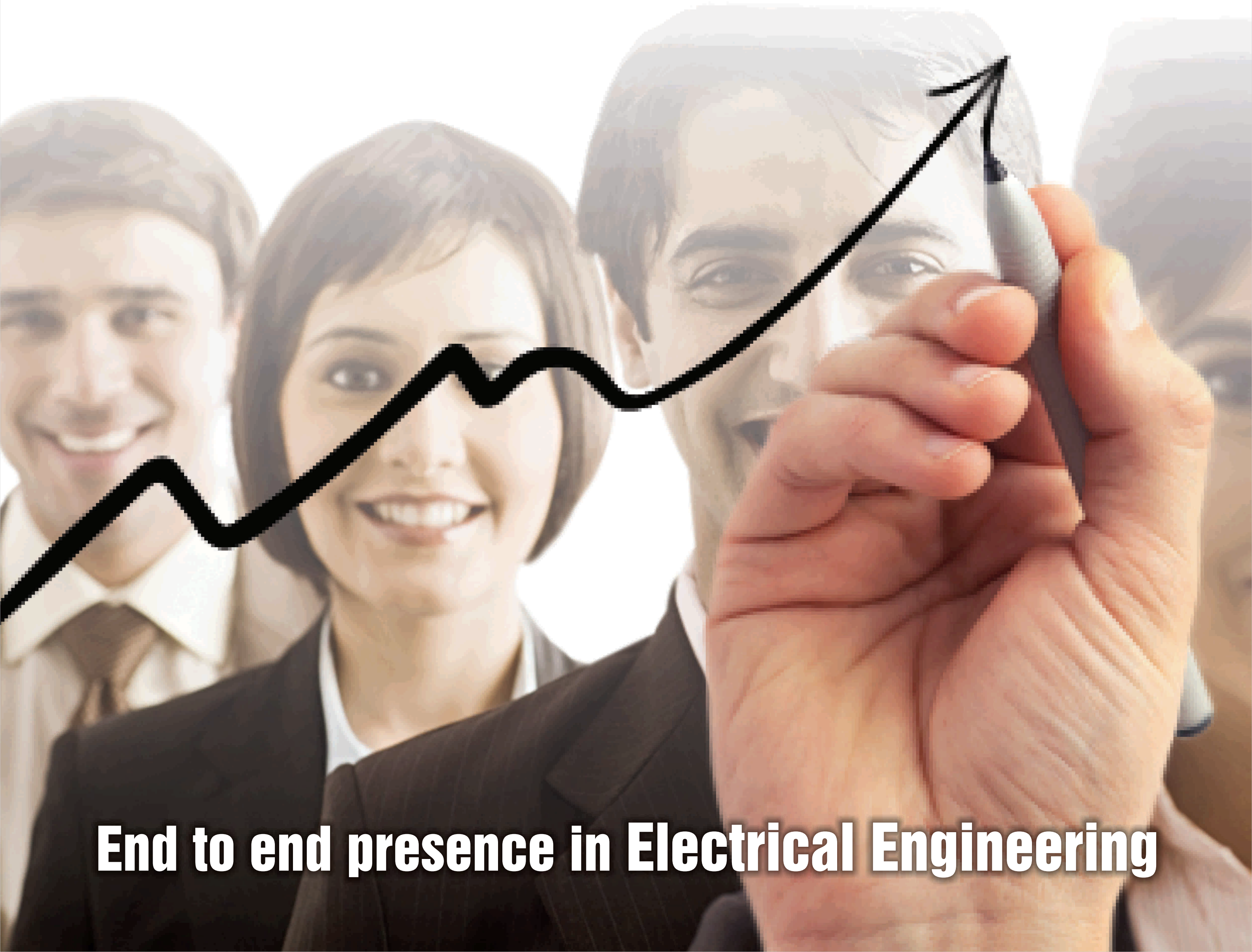
KIRLOSKAR ELECTRIC COMPANY LTD.

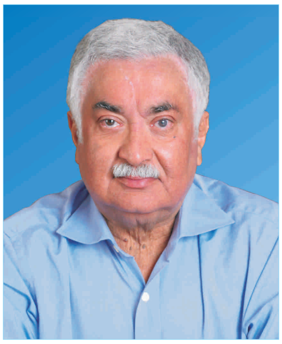
65th ANNUAL REPORT

2011 - 2012



KIRLOSKAR ELECTRIC COMPANY LIMITED

BOARD OF DIRECTORS	Vijay R. Kirloskar Chairman & Managing Director Anuj Pattanaik Deputy Managing Director A.S. Lakshmanan S.N. Agarwal Anil Kumar Bhandari Sarosh J Ghandy V.P.Mahendra Kamlesh Gandhi Berthold Groeneveld D.Devender Singh LIC Nominee Meena Kirloskar
VICE PRESIDENT (LEGAL) & COMPANY SECRETARY	P.Y.Mahajan
AUDITORS	B.K.Ramadhyani & Co. Bangalore
BANKERS	Axis Bank Bank of India ICICI Bank Ltd State Bank of Hyderabad State Bank of Mysore State Bank of Travancore Bank of Commerce, Kualalumpur(Malaysia)
REGISTERED OFFICE	Industrial Suburb, Rajajinagar Bangalore 560 010
FACTORIES	Govenahalli, Thyamagondlu, Bangalore Gokul Road, Hubli Belvadi Industrial Area, Mysore Kachenahalli, Bangalore Hirehalli, Tumkur Tumkur Road, Bangalore Gabbur, Hubli Kondhapuri, Pune Nagar Road, Pune Jaladulagarh,Kolkatta



