profit/loss from investments in subsidiaries**

The Company's proportional share of the results after tax of the subsidiaries is recognised in the income statement after full elimination of intra-group gains/ losses and after deduction of amortisation of goodwill.

The Company's share of the tax and extraordinary items of the subsidiaries is recognised under tax on profit or loss from ordinary activities and profit or loss from extraordinary activities after tax, respectively.

**Financial income and expenses**

Financial income and expenses comprise interest income and expense, capital gains and capital loss on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

**Tax on profit or loss from ordinary activities**

The Company is covered by the Danish rules on compulsory joint taxation of the Thermax Denmark ApS. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation and up to the date on which they exit the consolidation.

The parent company,Thermax Denmark ApS, is the administrative company for the joint taxation and therefore settles all payments of corporation tax with the tax authorities.

The current Danish corporation tax is allocated between the jointly taxed enterprises in proportion to their taxable income. In this relation, enterprises with tax loss carry forwards receive joint taxation contribution from enterprises which have usedthese losses to reduce their own taxable profits. The jointly taxed enterprises are taxed under the tax prepayment scheme.

Tax for the year which comprises joint taxation contributions, tax for the year and any changes in deferred tax is recognised in the income statement. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

**Balance sheet**

**Intangible assets**

**Software**

Intangible assets are measured at cost. Amortisation takes place on a straight-line basis over the expected useful life which has been fixed at three years. Intangible assets are written down to the lower of the residual value and the carrying amount.

Gains or losses in connection with the disposal of software are stated as the difference between the selling price less selling costs and the carrying amount at the time of the sale. Gains or losses are recognised in the income statement under other operating income or other operating expenses, respectively.

**Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. In the event of major changes in the value of land and buildings, revaluation at/write-down to fair value is made.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use.

Depreciation is provided on a straight-line basis over the expected useful lives and estimated residual values of the assets.The expected useful lives are as follows:

| | |
|---|---|
| Plant and machinery | 3-10 years |
| Fixtures and fittings, tools and equipment | 3-5 years |

Assets with a cost of less than DKK 12 thousand per unit are recognised as costs in the income statement in the year of acquisition.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses, respectively.

Property, plant and equipment is written down to the lower of the residual value and the carrying amount.

Gains and losses on the disposal of software are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

**Investments in subsidiaries**

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the equity value of the enterprises calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group gains and losses and plus or minus the residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative book values are measured at DKK 0 (nil), and any receivables from these companies are written down if the receivables are irrecoverable. If the parent company has any legal or constructive obligation to cover a deficit exceeding the receivables, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries that are expected to be decided on prior to the adoption of the annual report of Danstoker A/S are not recognised in the net revaluation reserve.

On acquisition of new companies, the purchase method is applied.

**Impairment of assets**

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

**Inventories**

Inventories are measured at average cost. Where the net realisable value is lower than cost, inventories are written down to the net realisable value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined in consideration of marketability, obsolescence and development in expected selling price.

**Receivables**

Receivables are measured at amortised cost. Write-down to net realisable value is made for expected losses.

**Work in process (customised orders)**

Work in progress (customised orders) are measured at the selling price of the work performed, less any payments received on account of the customer and expected losses. The orders are characterized by the fact that the orders contain high levels of individualization of the design. Moreover, it is a requirement that before the start of the order a binding order has been entered, which will result in penalty or replacement by later removal.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When it is probable that total costs for an order will exceed total revenue, the expected loss on the order immediately is recognised as an expense and a provision.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognized as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

**Prepayments**

Prepayments comprise costs incurred in relation to subsequent financial years.

**Cash and cash equivalents**

Cash and cash equivalents comprise short-term marketable securities which are subject to an insignificant risk of changes in value.

**Equity**

***Reserve for net revaluation according to the equity method***

The reserve for net revaluation according the equity method includes net revaluation of investments in subsidiaries compared to cost.

The reserve may be eliminated in case of a loss, realisation of investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

***Dividends***

Proposed dividends are recognised as a liability at the date of adoption by the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

**Corporation tax and deferred tax**

According to the joint taxation rules, the enterprises' liability for their own corporation tax payments to the tax authorities is settled concurrently with payment of the joint taxation contribution to the administrative company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group enterprises.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or the settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

**Other provisions**

Provisions comprise anticipated costs related to warranties. Provisions are recognised when – as the result of past events – the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period of 1-5 years. Provisions are measured and recognised on the basis of past experience with warranty work.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

**Liabilities other than provisions**

Financial liabilities other than provisions are recognised at the proceeds received less the transaction costs paid at the date of borrowing. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when applying the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

The remaining liabilities are measured at net realisable value.

***Financial ratios***

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

| | |
|---|---|
| Return on invested capital | $\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$ |
| Equity ratio | $\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$ |
| Return on equity | $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$ |

## *Balance Sheet as at ended 31 March 2012*

| Particulars | Note | 2010/12 DKK'000 | 2010/12 Rs.'000 | 2009/10 DKK'000 | 2009/10 Rs.'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| **Intangible assets** | 5 | | | | |
| Rights, software | | 175 | 1,512 | 8 | 67 |
| | | 175 | 1512 | 8 | 67 |
| **Property, plant and equipment** | 6 | | | | |
| Plant and machinery | | 4,854 | 41,940 | 5,212 | 43,675 |
| Fixtures and fittings, tools and equipment | | 522 | 4,510 | 795 | 6,661 |
| Prepayments for property, plant and equipment under construction | | 124 | 1,071 | 0 | 0 |
| | | 5,500 | 47,521 | 6,007 | 50,337 |
| **Investments** | 7 | | | | |
| Investments in subsidiary | | 34,588 | 298,849 | 36,142 | 302,862 |
| | | 34,588 | 298,849 | 36,142 | 302,862 |
| **Total non-current assets** | | 40,263 | 347,882 | 42,157 | 353,267 |
| **Current assets** | | | | | |
| **Inventories** | | | | | |
| Raw materials and consumables | | 15,406 | 133,112 | 15,603 | 130,749 |
| Work in progress | | 2,465 | 21,298 | 2,083 | 17,455 |
| | | 17,871 | 154,410 | 17,686 | 148,205 |
| **Receivables** | | | | | |
| Trade receivables | | 17,304 | 149,511 | 34,872 | 292,220 |
| Work in progress (customer-specific orders) | | 39,377 | 340,227 | 26,250 | 219,969 |
| | 8 | | | | |
| Receivables from group enterprises | | 3,598 | 31,088 | 7,337 | 61,482 |
| Other receivables | | 58 | 501 | 799 | 6,695 |
| Prepayments | | 2,099 | 18,136 | 2,445 | 20,488 |
| | | 62,436 | 539,463 | 71,703 | 600,856 |
| **Cash at bank and in hand** | | 18,995 | 164,122 | 4,234 | 35,480 |
| **Total current assets** | | 99,302 | 857,994 | 93,623 | 784,541 |
| **Total assets** | | 139,565 | 1,205,877 | 135,780 | 1,137,808 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | 9 | | | | |
| Share capital | | 10,001 | 86,411 | 10,001 | 83,806 |
| Revaluation reserve in subsidiary | | 20,462 | 176,797 | 20,462 | 171,467 |
| Net revaluation according to the equity method | | 12,261 | 105,938 | 13,972 | 117,082 |
| Retained earnings | | 45,967 | 397,166 | 29,305 | 245,569 |
| Proposed dividends | | 5,500 | 47,521 | 0 | 0 |
| **Total equity** | | 94,191 | 813,834 | 73,740 | 617,926 |
| **Provisions** | | | | | |
| Deferred tax | 10 | 7,161 | 61,873 | 4,479 | 37,533 |
| Other provisions | | 886 | 7,655 | 812 | 6,804 |
| **Total provisions** | | 8,047 | 69,528 | 5,291 | 44,337 |
| **Liabilities other than provisions** | | | | | |
| **Non-current liabilities** | 11 | | | | |
| Bank loans | | 2,625 | 22,681 | 4,196 | 35,162 |
| | | 2,625 | 22,681 | 4,196 | 35,162 |
| **Current liabilities** | | | | | |
| Current portion of non-current liabilities | 11 | 1,000 | 8,640 | 1,020 | 8,547 |
| Deferred income | | 4,640 | 40,091 | 9,167 | 76,817 |
| Trade payables | | 14,113 | 121,940 | 19,222 | 161,076 |
| Amounts owed to subsidiaries | | 2,539 | 21,938 | 172 | 1,441 |
| Corporation tax | | 0 | 0 | 4,331 | 36,292 |
| Other payables | | 12,410 | 107,226 | 18,641 | 156,207 |
| | | 34,702 | 299,834 | 52,553 | 440,383 |
| **Total liabilities other than provisions** | | 37,327 | 322,515 | 56,749 | 475,545 |
| **TOTAL EQUITY AND LIABILITIES** | | 139,565 | 1,205,877 | 135,780 | 1,137,808 |

| | |
|---|---|
| **Employee relations** | 12 |
| **Charges, collateral and contingencies, etc.** | 13 |
| **Related party disclosures** | 14 |

The share capital consists of 1 share at a nominal amount of DKK 10,001.

Exchange rate: as at 31 March 2012 is 1 DKK = Rs 8.64025
Exchange rate: as at 30 Sep 2010 is 1 DKK = Rs 8.3798

## *Income statement for the period 1October 2010 - 31 March 2012*

| Particulars | Note | 2010/12 (18 months) DKK'000 | 2010/12 (18 months) Rs.'000 | 2009/10 (12 months) DKK'000 | 2009/10 (12 months) Rs.'000 |
|---|---|---|---|---|---|
| **Gross profit** | 1 | 73,688 | 636,683 | 50,514 | 423,296 |
| Sales and distribution costs | | -20,323 | -175,596 | -11,380 | -95,362 |
| Administrative expenses | | -23,069 | -199,322 | -13,253 | -111,057 |
| **Operating profit** | | 30,296 | 261,765 | 25,881 | 216,877 |
| Profit/loss on investments in subsidiary | | -1,659 | -14,334 | -3,525 | -29,538 |
| Financial income | 2 | 2,584 | 22,326 | 2,454 | 20,564 |
| Financial expenses | 3 | -3,488 | -30,137 | -1,245 | -10,432 |
| **Profit before tax** | | 27,733 | 239,620 | 23,565 | 197,470 |
| Tax on profit for the year | 4 | -7,388 | -63,834 | -6,790 | -56,898 |
| **Profit for the year** | | 20,345 | 175,786 | 16,775 | 140,571 |
| **Proposed profit appropriation** | | | | | |
| Proposed dividends | | 5,500 | 47,521 | 0 | 0 |
| Reserve for net revaluation under the equity method | | -1,817 | -15,699 | -3,525 | -29,538 |
| Retained earnings | | 16,662 | 143,964 | 20,300 | 170,109 |
| | | 20,345 | 175,786 | 16,775 | 140,571 |

## *Statement of changes in Equity for the period 1 October 2010 - 31 March 2012*

The share capital consists of 1 share at a nominal amount of DKK 10,001.

| Particulars | Share capital | | Revaluation reserve in subsidiaries | | Net revaluation according to the equity method | | Retained earnings | | Dividends | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 | DKK'000 | Rs.'000 |
| Equity at 1 October 2010 | 10,001 | 86,411 | 20,462 | 176,797 | 13,972 | 120,722 | 29,305 | 253,203 | 0 | 0 | 73,740 | 637,132 |
| Retained from profit for the year | 0 | 0 | 0 | 0 | -1,817 | -15,699 | 16,662 | 143,964 | 5,500 | 47,521 | 20,345 | 175,786 |
| Foreign exchange adjustment of subsidiary company | 0 | 0 | 0 | 0 | -58 | -501 | 0 | 0 | 0 | 0 | -58 | -501 |
| Adjustment, appreciation in subsidiaries | 0 | 0 | 0 | 0 | 164 | 1,417 | 0 | 0 | 0 | 0 | 164 | 1,417 |
| **Equity at 31 March 2012** | **10,001** | **86,411** | **20,462** | **176,797** | **12,261** | **105,938** | **45,967** | **397,166** | **5,500** | **47,521** | **94,191** | **813,834** |

**Notes**

**1 Gross profit**

In compliance with section 32 of the Danish Financial Statements Act, the Company has decided not to specify its revenue.

| | 2010/12 | 2009/10 |
|---|---|---|
| **2 Financial income** | | |
| Interest income from group enterprises | 77 | 379 |
| Other interest income, including foreign exchange gains, etc. | 2,507 | 2,075 |
| | 2,584 | 2,454 |
| **3 Financial expenses** | | |
| Interest expense for group enterprises | 108 | 350 |
| Other interest expenses, including foreign exchange losses, etc. | 3,380 | 895 |
| | 3,488 | 1,245 |
| **4 Tax on profit for the year** | | |
| Current tax for the year | -4,706 | -4,332 |
| Deferred tax adjustment for the year | -2,682 | -2,458 |
| | -7,388 | -6,790 |

**5 Intangible assets**

| | Software rights |
|---|---|
| Cost at 1 October 2010 | 279 |
| Additions | 204 |
| Disposals | 0 |
| Cost at 31 March 2012 | 483 |
| Impairment losses and amortisation at 1 October 2010 | 271 |
| Amortisation | 37 |
| Amortisation assets disposed | 0 |
| Impairment losses and amortisation at 31 March 2012 | 308 |
| **Carrying amount at 31 March 2012** | 175 |

**6 Property, plant and equipment**

| DKK'000 | Plant and Machinery | Fixtures and fittings, tools and equipment | Prepayments for property, plant and equipment under construction | Total |
|---|---|---|---|---|
| Cost at 1 October 2010 | 19,435 | 3,052 | 0 | 22,487 |
| Additions | 1,498 | 316 | 124 | 1,938 |
| Disposals | -469 | -224 | 0 | -693 |
| Cost at 31 March 2012 | 20,464 | 3,144 | 124 | 23,732 |
| Impairment losses and depreciation at 1 October 2010 | 14,223 | 2,257 | 0 | 16,480 |
| Depreciation | 1,833 | 564 | 0 | 2,397 |
| Depreciation, assets sold | -446 | -199 | 0 | -645 |
| Impairment losses and depreciation at 31 March 2012 | 15,610 | 2,622 | 0 | 18,332 |
| **Carrying amount at 31 March 2012** | 4,854 | 522 | 124 | 5,500 |

**7 Investments**

| DKK'000 | Investments in subsidiary |
|---|---|
| Investments in subsidiary | |
| Cost at 1 October 2010 | 1,865 |
| Disposals | 0 |
| Cost at 31 March 2012 | 1,865 |
| Value adjustments at 1 October 2010 | 34,277 |
| Foreign currency translation adjustments | -59 |
| Dividends paid | 164 |
| Net loss for the year | -1,659 |
| Value adjustments at 31 March 2012 | 32,723 |
| **Carrying amount at 31 March 2012** | 34,588 |

| Name | Registered office | Voting rights and ownerships | Share capital | Equity | Profit/ loss before tax | Profit/ loss after tax |
|---|---|---|---|---|---|---|
| **Group enterprises** | | | | | | |
| Omnical Kessel- und Apparatebau GmbH | Germany | 100% | 1,865 | 34,588 | -2,925 | -1,659 |

**8 Work in progress (customer-specific orders)**

| | 2010/12 | 2009/10 |
|---|---|---|
| Work in progress | 101,282 | 58,122 |
| Payments on account | -61,905 | -31,872 |
| **Carrying amount at 31 March 2011** | 39,377 | 26,250 |

**9 Equity**

The share capital consists of 1 share at a nominal amount of DKK 10,001.

| DKK'000 | Share Capital | Revaluation reserve in subsidiaries | Net revaluation according to the equity method | Retained earnings | Dividends | Total |
|---|---|---|---|---|---|---|
| Equity at 1 October 2010 | 10,001 | 20,462 | 13,972 | 29,305 | 0 | 73,740 |
| Retained from profit for the year | 0 | 0 | -1,817 | 16,662 | 5,500 | 20,345 |
| Foreign exchange adjustment of subsidiary company | 0 | 0 | -58 | 0 | 0 | -58 |
| Adjustment, appreciation in subsidiaries | 0 | 0 | 164 | 0 | 0 | 164 |
| **Equity at 31 March 2012** | 10,001 | 20,462 | 12,261 | 45,967 | 5,500 | 94,191 |

**10 Deferred tax**

| | 2010/12 | 2009/10 |
|---|---|---|
| Deferred tax, beginning of the year | 4,479 | 2,021 |
| Deferred tax for the year in the income statement | 2,682 | 2,458 |
| | 7,161 | 4,479 |

**11 Liabilities**

| DKK'000 | Total liabilities at 1/10 2010 | Total liabilities at 31/3 2012 | Instalments next year | Non-current share | Residual liabilities after 5 years |
|---|---|---|---|---|---|
| Banks | 5,216 | 3,625 | 1,000 | 2,625 | 125 |

**12 Employee relations**

| | 2010/12 | 2009/10 |
|---|---|---|
| Wages and salaries | 88,366 | 49,430 |
| Pensions | 5,831 | 3,184 |
| Other social security costs | 1,013 | 519 |
| | 95,210 | 53,133 |
| Remuneration of the Executive Board | 4,466 | 4,290 |
| Remuneration of the Board of Directors | 120 | 120 |
| Average number of full-time employees | 132 | 117 |

**13 Charges, security provided and contingencies, etc.**

Lease obligations (operating leases) amount toDKK682 thousand.

The company has entered into lease contract that is non-terminable until 30 September 2019.Tenancy commitments in lease buildings amount to DKK30,263 thousand, of this DKK 4,035 thousand concerns 2012/13.

Mortgage registered to the mortgagor at a nominal amount of DKK 7,500 thousand secured on movable property has been provided as collateral for loan raised with credit institution.

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 12,058 thousand. Guarantees have been undertaken whereby primary liability is assumed towards credit institutions for all performance bonds and advance payment guarantees and outstanding balances between group enterprises and credit institutions, At 31 March 2011, the guarantee commitment amounted to DKK 47,909 thousand.

The company has undertaken guarantees whereby it has assumed primary liability for the affiliated companies' outstanding balances with mortgage credit institutions, DKK 20,493 thousand.

**14 Related party disclosures**

Danstoker A/S' related parties comprise the following:

**Parties exercising control**

Thermax Denmark ApS, c/o Bech-Bruun, Langelinie Allé 35, 2100 København Ø, which is the principal shareholders.

**Other related parties with whom the Company has had transactions**

The subsidiary, Omnical Kessel- und Apparatebau GmbH
Ejendomsanpartsselskabet Industrivej Nord 13

**Ownership**

The following shareholders are registered in the Company's register of shareholders as holding at least 5% of the voting rights or at least 5% of the share capital:

Thermax Denmark ApS
c/o Bech-Bruun, LangelinieAllé 35,
DK-2100 København Ø

# Omnical Kessel - und Apparatebau GmbH

| *Board of Directors* | *Registered Office* | *Auditors* |
|---|---|---|
| Heribert Fasel<br>Jan Enemark<br>Kalimili Chakravarthy | Omnical Kessel- und<br>Apparatebau GmbH<br>Hauptstrasse 156<br>D-35716 Dietzhoelztal | DAN REVISION GmbH<br>Alter Kirchenweg 85<br>D-24983 Flensburg-<br>Handewitt |

## *AUDITORS' REPORT*

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal for the financial year from 1 October 2010 to 31 September 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Except for the following objection our audit has not led to any reservations:

Contrary to the obligation under § 285 No. 9, lit. 1) HGB, the Company has not specified the total compensation of the company's management in the notes to the financial statements.

Our audit has not led to any reservations.