Dear Fellow Shareholders,

I am glad to present you the Annual Report for the year 2011-12. As you would see, during the year under review, your Company has achieved turnover of Rs.871.74 crores up from turnover of Rs.823.87 crores in 2010-11, with profit after tax of Rs.9.57 crores as against Rs. 2.11 crores in 2010-11.

The overall growth was possible on account of concerted efforts at reducing non productive costs and continuous monitoring and improvement of efficiencies of the operating processes and procedures.

We continue to put in efforts to shore up our efficiencies, by improving Inventory Management, reducing procurement prices for raw materials, improving turnaround time for order booking, improving quality policies and practices and by optimizing generally all other costs, so as to be competitive.

Power supply continues to be a basic issue for India today. With large deficit continuing, the Country has ambitious plans to produce more and more power. This includes Power Generation, Transmission & Distribution. All these areas are being progressively liberalized for private investment. Power sector will be our major customer for Transformers and allied products. We are progressively going for both higher capacity and higher kV class ratings in Power Transformers.

Nuclear Power sector is on the rise in India and India now envisages increasing the contribution of nuclear power to overall electricity generation capacity. As you are aware we are manufacturing special Motors for Nuclear Power Corporation of India.

We would also benefit from the huge investment that is going to be made in Infrastructural sector.

We have also been increasing supply of propulsion systems for the Electric Cars made by Mahindra Reva.

We have initiated several measures across board – cutting costs, reducing overheads and taking an overall disciplined approach, rationalizing and streamlining operations to enhance efficiency. The sales organization has been recast to enhance the Company's reach and our product lines are being aligned for market demand and profitability. We are laying more stress on performance today than ever before and likewise we are more proactive now than before.

We are trying to reach the customers in every nook and corner of the Country and for the purpose expanding our reach and service network.

We are also looking at increasing our presence in foreign markets.

With the implementation of SAP across all our manufacturing units we have benefitted from the synergies of a common platform for a smooth operation across the organization.

We are more confident today to take the future. We are well poised and prepared to shape our future by –coordinated strategy. By our technology and well spread coordinated team work we will meet our customer aspirations as the markets evolve having challenging demands on us. The global business scenario is hazy but having focused on high growth areas and extending the portfolio of our customers and by exploiting our strengths and by diversifying we will be strengthening our position in the market place.

I am sure with the efforts being put in your Company will take its rightful place in the Industry.

Your Company continues to be led by strong and motivated human resources. The Company believes in training and development of its employees for improving their skills, keeping them abreast of the evolving international technologies, to meet the emerging challenges in the market place and rising customer expectations. We are focused on development of managerial skills to ensure availability of top class talent to meet the ambitious growth and expansion plans of the Company.

On behalf of the management team, I wish to reiterate that we will do all that which is required to meet the expectations of all stakeholders and the community we live in.

Vijay R Kirloskar
Chairman

DIRECTORS' REPORT

TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2012

To

The Shareholders

Your Directors present the Company's 65th Annual Report with the Audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the year ended 31st March, 2012.

Results of Operations

₹ in million

	2011-12	2010-11
Income	**8717.4**	8238.7
Expenditure	**6558.6**	6330.9
Gross Profit	**2158.8**	1907.8
Operating expenses	**1548.6**	1444.4
Operating Profit before interest and depreciation	**610.2**	463.4
Interest	**383.0**	317.1
Depreciation, amortisation and provisions	**183.9**	161.9
Operating profit before tax and extraordinary items	**43.3**	(15.6)
Other income (net)	**57.6**	36.9
Net profit before tax and extraordinary items	**100.9**	21.3
Extraordinary Income (Expenditure)		
Net profit before tax and after extraordinary items	**100.9**	21.3
Provision for taxation	**5.2**	0.2
Net profit after tax and after extraordinary items	**95.7**	21.1

Company Performance

During the year under report, your Company has achieved a turnover (Gross) of Rs. 8.72 billion (previous year Rs. 8.24 billion). The operations have resulted in a net profit of Rs.95.7 million (previous year Rs. 21.1 million).

Industry Outlook

Indian Economy performed relatively well against the backdrop of weak global atmosphere. Global economies appear to be going through a phase which is having greater share of volatility than that of stability. There are signs of inertia in Indian Economy as well. Your Company has taken several steps to mitigate the impact of this, rather to have better results by stress upon actions oriented towards goals and performance which should enable the Company to do well, barring unforeseen circumstances.

Appropriations

Dividend

In order to conserve resources for Company's growth, your Directors regret their inability to declare any dividend for the year under report. The Company has not transferred any amount to its General Reserve.

Subsidiary – Kirsons B.V.

The operations of Kirsons B.V.,your subsidiary have resulted in net loss of Euro 0.071million.

Subsidiary Companies

The Company as of March 31, 2012 had one subsidiary, viz., Kirsons B.V., Netherlands (Kirsons). Kirsons is having two subsidiaries - Lloyd Dynamowerke GmbH & Co. KG, Germany and Lloyd Beteiligungs-GmbH, Germany. Pursuant to section 212 of the Companies Act, the annual accounts of subsidiary companies for the year ended 31st March, 2012 along with the statements referred to in the said section, are attached with Consolidated Financial Statements as required. Further, pursuant to Accounting Standard – 21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statement presented by the Company includes financial information about its subsidiaries.

Environment, Safety and Energy Conservation

As required by the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and other details are given in the Annexure to this report.

Particulars of Employees

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of specified employees are set out in the Annexure to the Directors Report. However having regard to the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all members of the Company, excluding the aforesaid information. Any member interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company.

Corporate Governance

Pursuant to the requirements of the Listing Agreements with Stock Exchanges, your Directors are pleased to annex the following :

1. Management Discussion and Analysis Report
2. Report on Corporate Governance
3. Auditors Certificate regarding compliance of conditions of Corporate Governance
4. CEO & CFO Certificate
5. CEO Certificate regarding compliance with the Code of Conduct.

These annexures form part of this report.

Directors

Mr.Berthold Groeneveld, Mr. D.Devender Singh and Mrs.Meena Kirloskar retire by rotation and being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to the Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards have been generally followed.
2. Appropriate accounting policies have been selected and applied consistently and Directors have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the Profit and Loss Account for the year ended 31st March, 2012.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Human Resources

The Company considers its employees as its most valuable asset. Employees at all levels have put in their best to the services of the Company and the Board puts on record the sincere appreciation of their dedication and loyalty. The Company focuses on building an organization through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align the HR Policies of the Company with the growth projections of the Company.

Segmentwise Operational Performance

Rotating Machines Group

During the year under review the sales under Rotating Machines Group amounted to Rs. 6356.60 million as against Rs. 6401.65 million in 2010-11.

Power Generation and Distribution Group

During the year under review the sales under Power Generation and Distribution Group amounted to Rs. 4636.97 million as against Rs. 4646.76 million in 2010-11.

Others

During the year under review the sale of other Electrical Products amounted to Rs.691.67 million as against Rs. 535.90 million in 2010-11.

Lloyd Dynamowerke GmbH & Co. KG, Germany (LDW)

As you are aware the Company holds approximately 95% stake in Lloyd Dynamowerke GmbH & Co. KG, Germany and the entire shareholding in Lloyd Beteiligungs-GmbH, Germany through its subsidiary in The Netherlands – Kirsons B.V. Lloyd Dynamowerke GmbH & Co. KG, Germany is a limited partnership existing in accordance with the laws of Germany which owns an electrical machine manufacturing plant at Bremen, which is being operated by the said limited liability firm. During the year ended 31st March, 2012 Lloyd Dynamowerke GmbH & Co. KG, had turnover of Euros 33.333 (Rs.222 crores){ Previous year -Euros 43.509 million (Rs.263 crores)} with a net loss after tax of Euros 0.550 million (Rs.3.10 crores) {Previous year net profit Euros 1.270 million (Rs.9.06 crores)}.

AUDITORS' REPORT

The comments/observations of the Auditors are self-explanatory and the Company's explanations thereto have been given in relevant notes in the Notes to Accounts. Further explanations in regard to the reservations/qualifications in the Auditors Report are furnished below :-

Para 10(i) of the Auditors' Report

The Company has sought written confirmation from all its vendors to let us know if they are either micro, small or medium enterprises. Once these details are updated, particulars of dues to micro, small and medium enterprises could be ascertained.

Para 10 (ii) of the Auditors' Report

Confirmations have been received from some parties and from some they are expected. Confirmation is an ongoing process. However, this has no impact on financial results of the Company.

Para 8 and Para 10 (iii) of the Auditors' Report.

This has no impact on the accounts. The Company has complied with Accounting Standard 2 in respect of valuation of raw materials, stores and components and in respect of work in progress and finished goods. The Company has from time to time initiated steps to bring the valuation of inventory at all units in line with Accounting Standard –2 (Valuation of Inventory). The relevant details of inventory are available for verification.

Para 10 (iv) of the Auditors' Report.

The Company has used and relied upon its market intelligence to judge the realizable value of assets held for sale. The estimated realizable value is judged to be in line with the market valuation.

Para 10 (v) of the Auditors' Report

The Company is confident of realising the amounts due from certain companies referred to therein.

Para 2 a of the Annexure to the Auditors' Report

Confirmations have been received from some parties and from some they are expected. Confirmation is an ongoing process.

Para 2 b of the Annexure to the Auditors' Report

The Company has already identified the key focus areas and has started taking the necessary steps to make the inventory verification reasonable and adequate.