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

Flensburg-Handewitt, December 28, 2011

DanRevision GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Siegel
Wirtschaftsprüfer

## *AUDITORS' REPORT*

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal for the financial year from 1 October 2011 to 31 March 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Flensburg-Handewitt, April 26, 2012

DanRevision GmbH
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Siegel
Wirtschaftsprüfer

**OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal**
**Balance sheet as of September 30, 2011**

| ASSETS | 9.30.2011 EUR | 9.30.2011 Rs. | 9.30.2010 EUR | 9.30.2010 Rs. |
|---|---|---|---|---|
| **A. ASSETS** | | | | |
| **I. Intangible assets** | | | | |
| Software | 34,760.78 | 2,189,593 | 10,437.07 | 653,650 |
| **II. Tangible assets** | | | | |
| 1. Land and buildings | 307,192.21 | 19,350,145 | 358,950.93 | 22,480,293 |
| 2. Technical equipment and machinery | 238,661.65 | 15,033,381 | 118,547.72 | 7,424,378 |
| 3. Other equipment, factory and office equipment | 175,344.66 | 11,045,022 | 141,077.56 | 8,835,371 |
| 4. Prepayments | 0.00 | 0 | 55,800.00 | 3,494,629 |
| | 721,198.52 | 45,428,549 | 674,376.21 | 42,234,672 |
| | 755,959.30 | 47,618,143 | 684,813.28 | 42,888,322 |
| **B. CURRENT ASSETS** | | | | |
| **I. Inventories** | | | | |
| 1. Raw materials and supplies | 789,517.19 | 49,731,966 | 649,572.03 | 40,681,241 |
| 2. Work in process | 11,588,434.84 | 729,959,599 | 5,971,958.54 | 374,010,392 |
| 3. Prepayments | 1,035,403.00 | 65,220,400 | 791,256.27 | 49,554,608 |
| | 13,413,355.03 | 844,911,966 | 7,412,786.84 | 464,246,243 |
| **II. Receivables and other assets** | | | | |
| 1. Trade receivables | 2,268,622.72 | 142,901,345 | 2,492,813.83 | 156,119,349 |
| 2. Receivables from affiliated companies | 261,223.44 | 16,454,556 | 0.00 | 0 |
| 3. Other assets | 117,483.98 | 7,400,357 | 151,313.46 | 9,476,423 |
| | 2,647,330.14 | 166,756,259 | 2,644,127.29 | 165,595,772 |
| **III. Cash on hand and bank balances** | 922,070.48 | 58,081,544 | 2,195,833.97 | 137,520,165 |
| | 16,982,755.65 | 1,069,749,771 | 12,252,748.10 | 767,362,180 |
| **C. PREPAID EXPENSES AND DEFERRED CHARGES** | 39,093.81 | 2,462,532 | 33,923.80 | 2,124,571 |
| **D. DEFERRED TAXES** | 287,762.00 | 18,126,229 | 0.00 | 0 |
| | 18,065,570.76 | 1,137,956,677 | 12,971,485.18 | 812,375,074 |

Exchange rate: as at 30 Sep 2011 is 1 Euro = Rs 62.9903
Exchange rate: as at 30 Sep 2010 is 1 Euro = Rs 62.6277

| EQUITY AND LIABILITIES | 9.30.2011 EUR | 9.30.2011 Rs. | 9.30.2010 EUR | 9.30.2010 Rs. |
|---|---|---|---|---|
| **A. EQUITY** | | | | |
| **I. Subscribed capital** | 250,000.00 | 15,747,588 | 250,000.00 | 15,656,940 |
| **II. Unappropriated retained earnings brought forward** | 1,335,735.74 | 84,138,465 | 1,327,888.17 | 83,162,663 |
| **III. Net income for the year** | -631,252.20 | -39,762,798 | 7,847.57 | 491,475 |
| | 954,483.54 | 60,123,255 | 1,585,735.74 | 99,311,079 |
| **B. ACCRUALS** | | | | |
| 1. Tax accruals | 3,860.34 | 243,164 | 8,055.94 | 504,525 |
| 2. Other accruals | 3,111,442.15 | 195,990,839 | 2,135,211.39 | 133,723,508 |
| | 3,115,302.49 | 196,234,003 | 2,143,267.33 | 134,228,034 |
| **C. ACCOUNTS PAYABLE** | | | | |
| 1. Bank loans and overdrafts | 322,251.13 | 20,298,712 | 436,588.96 | 27,342,589 |
| 2. Customer advances | 12,084,416.29 | 761,201,646 | 7,475,825.51 | 468,194,214 |
| 3. Trade payables | 1,270,766.40 | 80,046,023 | 1,175,681.33 | 73,630,289 |
| 4. Amounts owed to group undertakings | 59,578.52 | 3,752,871 | 0.00 | 0 |
| 5. Other liabilities | 258,772.39 | 16,300,164 | 154,386.31 | 9,668,868 |
| - of which taxes EUR 236,455.22 (prior year EUR 60,616.00)- | | | | |
| - of which social security payables EUR 9,519.59 (prior year EUR 5,358.98)- | | | | |
| | 13,995,784.73 | 881,599,418 | 9,242,482.11 | 578,835,961 |
| | 18,065,570.76 | 1,137,956,677 | 12,971,485.18 | 812,375,074 |

**OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal**
**Income statement for the period from October 1, 2010 to September 30, 2011**

| | | 10/1/2010- 3/31/2011 EUR | Rs. | 10/1/2009- 9/30/2010 EUR | Rs. |
|---|---|---|---|---|---|
| 1. | Sales | 17,022,545.23 | 1,072,256,130 | 13,910,619.59 | 871,190,960 |
| 2. | Increase in finished goods | 5,616,476.30 | 353,783,824 | 1,815,616.06 | 113,707,968 |
| 3. | Other operating income | 685,786.73 | 43,197,948 | 417,893.82 | 26,171,754 |
| 4. | Cost of materials | | | | |
| | a) Cost of raw materials, supplies and merchandise | 9,629,391.66 | 606,558,779 | 5,174,908.96 | 324,092,962 |
| | b) Cost of purchased services | 6,220,183.39 | 391,811,546 | 4,032,306.71 | 252,534,341 |
| | | 15,849,575.05 | 998,370,325 | 9,207,215.67 | 576,627,303 |
| 5. | Personnel expenses | | | | |
| | a) Wages and salaries | 4,977,324.21 | 313,523,408 | 4,319,075.53 | 270,494,030 |
| | b) Social security | 1,031,129.09 | 64,951,185 | 880,466.72 | 55,141,659 |
| | | 6,008,453.30 | 378,474,593 | 5,199,542.25 | 325,635,689 |
| 6. | Amortization and depreciation of fixed intangible and tangible assets | 139,900.95 | 8,812,410 | 125,337.12 | 7,849,583 |
| 7. | Other operating expenses | 2,179,886.11 | 137,311,795 | 1,581,812.48 | 99,065,374 |
| 8. | Other interest and similar income<br>- of which from affiliated companies EUR 0.00<br>(prior year: EUR 47,000.00) | 3,950.87 | 248,866 | 53,505.62 | 3,350,937 |
| 9. | Interest and similar expenses | 39,150.28 | 2,466,089 | 35,362.82 | 2,214,694 |
| 10. | Net operating income | -888,206.56 | -55,948,444 | 48,364.75 | 3,028,976 |
| 11. | Taxes on income<br>- of which deferred taxes EUR 287,762.00<br>(prior year: EUR 0.00) | -291,884.01 | -18,385,876 | 7,361.58 | 461,039 |
| 12. | Other taxes | 34,929.65 | 2,200,230 | 33,155.60 | 2,076,461 |
| 13. | Net income | -631,252.20 | -39,762,798 | 7,847.57 | 491,475 |

**OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal**
**Income statement for the period from October 1, 2011 to March 31, 2012**

| | | 10/1/2011- 3/31/2012 EUR | Rs. | 10/1/2010- 9/30/2011 EUR | Rs. |
|---|---|---|---|---|---|
| 1. | Sales | 12,982,329.01 | 873,541,921 | 17,022,545.23 | 1,072,256,130 |
| 2. | Decrease/Increase in finished goods | 4,413,910.44 | 296,998,774 | 5,616,476.30 | 353,783,824 |
| 3. | Other operating income | 339,738.75 | 22,859,999 | 685,786.73 | 43,197,948 |
| 4. | Cost of materials | | | | |
| | a) Cost of raw materials, supplies and merchandise | 2,428,476.20 | 163,404,868 | 9,629,391.66 | 606,558,778 |
| | b) Cost of purchased services | 2,406,436.98 | 161,921,915 | 6,220,183.39 | 391,811,546 |
| | | 4,834,913.18 | 325,326,784 | 15,849,575.05 | 998,370,325 |
| 5. | Personnel expenses | | | | |
| | a) Wages and salaries | 2,409,315.45 | 162,115,599 | 4,977,324.21 | 313,523,408 |
| | b) Social security | 550,690.24 | 37,054,292 | 1,031,129.09 | 64,951,185 |
| | | 2,960,005.69 | 199,169,891 | 6,008,453.30 | 378,474,593 |
| 6. | Amortization and depreciation of fixed intangible and tangible assets | 75,169.56 | 5,057,933 | 139,900.95 | 8,812,410 |
| 7. | Other operating expenses | 997,320.35 | 67,106,690 | 2,179,886.11 | 137,311,795 |
| 8. | Other interest and similar income | 1,703.57 | 114,628 | 3,950.87 | 248,866 |
| 9. | Interest and similar expenses | 10,047.06 | 676,036 | 39,150.28 | 2,466,089 |
| | - of which to affiliated companies EUR 3,043.00<br>(prior year: EUR 0.00) | | | | |
| 10. | Net operating income | 32,405.05 | 2,180,438 | -888,206.56 | -55,948,444 |
| 11. | Taxes on income<br>- of which deferred taxes EUR 7,023.00<br>(prior year: EUR 287,762.00) | -8,260.86 | -555,848 | -291,884.01 | -18,385,876 |
| 12. | Other taxes | 22,453.18 | 1,510,807 | 34,929.65 | 2,200,230 |
| 13. | Net income | 18,212.73 | 1,225,479 | -631,252.20 | -39,762,798 |

**OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal**
**Balance sheet as of March 31, 2012**

| ASSETS | 3.31.2012 EUR | 3.31.2012 Rs. | 9.30.2011 EUR | 9.30.2011 Rs. |
|---|---|---|---|---|
| **A. ASSETS** | | | | |
| **I. Intangible assets** | | | | |
| Software | 27,262.39 | 1,834,404 | 34,760.78 | 2,189,594 |
| **II. Tangible assets** | | | | |
| 1. Land and buildings | 281,312.77 | 18,928,691 | 307,192.21 | 19,350,145 |
| 2. Technical equipment and machinery | 225,096.45 | 15,146,063 | 238,661.65 | 15,033,381 |
| 3. Other equipment, factory and office equipment | 156,686.41 | 10,542,957 | 175,344.66 | 11,045,022 |
| | 663,095.63 | 44,617,713 | 721,198.52 | 45,428,549 |
| | 690,358.02 | 46,452,117 | 755,959.30 | 47,618,143 |
| **B. CURRENT ASSETS** | | | | |
| **I. Inventories** | | | | |
| 1. Raw materials and supplies | 706,279.77 | 47,523,444 | 789,517.19 | 49,731,966 |
| 2. Work in process | 7,174,524.40 | 482,752,195 | 11,588,434.84 | 729,959,599 |
| 3. Prepayments | 85,270.03 | 5,737,564 | 1,035,403.00 | 65,220,400 |
| | 7,966,074.20 | 536,013,203 | 13,413,355.03 | 844,911,966 |
| **II. Receivables and other assets** | | | | |
| 1. Trade receivables | 2,310,913.82 | 155,494,449 | 2,268,622.72 | 142,901,345 |
| 2. Receivables from affiliated companies | 12,206.98 | 821,371 | 261,223.44 | 16,454,556 |
| 3. Other assets | 71,830.16 | 4,833,235 | 117,483.98 | 7,400,357 |
| | 2,394,950.96 | 161,149,055 | 2,647,330.14 | 166,756,259 |
| **III. Cash on hand and bank balances** | 980,527.75 | 65,976,766 | 922,070.48 | 58,081,544 |
| | 11,341,552.91 | 763,139,026 | 16,982,755.65 | 1,069,749,771 |
| **C. PREPAID EXPENSES AND DEFERRED CHARGES** | 45,672.39 | 3,073,157 | 39,093.81 | 2,462,532 |
| **D. DEFERRED TAXES** | 294,785.00 | 19,835,197 | 287,762.00 | 18,126,229 |
| | 12,372,368.32 | 832,499,498 | 18,065,570.76 | 1,137,956,677 |

Exchange rate: as at 31 Mar 2012 is 1 Euro = Rs 67.287
Exchange rate: as at 30 Sep 2011 is 1 Euro = Rs 62.9903

| EQUITY AND LIABILITIES | 3.31.2012 EUR | 3.31.2012 Rs. | 9.30.2011 EUR | 9.30.2011 Rs. |
|---|---|---|---|---|
| **A. EQUITY** | | | | |
| **I. Subscribed capital** | 250,000.00 | 16,821,749 | 250,000.00 | 15,747,588 |
| **II. Unappropriated retained earnings brought forward** | 704,483.54 | 47,402,581 | 1,335,735.74 | 84,138,465 |
| **III. Net income for the year** | 18,212.73 | 1,225,479 | -631,252.20 | -39,762,798 |
| | 972,696.27 | 65,449,810 | 954,483.54 | 60,123,255 |
| **B. ACCRUALS** | | | | |
| 1. Tax accruals | 462.35 | 31,110 | 3,860.34 | 243,164 |
| 2. Other accruals | 1,672,549.32 | 112,540,819 | 3,111,442.15 | 195,990,838 |
| | 1,673,011.67 | 112,571,929 | 3,115,302.49 | 196,234,003 |
| **C. ACCOUNTS PAYABLE** | | | | |
| 1. Bank loans and overdrafts | 48,263.15 | 3,247,482 | 322,251.13 | 20,298,712 |
| 2. Customer advances | 8,537,760.41 | 574,480,251 | 12,084,416.29 | 761,201,646 |
| 3. Trade payables | 434,575.33 | 29,241,268 | 1,270,766.40 | 80,046,023 |
| 4. Amounts owed to group undertakings | 273,995.38 | 18,436,326 | 59,578.52 | 3,752,872 |
| 5. Other liabilities | 432,066.11 | 29,072,430 | 258,772.39 | 16,300,164 |
| - of which taxes EUR 431,245.32 (prior year EUR 236,455.22)- | | | | |
| - of which social security payables EUR 0.00 (prior year EUR 9,515.59)- | | | | |
| | 9,726,660.38 | 654,477,759 | 13,995,784.73 | 881,599,418 |
| | 12,372,368.32 | 832,499,498 | 18,065,570.76 | 1,137,956,677 |

**Notes to the financial statements for the fiscal year 2010/2011**

The annual financial statements for the year ended 30. September 2011 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German GmbH law (GmbHG).

The financial statements were prepared in accordance with the regulations for medium-sized companies (§ 267 (2) HGB); the income statement follows the type of expenditure format (§ 275 (2) HGB.

Since this reporting period the preparation of the annual financial statements considered the accounting and valuation policies according to the law to modernize the German Commercial Code (BilMoG). Pursuant to Art. 67 (8) s.2 EGHGB the prior years figures have not to be adjusted.

## I. Accounting and valuation policies

Acquired **intangible assets** and fixed **assets** are valued at purchase cost, less scheduled straight-line amortization corresponding to the useful live. The depreciation is calculated pro rata temporis.

**Minor value assets** with purchase costs up to EUR 150 are written of completely in the year they were acquired and were shown in additions and disposals in the development of fixed assets (§ 6 (2a) EstG). Minor value assets with purchase costs from EUR 150 to EUR 1.000 were written off straight-line over a period of five years.

**Raw materials and supplies** are shown at the balance sheet date at average purchase cost including incidental purchase costs in accordance to the principle of the lower of cost and market.

Inventory risks arising from the duration of storage or reduced usability are considered by appropriate devaluation.

**Works in process are** valued at cost of production in accordance to the principle of the lower of cost and market. The production cost includes direct costs and capitalized indirect costs in accordance with tax regulations.

**Prepayments** are shown with their nominal value.

**Receivables** and **other assets** are shown at their nominal value. Foreseeable specific risks on receivables and other assets are reflected by bad debt provisions. Adequate account is taken of the general credit risk by applying an unchanged general provision.

**Liquid funds** are shown at their nominal value.

**Prepaid expenses** include payments made before the balance sheet date, as far as they represent expenses for a specific period thereafter.

**Tax accruals** take account of foreseeable tax liabilities.

**Other accruals** take account of all foreseeable risks and uncertain obligations and are set up at the amounts deemed necessary in accordance with commercial prudence.

**Liabilities** are reported at their repayment amounts.

**Receivables and liabilities** in foreign currencies are valued at the spot exchange rate on the balance sheet date.

## II. Notes to the balance sheet

### 1. Assets

A statement of changes in fixed assets is shown in the appendix of the notes to the financial statements.

### 2. Trade receivables and other assets

All receivables and other assets are due within one year.

Prepaid expenses and deferred charges contain a disagio (EUR 8 k) for 2 loans. They are amortized using the straight-line method corresponding to the term of the loans.

There are liabilities against shareholders (EUR 13 k) and receivables due from shareholders (EUR 249 k) at the balance sheet date.

### 3. Other accruals

Other accruals mainly contain amounts for costs on already settled contracts (EUR 499 k), accruals for outstanding invoices (EUR 1,650 k), for warranties (EUR 376 k) and for human resources (EUR 353 k).

### 4. Liabilities

Accounts payable for bank loans and overdrafts are due within one year: EUR 85 k; prior year EUR 114 k.

The amount of accounts payable for bank loans and overdrafts are due within more than 5 years: EUR 0 k, prior year EUR 0 k.

EUR 267 k of the bank loans are secured by mortgages.

Security assignments in favour of Sydbank do exist for the warehouse, the machines, machinery, mobile fixtures and equipment, motor vehicles and for all replacements. Furthermore, there is a general assignment of receivables from third party debtors.

To hedge against the interest risk of the variable interest long term loan the Company has concluded an interest swap. The swap contract had a market value of € -15,000 on 30 September 2011, which was calculated by the FIH-Bank on the basis of current market data. Because no purchase costs are due for the interest swap these have also not been activated.

All other liabilities are due within one year.

## III. Notes to the income statement

The other operating income contains income relating to prior periods (EUR 363 k; prior year EUR 145 k). This income resulted from the release of accruals.

In the course of the financial year 2010/2011 the company generated revenue (EUR 2,446 k) with the parent company.

On the other side, material costs had a budget of EUR 635 k, expenses for management fee of EUR 19 k and other expenses amounting to EUR 9 k.

The sales revenue (EUR 17,022 k) shares as follows:

| | |
|---|---|
| Sale of boilers | EUR 11,897 k |
| Service-Area | EUR 5,125 k. |

From the above mentioned revenue sales EUR 9,072 k result from domestic business and EUR 7,950 k from foreign transactions.

## IV. Other information

### 1. Contingent liabilities

For payments in advance received from customers guarantees of Sydbank, Flensburg, and Tryg Garanti, Ballerup/Denmark are issued. The guarantee credit line at Sydbank is secured by a chattel mortgage of the warehouse, the machines, the mobile plant and equipment, the vehicle fleet and furthermore by a global assignment of the receivables.

Besides Danstoker A/S OMNICAL has taken over a joint and several liability for two loans from the FIH bank in the amount of TEUR 386. Furthermore besides the Ejendomsanpartsselskabet Industrivej Nord 13 a joint and several liability in the amount of EUR 1,828 k was adopted for a loan from the FIH bank.

### 2. Other financial commitments

Other financial commitments amount to EUR 493 k plus VAT. These commitments result from lease contracts for a bending machine, cutting machine, rotator, stapler and lease- and rent contracts for offices, vehicles and hard- and software. These contracts have a maximum residual until 29th February 2016.

### 3. Average number of company staff

| | 2010/2011 | 2009/2010 |
|---|---|---|
| Industriell workers | 45 | 41 |
| Administration employees | 64 | 64 |
| | 109 | 105 |

**4. Management of the company**

Managing directors of the company:

Mr. Hemant Mohgaonkar, Pune/India
Mr. Jan Enemark, Herning/Denmark
Mr. Leif Tjornelund Thomsen, Tjaereborg/Denmark (until 8th November 2010)
Dr. Thomas Wocadlo, Dortmund (until 21th September 2011)

**5. Appropriating of earnings**

The management proposes to carry forward the net loss of the year.