Para 2 c and Para 8 of the Annexure to the Auditors' Report

During the year, the Company has completed implementation of SAP ECC 6 System at certain units and it will implement it at the remaining units in phased manner in the current year. SAP is an integrated software where all the inventory records are maintained. The company has from time to time taken physical inventory at all locations. Since the valuation of inventory was done on the basis of physical inventory count performed as at 31st March 2012, the discrepancies, if any, have been properly dealt with in the books of accounts. The discrepancies were not material in nature.

Para 5 a of the Annexure to the Auditors' Report

The Company is in the process of applying to the Central Government to seek its approval in respect of these contracts.

Para 7 of the Annexure to the Auditors' Report

The Company appointed an independent reputed professional agency to perform internal audit of operations of the Company. The scope of the internal audit is decided considering the risk assessment carried out by the Company. The internal audit work at several of its plants, branches and offices are at advanced stage of completion and the final report is expected soon.

Para 9 b of the Annexure to the Auditors' Report

The Company has made necessary arrangements to pay these dues.

Auditors

M/s. B. K. Ramadhyani & Co., Chartered Accountants and M/s. Sundar & Associates, Chartered Accountants, are the retiring Auditors in India and Malaysia respectively. They are eligible for re-appointment. The required certificates to the effect that the re-appointments, if made, will be within the limit specified in Section 224(1-B) of the Companies Act, have been received from M/s. B. K. Ramadhyani & Co., and M/s. Sundar & Associates.

Fixed Deposits

12 persons had not claimed repayment of their matured deposits amounting to Rs.5.94 lakhs as at 31st March, 2012.

Acknowledgements

The Directors takes this opportunity to express its sincere appreciation for the continued support and confidence received from the Company's Bankers, Financial Institutions, Customers, Suppliers, Depositors and Shareholders. Your Directors place on record their appreciation of the efforts of employees at all levels and look forward to their continued support in the future as well.

For and on behalf of the Board of Directors,

Bangalore — **Vijay R Kirloskar**

Date : May 28, 2012 — Chairman

CERTIFICATE

To the Members of Kirloskar Electric Company Limited

We have examined the compliance of conditions of corporate governance by Kirloskar Electric Company Limited, for the year ended on 31.3.2012 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For B K RAMADHYANI & CO.,
Chartered Accountants
Firm number: 002878S

Place : Bangalore — CA. C R Krishna

Date : May 28, 2012 — Partner

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION.

A. Conservation of Energy:

a) Energy conservation measures taken;

The Company conserves energy by

1) Use of Solar Energy.
2) Improving system power factor.
3) Reduction of maximum demand and restricting the maximum demand to billing demand.
4) Monitoring of energy consumption and further requisite follow-up.
5) Optimum utilisation of high energy consuming electrical equipments like ovens, winding machines.
6) Air-Compressor Pressure is maintained at reduced pressure with fixed timing and air leakages arrested.
7) Borewell and water pumps running is scheduled. Timer maintained to save energy and water.
8) Installation of capacitor panels.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;

1) Implementation of induction brazing processes.
2) Optimization of varnish impregnation process
3) Installation of system to ensure uniform temperature.
4) Energy Conservation Audit through External Audit Agency.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;

The measures taken by the Company have resulted in optimum usage of energy in terms of units, reducing costs.

d) Total energy consumption and energy consumption per unit of production

- Not Applicable

B. Technology Absorption

1. Research and Development

   Research and Development is undertaken for extending the range of the existing products, lowering costs and process improvements, Indigenisation or alternate sourcing of materials and development of energy efficient products with added features.

2. Benefits derived as a result of the above R & D efforts.
   a. Process improvement resulting in higher production.
   b. Quality improvement.
   c. Development of in-house skills for manufacture of high precision products.
   d. Enhanced design and product capability to achieve customer satisfaction.
   e. Product range extension to reach newer markets.
   f. Special motors for vehicle application developed.

3. Future plan of action :

   To enhance product performance and for better customer satisfaction, the Company will continue in :-

   a. Upgradation of existing technology.
   b. Extension of range of its products.
   c. Development of new processes.
   d. Applied research and value engineering.

4. Expenditure on R & D

	(₹ in Lakhs)
Capital	-
Recurring	34.87
Total	34.87
Total R & D Expenditure as a % of total turnover	34.87 0.04

5. Technology Absorption, Adaptation and Innovation

a. Efforts made in brief for technology absorption, adaptation and innovation.

- Training of personnel in-house.
- Indigenisation of Materials, components and processes.
- Modification of imported technology to suit the prevailing Indian Market.

b. Benefits derived as a result of the above efforts

- Enhanced Product Range
- Quality improvement
- Development of new Products

c. Future Plan of Action

- Upgradation of existing technology
- Development of new processes

d. Technology imported during the last 5 years.

A. Technology Imported - Nil

B. Has the technology been fully absorbed ? If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action.

-NA –

C. Foreign Exchange Earnings and Outgo

1 Activities relating to export; initiatives to increase exports; development of new export markets for products and services; and Export Plan;

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB Value) worth Rs.69.85 crores. The Company's exports are growing steadily.

2 Total foreign exchange used and earned.

a)	Foreign Exchange earned		**(₹ in Lakhs)**
	(i)	FOB value of goods exported (net) of sales within India eligible for export incentives.	6984.58
	(ii)	Dividend on shares (net of tax)	6.07
	(iii)	Repatriation of Profit	-
	(iv)	Others	663.23
b)	Foreign Exchange Used		
		Value of imports calculated on the CIF basis.	
	(i)	Raw materials & Components and spare parts.	6528.85
	(ii)	Capital Goods	226.27

For and on behalf of the Board of Directors

Bangalore
Date : May 28, 2012

Vijay R Kirloskar
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Report on Corporate Governance

Company's Philosophy

The Company firmly believes in good Corporate Governance. It has been the policy of the Company to be fully open and transparent in the matter of management of the Company and reporting to shareholders and all others concerned.

Board of Directors

The Company is presently having eleven Directors out of which two are Executive Directors, seven Non - Executive – Independent Directors and two Directors are Non-Executive - Non Independent Directors. The percentage of Non-Executive Independent Directors to the total number of Directors is 63%.

The Company did not have any pecuniary relationships in transactions with the Non-Executive Directors during the period under review except payment of sitting fees and reimbursement of expenses incurred for attending the meetings.

During the financial year, five Board Meetings were held. The meetings were held on 28.5.2011, 3.8.2011, 8.11.2011, 8.2.2012 and 20.03.2012.

The information about composition of Board of Directors and Directors' attendance at the Board Meetings and the number of other directorships and Committee Memberships held by them is given below.

Sl No.	Name of Director	Category of Directorship	No.of Board Meetings Attended	Attendance at last AGM	No.of other Directorships@	No. of other committee Memberships
1	Mr. Vijay R Kirloskar	Executive Chairman & Managing Director Promoter	5	Yes	4	Nil
2	Mr.Anuj Pattanaik	Executive - Deputy Managing Director	5	Yes	Nil	Nil
3	Mr.A.S.Lakshmanan	Non Executive - Independent Director	5	Yes	1	Nil
4	Mr. S.N.Agarwal	Non Executive - Independent Director	4	Yes	4	Member-2
5	Mr. Anil Kumar Bhandari	Non Executive - Independent Director	4	Yes	2	Nill
6	Mr.Sarosh J Ghandy	Non Executive - Independent Director	5	Yes	6	Chairman-3 Member-1
7	Mr. V.P.Mahendra	Non Executive - Independent Director	4	Yes	4	Nil
8	Mr.Kamlesh Gandhi	Non Executive - Independent Director	5	Yes	4	Chairman-1 Member-2
9	Mr.D.Devender Singh	Non Executive - Independent Director Nominee – LIC	3	Yes	Nil	Nil
10	Mr.Berthold Groeneveld	Non Executive - Non Independent Director	3	No	Nil	Nil
11	Mrs. Meena Kirloskar	Non Executive - Non Independent Director	4	Yes	Nil	Nil

@ as on 31.3.2012- of Public Limited Companies only.

Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

AUDIT COMMITTEE

The Audit Committee consists of five independent Non-Executive Directors.

The terms of reference to the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides some other functions as referred to it by the Board of Directors.

During the financial year, the Committee met on 28.5.2011, 3.8.2011, 8.11.2011,8.2.2012 and 20.3.2012.

The particulars of meetings attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. S.N.Agarwal	4	Chairman
Mr. A.S.Lakshmanan	5	Member
Mr. Anil Kumar Bhandari	4	Member
Mr. Sarosh J Ghandy	5	Member
Mr. V.P.Mahendra	4	Member

Shareholders/Investors Grievances Committee :

The Shareholders/Investors Grievances Committee consists of three Directors. During the year under review, the Committee met on 8.2.2012 and reviewed the status of shareholders' grievances, approved share transfers, etc.

The terms of reference of Shareholders/Investors Grievances Committee include, interalia, to look into the shareholders and investors complaints regarding transfer of shares, non receipt of balance sheet, non receipt of dividends etc. and to redress the same.

The particulars of the meeting attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr. Anil Kumar Bhandari	1	Chairman
Mr.Vijay R Kirloskar	1	Member
Mr. Anuj Pattanaik	1	Member

To expedite the process of share transfers, the Board has delegated the power to approve share transfers upto a limit, to the Company Secretary who attends to the share transfer work periodically, approximately once in fortnight. Mr. P.Y.Mahajan, Vice President (Legal) & Company Secretary is the Compliance Officer.

Remuneration Committee

During the year under review, the Committee met on 28.5.2011 and 03.8.2011.