**6. Shareholders**

The sole shareholder of OMNICAL Kessel- und Apparatebau GmbH is Danstoker A / S, Herning, Denmark.

**7. Consolidated financial statements**

Thermax Denmark ApS, Denmark and Thermax Limited, India prepare consolidated financial statements, in which the financial statements of OMNICAL Kessel- und Apparatebau GmbH are included. The consolidated financial statements are published in the offices these companies.

Dietzhölztal, December 28, 2011

OMNICAL Kessel- und Apparatebau GmbH

Jan Enemark                Hemant Mohgaonkar

# Omnical Kessel - und Apparatebau GmbH

## *Notes to the financial statements for the short fiscal year from 1. October 2011 to 31. March 2012*

The annual financial statements for the short fiscal year from 1. October 2011 to 31. March 2012 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German GmbH law (GmbHG).

The financial statements were prepared in accordance with the regulations for medium-sized companies (§ 267 (2) HGB); the income statement follows the type of expenditure format (§ 275 (2) HGB).

As the reporting period is a shortened fiscal year from 1. October 2011 to 31. March 2012, the numbers of the financial statements are not fully comparable with previous years figures.

**I. Accounting and valuation policies**

Acquired **intangible assets** and fixed **assets** are valued at purchase cost, less scheduled straight-line amortization corresponding to the useful live. The depreciation is calculated pro rata temporis.

**Minor value assets** with purchase costs up to EUR 150 are written off completely in the year they were acquired and were shown in additions and disposals in the development of fixed assets (§ 6 (2a) EstG). Minor value assets with purchase costs from EUR 150 to EUR 1.000 were written off straight-line over a period of five years.

**Raw materials and supplies** are shown at the balance sheet date at average purchase cost including incidental purchase costs in accordance to the principle of the lower of cost and market.

Inventory risks arising from the duration of storage or reduced usability are considered by appropriate devaluation.

**Works in process are** valued at cost of production in accordance to the principle of the lower of cost and market. The production cost includes direct costs and capitalized indirect costs in accordance with tax regulations.

**Prepayments** are shown with their nominal value.

**Receivables** and **other assets** are shown at their nominal value. Foreseeable specific risks on receivables and other assets are reflected by bad debt provisions. Adequate account is taken of the general credit risk by applying an unchanged general provision.

**Liquid funds** are shown at their nominal value.

**Prepaid expenses** include payments made before the balance sheet date, as far as they represent expenses for a specific period thereafter.

The **subscribed capital** is shown at its nominal value.

**Tax accruals and other accruals** take account of all foreseeable risks and uncertain obligations and are set up at the amounts deemed necessary for the fulfillment in accordance with commercial prudence.

**Liabilities** are reported at their repayment amounts.

**Receivables and liabilities** in foreign currencies are valued at the spot exchange rate on the balance sheet date.

**II. Notes to the balance sheet**

**1. Assets**

A statement of changes in fixed assets in the short fiscal year 2011/2012 is shown in the appendix to the notes to the financial statements.

**2. Trade receivables and other assets**

All receivables and other assets are due within one year.

Prepaid expenses and deferred charges contain a disagio (EUR 19 k) for a loan. They are amortized using the straight-line method corresponding to the term of the loan.

The receivables from affiliated companies are against Thermax Europe Ltd., Queensway, Blechlay/United Kingdom.

**3. Other accruals**

Other accruals mainly contain amounts for costs on already settled contracts (EUR 389 k), accruals for outstanding invoices (EUR 424 k), for warranties (EUR 436 k) and for human resources (EUR 401 k).

**4. Liabilities**

Accounts payable for bank loans and overdrafts are due within one year: EUR 14 k; prior year EUR 85 k.

The amount of accounts payable for bank loans and overdrafts are due within more than 5 years: EUR 0 k, prior year EUR 0 k.

Security assignments in favour of Sydbank do exist for the warehouse, the machines, machinery, mobile fixtures and equipment, motor vehicles and for all replacements. Furthermore, there is a general assignment of receivables from third party debtors.

Amounts owed to group undertakings are against the shareholder Danstoker A/S, Herning/Denmark (EUR 255 k) and Thermax Limited (EUR 19 k).

Liabilities owed to group undertakings with a remaining term up to one year amount to EUR 83 k.

All other liabilities are due within one year.

**III. Notes to the income statement**

The other operating income contains income relating to prior periods (EUR 165 k; prior year EUR 363 k). This income resulted from the release of accruals.

In the course of the short fiscal year 2011/2012 the company generated revenue

(EUR 121 k) with the parent company. On the other side, material costs had a budget of EUR 133 k, expenses for management fee of EUR 21 k and other expenses amounting to EUR 8 k.

The sales revenue (EUR 12,982 k) shares as follows:

Sale of boilers EUR 11,040 k

Service-Area EUR 1,942 k

From the above mentioned revenue sales EUR 9,952 k result from domestic business and EUR 3,030 k from foreign transactions.

**IV. Other information**

**1. Contingent liabilities**

For payments in advance received from customers guarantees of Sydbank, Flensburg, and Tryg Garanti, Ballerup/Denmark are issued. The guarantee credit line at Sydbank is secured by a chattel mortgage of the warehouse, the machines, the mobile plant and equipment, the vehicle fleet and furthermore by a global assignment of the receivables.

**2. Other financial commitments**

Other financial commitments amount to EUR 611 k plus VAT. These commitments result from lease contracts for a bending machine, cutting machine, rotator, stapler and lease- and rent contracts for offices, vehicles and hard- and software. These contracts have a maximum residual until November 2016.

**3. Average number of company staff**

| | 2011/2012 | 2010/2011 |
|---|---|---|
| Industriell workers | 48 | 45 |
| Administration employees | 64 | 64 |
| | 112 | 109 |

**4. Management of the company**

Managing directors of the company:

Mr. Heribert Fasel,engineer, Duisburg (since 1. January 2012)

Mr. Jan Enemark, businessman, Herning/Denmark

Mr. Hemant Mohgaonkar, businessman, Pune/India (until 22. February 2012)

Mr. Kalimili Chakravarthy, businessman, Chennai Tamilnadu/India (since 22. February 2012)

The declaration of the total remuneration of the management is omitted in accordance with § 286 (4) HGB.

**5. Appropriation of earnings**

The management proposes to carry forward the net income of the year.

**6. Shareholders**

The sole shareholder of OMNICAL Kessel- und Apparatebau GmbH is Danstoker A / S, Herning, Denmark.

**7. Consolidated financial statements**

Thermax Denmark ApS, Denmark and Thermax Limited, India prepare consolidated financial statements, in which the financial statements of OMNICAL Kessel- und Apparatebau GmbH are included. The consolidated financial statements are published in the offices these companies.

Dietzhölztal, April 18, 2012

OMNICAL Kessel- und Apparatebau GmbH

Heribert Fasel Jan Enemark Kalimili Chakravarthy

**OMNICAL Kessel- und Apparatebau GmbH, Dietzhölztal**
**Development of fixed assets from October 1, 2011 to March 31, 2012**

| | Acquisition costs | | | | Depreciation and amortization | | | | Book value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 10/1/2011 EUR | Additions EUR | Disposal EUR | 3.31.2012 EUR | 10/1/2011 EUR | Additions EUR | Disposal EUR | 3.31.2012 EUR | 3.31.2012 EUR | 9.30.2011 EUR |
| **I. Intangible assets** | | | | | | | | | | |
| Software | 172,264.88 | 0.00 | 0.00 | 172,264.88 | 137,504.10 | 7,498.39 | 0.00 | 145,002.49 | 27,262.39 | 34,760.78 |
| **II. Tangible assets** | | | | | | | | | | |
| 1. Land and buildings | 674,570.59 | 0.00 | 0.00 | 674,570.59 | 367,378.38 | 25,879.44 | 0.00 | 393,257.82 | 281,312.77 | 307,192.21 |
| 2. Technical equipment and machinery | 447,147.03 | 3,625.00 | 0.00 | 450,772.03 | 208,485.38 | 17,190.20 | 0.00 | 225,675.58 | 225,096.45 | 238,661.65 |
| 3. Other equipment, factory and office equipment | 375,488.90 | 5,944.29 | 12,680.55 | 368,752.64 | 200,144.24 | 24,601.53 | 12,679.54 | 212,066.23 | 156,686.41 | 175,344.66 |
| | 1,497,206.52 | 9,569.29 | 12,680.55 | 1,494,095.26 | 776,008.00 | 67,671.17 | 12,679.54 | 830,999.63 | 663,095.63 | 721,198.52 |
| | 1,669,471.40 | 9,569.29 | 12,680.55 | 1,666,360.14 | 913,512.10 | 75,169.56 | 12,679.54 | 976,002.12 | 690,358.02 | 755,959.30 |

**Management Report for the 2010/2011 financial year**

## 1. BUSINESS PHILOSOPHY

OMNICAL has been among the market leaders in industrial boiler construction for more than half a century. Our experience, with over 40,000 boilers delivered worldwide, our quality consciousness, our efficiency and the reliability of our products are highly recognised internationally.

With numerous outstanding product developments, we offer our customers comprehensive product and system solutions in a way that no other industrial boiler manufacturer in the world does. Our expertise extends to oil and gas, biomass, coal and waste heat boilers, as well as to special boilers to generate hot water and steam.

We produce in accordance with the highest EU safety and quality standards, both in serial production and in accordance with customer specific requirements. In addition, we offer our customers expert and comprehensive engineering consultancy and services concerning all aspects of the industrial boiler business.

OMNICAL belongs to the Danish boiler manufacturer Danstoker A/S in Herning. Both companies work independently in their markets and profit from the synergies of this mutual partnership. In November 2010 both companies were sold to the stocklisted energy group Thermax Ltd. located in Pune/Maharashtra, India.

## 2. DEVELOPMENT OF BUSINESS

The worldwide financial crisis and the accompanying reluctance to invest still left significant traces.

<u>German Market</u>

The domestic German market for oil and gas boilers was characterised by fierce competition at the start of the 2010/2011 financial year, as before. The price level that could be achieved was correspondingly low.

In the solid fuel boiler segment it can be seen that, due to the very low gas prices, investors are still reluctant to invest in solid fuel boilers, such as biomass or coal, despite the improving financial conditions.

<u>Export Market</u>

The export market was, in comparison to the domestic German market, even more affected. For example some export orders were stopped or postponed to the next fiscal year.

OMNICAL Service, with its bases in Dietzhölztal, Hamburg, Berlin, Zwickau, Oldenburg and Neu-Ulm, was not able to reach its planned sales targets.

At € approx. 20 million, orders in hand on 30.9.2011 stood slightly above the level of the previous year of € 16 million.

Staffing increased from 105 employees to 114 employees (including 12 apprentices) in comparison with September 2010.

## 3. PROFIT SITUATION

The total output (sales revenues plus/minus change in inventory) of the Company in the 2010/2011 financial year was € 22,639,000 (2009/2010 € 15,726,000) and thus 44% above the previous year.

The material costs rate was 70.0 % (2009/2010 58.5 %) of total output. The increase was mainly due to the different product mix in the 2010/11 financial year. Service orders have a lower materials proportion than the boiler business.

Labour costs mainly encompass wages and salaries including social security deductions. The labour costs rate was 26.5 % (2009/2010 33.1 %) of total output. The change in the labour costs rate in comparison with the previous year is largely due to the rise of the proportion of external production and purchased goods.

The result before taxes on income has fallen from € 15,000 in the previous year to € -923,000 in the past financial year. This was largely due to 3 - 4 orders slipping and the loss of receivables by the insolvency of a customer.

## 4. FINANCIAL SITUATION

In total the Company had a flow of funds of € 1,273,000 in the 2010/2011 financial year. The cash flow from operating activities is negative at € 948,000. The outflow of investment funds amounted to € 211,000. The outflow of financing funds of € 114,000 is largely due to the repayment of several loans.

## 5. Net ASSETS SITUATION

The proportion of assets in the balance sheet total, which increased by € 5,094,000, was 4.2 % (2009/2010 5.3 %). As in the previous year assets are completely covered by equity.

Half of the property (administrative buildings, production halls) is used by the Company itself and the remaining area of the property is partly let to third parties.

Inventory encompasses 74.2 % (2009/2010 57.1 %) of the balance sheet total. Inventory of € 13,413 (2009/2010 € 7,413,000) is contrasted with advance payments of € 12,084,000 (2009/2010 € 7,476,000). Our Company overwhelmingly carries out contract manufacture.

Trade receivables amounted to € 2,269,000 (2009/2010 € 2,493,000). This results in a receivables rate (receivables/total assets) of 12.6 % (2009/2010 19.2 %).

Equity fell to € 954,000 due to the annual loss of € 631,000 (2009/2010 annual profit € 8,000) and a distribution of profits of € 400,000. The equity ratio declined from 12.2% in the previous year to 5.3%.

The operating business of the Company is overwhelmingly financed by advance payments received for orders, which have to be paid due to the long production duration of the orders, as is usual in the sector. For this guarantees are given to the clients in part.

**6. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE**

With effect from 1.3.2012 a change of the fiscal year from 1.4. to 31.3. of the following year was decided.

There were no events after the balance sheet date that have an important influence on the assessment of the situation of the Company.

**7. OPPORTUNITIES AND THREATS REPORT**

a. Our worldwide sales markets for oil and gas boilers to generate hot water and steam are subject to cutthroat competition. As has already been explained, market prices in this market segment have come under pressure, but with further increasing growth this pressure will slowly ease again. The measures carried out to optimise design and production have strengthened overall competitiveness and will accordingly be continued in the next financial year. The concentration on selling special boilers with high technical requirements and that need correspondingly high consultation expertise will be further accelerated in the next financial year.

b. Administrative performance will be further improved with the continuing development of the Project Processing department (preparing quotations and processing orders) and a better adjustment of the existing ERP system to real processes.

Otherwise the Management does not see any further significant risks, in particular no risks to the Company's continued existence or that would impair development.

**8. FORECAST**

**8.1 Business Climate**

The economic climate for the business in Germany has further improved in December after it already had stabilized in the previous month. The current business situation is evaluated to remain favourable. The German economy seems to defy the downturn in Western Europe successfully.

**8.2. Market Development**

Currently we assess our further market development to be similar to that presented in the business climate. Our capacity utilisation at the moment is insignificantly better in comparison with the previous year and expectations for further development in the next six months are optimistic overall.

**8.3 Strategic Further Development**

The introduction of a management system (KAIZEN) already started in the last years will be continued with high priority and the organisational conversion of the Company to a service provider for nationally and internationally active plant construction companies will be further driven forward. After overcoming the crisis building up strategic partnerships, especially in export, will now be pursued further.

Cooperation with our parent company Danstoker respectively Thermax, especially in product development, production and purchasing, will also be further accelerated.

Taking all the factors mentioned above into account, we expect a significantly better result in the 2011/2012 financial year than in this year against the background of continuing positive economic growth.

Dietzhölztal, 28 December 2011

OMNICAL Kessel- und Apparatebau GmbH

Jan Enemark Hemant Mohgaonkar

**Management Report for the short fiscal year from 1, October 2011 to 31, March 2012**

**1. BUSINESS PHILOSOPHY**

OMNICAL has been among the market leaders in industrial boiler construction for more than half a century. Our experience, with over 40,000 boilers delivered worldwide, our quality consciousness, our efficiency and the reliability of our products are internationally highly recognised.

With numerous outstanding product developments, we offer our customers comprehensive product and system solutions in a way that no other industrial boiler manufacturer in the world does. Our expertise extends to oil and gas, biomass, coal and waste heat boilers, as well as to special boilers to generate hot water and steam.

We produce in accordance with the highest EU safety and quality standards, both in serial production and in accordance with customer specific requirements. In addition, we offer our customers expert and comprehensive engineering consultancy and services concerning all aspects of the industrial boiler business.

OMNICAL belongs to the Danish boiler manufacturer Danstoker A/S in Herning. Both companies work independently in their markets and profit from the synergies of this mutual partnership. In November 2010 both companies were sold to the stocklisted energy group Thermax Ltd. located in Pune/Maharashtra, India.

**2. DEVELOPMENT OF BUSINESS**

After the worldwide financial crisis, which was accompanied by the reluctance to invest, still left significant traces in the previous years, now a positive development in the markets is noticeable.

<u>German Market</u>

The domestic German market for oil and gas boilers was characterised by fierce competition at the start of the 2011/2012 financial year, as before. The price level that could be achieved was correspondingly low. The number of orders received and the number of new projects is encouraging.

In the solid fuel boiler segment it can be seen that, due to the very low gas prices, investors are still reluctant to invest in solid fuel boilers, such as biomass or coal, despite the improving financial conditions.

<u>Export Market</u>

Due to the financial crisis the export market was, in comparison to the domestic German market, even more affected. Here a slight recovery and a stabilization of the markets are identifiable. On the basis of increased orders and new invitations to tender, synergies for the export markets that arise from the affiliation to Thermax Ltd. are clearly noticeable.

OMNICAL Service, with its bases in Dietzhölztal, Hamburg, Berlin, Zwickau, Oldenburg and Neu-Ulm, was able to keep its market position.

At approx. € 16.8 million, orders in hand on 31.3.2012 stood below the level of the previous year of € 20 million.

In March 2012 staffing decreased from 114 employees to 109 employees (including 10 apprentices) in comparison with September 2011.

**3. PROFIT SITUATION**

As the reporting period is a shortened fiscal year from 1. October 2011 to 31. March 2012, the numbers of the financial statements are not fully comparable with previous years figures.

The total output (sales revenues plus/minus change in inventory) of the Company in the 2011/2012 short financial year was € 8,568,000 (2010/2011 € 22,639,000).

The material costs rate was 56.4 % (2010/2011 70.0 %) of total output. The decrease was mainly due to the different product mix in the 2011/12 short financial year. Service orders have a lower materials proportion than the boiler business.

Labour costs mainly encompass wages and salaries including social security deductions. The labour costs rate was 34.5 % (2010/2011 26.5 %) of total output.

The result before taxes on income increased from € -923,000 in the previous year to € 10,000 in the past financial year.

**4. FINANCIAL SITUATION**

In total the Company had a net flow of funds of € 65,000 in the 2011/2012 financial year. The cash flow from operating activities is positive at € 94,000. The outflow of investment funds amounted to € 10,000. The outflow of financing funds of € 19,000 is largely due to the repayment of a loan.

**5. Net ASSETS SITUATION**

The proportion of assets in the balance sheet total, which decreased by € 5,693,000, was 5.6 % (2010/2011 4.2 %). As in the previous year assets are completely covered by equity.

Half of the property (administrative buildings, production halls) is used by the Company itself and the remaining area of the property is partly let to third parties.

Inventory encompasses 64.4 % (2010/2011 74.2 %) of the balance sheet total. Inventory of € 7,966,000 (2010/2011 € 13,413,000) is contrasted with advance payments of € 8,538,000 (2010/2011 € 12,084,000). Our Company overwhelmingly carries out contract manufacture.

Trade receivables amounted to € 2,311,000 (2010/2011 € 2,269,000). This results in a receivables rate (receivables/total assets) of 18.7 % (2010/2011 12.6 %).

Equity increased to € 973,000 due to the annual profit of € 18,000 (2010/2011 annual loss € 631,000). The equity ratio rose from 5.3% in the previous year to 7.9%.

The operating business of the Company is overwhelmingly financed by advance payments received for orders, which have to be paid due to the long production duration of the orders, as is usual in the sector. For this guarantees are given to the clients in part.

**6. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE**

There were no events after the balance sheet date that have an important influence on the assessment of the situation of the Company.

**7. OPPORTUNITIES AND THREATS REPORT**

a. The product portfolio and the current order backlog is a mix of standard boilers and some larger special boilers. For both product segments very good know-how and many years of experience are available. Therefore there are neither in the production nor in the order processing significant risks.

b. Our worldwide sales markets for oil and gas boilers to generate hot water and steam are subject to cutthroat competition. As has already been explained, market prices in this market segment have come under pressure, but with further increasing growth this pressure will slowly ease again. The measures carried out to optimise design and production have strengthened overall competitiveness and will accordingly be continued in the next financial year.

c. For more complex boilers and complete constructions a risk assessment starting with the projects and attending during the processing is implemented.

d. Administrative performance will be further improved with the continuing development of the Project Processing department (preparing quotations and processing orders) and a better adjustment of the existing ERP system to real processes.

Otherwise the Management does not see any further significant risks, in particular no risks to the Company's continued existence or that would impair development.

**8. FORECAST**

**8.1 Business Climate**

The economic climate for the business in Germany has improved compared to the previous years. The number of invitations to tender and the current number of contracts to be concluded show that the reluctance to invest slowly disappears at our potential customers. The products manufactured by OMNICAL represent capital equipment for which fuel costs (gas, oil, biomass, coal) are a major economical decision criterion. Both the fuel price trends and the energy policy in Germany became more stable and assessable compared to the previous years. Thereby investments are more reliably projectable and appraisable. The economic sector, in which OMNICAL operates, usually follows the normal business situation time-delayed. The stabilisation after the financial crisis will be reflected by investments in new boiler systems in the next years.

**8.2. Market Development**

Currently we assess our further market development to be similar to that presented in the business climate. Our capacity utilisation at the moment is better in comparison with the previous year and expectations for further development in the next twelve months are optimistic overall.

**8.3. Strategic Further Development**

The introduction of a management system (KAIZEN) already started in the last years will be continued with high priority and the organisational conversion of the Company to a service provider for nationally and internationally active plant construction companies will be further driven forward. Building up strategic partnerships, especially in export, will be pursued further.

The cooperation with our parent company Danstoker respectively Thermax, especially in product development, production and purchasing, shows significant successes.

Taking all the factors mentioned above into account, we expect a significantly better result in the 2012/2013 financial year than in this year against the background of continuing positive economic growth.

Dietzhölztal, 18. April 2012

OMNICAL Kessel- und Apparatebau GmbH

Heribert Fasel    Jan Enemark    Kalimili Chakravarthy

# Ejendomsanpartsselskabet Industrivej Nord 13

| *Executive Board* | *Registered Office* | *Auditors* |
|---|---|---|
| Hemant Mohgaonkar<br>Gopal Mahadevan | Industivej Nord 13<br>DK-7400 Herning | KPMG<br>Havengade 33<br>6701 Esbjerg |

Annual report for the period 1 October 2010 - 31 March 2012

The following is a translation of an original Danish document. The original Danish document shall be the governing document for all purposes, and in case of any discrepancy the Danish wording shall be applicable.

Registration No. 13 96 64 43

## Statement and report

## Statement by the Management

The Executive and Supervisory Boards have today discussed and approved the annual report of Ejendomsanpartsselskabet Industrivej Nord 13 for the financial year 1 October 2010 - 31 March 2012.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2012 and of the results of its operations for the financial year 1 October 2010 - 31 March 2012.

Further, in our opinion, the Management's review gives a fair review of the state of affairs discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Herning, 26 April 2012

Executive Board:

Hemant Prabhakar Mohgaonkar Gopal Mahadevan

## Independent auditors' report

## To the shareholder of Ejendomsanpartsselskabet Industrivej Nord 13

We have audited the financial statements of Ejendomsanpartsselskabet Industrivej Nord 13 for the financial year 1 October 2010 - 31 March 2012, pp. 7-17. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In addition to our audit, we have read the Management's review prepared in accordance with the Danish Financial Statements Act and issued a statement in this regard.

**Management's responsibility**

Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management is also responsible for the preparation of a Management's review that includes a fair review in accordance with the Danish Financial Statements Act.

**Auditors' responsibility and basis of opinion**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' 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 auditors consider internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

Our audit did not result in any qualification.

**Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2012 and of the results of its operations for the financial year 1 October 2010 - 31 March 2012 in accordance with the Danish Financial Statements Act.

**Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Esbjerg, 26 April 2012
KPMG
Statsautoriseret Revisionspartnerselskab

| | |
|---|---|
| John Lesbo | Birgitte Nygaard Jørgensen |
| State Authorised | State Authorised |
| Public Accountant | Public Accountant |

# Ejendomsanpartsselskabet Industrivej Nord 13

## Management's review

## Company details

Ejendomsanpartsselskabet Industrivej Nord 13
Industrivej Nord 13
DK-7400 Herning

| | |
|---|---|
| Reg. no.: | 13 96 64 43 |
| Established: | 9 January 1990 |
| Registered office: | Herning |
| Financial year: | 1 April - 31 March |

(Conversion period 1 October 2010 - 31 March 2012)

**Executive Board**
Hemant Prabhakar Mohgaonkar
Gopal Mahadevan

**Auditors**
KPMG
Statsautoriseret Revisionspartnerselskab
Havnegade 33
DK-6701 Esbjerg

## Operating review

## Principal activity

The Company's principal activity is to own and lease out the property Industrivej Nord 13, DK-7400 Herning.

**Development in activities and financial matters**

The Company's activities remain unchanged compared to 2009/10. Management considers the profit for the year satisfactory.

**Events after the balance sheet date**

No events have occurred after the balance sheet date which may materially affect the Company's financial position.

## Financial statements for the period 1 October 2010 - 31 March 2012

**Accounting policies**

The annual report of Ejendomsanpartsselskabet Industrivej Nord 13 for 2010/12 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

**Recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic resources is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

**Income statement**

**Revenue**

Revenue comprises rental income, etc., which is recognised in the income statement in the period, which the rent concerns.

**Other external expenses**

Other external expenses comprise administrative expenses.

**Financial income and expenses**

Financial income and expenses comprise interest income and expense as well as surcharges and refunds under the tax prepayment scheme.

**Tax on profit for the year**

The Company is covered by the Danish rules on compulsory joint taxation of the Thermax Denmark ApS Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation and up to the date on which they exit the consolidation.

The parent company Thermax Denmark ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the authorities.

The current corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits. The jointly taxed companies are taxed under the tax prepayment scheme.

Tax for the year comprises joint taxation contribution and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to income and expenses recognised in equity is recognised directly in equity.

Provision has been made for deferred tax on revaluation of investment properties to the extent that the sale hereof at carrying amount will give rise to tax liabilities. The amount has been deducted from the fair value reserve of investment assets.

**Balance sheet**

**Property, plant and equipment**

Land and buildings are measured at cost less accumulated depreciation. Land is not depreciated. In connection with significant changes in the value of land and buildings, revaluation at or write-down to fair value is made.

The basis of depreciation is cost less expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected economic lives of the assets. The expected economic lives are as follows:

Buildings up to 34 years.

Write-down of property, plant and equipment is made to the recoverable amount if this is lower than the carrying amount.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

**Receivables**

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

**Equity - dividends**

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

**Tax in the balance sheet**

In accordance with the joint taxation rules, the subsidiaries' liabilities towards the tax authorities regarding their corporation taxes are settled as payment of joint taxation contributions to the administrative company is made.

Joint taxation contribution payable and receivable is recognised in the balance sheet under Balances with group companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured according to the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

**Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

**Prepayments**

Prepayments comprise costs incurred in relation to subsequent financial years.

# Ejendomsanpartsselskabet Industrivej Nord 13

## *Financial statements for the period 1 October 2010 - 31 March 2012*

### Balance sheet as at 31st March, 2012

| Particulars | Note | 2010/12 DKK'000 | 2010/12 Rs.'000 | 2009/10 DKK'000 | 2009/10 Rs.'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| **Property, plant and equipment** | 4 | | | | |
| Land and buildings | | 29,611 | 255,846 | 30,148 | 252,634 |
| **Total non-current assets** | | 29,611 | 255,846 | 30,148 | 252,634 |
| **Current assets** | | | | | |
| **Receivables** | | | | | |
| Receivables from group enterprises | | 2,235 | 19,310 | 962 | 8,061 |
| **Cash at bank and in hand** | | 19 | 164 | 2 | 16 |
| **Total current assets** | | 2,254 | 19,475 | 964 | 8,078 |
| **Total assets** | | 31,865 | 275,322 | 31,112 | 260,712 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | 5 | | | | |
| Share capital | | 200 | 1,728 | 200 | 1,675 |
| Fair value reserves of investment assets | | 2,938 | 25,385 | 2,938 | 24,619 |
| Retained earnings | | 2,440 | 21,082 | 735 | 6,159 |
| **Total equity** | | 5,578 | 48,195 | 3,873 | 32,455 |
| **Provisions** | | | | | |
| Deferred tax | | 1,913 | 16,528 | 1,760 | 14,748 |
| **Total provisions** | | 1,913 | 16,529 | 1,760 | 14,748 |
| **Liabilities other than provisions** | | | | | |
| **Non-current liabilities other than provisions** | 6 | | | | |
| Amounts owed to mortgage credit institutions | | 19,202 | 165,910 | 21,118 | 176,964 |
| | | 19,202 | 165,910 | 21,118 | 176,964 |
| **Current liabilities other than provisions** | | | | | |
| Current portion of non-current liabilities other than provisions | | 1,291 | 11,154 | 1,255 | 10,516 |
| Payables for group enterprises | | 366 | 3,162 | 0 | 0 |
| Other payables | | 2,506 | 21,652 | 2,126 | 17,815 |
| Accrued income | | 1,009 | 8,718 | 980 | 8,212 |
| | | 5,172 | 44,687 | 4,361 | 36,544 |
| **Total liabilities other than provisions** | | 24,374 | 210,597 | 25,479 | 213,509 |
| **Total equity and liabilities** | | 31,865 | 275,322 | 31,112 | 260,712 |
| **Charges, collateral and contingencies, etc.** | 7 | | | | |

Exchange rate: as at 31 March 2012 is 1 DKK = Rs 8.64025
Exchange rate: as at 30 Sep 2010 is 1 DKK = Rs 8.3798

## *Financial statements for the period 1 October 2010 - 31 March 2012*

### Income statement for the period 1 October 2010 - 31 March 2012

| Particulars | Note | 2010/12 (18 months) DKK'000 | 2010/12 (18 months) Rs.'000 | 2009/10 (12 months) DKK'000 | 2009/10 (12 months) Rs.'000 |
|---|---|---|---|---|---|
| **Revenue** | | 5938 | 51,305 | 3,724 | 31,206 |
| Other external expenses | | -85 | -734 | -37 | -310 |
| Amortisation and depreciation | 4 | -1,199 | -10,359 | -730 | -6,117 |
| **Profit before financial income and expenses** | | 4,654 | 40,212 | 2,957 | 24,779 |
| Financial income | 1 | 109 | 941 | 0 | 0 |
| Financial expenses | 2 | -2,056 | -17,764 | -1,286 | -10,776 |
| **Profit before tax** | | 2,707 | 23,389 | 1,671 | 14,003 |
| Tax on profit for the year | 3 | -677 | -5,849 | -418 | -3,502 |
| **Profit for the year** | | 2,030 | 17,540 | 1,253 | 10,500 |
| **Proposed profit appropriation** | | | | | |
| Retained earnings | | 2,030 | 17,540 | 1,253 | 10,500 |
| | | 2,030 | 17,540 | 1,253 | 10,500 |

### Statement of changes in Equity for the period 1 October 2010 - 31 March 2012

| Particulars | 1-Oct-10 DKK'000 | 1-Oct-10 Rs.'000 | Revaluation after tax on interest rate swap DKK'000 | Revaluation after tax on interest rate swap Rs.'000 | Proposed profit appropriation DKK'000 | Proposed profit appropriation Rs.'000 | 31-Mar-12 DKK'000 | 31-Mar-12 Rs.'000 |
|---|---|---|---|---|---|---|---|---|
| Share capital | 200 | 1728.05 | 0 | 0 | 0 | 0 | 200 | 1728.050 |
| Revaluation of property, plant and equipment | 2,938 | 25385.06 | 0 | 0 | 0 | 0 | 2,938 | 25385.055 |
| Retained earnings | 2,199 | 18999.91 | 0 | 0 | 2,030 | 17539.708 | 4,229 | 36539.619 |
| Market statement, interest rate swap (retained earnings) | -1,464 | -12649.33 | -325 | -2808.081 | 0 | 0 | -1,789 | -15457.408 |
| | 3,873 | 33,464 | -325 | -2,808 | 2,030 | 17,540 | 5,578 | 48,195 |

## *Financial statements for the period 1 October 2010 - 31 March 2012*

**Notes to the financial statements**

| | DKK'000 | 2010/12 | 2009/10 |
|---|---|---|---|
| 1 | **Financial income** | | |
| | Interest expense, group enterprises | 108 | 0 |
| | Other interest income | 1 | 0 |
| | **Total financial income** | 109 | 0 |
| 2 | **Financial expenses** | | |
| | Interest expense, group enterprises | 0 | 60 |
| | Other interest expenses | 2,056 | 1,226 |
| | **Total financial expenses** | 2,056 | 1,286 |
| 3 | **Tax on profit for the year** | | |
| | Joint taxation contribution for the year | 524 | 24 |
| | Adjustment of deferred tax | 153 | 394 |
| | | 677 | 418 |

**4 Property, plant and equipment**

| DKK'000 | Land and buildings |
|---|---|
| Cost at 1 October 2010 | 38,517 |
| Additions | 671 |
| Disposals | -10 |
| Cost at 31 March 2012 | 39,178 |
| Revaluations at 1 October 2010 | 4,080 |
| Revaluations at 31 March 2012 | 4,080 |
| Depreciation, amortisation and write-down at 1 October 2010 | 12,448 |
| Depreciation, amortisation and write-down for the year | 1,199 |
| Depreciation, amortisation and write-down at 31 March 2012 | 13,647 |
| Carrying amount at 31 March 2012 | 29,611 |

**5 Equity**

| DKK'000 | 1/10 2010 | Revaluation after tax on interest rate swap | Proposed profit appropriation | 31/3 2012 |
|---|---|---|---|---|
| Share capital | 200 | | | 200 |
| Revaluation of property, plant and equipment | 2,938 | | | 2,938 |
| Retained earnings | 2,199 | | 2,030 | 4,229 |
| Market statement, interest rate swap (retained earnings) | -1,464 | -325 | 0 | -1,789 |
| | 3,873 | -325 | 2,030 | 5,578 |

**6 Non-current liabilities other than provisions**

| DKK'000 | Total debt 1/10 2010 | Total debt 31/3 2012 | Repayment, next year | Non-current portion | Outstanding debt after 5 years |
|---|---|---|---|---|---|
| Bank loans | 22,373 | 20,493 | 1,291 | 19,202 | 14,308 |

**7 Charges, collateral and contingencies, etc.**

Land and buildings with a carrying amount of DKK 29,611 thousand at 31 March 2012 have been provided as collateral for bank loans of DKK 20,493 thousand.

The Company has provided guarantees for all balances between banks and group-related companies to their banks. At 31 March 2012, balances amounted to DKK 3,665 thousand.

The Company has a recourse guarantee commitment for performance and advance guarantees in group-related companies, DKK 42,770 thousand.

The Company has entered an interest rate swap contract concerning on loan amounted to DKK 13,348 thousand, with a net position as of 31 March 2012 on DKK -2,385 thousand. (2009/10: -1,952 thousand.)

# THERMAX SPX ENERGY TECHNOLOGIES LIMITED

## *Directors*

Pheroz Pudumjee
Chairman

Dr. Robert Bartels
Drew Ladau
M. S. Unnikrishnan
Hans Torsten Andersch
*(Alternate to Drew Ladau)*

## *Registered Office*

Thermax House
14, Mumbai-Pune Road,
Pune 411 003
India

## *Auditors*

**B. K. Khare & Co.**
Chartered Accountants
Hotel Swaroop, 4th Floor,
Lane No. 10, Prabhat Road,
Pune 411 004

## *Manager & Chief Executive Officer*

Shailesh Wani
*(Appointed w.e.f. December 1, 2011)*

## *Corporate Office*

4th Floor, Energy House,
D-II Block, Plot No. 38 & 39, MIDC
Chinchwad, Pune 411 019

## *Bankers*

Corporation Bank
Axis Bank

## *Company Secretary*

Mahesh Kakade
*(Appointed w.e.f. November 1, 2011)*

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## *Directors' Report*

Dear Shareholder,

Your Directors have pleasure in presenting the Third Annual Report and the audited accounts of the company for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(Rs.in lacs)

| **Particulars** | **2011-12** | **2010-11** |
|---|---|---|
| Total income | 431.56 | 916.84 |
| Profit before depreciation | (333.90) | (101.37) |
| Depreciation | 11.69 | 5.41 |
| Profit before tax | (345.58) | (106.78) |
| Provision for taxation (incl. deferred tax) | (68.93) | 68.93 |
| Profit after tax | (414.51) | (37.85) |

**DEFINING OUR BUSINESS**

Your company is a strategic joint venture (JV) between Thermax Limited and SPX Netherlands BV., a wholly owned subsidiary of SPX Corporation, USA.

The JV helps power plants to meet the stringent emission norms and to improve thermal efficiencies in the boiler island by supplying products like Electrostatic Precipitators (ESP), Bag Houses, Rotary Air Pre-Heaters (RAPHs). In addition to above products the JV has been offering Air Cooled Condensers [ACC] based upon SPX technologies for all sizes of thermal power plants. Thermax's expertise will be in facilitating and integrating energy and environment aspects of the business.

**OPERATIONS**

Since incorporation, your company has made a successful foray in the power sector of the Indian market by actively participating in a number of bids for Electrostatic Precipitators, Regenerative Air-Preheaters and Air Cooled Condensers to build a strong foundation for future business.

During the year, your company also won an order for Air Cooled Condenser for 1 x 50 MW Power Plant. This order involves design, engineering, manufacturing, supply, supervision, installation, erection and commissioning of ACC. Your company has completed supply of its first order for Regenerative Air-Preheater (RAPH). This order involves design, engineering, manufacturing, supply, supervision of installation, erection and commissioning of 4 numbers of RAPH units for 2 x 750 TPH boilers of a leading oil refinery. The Company was successful in getting itself approved as the supplier for Electrostatic Precipitator (ESP), Air Cooled Condenser (ACC) and Regenerative Air-Preheater (RAPH) by various power developers & consultants.

**SHARE CAPITAL**

The company was incorporated with an authorised share capital of Rs. 50 crore. The present paid-up and issued share capital of the company is Rs. 20 crore held by its Joint Venture partner's viz. Thermax Limited and SPX Netherlands BV., in the ratio of 51% and 49%, respectively.

**DIVIDEND**

In view of the loss for the financial year 2011-12, your directors do not recommend any dividend.

**FUTURE PLANS**

In the quest for operational excellence, your company is organizing people and technical systems to achieve the highest level of operating performance. In accordance with the requirement, the company will also evaluate implementation of Enterprise Resource Planning [ERP].

The company also plans to make its strong presence felt not only in the domestic market but also in the international markets with support from SPX Corporation and Balcke Duerr GmbH, a subsidiary of SPX Corporation.

The company will evaluate and expand the current product portfolio to bring in other products from SPX Corporation to serve the power industry.

**PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

1. Particulars of Employees

   None of the employees are covered by the provision contained in Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time, Statement under Section 217 (2A) is not annexed.

2. Conservation of Energy and Technology Absorption

   Information pertaining to conservation of energy and technology absorption, as required under Section 217(1)(e) of the Companies Act, 1956 is not applicable to company since the manufacturing activity has not started.

3. Foreign Exchange earnings and outgo

   Information pertaining to foreign exchange earnings and outgo, under Section 217(1)(e) of the Companies Act, 1956 is set out in note no. 1.8 of Note No. 22 - Notes to Accounts.

**PUBLIC DEPOSITS**

The company has not accepted any deposits from the public.

**DIRECTORS**

Mr. Raj Kapur who was Alternate Director to Mr. Drew Ladau and Mr. Hans Torsten Andersch who was Alternate Director to Dr. Robert Bartels were resigned with effect from January 5, 2012.

Mr. Hans Torsten Andersch was appointed as Alternate Director to Mr. Drew Ladau effective January 12, 2012.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. M. S. Unnikrishnan and Dr. Robert Bartels retires by rotation and being eligible offers, themselves for re-appointment as Directors.

**MANAGER**

Mr. Vijay J. Shah, ceased as a Manager of the company with effect from November 30, 2011. The Board has placed on record its appreciation for the valuable services rendered by Mr. Vijay J. Shah during his tenure as Manager of the Company.