The Remuneration Committee consists of following Directors : -

Mr. S.N.Agarwal	-	Chairman
Mr. A.S.Lakshmanan	-	Member
Mr. Anil Kumar Bhandari	-	Member
Mr. Sarosh J Ghandy	-	Member
Mrs.Meena Kirloskar	-	Member

The particulars of meetings attended by the members are as follows :-

Name of Director	No. of Meetings Attended	
Mr.S.N.Agarwal	2	Chairman
Mr. A.S.Lakshmanan	2	Member
Mr. Anil Kumar Bhandari	1	Member
Mr.Sarosh J Ghandy	2	Member
Mrs.Meena Kirloskar	2	Member

Committee formed to consider and approve the financial results

The Committee consists of following Directors : -

Mr. A.S.Lakshmanan	-	Chairman
Mr.Vijay R Kirloskar	-	Member
Mr. Anuj Pattanaik	-	Member
Mr. V.P.Mahendra	-	Member

During the year under review, the Committee did not meet at any time.

Remuneration Policy

The objective of the remuneration policy is to motivate employees to excel in performance, recognition of contribution and retention.

The components of the total remuneration vary for different levels and are governed by industry pattern, qualification and experience of employees and responsibilities.

Remuneration of employees largely consists of basic remuneration, perquisites and performance incentives.

The number of employees working in the organisation as on 31.3.2012 was 1788.

Details of remuneration paid to the Directors during the period under review :

Executive Directors:

(₹ in Lakhs)

Name	Salary	Contribution to PF and other Funds	Total Amount
Mr. Vijay R Kirloskar Chairman & Managing Director	108.00	29.16	137.16
Mr.Anuj Pattanaik Dy. Managing Director	81.83*	17.72	99.55

The Managing Director has been appointed for a period of 5 years w.e.f. 17th August, 2010. In case his tenure is determined by the Company prematurely, the Managing Director shall be entitled to compensation as provided under section 318 of the Companies Act, 1956.

Mr. Anuj Pattanaik has been appointed for a period of five years with effect from 23.9.2010 and the appointment is terminable by either party by giving three months notice to the other. Severance compensation of three months salary is payable to Mr. Pattanaik, if his aggrement is terminated before the contractual period.

Non Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings ₹
Mr. A.S. Lakshmanan	1,95,000
Mr. S.N. Agarwal	1,65,000
Mr. Anil Kumar Bhandari	1,50,000
Mr. Sarosh J Ghandy	1,95,000
Mr. V.P. Mahendra	1,20,000
Mr. Kamlesh Gandhi	75,000
Mr. Berthold Groeneveld	45,000
Mr. D. Devender Singh	45,000*
Mrs. Meena Kirloskar	90,000

*Sitting Fees paid to Life Insurance Corporation of India

Shareholdings of Non Executive Directors as on 31.3.2012

Name of the Non Executive Director	Shareholding - No. of Shares
Mr. A.S. Lakshmanan	19934
Mr. S.N. Agarwal	500
Mr. Anil Kumar Bhandari	500
Mr. Sarosh J Ghandy	615
Mr. V.P.Mahendra	2533
Mr. Kamlesh Gandhi	500
Mr. Berthold Groeneveld	500
Mr. D. Devender Singh	500
Mrs. Meena Kirloskar	95360

None of the non-executive Directors owns any shares on beneficial basis.

Code of Conduct

The Board has laid down a Code of Conduct for Board of Directors and Senior Managers and the Code is posted on the website of the Company.

Declaration pertaining to compliance with the Code of Conduct of the Company

This is to confirm that all the Board Members and Senior Managers have affirmed compliance with the Code of Conduct of the Company, for 2011-12.

Place : Bangalore
Date : May 28, 2012

Vijay R Kirloskar
Chairman & Managing Director

General Body Meetings

The details about the last three Annual General Meetings are given below :

AGM	YEAR	VENUE	DATE	TIME
62nd	Apr 2008- Mar 2009	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	24.09.2009	10.00 A.M
63rd	Apr 2009- Mar 2010	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	23.09.2010	10.00 A.M
64th	Apr 2010- Mar 2011	Chowdiah Memorial Hall, Gayathri Devi Park Extension, Vyalikaval, Bangalore 560 003.	03.08.2011	10.00 A.M

Special Resolutions passed in the previous three Annual General Meetings :

Year	Special Resolution
2008-09	1. Payment of remuneration to Mr. P.S.Malik, Joint Managing Director from 17th October, 2008 upto 9th October, 2009. 2. Appointment of Mr. P.S.Malik as Joint Managing Director from 10th October, 2009 till 9th October, 2012. 3. Approval for the continuing services of Ms. Rukmini Kirloskar and increase in her remuneration
2009-10	1. Re-appointment of Mr. Vijay R Kirloskar as Managing Director from 17th August, 2010 till 16th August, 2015.
2010-11	1. Appointment of Mr. Anuj Pattanaik as Deputy Managing Director from 23rd September, 2010 till 22nd September, 2015 and payment of remuneration to Mr.Anuj Pattanaik 2. Approval for the continuing services of Ms. Janaki Kirloskar and increase in her remuneration

No Special Resolution through postal ballot is proposed in the ensuing Annual General Meeting.

Disclosures

Related party transactions

There have been no materially significant related party transactions that would have potential conflict with the interests of the Company at large. Audit Committee reviews periodically related party transactions i.e. transaction of the Company, which are of material nature with related parties and material individual transactions with related parties or others, that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note 43 of the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18. There were no material individual transactions with related parties which are not in the normal course of business and there were no material individual transactions with related parties or others, which are not on an arm's length basis.