The board had appointed Mr. Shailesh C. Wani as the 'Manager' of the Company and designated as Chief Executive Officer and Manager for the period December 1, 2011 to November 30, 2014.

**COMPANY SECRETARY**

Mr. Sunil Kashelkar, Company Secretary of the Company was resigned with effect from July 30, 2011.

In accordance with the provisions of Section 383A of the Companies Act, 1956, Mr. Mahesh Maruti Kakade who holds the prescribed qualification, has been appointed as a Company Secretary effective November 1, 2011.

**BOARD COMMITTEES**

Presently, the Board has constituted two committees:

1. **Audit Committee**

   The committee presently comprise of three members - Mr. Drew Ladau (Chairman), Mr. M. S. Unnikrishnan and Dr. Robert Bartels.

   The constitution of the committee meets with the requirements of Section 292A of the Companies Act, 1956.

   The terms of reference of the Audit Committee broadly include:

   a) review of internal control systems,

   b) review the half yearly and annual accounts of the company,

   c) deciding the scope of internal audit,

   d) investigation into / act on any matter as may be referred to it by the Board.

   The Committee has met four times during the financial year 2011-12 on the following dates i.e. April 19, 2011, July 18, 2011, October 10, 2011 and January 12, 2012.

2. **Remuneration Committee**

   The committee presently comprises four members. Mr. Drew Ladau, Dr. Robert Bartels, Mr. Pheroz Pudumjee and Mr. M. S. Unnikrishnan.

   The Terms of Reference of this committee is to review and approve remuneration of managerial personnel appointed under the Companies Act, 1956.

   Mr. Shailesh C. Wani was appointed as 'Manager' of the company pursuant to the provisions of Section 269 of the Companies Act, 1956, for the period December 1, 2011 to November 30, 2014. The Remuneration Committee has reviewed and approved remuneration payable to Mr. Shailesh C. Wani for his aforesaid appointment.

**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 financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) the directors had prepared the annual accounts on a going concern basis.

**AUDITORS**

M/s B. K. Khare & Co, Chartered Accountants, will retire as Statutory Auditors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**ACKNOWLEDGEMENTS**

Your directors wish to place on record their gratitude for the valuable assistance and cooperation extended to the company by the employees, strategic partners and all outside agencies. Your Directors look forward to their continued support in the future as well.

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

| | | |
|---|---|---|
| Pune, April 24, 2012 | **M. S. Unnikrishnan**<br>Director | **Torsten Andersch**<br>Director |

## *Auditors' Report*
## *To the members of Thermax SPX Energy Technologies Limited*

1. We have audited the attached Balance Sheet of Thermax SPX Energy Technologies Limited as at 31st March 2012, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
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 our audit;
   (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
   (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
      (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
      (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date

**For B. K. Khare & Co.**
**Chartered Accountants**
Firm Registration No.105102W

**Prasad V. Paranjape**
**Partner**
Membership no. 047296

Pune, 24th April 2012

## *Annexure to the Auditors' Report*
## *(Referred to in paragraph 3 of our report of even date)*

**To the members of Thermax SPX Energy Technologies Limited**

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. In our opinion and according to the information and explanations given to us, the requirements of paragraphs 4 (ii) of the Order in respect of 'inventories' are not, on facts, applicable to the Company and hence no comments have been offered there under.
3. According to the information and explanations given to us, since there are no parties covered in the register maintained under Section 301 of the Act the Company has neither taken from nor granted loans, secured or usnsecured, to any such companies, firms or other parties. Accordingly the provisions of clauses 4(iii) (b), (c), (d), (f) and (g) of the order are not applicable to the company and hence not commented upon.
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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. According to the information and explanations given to us, since there are no parties covered in the register maintained under Section 301 of the Act there are no contracts or arrangements with any such party. Accordingly, the provisions of clauses 4(v) (b) of the order is not applicable to the company and hence not commented upon.
6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. Based on the examination of books of accounts and information and explanations provided to us, the maintenance of cost records has not been prescribed under Section 209 (1) (d) of the Companies Act, 1956 in respect of products manufactured by the company.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of 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 as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.
   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited.
10. As the company has been in existence for less than five years, Para 4(x) of the Companies Auditor's Report Order, 2003 is not applicable to the company.
11. Based on the information and explanations given to us, the Company had no dues to a financial institution or bank or debenture holders.
12. According to the information and explanations given by the management and based on the documents and records produced before 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.
13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause of 4(xiii) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly the provisions of clause 4(xiv) of the Companies Auditor's Report Order, 2003 (as amended) are not applicable to the company.
15. Based on the information and explanations given to us, during the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken any term loan during the year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not 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 Act during the year.
19. No debentures have been issued during the year.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

**For B. K. Khare & Company**
**Chartered Accountants**
Firm Registration No.105102W

**Prasad V. Paranjape**
**Partner**
Membership No. 047296

Pune, 24th April 2012

## *Balance Sheet as at March 31, 2012*

| Particulars | Note No | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **1. Shareholders' funds** | | | |
| **a.** Share capital | 1 | **20 00 00 000** | 20 00 00 000 |
| **b.** Reserves and surplus | 2 | **(5 37 51 965)** | (1 23 00 310) |
| | | **14 62 48 035** | 18 76 99 690 |
| **2. Non-current liabilities** | | | |
| **a.** Other Long-term liabilities | 3 | **6 62 970** | 20 80 346 |
| **b.** Long-term provisions | 4 | **8 46 000** | 6 96 171 |
| | | **15 08 970** | 27 76 517 |
| **4. Current liabilities** | | | |
| **a.** Trade payables | 5 | **87 91 113** | 2 71 90 750 |
| **b.** Other current liabilities | 6 | **1 52 84 387** | 1 03 38 846 |
| **c.** Short-term provisions | 7 | **1 37 34 138** | 39 34 600 |
| | | **3 78 09 638** | 4 14 64 196 |
| **TOTAL** | | **18 55 66 643** | 23 19 40 403 |
| **II ASSETS** | | | |
| **1. Non-current assets** | | | |
| **a.** Fixed assets | 8 | | |
| i. Tangible assets | | **24 69 380** | 32 31 917 |
| ii. Intangible assets | | **5 08 809** | 4 29 428 |
| iii. Capital work-in-progress | | - | - |
| iv. Intangible assets under development | - | - | |
| **b.** Deferred Tax Asset (net) | 9 | - | 68 92 896 |
| **c.** Long-term loans and advances | 10 | **61 86 523** | 47 97 025 |
| **c.** Other non-current assets | 11 | **52 19 113** | 41 14 014 |
| | | **1 43 83 825** | 1 94 65 280 |
| **2. Current assets** | | | |
| **a.** Current investments | 12 | **6 22 16 852** | 11 40 81 673 |
| **b.** Inventories | - | - | - |
| **c.** Trade receivables | 13 | **8 17 000** | 3 33 45 354 |
| **d.** Cash and bank balances | 14 | **10 67 11 831** | 6 16 70 182 |
| **e.** Short-term loans and advances | 15 | **9 62 276** | 32 39 584 |
| **f.** Other current assets | 16 | **4 74 859** | 1 38 330 |
| | | **17 11 82 818** | 21 24 75 123 |
| **TOTAL** | | **18 55 66 643** | 23 19 40 403 |
| Notes to the financial statements | 22 | | |

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

## *Profit and loss statement for the year ended March 31, 2012*

| | Particulars | Note No | Amount Rupees Year Ended March 31, 2012 | Amount Rupees Year Ended March 31, 2011 |
|---|---|---|---|---|
| **I** | Revenues from operations | 17 | **2 83 89 539** | 8 11 36 309 |
| **II** | Other income | 18 | **1 47 67 187** | 1 05 47 923 |
| **III** | **Total Revenue (I+II)** | | **4 31 56 726** | 9 16 84 232 |
| **IV** | **Expenses :** | | | |
| | Cost of materials consumed | 19 | **2 72 49 418** | 5 75 02 310 |
| | Purchases of Stock-in-Trade | - | - | - |
| | Changes in inventories | - | - | - |
| | Employee benefits | 20 | **2 58 53 941** | 2 27 82 006 |
| | Finance costs | - | - | - |
| | Depreciation and amortisation | | **11 69 279** | 5 41 317 |
| | Other expenses | 21 | **2 34 42 847** | 2 15 36 666 |
| | **Total Expenses** | | **7 77 15 485** | 10 23 62 299 |
| **V** | Profit before exceptional and extraordinary items and tax (III-IV) | | **(3 45 58 759)** | (1 06 78 067) |
| **VI** | Exceptional items | | - | - |
| **VII.** | Profit before extraordinary items and tax (V - VI) | | **(3 45 58 759)** | (1 06 78 067) |
| **VIII** | Extraordinary Items | | - | - |
| **IX** | Profit before tax (VII- VIII) | | **(3 45 58 759)** | (1 06 78 067) |
| **X** | Tax expense: | | | |
| | 1. Current tax | | - | - |
| | 2. Deferred tax | | **( 68 92 896)** | 68 92 896 |
| **XI** | Profit / (loss) for the period from continuing operations (VII-VIII) | | **(4 14 51 655)** | ( 37 85 171) |
| **XII** | Profit / (loss) from discontinuing operations | | - | - |
| **XIII** | Tax expense of discontinuing operations | | - | - |
| **XIV** | Profit / (loss) from Discontinuing operations (after tax) (XII-XIII) | | - | - |
| **XV** | Profit (Loss) for the period (XI + XIV) | | **(4 14 51 655)** | ( 37 85 171) |
| **XVI** | Earning per equity share (Refer note no 1.14) | | | |
| | 1. Basic | | **(2.07)** | (0.19) |
| | 2. Diluted | | **(2.07)** | (0.19) |
| | Notes to the financial statements | 22 | | |

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

As per our report of even date

For and on behalf of the Board

**For B.K.Khare & Co.**
*Chartered Accountants*
**Firm Registration No 105102W**

**M.S. Unnikrishnan**
*Director*

**Torsten Andersch**
*Director*

**Prasad V. Paranjape**
*Partner*
( Membership No. 047296 )

**Shailesh Wani**
*Chief Executive Officer*

**Mahesh Kakade**
*Company Secretary*

Pune, April 24, 2012

Pune, April 24, 2012

## *Notes to Financial Statements as on 31.03.2012*

| Particulars | Reference to note no 22 | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **Note 1** | | | |
| **Share capital** | | | |
| **Equity Share Capital** | | | |
| **Authorised** | | | |
| 5 00 00 000 equity shares (P.Y. 5 00 00 000) of Rs 10 each fully paid | | **50 00 00 000** | **50 00 00 000** |
| **Issued and fully paid** | | | |
| 2 00 00 000 equity shares (P.Y. 2 00 00 000) of Rs 10 each fully paid | | **20 00 00 000** | 20 00 00 000 |

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

| | March 2012 | | March 2011 | |
|---|---|---|---|---|
| | Nos | Amt Rs | Nos | Amt Rs |
| At the beginnning of the period | 2 00 00 000 | 20 00 00 000 | 1 99 20 000 | 19 92 00 000 |
| Issued during the year | - | - | 80 000 | 8 00 000 |
| Outstanding at the end of the period | 2 00 00 000 | 20 00 00 000 | 2 00 00 000 | 20 00 00 000 |

b) Term / rights attached to equity shares :
The Company has only one class of equity shares having at par value of Rs 10 per share. Each holder of equity shares is entitled to vote per share. The Company declares and pays dividends in Indian Rupees. The 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 holder 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 :
51% of the equity shares are held by Thermax Ltd, holding company.

d) Details of share holding more than 5% shares in the Company :

| | March 31, 2012 | March 31, 2011 |
|---|---|---|
| Equity share of Rs 10 each fully paid up - | | |
| - Thermax Limited | 51% | 51% |
| - SPX Nederlands B.V. | 49% | 49% |

| Particulars | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|
| **Note 2** | | |
| **Reserves and Surplus** | | |
| Balance in Profit and Loss account : | | |
| Per Last Balance Sheet | **(1 23 00 310)** | ( 85 15 139) |
| Profit and loss statement balance | **(4 14 51 655)** | ( 37 85 171) |
| | **(5 37 51 965)** | (1 23 00 310) |
| | **(5 37 51 965)** | (1 23 00 310) |
| **Note 3** | | |
| **Other Long-term liabilities** | | |
| Trade payables | **5 94 976** | 20 80 346 |
| Others | **67 994** | - |
| | **6 62 970** | 20 80 346 |
| **Note 4** | | |
| **Long-term provisions** | | |
| Long Term Employee Benefits | **8 46 000** | 6 96 171 |
| | **8 46 000** | 6 96 171 |
| **Note 5** | | |
| **Trade payables** | | |
| Trade payables | **87 91 113** | 2 71 90 750 |
| | **87 91 113** | 2 71 90 750 |

| Particulars | Reference to note no 22 | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **Note 6** | | | |
| **Other current liabilities** | | | |
| Contracts in Progress | | - | 29 58 000 |
| Customer Advances | | **1 37 55 400** | 50 71 946 |
| Other Liabilities | | **15 28 987** | 23 08 900 |
| | | **1 52 84 387** | 1 03 38 846 |
| **Note 7** | | | |
| **Short-term provisions** | | | |
| Short Term Employee Benefits | | **29 68 088** | 23 20 000 |
| Provision for Liquidated damages | | **32 29 200** | 16 14 600 |
| Provision for Warranty | | **33 28 200** | - |
| Others | | **42 08 650** | - |
| | | **1 37 34 138** | 39 34 600 |

**Note 8**

**Fixed assets**

| Asset Block | GROSS BLOCK | | | | DEPRECIATION | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as on 1st April 2011 | Additions during the Year | Deductions/ adjustments during the year | Balance as on 31st March 2012 | Upto 31st March 2011 | Depreciation for the year | Deductions/ adjustments during the year | Total as on 31st March 2012 | As at 31st March 2012 | As at 31st March 2011 |
| **Tangible Assets :** | | | | | | | | | | |
| Computers | 18 40 511 | 1 39 731 | - | **19 80 242** | 3 85 733 | 6 58 219 | - | **10 43 952** | **9 36 290** | 14 54 778 |
| Office Equipments | 13 000 | 45 135 | - | **58 135** | 2 244 | 18 926 | - | **21 170** | **36 965** | 10 756 |
| Furniture & Fixtures | 41 963 | - | - | **41 963** | 1 839 | 14 025 | - | **15 864** | **26 099** | 40 124 |
| Vehicles | 18 13 011 | - | - | **18 13 011** | 86 752 | 2 56 233 | - | **3 42 985** | **14 70 026** | 17 26 259 |
| **Intangible Assets :** | | | | | | | | | | |
| Software | 4 94 177 | 3 01 257 | - | **7 95 434** | 64 749 | 2 21 876 | - | **2 86 625** | **5 08 809** | 4 29 428 |
| **Total** | **42 02 662** | **4 86 123** | | **46 88 785** | **5 41 317** | **11 69 279** | | **17 10 596** | **29 78 189** | **36 61 345** |
| Previous year | - | 42 02 662 | - | 42 02 662 | - | 5 41 317 | - | 5 41 317 | | - |

| Particulars | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|
| **Note 9** | | |
| **Deferred Tax Asset (net)** | | |
| Brought forward business loss / depreciation | - | 60 91 377 |
| Preliminary expenses | - | 8 01 519 |
| | - | 68 92 896 |

| Particulars | Reference to note no 22 | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **Note 10** | | | |
| **Long-term loans and advances** | | | |
| **Unsecured, considered good** | | | |
| Security Deposits | | **30 42 000** | 30 42 000 |
| Balances with Central Excise & Customs account | | **13 62 048** | 10 16 372 |
| Other loans and advances (specify nature). | | **17 82 475** | 7 38 653 |
| | | **61 86 523** | 47 97 025 |
| **Note 11** | | | |
| **Other non-current assets** | | | |
| Long Term Trade Receivables | | | |
| Unsecured Considered good | | **52 19 113** | 41 14 014 |
| | | **52 19 113** | 41 14 014 |
| **Note 12** | | | |
| **Current Investments** | | | |
| Non trade | | | |
| Investments in Mutual Funds | | | |
| (i) 4 21 936.457 units of Birla Ultra Short Term Fund Daily dividend plan - Dividend re-investment | | **4 22 16 852** | 3 40 81 673 |
| (ii) 20 00 000 units of Birla Short Term Fixed Maturity plan - Series 31 - Growth | | **2 00 00 000** | **-** |
| (iii) 30 00 000 units of Birla Short Term Fixed Maturity Plan series 7 - Dividend payout | | **-** | 3 00 00 000 |
| (iv) 30 00 000 units of Kotax Fixed Maturity Plan Series - 42 Growth | | **-** | 3 00 00 000 |
| (v) 20 00 000 units of Birla Fixed Term Plan Series CU Growth | | **-** | 2 00 00 000 |
| | | **6 22 16 852** | 11 40 81 673 |
| Aggregate value of quoted investments | | | |
| - Cost | | **6 22 16 852** | 11 40 81 673 |
| - Market value (NAV) | | **6 22 51 852** | 11 46 22 873 |
| **Note 13** | | | |
| **Trade Receivables** | | | |
| Unsecured trade receivable outstanding for a period exceeding six month | | | |
| Considered good | | - | 7 67 281 |
| Considered doubtful | | - | - |
| Other trade receivable | | **8 17 000** | 3 25 78 073 |
| | | **8 17 000** | 3 33 45 354 |
| **Note 14** | | | |
| **Cash and bank balances** | | | |
| Balances with banks | | | |
| - In Current Account | | **4 67 11 831** | 1 16 70 182 |
| - Deposit with more then 12 month in maturity | | - | - |
| - Deposit others | | **6 00 00 000** | 5 00 00 000 |
| Cash on hand | | - | - |
| | | **10 67 11 831** | 6 16 70 182 |

| Particulars | Reference to note no 22 | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **Note 15** | | | |
| **Short-term loans and advances** | | | |
| **Unsecured, considered good** | | | |
| Advances recoverable in cash or in kind or for value to be received | | - | - |
| Advances to Suppliers | | - | 25 76 021 |
| Security Deposits | | **11 000** | - |
| Advances to Staff and Workers | | **1 20 510** | 23 355 |
| Others | | **8 30 766** | 6 40 208 |
| | | **9 62 276** | 32 39 584 |
| **Note 16** | | | |
| **Other current assets** | | | |
| Interest accrued but not due | | **4 74 859** | 1 38 330 |
| | | **4 74 859** | 1 38 330 |
| **Note 17** | | | |
| **Revenue from operations** | | | |
| A. Sales | | | |
| (i) Domestic | | **2 36 48 717** | 8 22 80 283 |
| Add : Closing Contracts in Progress | | **-** | ( 29 58 000) |
| Less : Opening Contracts in Progress | | **( 29 58 000)** | - |
| (i) | | **2 66 06 717** | 7 93 22 283 |
| (ii) Exports | | **-** | - |
| (i) + (ii) | | **2 66 06 717** | 7 93 22 283 |
| B. Sale of services | | **16 41 750** | - |
| C. Other operating revenues | | | |
| Commission | | - | 15 48 279 |
| Exchange Difference Income | | - | 33 610 |
| Miscellaneous Income | | **1 41 072** | 2 32 137 |
| | | **1 41 072** | 18 14 026 |
| D. Less: Excise duty | | - | - |
| (A + B + C - D) | | **2 83 89 539** | 8 11 36 309 |
| **Note 18** | | | |
| **Other income** | | | |
| Interest Income | | **56 88 125** | 64 75 165 |
| Dividend on current investments | | **35 74 955** | 40 72 758 |
| Net gain/loss on sale of current investments | | **55 04 107** | - |
| | | **1 47 67 187** | 1 05 47 923 |
| **Note 19** | | | |
| **Cost of Material consumed** | | | |
| Consumption of raw materials and components | | | |
| Opening Stocks | | - | - |
| Add: Purchases (Other then Trading purchases) | | **2 72 49 418** | 5 75 02 310 |
| | | **2 72 49 418** | **5 75 02 310** |
| Less: Closing Stocks | | - | - |
| | | **2 72 49 418** | 5 75 02 310 |
| **Note 20** | | | |
| **Employee Benefits Expense** | | | |
| Salaries and wages | | **2 28 16 283** | 2 05 26 566 |
| Contribution to provident and other funds | | **19 50 478** | 14 46 913 |
| Gratuity | 1.2 | **4 04 656** | 2 26 328 |
| Staff welfare expenses | | **6 82 524** | 5 82 199 |
| | | **2 58 53 941** | 2 27 82 006 |

| Particulars | Reference to note no 22 | Amount Rupees As at March 31, 2012 | Amount Rupees As at March 31, 2011 |
|---|---|---|---|
| **Note 21** | | | |
| **Other Expenses** | | | |
| Power and Fuel | | **8 30 711** | 7 15 701 |
| Drawing, Design and Technical Service Charges | | **11 26 760** | 63 44 265 |
| Site Expenses and Contract Labour Charges | | **3 81 756** | 1 00 000 |
| Rent and Service Charges | | - | - |
| Lease Rentals | | **60 84 000** | 45 63 000 |
| Repairs and Maintenance: | | - | - |
| Building | | **3 64 587** | 6 19 347 |
| Plant and Machinery | | - | - |
| Others | | **25 600** | - |
| Communication | | **5 73 244** | 2 75 669 |
| Traveling and Conveyance | | **33 98 406** | 44 39 925 |
| Advertising and Exhibition Expenses | | **3 19 501** | 5 09 291 |
| Testing Charges | | **10 17 424** | - |
| Bank Charges | | **8 550** | 1 23 589 |
| Legal & Professional Charges | | **33 03 118** | 10 15 527 |
| Printing and Stationery | | **1 36 446** | 2 52 291 |
| Liquidated Damages | | **16 14 600** | 16 14 600 |
| Warranty Expenses | | **33 28 200** | - |
| Net gain or loss on foreign currency transaction and translation | | **69 968** | - |
| Miscellaneous Expenses | | **8 59 976** | 9 63 461 |
| | | **2 34 42 847** | 2 15 36 666 |

## *Notes to the financial statements*

**Note No 22**

**1.1 Significant Accounting Policies**

**a) Basis of Preparation of Financial Statements**

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. The company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

**b) 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 amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses for the reported period. Differences between the actual results and estimates are recognized in the period in which the results are known/materialized.

**c) Fixed Assets – Tangible and Intangible**

i. Tangible assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use.

ii. Expenditure incurred on acquisition of software is recognized as Intangible asset if it is expected that such asset will generate sufficient future economic benefits.

**d) Depreciation**

Depreciation on all tangible assets is provided by the Straight Line method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956 except the following –

i. Depreciation on computers & office equipments is provided at accelerated rate (@33.33% SLM).

ii. Depreciation on vehicles related to employee benefits is provided at 15% / 13.45% SLM.

iii. Furniture & fixtures are depreciated at 100% pro-rata basis.

iv. Intangible assets are amortised by straight line method over estimated useful life of such asset.

**e) Investments**

Investments that are intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Investments classified as long term investments are carried at cost. Provision for diminution if any, is made to recognize a decline, other than temporary in nature, in the carrying amount of such long term investments.

Investments classified as current investments are carried at lower of cost and fair value.

**f) Employee Benefits**

**Short-Term Benefits**

**Leave Encashment**

Liability on account of the company's obligations under the employee's leave policy is provided on actual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

**Medical and Leave Travel Assistance benefits**

Liability on account of the company's obligation under the employee's medical reimbursement scheme and leave travel assistance is provided on actual basis based on the entitlement remaining unutilized as at balance sheet date.

**Employee's Short Term Incentive Plan**

Liability on account of the company's obligation under the employee short-term incentive plan as applicable is provided on actual basis as per the relevant term as determined.

**Long-Term Benefits**

**Provident Fund**

Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan, is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

**Superannuation Fund**

Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary.

**Gratuity**

i. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation using projected unit credit method.

ii. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy is recognized as asset.

iii. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss account.

iv. Past service cost/effect of any curtailment or settlement is charged/ credited to the profit and loss statement, as applicable.

g) **Provisions and Contingent Liabilities**

Provisions in respect of present obligations arising out of past events (recognized in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events, if any, are disclosed by way of a note to the Balance Sheet.

Contingent Liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

h) **Revenue Recognition**

Revenue in respect of contract for supply and supervision of erection and commissioning work; execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method.

Stage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contracts cost.

Difference between costs incurred plus recognized profits / less recognized losses and the amount of invoiced sale is disclosed as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the company, some of which are of a technical nature, concerning where relevant, the percentage of completion, costs to completion, the expected revenue from the contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.

Dividend from investments is recognized when the company's right to receive is established. Interest income is accounted on time proportion basis.

i) **Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

Exchange difference arising on settlement of transactions in foreign currencies is dealt with in the Profit & Loss statement.

Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing rates as at Balance sheet date.

j) **Taxes on Income**

Income tax payable is determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence in respect if deferred tax assets, on timing differences, being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

The carrying amount of deferred tax assets is reviewed at each reporting date. The company writes down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized.

k) **Others**

Liability for liquidated damages is recognized when it is deducted/ claimed by the customer or when a reasonable estimate of the likely obligation can be made.

**1.2 Defined benefit Plans for employees ( AS 15 )**

As per Actuarial valuation as on March 31,2012 and recognized in financial statements in respect of Gratuity scheme :

| | 2011-12 (Rupees) | 2010 - 11 (Rupees) |
|---|---|---|
| **Components of Employer Expense** | | |
| Current Service Cost | 367,268 | 226, 328 |
| Interest Cost | 18,106 | - |
| Expected Return On plan assets | (33,439) | - |
| Net Actuarial (gain) loss recognised in the year | 52,721 | - |
| Past Service Cost | - | - |
| Expenses Recognised in the statement of Profit & Loss | 404,656 | 226,328 |
| **Net Assets/(Liability) recognized in Balance Sheet as at 31st March 2012** | | |
| Present Value Of Obligation | 652,895 | 226,328 |
| Fair Value Of Plan Assets | 505,819 | 259,174 |
| Liability (assets) | 147,076 | (32,846) |
| Unrecognised Past Service Cost | - | - |
| Liability / (asset) recognised in the Balance Sheet | 147,076 | (32,846) |
| **Changes in Gratuity Obligation during the year** | | |
| Present Value Of obligation Beginning Of The Period | 226,328 | - |
| Interest Cost | 18,106 | - |
| Current Service Cost | 367,268 | 226,328 |
| Past Service Cost | - | - |
| Benefits Paid | - | - |
| Actuarial (gain) loss on Obligation | 41,193 | - |
| Present Value Of obligation End Of The Period | 652,895 | 226,328 |
| **Changes in the fair value of Plan Assets** | | |
| Fair value of plan Assets Beginning Of The Period | 259,174 | - |
| Expected Return On plan assets | 33,439 | - |
| Contributions | 224,734 | 259,174 |
| Benefits Paid | - | - |
| Actuarial gain / (Loss) Plan Assets | (11,528) | - |
| Fair value of plan Assets End Of The Period | 505,819 | 259,174 |

| | 2011-12 (Rupees) | 2010 - 11 (Rupees) |
|---|---|---|
| **Major categories of plan assets as a percentage of total plan assets** | | |
| **Major categories of plan assets as a percentage of total plan assets** | | |
| Funds managed by Insurer | 100% | 100% |
| **Actuarial Assumptions** | | |
| Discount Rate | 8.5% | 8% p.a. |
| Expected Return On Plan Assets | 9% | N/A |
| Withdrawal Rate (per annum) | 5% | 5% |
| Future salary increase | 10% | 10% |
| Mortality | Indian assured lives mortality LIC (1994 – 96) ultimate. | Indian assured lives mortality LIC (1994 – 96) ultimate. |
| **Amounts for current year and previous year are as follows** | | |
| Present value of obligation | 6,52,895 | 2,26,328 |
| Plan assets | 5,05,819 | 2,59,174 |
| Surplus/( deficit ) | ( 1,47,076) | 32,846 |
| Experience adjustment on plan liabilities – (loss)/gain | (81,641) | N/A |
| Experience adjustment on plan assets – (loss)/gain | (11,528) | N/A |

**1.3 Contingent Liabilities not provided for**

**Nil**

**1.4 Micro Small & Medium Enterprises**

The Company has not received any intimation, from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.

**1.5 Miscellaneous expense include :**

| Particulars | 2011-12 Rs | 2010-11 Rs |
|---|---|---|
| i. Audit Fees | **50,000** | 40,000 |
| ii. Tax Audit Fees | **10,000** | 10,000 |
| iii. VAT Audit Fees | **10,000** | 10,000 |

Above figures are exclusive of service tax.

**1.6 Consumption of Raw Materials, Components etc.**

| Particulars | Unit | 2011 – 12 Rupees | 2010 – 11 Rupees |
|---|---|---|---|
| Fabricated Items | Numerous | **1,84,85,777** | 4,73,88,682 |
| Mechanical/ Electrical bought-out items | Numerous | **87,63,641** | 1,01,13,628 |
| **Total** | | **2,72,49,418** | 5,75,02,310 |

**1.7 Imported and indigenous raw materials consumed**

| Particulars | 2011-12 | | 2010-11 | |
|---|---|---|---|---|
| | % | Rs. | % | Rs. |
| i) Imported | 24% | **65,45,919** | 0% | Nil |
| ii) Indigenous | 76% | **2,07,03,499** | 100% | 5 75 02 310 |
| **Total Consumption** | 100% | **2,72,49,418** | 100% | 5 75 02 310 |

**1.8 Transactions in foreign currency (on accrual basis)**

| Particulars | 2011-12 Rs | 2010-11 Rs |
|---|---|---|
| **Earnings in Foreign Currency** | | |
| Reimbursement of expenses | **8,17,000** | Nil |
| Sales Commission | **Nil** | 15,48,279 |
| **Expenditure in foreign currency** | | |
| Foreign Travel Expenses | **68,000** | 1,79,382 |
| Drawing, Designing & Engineering Services | **34,49,436** | 63,22,753 |
| **Total Expenditure** | **46,44,196** | 65,02,135 |

**1.9 Value of Imports (on CIF basis)**

| | | Rupees |
|---|---|---|
| | **2011 – 12** | 2010 - 11 |
| Raw Material | **65,45,919** | Nil |

**1.10** In case where letters of confirmation have been received from parties, book balances have been generally reconciled and adjusted. In other cases, balances in accounts of sundry debtors, sundry creditors and advances or deposits have been taken as per books of accounts.

**1.11** Estimated amount of contracts remaining to be executed on capital account (net of capital advance) and not provided for Rs. NIL *(Previous Year Rs 4,97,631).*

**1.12 Segment Reporting**

Primary Segment

Based on the guiding principle given in the Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company is operating in a single business segment, viz Energy.

Secondary Segment

There is no Secondary segment even with reference to geographical location of external customers.

**1.13 Related Party Disclosures**

Related Party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

**a) List of related parties and description of relationships:**

**Parties where control exists:**

RDA Holdings & Trading Pvt. Ltd. - Ultimate Holding Company (w.e.f. 01.04.2008)

Thermax Limited - Holding Company

**Fellow Subsidiary**

Thermax Engineering Construction Company Limited (India)

Thermax Instrumentation Limited (India)

Thermax Sustainable Energy Solutions Limited (India)

Thermax International Limited (Mauritius)

Thermax Hong Kong Limited (Hong Kong)

Thermax Europe Limited (U.K.)

Thermax Inc. (U.S.A)

Thermax (Zhejiang) Cooling and Heating Engineering Co. Limited (China)

Thermax do Brasil Energia e Equipametos Ltda. (Brazil)

Thermax Onsite Energy Solutions Limited

Thermax Babcock & Wilcox Energy Solutions Private Limited

Thermax Netherlands B.V.

Thermax Denmark ApS

Danstoker A/S

Omnical Kessel- und Apparatebau GmbH

Ejendomsanpartsselskabet Industrivej Nord 13

Balcke Durr Gmbh

SPX Evaporating Cooling, Kansas City (USA)

**Party having substantial interest:**

SPX Nederlands BV

**b) Key Management Personnel**

Mr. Shailesh Wani – Manager

c) **Transactions with the Related Parties**

| | 2011 – 12 (Amount rupees) | | | | 2010 – 11 (Amount Rupees) |
|---|---|---|---|---|---|
| Particulars | Holding Company | Fellow subsidiaries – domestic | Fellow subsidiaries – foreign | Total | Total |
| **Sales** | 2,52,90,467 | - | - | **2,52,90,467** | 8,22,80,283 |
| **Purchases of raw material :** '- Balcke Durr Gmbh | - | - | 25,71,464 | **25,71,464** | - |
| **Sales commission received :** - Balcke Durr Gmbh | - | - | - | - | 15,48,279 |
| **Office Lease Rent paid** | 60,84,000 | - | - | **60,84,000** | 45,63,000 |
| **Receiving of Services :** - Balcke Durr Gmbh | - | - | 23,76,192 | **23,76,192** | 63,22,753 |
| - SPX Cooling Technologies Belgium | - | - | 10,00,000 | **10,00,000** | - |
| **Reimbursement of Expenses claimed (Net)** :- Thermax Ltd (holding company) | 39,46,861 | - | - | **39,46,861** | 38,79,691 |
| - Thermax Engineering Construction Company | - | 36,000 | | **-36,000** | 18,000 |
| - SPX Evaporating Cooling Technologies, USA | - | - | (8,17,000) | **(8,17,000)** | - |
| **Advances received during the year (net)** | 1,37,55,400 | - | - | **1,37,55,400** | 50,71,946 |
| **Creditors balances outstanding** - Thermax Ltd (holding company) | 60,54,156 | - | - | **60,54,156** | 30,43,028 |
| - Balcke Durr Gmbh | - | - | 14,77,738 | **14,77,738** | - |
| **Debtors Balances Outstanding** - Thermax Ltd (holding company) | 52,19,113 | - | - | **52,19,113** | 3,74,59,368 |
| - SPX Evaporating Cooling Technologies, USA | - | - | 8,17,000 | **8,17,000** | - |

**1.14 Earning Per Share (EPS)**

Earning per share calculated in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India :

| **Particulars** | **Rs** | 2010-11 Rs |
|---|---|---|
| Net Profit/(Loss) available for shareholders | **(4,14,51,655)** | (37,85,171) |
| Weighted average number of Equity Shares of Rs. 10 each | **2,00,00,000** | 1,99,84,877 |
| Basic and diluted earning per share (face value of Rs 10 each) | **(2.07)** | (0.19) |

**1.15.** The company has presented the Balance-sheet, Statement of profit and loss and Notes thereto in the format prescribed under Revised Schedule VI to the Companies Act, 1956 as notified by the Ministry of Corporate Affairs, Government of India. Previous year's figures have been regrouped wherever necessary to conform to this year's classification and to comply with Revised Schedule VI requirements.

## *Cash Flow Statement for the year*

| | | **2011-12 Rupees** | 2010-11 Rupees |
|---|---|---|---|
| **A** | **Cash flow from Operating Activities** | | |
| | Net Profit / (Loss) before tax | **(3 45 58 759)** | (1 06 78 067) |
| | ***Add: Adjustments for*** | | |
| | Depreciation | **11 69 279** | 5 41 317 |
| | Other Income : | | |
| | Interest received | **(56 88 125)** | (64 75 165) |
| | Dividend Received | **(35 74 955)** | (40 72 758) |
| | Net gain on sale of current investments | **(55 04 107)** | – |
| | ***Less: Adjustments for*** | **–** | **–** |
| | **Operating profit before working capital changes** | **(4 81 56 667)** | (2 06 84 673) |
| | ***Adjustments for*** | | |
| | Trade Receivables | **3 25 28 354** | (3 74 59 368) |
| | Other Non current assets | **(11 05 099)** | - |
| | Advances to suppliers | **25 76 021** | (19 22 508) |
| | Other Short term Loans & advances | **(2 98 713)** | - |
| | Long term Loans & advances | **(13 89 498)** | (22 96 706) |
| | Other Current Assets | **(3 36 529)** | (29 58 617) |
| | Trade payables | **(1 83 99 637)** | 2 06 51 429 |
| | Short Term Provisions | **97 99 538** | 46 30 772 |
| | Advances from customer | **86 83 454** | (56 92 054) |
| | Contract in Progress | **(29 58 000)** | 29 58 000 |
| | Other Current Liabilities | **(7 79 913)** | 22 76 325 |
| | Other Long term liabilities | **(14 17 376)** | - |
| | Long term Provisions | **1 49 829** | - |
| | **Cash generated from operations** | **(2 11 04 236)** | (4 04 97 399) |
| | Direct taxes paid | - | **-** |
| | **Net cash flow from operating activities (A)** | **(2 11 04 236)** | (4 04 97 399) |
| **B** | **Cash flow from Investing activities** | | |
| | Purchase of Fixed Assets | **(4 86 123)** | (42 02 662) |
| | Purchase of investments | **(2 00 00 000)** | (3 39 25 458) |
| | Sale / Redemption of investments (net) | **7 73 68 928** | - |
| | Interest received | **56 88 125** | 64 75 165 |
| | Dividend Received | **35 74 955** | 40 72 758 |
| | **Net Cash Flow from Investing activities (B)** | **6 61 45 885** | (2 75 80 198) |
| **C** | **Cash flow from Financing Activities** | - | **-** |
| | **Net cash from in Financing activities (C)** | - | **-** |
| | **Net (decrease)/increase in cash & cash equivalents (A + B + C)** | **4 50 41 649** | (6 80 77 597) |
| | **Opening cash & bank balances** | **6 16 70 182** | 12 97 47 779 |
| | **Closing cash & bank balances** | **10 67 11 831** | 6 16 70 182 |

As per our report of even date

For and on behalf of the Board

**For B.K.Khare & Co.**
*Chartered Accountants*
**Firm Registration No 105102W**

**M.S. Unnikrishnan**
*Director*

**Torsten Andersch**
*Director*

**Prasad V. Paranjape**
*Partner*
(Membership No. 047296)

**Shailesh Wani**
*Chief Executive Officer*

**Mahesh Kakade**
*Company Secretary*

Pune, April 24, 2012

Pune, April 24, 2012

# THERMAX BABCOCK & WILCOX ENERGY SOLUTIONS PRIVATE LIMITED

## *Board of Directors*

Meher Pudumjee-Chairperson
Mary Pat Salomone
M. S. Unnikrishnan
Richard Lee Killion
Joseph Randall Data
Ravinder Advani
Rodney Carlson
Gopal Mahadevan

## *Registered Office*

Dhanraj Mahal, 2nd Floor,
Chhatrapati Shivaji Maharaj Marg,
Near Regal Cinema, Colaba,
Mumbai- 400039,
Maharashtra, INDIA

## *Auditors*

**B. K. Khare & Co.**
706/707, Sharda Chambers,
New Marine Lines,
Mumbai - 400 020

## *Chief Operating Officer*

Deepak Chopra

## *Company Secretary*

Satish Thombre

## *Corporate Office*

Survey No. 152/153, PMT Complex,
Behind PCMC Office Building,
Old Mumbai Pune Road, Pimpri,
Pune – 411 018

## *Bankers*

ICICI Bank Ltd
State Bank of India

## *Directors' Report*

Dear Shareholders,

Your Directors take pleasure in presenting their Second Annual Report with the audited accounts of your company for the year ended March 31, 2012.

### FINANCIAL RESULTS

(Rs. in lakh)

| Particulars | 2011-2012 | 2010-11 |
|---|---|---|
| Total income | 344 | 51 |
| Profit/(Loss) before depreciation & amortisation | (1499) | (738) |
| Depreciation & Amortisation | (409) | (181) |
| Profit /(Loss) before tax | (1909) | (919) |
| Provision for taxation (incl. deferred tax) | Nil | Nil |
| Profit/ (Loss) after tax | (1909) | (919) |

### PERFORMANCE

The company continues to assimilate boiler design and manufacturing know-how, and institute work processes and good practices in consultation with B&W experts in different functions. In addition, it is actively working on developing a credible and competitive supply chain and project execution capability.