Accounting Treatment

The Company's financial statements are prepared as per the guidelines of Accounting Standards under Indian GAAP.

Risk Management

The Company has laid down procedures to inform Board Members about the risk assessment and minimisation procedures. These are periodically reviewed and to ensure that executive management controls risk through means of a properly defined framework.

Utilisation of Public Issue Proceeds

The Company has not raised any money through any issue.

Details of non-compliance

During the previous three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

Cost Audit

M/s. Rao, Murthy & Associates, Cost Accountants, Basavanagudi, Bangalore – 560 004, have been appointed as Cost Auditor of the Company for the financial year 2012-13, under Section 233B of the Companies Act, 1956.

Cost Audit Report for the financial year 2010-11 was filed with Ministry of Corporate Affairs on 30.12.2011 (due date 30th September, 2011). Cost Audit Report for the financial year for 2011-12 will be filed on or before the due date.

Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

Compliance with Clause 49

All mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company and non mandatory requirement have been followed to the following extent :-

Remuneration Committee

A Remuneration Committee has been constituted, the details whereof have been provided earlier in the Report.

Some of the non mandatory requirements are not being followed for the reasons given against the requirements, as follows :-

Chairman's Office

As the Chairman of the Company is Executive Chairman, the provision is not applicable.

Shareholder Rights

The quarterly/ half yearly financial results are published in English in a newspaper having wide circulation all over India and also in a vernacular newspaper and are also displayed on the Company's website and are, therefore, not sent separately to the shareholders.

Training of Board Members

The Board of Directors comprises of well-experienced versatile members and their formal training is considered not necessary.

Whistle Blower Policy

The Company does not have any formal Whistle Blower Policy. But any employee of the Company can approach the Audit Committee if he/she so desires.

Means of Communication

The quarterly/half yearly results are published as per the listing requirements. They are published in English and in Kannada in well known newspapers.

The Company's results are sent to the Stock Exchanges by Email, Fax and Courier. The Company has not given any official news release and has not made any presentation on financial results to institutional investors.

Information about the Company in general and its financial results can be accessed at the Company's website www.kirloskar-electric.com.

Management Discussion and Analysis Report forms part of the Annual Report.

Shareholders' Information

Annual General Meeting

Date : August 9, 2012

Time : 10.00 A.M.

Venue : Chowdiah Memorial Hall
Gayathri Devi Park Extension
Vyalikaval, Bangalore 560 003

Financial Year 1st April, 2011 to 31st March, 2012

Date of Book Closure : 2nd day of August, 2012 to 9th day of August, 2012 (both days inclusive)

Financial Calendar

Un-audited Results for the quarter ended	**Approved on**	**Published in**
30.06.2011	03.08.2011	Business Standard / Samyuktha Karnataka
30.09. 2011	08.11.2011	Business Standard / Samyuktha Karnataka
31.12. 2011	08.02.2012	Business Standard / Samyuktha Karnataka
31.03.2012	28.05.2012	Business Standard / Samyuktha Karnataka

Financial Calendar for the period till 31.3.2013.

Un-audited results for the quarter ending 30th June, 2012	by 14th August, 2012.
Un-audited results for the quarter ending 30th September, 2012	by 14th November, 2012.
Un-audited results for the quarter ending 31st December, 2012	by 14th February, 2013.
Audited results for the quarter ending 31st March, 2013	by 30th May, 2013

Dividend Payment Date : *The Company has not declared dividend for the financial year 2011-12.*

Listing on Stock Exchanges : Bangalore Stock Exchange Ltd.
Madras Stock Exchange Ltd.
Bombay Stock Exchange Ltd
National Stock Exchange of India Ltd

Stock Code : Bangalore Stock Exchange Ltd. – KIRELECTRI
Madras Stock Exchange Ltd. – KRL
Bombay Stock Exchange Ltd. – 533193
National Stock Exchange of India Ltd - KECL

ISIN Number : INE 134B01017

The listing fees for 2012-13 have been paid to the Stock Exchanges where the shares are listed .

Market Price Data

During the year under review there was no trading in the shares of the Company on Bangalore Stock Exchange Limited and Madras Stock Exchange Limited. The shares were traded at Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

The prices at Bombay Stock Exchange were as follow:

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume (Nos.)
April, 2011	57.60	45.85	348307
May, 2011	52.70	42.00	187691
June, 2011	46.85	40.00	167430
July, 2011	45.90	40.55	152084
August, 2011	46.75	31.55	229957
September, 2011	38.85	32.25	420656
October, 2011	35.00	30.10	107662
November, 2011	35.95	27.60	321755
December, 2011	37.00	25.50	182052
January, 2012	38.50	32.55	244060
February, 2012	40.70	32.50	131627
March, 2012	34.75	27.00	542776