Your company has made good progress in setting up the first phase (3000 MW capacity) of its state-of-the-art boiler pressure part manufacturing plant in the MIDC development at Shirwal in Satara District. The fabrication facility is slated to be ready for commercial operations before the end of the financial year 2013, barring unforeseen circumstances.

Civil and building work is in advanced stage with the land development work close to completion. Major orders for equipping the factory have been placed and equipment deliveries are under way. The installation and commissioning of equipment in the Section and Panel shops will commence in the by Q2/Q3 of FY 2012-13 timeframe. Some statutory approvals including those related to power line shifting and securing the power feed from the transmission company has been time consuming, yet the project completion is on track. The company expects to complete the manufacturing facility on time and within budget.

During the year, the Company has staffed up in most of the critical functions in order to pursue business opportunities. The current business climate and factors affecting the power sector has led to delays in upcoming projects. This has resulted in a highly competitive market and the company's management continues to monitor the situation. The longer term business prospects for the company continue to be good.

### SHARE CAPITAL

Your company has been incorporated with an authorised share capital of Rs. 400 crore.

The joint venture partners viz. Thermax Limited and Thermax Babcock & Wilcox India Holdings, Inc. have subscribed the equity share capital of the company in various tranches. They have issued equity shares against such subscription in the ratio of 51% and 49%, respectively. The present paid-up share capital of the company is Rs. 241.48 crore.

### FINANCE

It is anticipated that the company will be within the budgeted investment of Rs. 822 crore in the first phase towards its capital expenditure. The promoters have contributed over Rs. 241.48 crore to date. The company has been sanctioned rupee term loan of Rs. 218.5 crore from ICICI Bank Ltd. and Rs. 218.5 crore from the State Bank of India of which Rs 0.50 crore have been drawn as on March 31, 2012.

### DIVIDEND

The company has not commenced manufacturing operations and there being no revenue, your Directors are unable to recommend any dividend for the period ended March 31, 2012.

### PARTICULARS UNDER SECTION 217 OF THE COMPANIES ACT, 1956

A statement of the particulars required under:

a) Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and

b) Section 217(2A) of the Companies Act, 1956, read with the rules framed there under is set out in the annexure to the Directors' Report.

### DIRECTORS

Mr. Jeff Miller has stepped down from the directorship of your company with effect from July 11, 2011. The Board places on record its appreciation for the valuable guidance provided by him during his tenure.

Mr. Rodney Carlson has been inducted on the Board of your company as an Additional Director with effect from December 16, 2011. He holds the office till the ensuing Annual General Meeting in accordance with the provisions of Section 260 of the Companies Act, 1956 (the Act). The requisite notice, with necessary deposit has been received pursuant to Section 257 of the Act, proposing him as the Director of the company. Necessary resolution appointing Mr. Rodney Carlson as the Director has been set out in the Notice of the ensuing Annual General Meeting for the approval of the shareholders.

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mrs. Meher Pudumjee, Mr. M.S.Unnikrishnan, and Mr. Joseph Randall Data retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors.

### COMPANY SECRETARY

In accordance with the provisions of Section 383A of the Companies Act, 1956, Mr. Satish Thombre who holds the prescribed qualification, has been appointed as a Company Secretary effective May 8, 2012.

### BOARD COMMITTEES

Presently, the Board has constituted two committees:

1. **Audit & Risk Committee**

   The Audit Committee has been renamed as Audit & Risk Committee. The committee comprises following members - Mr. Gopal Mahadevan (Chairman), Mr. Joseph Randall Data, Mr. Ravinder Advani and Mr. Rodney Carlson.

   The committee met thrice during the financial year 2011-12 on the following dates i.e. April 27, 2011, November 8, 2011 and March 7, 2012. The Statutory Auditors are permanent invitees and attend all the meetings of the committee.

2. **Finance Committee**

   The committee comprises four members Mr. Gopal Mahadevan (Chairman), Mr. Joseph Randall Data, Mr. Ravinder Advani and Mr. Rodney Carlson.

   The committee met twice during the year, on April 27, 2011 and June 17, 2011.

**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 financial year ended March 31, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

(iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) The financial statements have been prepared on going concern basis.

**AUDITORS**

M/s. B. K. Khare & Co., Chartered Accountants, retire as statutory auditors of the company in ensuing Annual General Meeting of the company and are eligible for reappointment.

**ACKNOWLEDGEMENTS**

Your directors wish to place on record their gratitude for the valuable assistance and cooperation extended to the company by the employees, strategic partners and all the stakeholders. Directors look forward to their continued support in the future as well.

For and on behalf of the Board of Directors

Place : Pune
Date: May 8, 2012

**Meher Pudumjee**
Chairperson

**Annexure to the Report of the Board of Directors as required under Section 217 (1) (e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, for the year ended March 31, 2012**

**A. CONSERVATION OF ENERGY**

This is not applicable as the company has not commenced manufacturing activities during the year under review.

**B. TECHNOLOGY ABSORPTION**

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

This is not applicable as the company has not commenced manufacturing activities during the year under review.

**b) Technology absorption, adaptation and innovation**

During the year under review, your company has imported supercritical & subcritical utility boiler technology which has not been fully absorbed. However, technology would be fully absorbed on completion of manufacturing, supply, erection & commissioning of the first set of such boilers after receipt of actual orders from customers. Therefore, full absorption is expected to take place after receipt and execution of initial orders.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year, the Company does not have any foreign exchange earnings. The Expenditure in Foreign Currency (on accrual basis) were towards Procurement of capital assets and reimbursement of salaries for expatriates amounting to Rs.2173 lakh, under Section 217(1)(e) of the Companies Act, 1956.

For and on behalf of the Board of Directors

Place : Pune
Date: May 8, 2012

**Meher Pudumjee**
Chairperson

*Auditors' Report*

**To the members of Thermax Babcock & Wilcox Energy Solutions Private Limited**

1. We have audited the attached Balance Sheet of Thermax Babcock & Wilcox Energy Solutions Private Limited as at 31st March 2012, and also the Profit and Loss Account and Cash Flow Statement for the year ended as on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the "Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
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 our audit;
   (b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
   (e) On the basis of written representations received from the Directors, as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, together with the Notes thereon attached thereto, give, in the prescribed manner, the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
      (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
      (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No.105102W
Prasad V. Paranjape
Partner
Membership no. 047296

Pune, 8th May 2012

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*Annexure to the Auditors' Report*

(Referred to in paragraph 3 of our report of even date)

To the members of Thermax Babcock & Wilcox Energy Solutions Private Limited

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
   (b) The fixed assets of the Company have been physically verified by the management at reasonable intervals during the period and this revealed no material discrepancies.
   (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the period.
2. In our opinion and according to the information and explanations given to us, the requirements of paragraph 4 (ii) of the Companies (Auditor's Report) Order, 2003 in respect of 'inventories', is not, on facts, applicable to the Company and hence no comments have been offered there under.
3. The Company has neither taken nor granted 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 clauses 4(iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company and hence not commented upon.
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 inventory and fixed assets and for the sale of goods and services. Further, during the course of our audit we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. According to the information and explanations given to us, we are of the opinion that the there are no contracts or arrangements with parties referred to in section 301 of the Act. Accordingly, the provisions of clauses 4(v) (b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company and hence not commented upon.
6. The Company has not accepted any deposits within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
8. Based on the examination of books of accounts and information and explanations provided to us, the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956 in respect of products manufactured by the company, viz Boilers. However, since the company is yet to start commercial operations, maintenance of cost records is considered not applicable.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of 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 as applicable, have generally been regularly deposited by the Company during the period with the appropriate authorities.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding at the year end, for the period exceeding six months from the date they became payable.
   (c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there are no disputed dues on account of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and Cess matters that have not been deposited.
10. As the company is in existence for less than five years, paragraph4 (x) ofCompanies (Auditor's Report) Order, 2003 in respect of accumulated losses is not, on facts, applicable to the Company and hence no comments have been offered there under.
11. Based on the information and explanations given to us, the Company has not defaulted in repayment of dues to bank. There are no dues outstanding towards financial institutions or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the period, 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. However, in respect of transactions relating to investment in certain securities, the Company has maintained proper records of transactions and contracts during the period and timely entries have been made therein. Further, such securities have been held by the Company in its own name.
15. Based on the information and explanations given to us, during the period, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has taken term loans from banks on 28th March 2012. The same will be utilised for the purpose for which they have been obtained, during next financial year.
17. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares.
19. No debentures have been issued during the period.
20. The Company has not raised any money by public issue during the period.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the period, nor have we been informed of such case by the Management.

For B. K. Khare & Company
Chartered Accountants
Firm Registration No.105102W
Prasad V. Paranjape
Partner
Membership No. 047296

Pune, 8th May 2012

*Balance Sheet as at March 31, 2012*

| Particulars | Note No | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | | |
| 1. Shareholders' funds | | | | |
| a. Share capital | **1** | **19 (2)** | **24,148.33** | 6,948.33 |
| b. Reserves and surplus | **2** | | **(2,827.29)** | (918.68) |
| | | | **21,321.04** | 6,029.65 |
| 2. Share application money pending allotment | | | **-** | 2,700.00 |
| 3. Non-current liabilities | | | | |
| a. Long-term borrowings | **3** | **19(3)** | **50.03** | - |
| b. Deferred tax liabilities (Net) | | **19(9)** | - | - |
| c. Other Long-term liabilities | **4** | | **1,553.32** | 3,370.53 |
| d. Long-term provisions | **5** | | **111.08** | - |
| | | | **1,714.43** | 3,370.53 |
| 4. Current liabilities | | | | |
| a. Other current liabilities | **6** | | 11,763.20 | 382.57 |
| b. Short-term provisions | **7** | | **259.44** | 7.63 |
| | | | **12,022.64** | 390.20 |
| **TOTAL** | | | **35,058.11** | 12,490.38 |
| **II. ASSETS** | | | | |
| 1. Non-current assets | | | | |
| a. Fixed assets | **8** | | | |
| i Tangible assets | | | **4,817.79** | 4,567.89 |
| ii Intangible assets | | | **2,979.38** | 2,880.01 |
| iii Capital work-in-progress | | | **20,425.06** | 506.05 |
| b. Long-term loans and advances | **9** | | **3,347.25** | 17.16 |
| c. Other non-current assets | **10** | | **368.80** | 191.22 |
| | | | **31,938.28** | 8,162.33 |
| 2. Current assets | | | | |
| a. Current investments | **11** | | **2,754.31** | 3,800.78 |
| b. Cash and cash equivalents | **12** | | **275.14** | 527.27 |
| c. Short-term loans and advances | **13** | | **0.06** | - |
| d. Other current assets | **14** | | **90.30** | - |
| | | | **3,119.83** | 4,328.05 |
| **TOTAL** | | | **35,058.11** | 12,490.38 |

Notes to the financial statements **19**

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

As per our report of even date — For and on behalf of the Board

For B. K. Khare & Co.
*Chartered Accountants* — Gopal Mahadevan, *Director* — Rodney Carlson, *Director*
Firm Registration No. 105102W

Prasad V. Paranjape
Partner
Membership No. 047296
Pune, 08th May, 2012 — Pune, 08th May, 2012

**Profit and loss statement for the year ended March 31, 2012**

| Particulars | Note No | Notes Ref | **Rs in Lacs Current Year** | Rs in Lacs Previous Year |
|---|---|---|---|---|
| I Revenues from operations | | | - | - |
| II Other income | 15 | | 343.99 | 50.78 |
| III Total Revenue (I+II) | | | 343.99 | 50.78 |
| IV Expenses : | | | | |
| Employee benefits | 16 | | 1,169.67 | 94.11 |
| Finance costs | 17 | | - | 21.39 |
| Depreciation and amortisation | | | 409.42 | 181.26 |
| Other expenses | 18 | | 673.51 | 672.70 |
| **Total Expenses** | | | 2,252.60 | 969.46 |
| V Profit before exceptional and extraordinary items and tax (III-IV) | | | (1,908.61) | (918.68) |
| VI Exceptional items | | | - | - |
| VII. Profit before extraordinary items and tax (V - VI) | | | (1,908.61) | (918.68) |
| VIII Extraordinary Items | | | - | - |
| IX Profit before tax (VII- VIII) | | | (1,908.61) | (918.68) |
| X Tax expense: | | | | |
| 1. Current tax | | | - | - |
| 2. Deferred tax | | | - | - |
| XI Profit / (Loss) for the period from continuing operations (VII-VIII) | | | (1,908.61) | (918.68) |
| XII Profit / (Loss) from discontinuing operations | | | - | - |
| XIII Tax expense of discontinuing operations | | | - | - |
| XIV Profit / (Loss) from Discontinuing operations (after tax) (XII-XIII) | | | - | - |
| XV Profit (Loss) for the period (XI + XIV) | | | (1,908.61) | (918.68) |
| XVI Earnings per equity share: | | | | |
| 1. Basic | | 19(11) | (1.74) | (1.58) |
| 2. Diluted | | 19(11) | (1.74) | (1.58) |

Face Value per Share Rs 10 (Previous Year: Rs 10)

Notes to the financial statements 19

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

As per our report of even date — For and on behalf of the Board

**For B. K. Khare & Co.**
*Chartered Accountants* — **Gopal Mahadevan**, *Director* — **Rodney Carlson**, *Director*
Firm Registration No. 105102W

**Prasad V. Paranjape**
Partner
Membership No. 047296
Pune, 08th May, 2012 — Pune, 08th May, 2012

## *Cash Flow Statement*

| Particulars | Rs in Lacs Year ended March 31, 2012 | Rs in Lacs Year ended March 31, 2011 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Profit before taxation | (1,908.61) | (918.68) |
| Adjustment for : | | |
| Depreciation & Amortisation | 409.42 | 181.26 |
| Dividend / Interest / Brokerage Income | (190.34) | (50.78) |
| Excess Provision for Depreciation | (17.23) | - |
| Preliminary Expenses | 15.95 | 257.01 |
| **Operating profit before working capital changes** | **(1,690.80)** | **(531.19)** |
| Changes in Working Capital: | | |
| Increase / (Decrease) in provisions | 251.81 | 7.63 |
| Increase / (Decrease) in other current liabilities | 11,380.63 | 382.57 |
| Increase / (Decrease) in other long term liabilities | (1,817.21) | 3,370.53 |
| Increase / (Decrease) in long term provisions | 111.08 | |
| Increase / (Decrease) in loans & advances | (0.06) | - |
| Increase / (Decrease) in other current assets | (90.30) | - |
| Increase / (Decrease) in Non-current assets | (177.58) | (191.22) |
| **Cash Generated from Operations** | **7,967.56** | **3,038.32** |
| Taxes paid (net of refunds) | | |
| Net Cash generated from operating activities | **7,967.56** | **3,038.32** |
| **B. Cash flow from Investing Activities** | | |
| Purchase of tangible / intangible assets incl WIP & Capital Advances | (23,990.57) | (8,152.38) |
| (Purchase)/sale of current investments | 1,046.47 | (3,800.78) |
| Dividends received | 190.34 | 50.78 |
| **Net cash from investing activities** | **(22,753.77)** | **(11,902.38)** |
| **C. Cash flow from Financing Activities** | | |
| Proceeds from Long Term Borrowings | 50.03 | |
| Proceeds from issue of shares net of share issue expenses | 14,500.00 | 9,648.33 |
| Preliminary Expenses | (15.95) | (257.01) |
| **Net Cash used in financing activities** | **14,534.08** | **9,391.32** |
| **Net increase in Cash and Cash equivalents (A + B +C)** | **(252.13)** | **527.27** |
| **Cash and Cash equivalents at the beginning of the year** | **527.27** | **-** |
| **Cash and Cash equivalents at the end of the year** | **275.14** | **527.27** |
| **Cash and Cash equivalents comprise of :** | | |
| Cash on Hand | | |
| Cheques on Hand | | |
| Balances with Banks in Current Accounts | 275.14 | 527.27 |
| **Total** | **275.14** | 527.27 |

As per our report of even date
**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**Prasad V. Paranjape**
Partner
Membership No. 047296

For and on behalf of the Board

**Gopal Mahadevan**
*Director*

**Rodney Carlson**
*Director*

*Notes to Financial Statements*

| Particulars | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 1** | | | |
| **Share capital** | | | |
| Share Capital | | 40,000.00 | 40,000.00 |
| Authorised 400,000,000 Equity Shares of Rs 10 Each' | | | |
| Issued, 24,14,83,265 (Previous Year: 6,94,83,300) Equity fully paid up Shares of Rs 10 each (Out of the above 12,31,56,465 (Previous Year 3,54,36,465 )Equity Shares of Rs 10 each are held by Thermax Ltd, Holding Company.) | | 24,148.33 | 6,948.33 |
| | | **24,148.33** | **6,948.33** |

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

| Equity Shares | March 2012 Nos | March 2012 Rs in Lacs | March 2011 Nos | March 2011 Rs in Lacs |
|---|---|---|---|---|
| At the beginning of the period | 69483265 | 6,948.33 | - | - |
| Issued during the period | 172000000 | 17,200.00 | 69,483,265 | 6,948.33 |
| Outstanding at the end of the period | 241483265 | 24,148.33 | 69,483,265 | 6,948.33 |

b) Term/rights attached to equity shares

The Company has only one class of equity shares having at par value of Rs. 10 per share. Each holder of equity shares is entitled to vote per share. The company declares and pays dividends in Indian Rupees. The 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 holder 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. 51% of the equity shares are held by its holding company, Thermax Limited. (12,31,56,465 (Previous Year 3,54,36,465 )Equity Shares of Rs 10 each are held by Thermax Ltd, Holding Company.)

d) Details of Share holding more than 5% shares in the Company.

| | March 2012 | March 2011 |
|---|---|---|
| Equity Shares of Rs. 10 each fully paid up | | |
| Thermax Limited | 51% | 51% |
| Babcock & Wilcox India Holdings INC | 49% | 49% |
| **Note 2** | | |
| Reserves and Surplus | | |
| Surplus | | |
| Per Last Balance Sheet | (918.68) | - |
| Profit and loss statement balance | (1,908.61) | (918.68) |
| | (2,827.29) | (918.68) |

**Notes to Financial Statements**

| Particulars | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 3** | | | |
| **Long-Term Borrowings** | | | |
| Secured Long Term Borrowings : | | | |
| Term loans | | | |
| From banks. | 19 (3) | 50.03 | - |
| From other parties. | | - | - |
| | | 50.03 | - |
| **Note 4** | | | |
| **Other Long-term liabilities** | | | |
| Others (Creditors for Capital Goods) | | 1,553.32 | 3,370.53 |
| | | 1,553.32 | 3,370.53 |
| **Note 5** | | | |
| Long-term provisions | | | |
| Long Term Employee Benefits for Gratuity | 19 (4) | 96.21 | - |
| Long Term Employee Benefits for Superannuation | | 14.87 | - |
| | | 111.08 | - |

*Notes to Financial Statements*

| Particulars | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 6** | | | |
| Other current liabilities | 19 (6) | | |
| Others (Creditors for Capital Goods) | | 11,123.75 | - |
| Payable to Bank (Forwards) | 10,227.02 | | |
| Less :Forward Contract Receivable | 9,744.99 | 482.03 | - |
| Other Liabilities | | 157.43 | 382.57 |
| | | 11,763.20 | 382.57 |

| Particulars | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 7** | | | |
| **Short-term provisions** | | | |
| Short term Employee Benefits | | 232.65 | - |
| Short Term Employee Benefits (Gratuity) | 19 (4) | 17.85 | - |
| Others | | 8.94 | 7.63 |
| | | 259.44 | 7.63 |

**Note 8**
**FIXED ASSETS**

**Rs in Lacs**

| Particular | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Cost As On 1.4.2011** | **Additions During the year 2011-12** | **Deductions during the year 2011-12** | **Total Cost during the year** | **Upto 31.03.11** | **Deduction During the year 11-12** | **Provisions During year 11-12** | **Total As on 31.3.2012** | **As on 31.3.2012** | **As on 31.3.2011** |
| **Tangible Assets** | | | | | | | | | | |
| Land - Freehold | | | | - | | | | - | - | - |
| Land - Leasehold | 4,548.59 | | | 4,548.59 | 17.23 | | 45.95 (Note 1) | 63.18 | 4,485.41 | 4,531.36 |
| Furniture and Fixtures | | 27.25 | | 27.25 | | | 13.63 | 13.63 | 13.62 | - |
| Office Equip, Computer | 0.32 | 301.42 | | 301.74 | 0.03 | | 59.99 | 60.02 | 241.72 | 0.29 |
| R & D Assets | - | - | | | | | - | | | - |
| Vehicles | 37.10 | 46.97 | | 84.07 | 0.85 | | 6.17 | 7.02 | 77.05 | 36.25 |
| | 4,586.00 | 375.64 | - | 4,961.64 | 18.11 | - | 125.74 | 143.85 | 4,817.79 | 4,567.89 |
| **Intangible Assets** | | | | | | | | | | |
| Technical Knowhow | 3,043.17 | 429.00 | | 3,472.17 | 163.15 | | 329.64 | 492.79 | 2,979.38 | 2,880.01 |
| Software | - | - | - | - | | | | | | |
| **Total** | **7,629.17** | **804.64** | **-** | **8,433.81** | **181.26** | **-** | **455.38** | **636.64** | **7,797.17** | **7,447.90** |
| **Previous Year** | **-** | **7,629.17** | **-** | **7,629.17** | **-** | **-** | **181.26** | **181.26** | **-** | |
| CWIP | | | | | | | | | 20425.06 | 506.05 |

Notes
1) The amount of Rs 45.95 lacs (Previous Year Rs 17.23 lacs) is transferred to Capital Work in Progress being attributable to construction/development of other assets
2) Refer note no 12 in Note 19.

| | | |
|---|---|---|
| **Note 9** | | |
| **Long-term loans and advances** | | |
| Unsecured, considered good | | |
| Capital Advances | 3,236.37 | 1.00 |
| Security Deposits | 110.88 | 16.16 |
| | 3,347.25 | 17.16 |
| **Note 10** | | |
| **Other non-current assets** | | |
| Balance in Central Excise & Customs Accounts | 309.02 | 191.22 |
| VAT Set off | 59.78 | - |
| | 368.80 | 191.22 |
| **Note 11** | | |
| **Current Investments** | | |
| Non trade,Quoted but not listed Investments in Mutual Funds (refer note below) | 2,754.31 | 3,800.78 |
| | 2,754.31 | 3,800.78 |

**Note :**
**As at 31st March 2012**

| Name of Investment | Units | "Cost" "Rs in Lacs" | "NAV" "Rs in Lacs" |
|---|---|---|---|
| Birla Sunlife Ultra Short Term Fund - Institutional - Daily Dividend Scheme - Reinvestment | 27 52 796 | 2754.31 | 2754.31 |

**As at 31st March 2011**

| Name of Investment | Units | "Cost" "Rs in Lacs" | "NAV" "Rs in Lacs" |
|---|---|---|---|
| Birla Sunlife Ultra Short Term Fund - Institutional - Daily Dividend Scheme - Reinvestment | 1 71 03 914 | 1711.34 | 1711.34 |
| ICICI Prudential Floating Rate Plan D | 20 88 963 | 2089.44 | 2089.44 |
| **Total** | | | **3800.78** |

*Notes to Financial Statements*

| Particulars | Notes Ref | Rs in Lacs As at March 31, 2012 | Rs in Lacs As at March 31, 2011 |
|---|---|---|---|
| **Note 12** | | | |
| Cash and cash equivalents | | | |
| Balances in current accounts | | 275.14 | 527.27 |
| | | 275.14 | 527.27 |
| **Note 13** | | | |
| **Short-term loans and advances** | | | |
| Advances to Staff and Workers | | 0.06 | - |
| | | 0.06 | - |
| **Note 14** | | | |
| **Other current assets** | | | |
| Unamortised Premium on Forwards | | 90.30 | - |
| | | 90.30 | - |
| **Note 15** | | | |
| **Other income** | | | |
| Interest Income | | 0.25 | - |
| Dividend Income | | | |
| Long-term Investment | | - | - |
| Current Investment | | 190.34 | 50.78 |
| Excess Provision for Depreciation | | 17.23 | - |
| Net Gain on foreign currency transactions and translation | | 136.17 | - |
| | | 343.99 | 50.78 |

**Notes to Financial Statements**

| | Notes Ref | Rs in Lacs Current Year | Rs in Lacs Current Year |
|---|---|---|---|
| **Note 16** | | | |
| Employee Benefits Expense | | | |
| Salaries and wages | | 1,002.54 | 85.15 |
| Contribution to provident and other funds | | 65.99 | - |
| Gratuity | 19 (4) | 22.64 | - |
| Staff welfare expenses | | 78.51 | 8.96 |
| | | 1,169.67 | 94.11 |
| **Note 17** | | | |
| **Finance Costs** | | | |
| Interest expense | | - | 21.39 |
| | | - | 21.39 |
| **Note 18** | | | |
| **Other Expenses** | | | |
| Electricity Expenses | | 35.69 | 2.66 |
| Drawing, Design and Technical Service Charges | | 0.02 | - |
| Site Expenses and Contract Labour Charges | | 1.13 | - |
| Rent and Service Charges | | 166.29 | - |
| Rates and taxes, excluding taxes on income. | | 1.69 | 5.78 |
| Insurance | | 4.66 | - |
| Building | | 45.96 | 1.21 |
| Plant and Machinery | | 0.54 | - |
| Others | | 50.79 | 14.48 |
| Communication | | 16.95 | 2.03 |
| Traveling and Conveyance | | 73.73 | 61.53 |
| Advertising and Exhibition Expenses | | 7.36 | - |
| Other Selling and Distribution Expenses | | 7.32 | 6.06 |
| Bank Charges | | 58.71 | 25.04 |
| Legal & Professional Charges | 19 (7) | 75.57 | 22.51 |
| Printing and Stationery | | 8.06 | 1.54 |
| Deputation Chgs | | 11.29 | 249.33 |
| Net loss on foreign currency transactions and translation | | - | - |
| Security Expenses | | 15.58 | - |
| Recruitment Expenses | | 7.75 | - |
| Books and Periodicals | | 9.88 | - |
| Professional Charges - Retainer | | 34.69 | 12.27 |
| Miscellaneous Expenses | | 23.89 | 11.26 |
| Preliminary Expenses | | 15.95 | 257.01 |
| | | 673.51 | 672.70 |

*Notes forming part of the Accounts*

*NOTE 19*

*NOTES TO FINANCIAL STATMENTS*

**1. Significant Accounting Policies**

a) Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respect with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in preparation of financial statements are consistent with those of previous year.

b) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

c) Fixed Assets - Tangible Assets & Intangible

Tangible fixed assets are stated at cost (net of refundable taxes or levies) and include any other attributable cost for bringing the assets to working condition for their intended use. Borrowing cost, if any, attributable to fixed assets is capitalised.

Expenditure incurred on acquisition of technical know-how and such other intangibles are recognized as Intangible Asset, if it is expected that such assets will generate sufficient future economic benefits.

All cost directly attributable to the assets are capitalised to the asset.

d) Depreciation

Cost incurred on Leasehold land is amortized over the period of lease.

Depreciation on Furniture & Fixtures, Air Conditioners, Office Equipments, Electrical Installation at Administrative Office is provided by the Straight Line Method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956 Except for the following:

Depreciation on computers is provided at accelerated rate (@33.33% SLM).

Technical Know How is amortized by straight line method over 10 years.

e) Asset Impairment

Provision for impairment loss, if any, is recognized to the extent by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's estimated net selling price and its value in use. Value in use determined on the basis of the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

f) Investments

Investments classified as long-term investments are carried at cost. Provision for diminution if any, is made to recognize a decline, other than temporary in nature, in the carrying amount of such long-term investments.

Investments classified as current investments are carried at lower of cost and fair value.

g) Employee Benefits

<u>Long-Term Benefits</u>

Provident Fund

Liability on account of the company's obligation under the employee's provident fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary

<u>Superannuation Fund</u>

Liability on account of the company's obligation under the employee's superannuation fund, a defined contribution plan is charged to profit and loss account on the basis of actual liability calculated as a percentage of salary

Gratuity

a. Liability on account of company's obligation under the employee gratuity plan, a defined benefit plan, is provided on the basis of actuarial valuation, using projected unit credit method.

b. Fair value of plan assets, being the fund balance on the balance sheet date with Life Insurance Corporation under group gratuity-cum-life assurance policy is recognised as asset.

c. Current service cost, interest cost and actuarial gains and losses are charged to profit and loss statement.

d. Past service cost/effect of any curtailment or settlement is charged/credited to the profit and loss statement, as applicable.

<u>Short-Term Benefits</u>

Leave Encashment

Liability on account of the company's obligation under the employee's leave policy is provided on accrual basis in respect of leave earned but not availed based on the number of days of carry forward entitlement at each balance sheet date.

Medical and Leave Travel Assistance benefits

Liability on account of the company's obligations under the employee's medical reimbursement scheme and leave travel assistance are provided on accrual basis.

Employee's Short Term Incentive Plan

Liability on account of the company's obligations in respect employee short-term incentive plan as applicable is provided on accrual basis.

h) Provisions and Contingent Liabilities

Provisions in respect of present obligations arising out of past events (recognised in the manner required by AS 29) are made in the accounts when a reliable estimate can be made of the amount of the obligations. Contingent liabilities in respect of possible obligations arising from past events are disclosed by way of a note to the Balance Sheet.

Contingent liabilities are disclosed by way of note to the financial statements, after careful evaluation by the management of the facts and legal aspects of the matter involved.

i) Revenue Recognition

Dividend from investments is recognized when the company's right to receive is established.

Interest income is recognized on time proportion basis.

j) Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the respective dates of the transactions.

Exchange differences arising on settlement of transactions in foreign currency are recognised in the Profit & Loss Account.

Assets (other than fixed assets) and liabilities denominated in foreign currency are translated at the closing exchange rates.

In accordance with the provisions contained in The Companies (Accounting Standards) Amendment Rules 2011, and in conforming to the Accounting Standard 11 (AS 11), in respect of long term foreign currency liabilities incurred for acquisition of assets, the exchange difference arising on reporting of said liabilities are adjusted to the cost of the assets.

The Company uses foreign exchange forward contracts to hedge its risks associated with foreign currency fluctuations to underlying transactions and for firm commitments. The difference between the forward rate and the exchange rate at the inception of the forward contract for underlying transaction is recognised as income or expense over the life of the contract.

k) Preliminary Expenses

Expenses relating to formation of company are charged to profit and loss account as and when incurred.

2. Issue of Share Capital

During the year the company issued 17,20,00,000 equity shares of face value Rs 10 to the share holders of the company. 8,77,20,000 shares were issued to Thermax Ltd (51%) and 8,42,80,000 shares were issued to Babcock & Wilcox India Holdings INC USA at face value of Rs 10 per equity share.

3. Long Term Borrowings

. During the year, term loan facilities were obtained from ICICI Ltd and State Bank of India aggregating to Rs 437 Crores to be funded equally by both the Banks.

Out of the above Company has drawn down Rs 50.03 Lacs.

The repayment term of the loan is scheduled on quarterly basis starting from quarter ending 12 months from Commercial Operation Date over a period of six years.

The loan is secured by First Charge on moveable Properties, first charge on all rights, title and interests of the borrower and second charge on raw material stock, semi finished and finished goods as well as book debts and by way of deposit of title deeds for immoveable property of the company mainly plot of land and all construction thereon.

4. **Employee Benefits**

| Defined Benefit Plans for Employees (AS 15) | | |
|---|---|---|
| | **Rs Lacs 2011-12** | Rs Lacs 2010-11 |
| i Components of Employer expense | | |
| a Current Service Cost | **1169857** | Nil |
| b Interest Cost | **779777** | Nil |
| c Expected Return on Plan Assets | **(21561)** | Nil |
| d Actuarial (Gain)/Loss | **336131** | Nil |
| e Past Service Cost | - | Nil |
| f Total expense recognised in the Profit and Loss Account | **2264204** | Nil |
| ii Net Assets/(Liability) recognised in Balance Sheet as at 31st March 2012 | **Nil** | |
| a Present Value of Obligation | **11406438** | Nil |
| b Fair Value of Plan Assets | **447510** | Nil |
| c Asset/(Liability) recognised in the Balance Sheet | **(10958928)** | Nil |
| iii Change in Gratuity Obligation during the year | | |
| a Present Value of Obligation as at 31st March 2011 | **Nil** | Nil |
| b Acquisition adjustment | **9173849** | |
| c Current Service Cost | **-** | Nil |
| d Interest Cost | **779777** | Nil |
| f Actuarial (Gain)/Loss | **282955** | Nil |
| g Benefit Paid | **0** | Nil |
| h Present Value of Obligation as at 31st March 2012 | **11406438** | Nil |
| iv Changes in the Fair Value of Plan Assets | | |
| a Present Value of Plan Assets as 31st March 2011 | **-** | Nil |
| b Expected Return on Plan Assets | **21561** | Nil |
| c Actual Company Contribution | **479125** | Nil |
| d Benefits Paid | **0** | Nil |
| e Actuarial Gain/(Loss) | **(53176)** | Nil |
| f Present Value of Plan Assets as 31st March 2012 | **447510** | Nil |
| v Actuarial Assumptions | | |
| a Discount Rate | **8.5% p.a.** | - |
| b Expected Rate of Return | **9.0% p.a.** | - |
| c MortalityLIC 1994-96 ULTIMATE | - | |
| d Future Salary Increases | **7.0% p.a** | - |
| e Disability | **Nil** | - |
| f Attrition | **2% p.a** | - |
| g Retirement | **60 years** | - |

5. Contingent Liabilities not provided for ( Rs in Lacs)

a) Bank Guarantees provided to third parties as security for bid documents Rs. 8,498.10 (Previous Year Rs.Nil). Bank guarantees issued to statutory authorities Rs 1,072.06 (Previous Year Rs Nil).

b) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 14,919.01 (Previous Year Rs.12,019.00)

c) The Company has saved duty amounting to Rs 2,051 lacs under Export Promotion Capital Goods Scheme (EPCG) against which there is an export obligation of six times the value of duty saved ie Rs 12,306 lacs over a period next six years.

6. Micro & Small Scale Enterprises

Micro & Small scale enterprises as defined under the Micro, Small and Medium Enterprises Development Act 2006 have been identified to the extent of information available with the company. This has been relied upon by the auditors.

| S No. | Particulars | Principal Amount | Interest | Total |
|---|---|---|---|---|
| A | Total Outstandings to MSMED vendors | Nil | Nil | Nil |
| B | Principal amount and Interest due thereon to MSMED parties BOTH remaining unpaid as on 31st March 2012 | Nil | Nil | Nil |
| C | Amount of Interest paid in terms of Sec 16 of MSMED Act alongwith the RELATED principal amount paid during the Year | Nil | Nil | Nil |
| D | Outstanding Interest (where principal amount has been paid off to the supplier but interest amount is outstanding as on 31st March 2012) | Nil | Nil | Nil |
| E | Total Interest outstanding as on 31st March 2012 (Interest in 'b' + Interest in 'd' above) | Nil | Nil | Nil |

7. Legal & Professional Charges include : Rs in Lacs

| Particulars | | 2011-12 | 2010-11 |
|---|---|---|---|
| Auditors' Remuneration (Excl Service Tax) | | | |
| (i) | Audit Fees | 2.00 | 1.50 |
| (ii) | Tax Audit fees | 0.50 | Nil |
| (iii) | Other Services- Certification Fees | 1.44 | Nil |

8. Expenditure in Foreign Currency. Rs in Lacs

| Sr. No. | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| (I) | Expat Salaries | 536.81 | 110.00 |
| (II) | Technical Fees | Nil | 2,894.00 |
| (III) | Procurement of Capital Assets | 1,635.70 | Nil |

9. Deferred taxes

Rs in Lacs

| Sr. No. | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| (I) | Deferred Tax Liability on account of difference in written down value of Fixed Assets | (444.52) | (194.55) |
| (II) | Deferred Tax Asset (DTA) on Provision for Gratuity | 37.01 | Nil |
| (III) | DTA on Provision for Leave Encashment | 29.04 | Nil |
| (IV) | Deferred Tax Asset on unabsorbed depreciation (restricted to Deferred Tax Liability above) | 378.48 | 194.55 |
| | Net deferred tax liability | Nil | Nil |

10. Related Party Disclosures

Related Party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

a) List of related parties and description of relationships:

Parties where control exists:

RDA Holdings & Trading Pvt. Ltd. - Ultimate Holding Company (w.e.f. 01.04.2008)

Thermax Limited - Holding Company

*Notes to Financial Statements*

***NOTE 19***

Fellow Subsidiary

Thermax Engineering Construction Company Limited (India)
Thermax Instrumentation Limited (India)
Thermax Sustainable Energy Solutions Limited (India)
Thermax International Limited (Mauritius)
Thermax Hong Kong Limited (Hong Kong)
Thermax Europe Limited (U.K.)
Thermax Inc. (U.S.A)
Thermax (Zhejiang) Cooling and Heating Engineering Co. Limited (China)
Thermax do Brasil Energia e Equipametos Ltda. (Brazil)
Thermax Onsite Energy Solutions Limited
Thermax SPX Energy Technologies Limited.
Thermax Netherlands B.V.
Thermax Denmark ApS
Omnical Kessel- und Apparatebau GmbH
Ejendomsanpartsselskabet Industrivej Nord 13
Balcke Durr GmbH
Party having substantial interest :
Babcock & Wilcox India Holdings INC.

b) Key Management Personnel

Mr. Deepak Chopra(DC) - Chief Operating Officer.

c) Transactions with the Related Parties

| Particualrs | 2010-11 | | | | |
|---|---|---|---|---|---|
| | **Thermax Limted** | **Babcock & Wilcox India Holdings INC** | **Babcock & Wilcox Power Generation Group** | **Key Management Personnel (DC)** | **Total** |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Equity Infusion/Share Application Money | 7,395 | 7,105 | | | 14,500 |
| Receiving of Services | | | 536 | | 536 |
| Creditors balances outstanding | 657 | | 3,674 | | 4,331 |
| Personnel Cost & Other Expenses | | | | 305 | 305 |

11. Earning Per Share (EPS)

Earnings per share calculated in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Net profit available for Shareholders (Rs. Lacs) | (1,908.61) | (918.68) |
| Weighted average number of Equity Shares of Rs. 10 each | 10,99,57,659 | 5,82,33,216 |
| Basic and Diluted earning per share (Rs.) Face Value per share of Rs 10/- each (Previous Year: Rs 10) | (1.74) | (1.58) |

12. Pursuant to notification dated 29th December 2011, Ministry of Corporate Affairs, has issued an amendment to Accounting Standard 11 " The effects of changes in Foreign Exchange Rates" to allow companies capitalisation of exchange difference arising on long term foreign currency monetary items. Pursuant to the above, the company has exercised the option of capitalizing exchange differences arising on reporting of long term foreign currency liabilities in so far as they relate to the acquisition of depreciable capital assets. Accordingly, in the current financial year an amount of Rs. 429 Lacs (Previous Year : Rs. Nil) has been capitalized.

13. The financial statements are not authenticated by the Company Secretary and Managing Director as required under sections 383A and 269 respectively, of the Companies Act, 1956. Necessary steps are being taken by the Company to appoint a Company Secretary and a Managing Director.

14. The company has presented the Balance Sheet, Statement of Profit & Loss and Notes thereto in the format prescribed under Revised Schedule VI to the Companies Act, 1956 as notified by the Ministry of Corporate Affairs, Government of India. Information pursuant to Part IV, Schedule VI to companies Act 1956 of India is given in the Annexure. Previous year's figures have been regrouped / rearranged wherever necessary to conform to this year's classification and to comply with Revised Schedule VI requirements.

As per our report of even date
**For B. K. Khare & Co.**
*Chartered Accountants*
Firm Registration No. 105102W

**Prasad V. Paranjape**
Partner
Membership No. 047296
Pune, 08th May, 2012

For and on behalf of the Board

**Gopal Mahadevan** *Director*

**Rodney Carlson** *Director*

Pune, 08th May, 2012

# NOTES