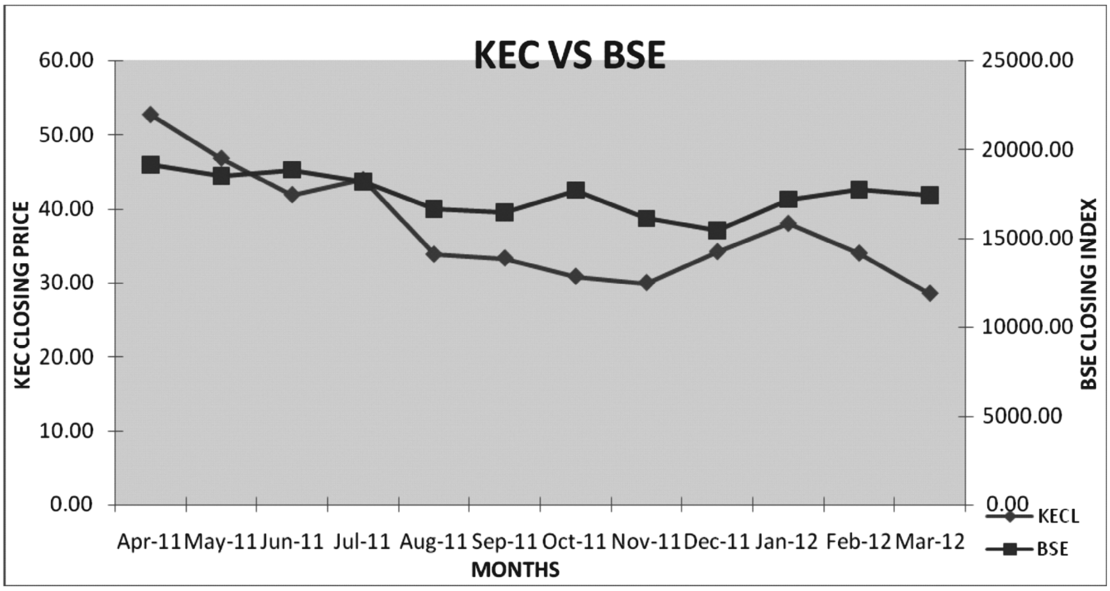
The prices at National Stock Exchange of India Ltd. were as follow

Month	Monthly High (₹)	Monthly Low (₹)	Monthly Volume (Nos.)
April, 2011	59.85	46.10	135967
May, 2011	52.30	40.00	87965
June, 2011	47.50	40.05	80683
July, 2011	45.50	40.30	92310
August, 2011	46.70	27.30	139219
September, 2011	38.55	32.10	151433
October, 2011	34.75	29.60	46880
November, 2011	41.00	26.00	329820
December, 2011	37.00	25.50	123653
January, 2012	38.75	32.50	66278
February, 2012	40.50	33.10	50865
March, 2012	34.60	26.85	1058725

Share Price Movements :

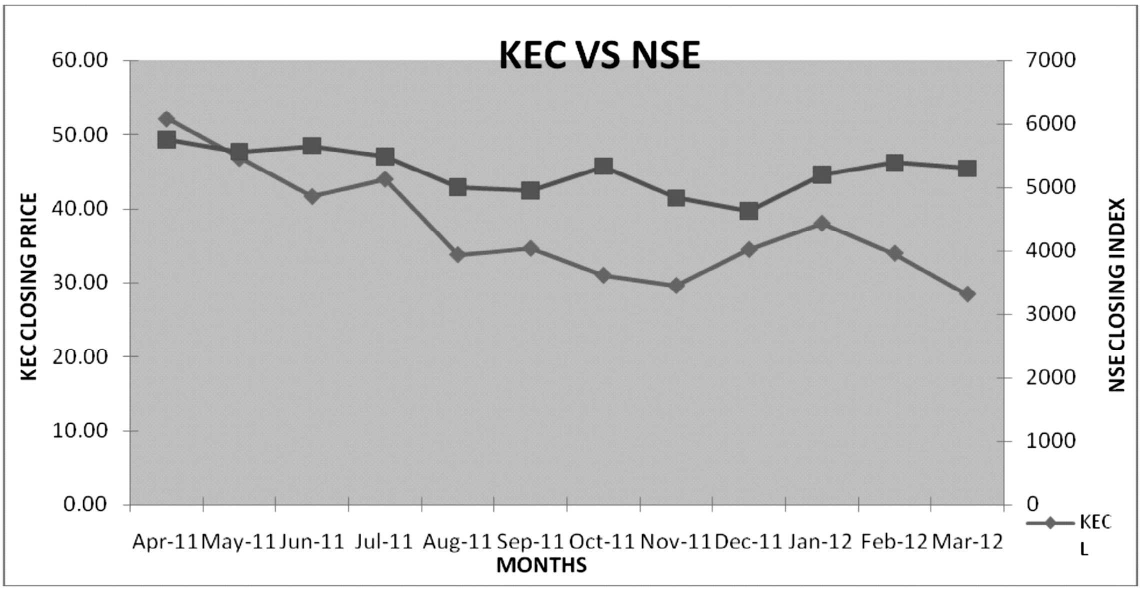
Share Price Movements for the period 1st April, 2011 to 31st March, 2012

Kirloskar Electric Company Limited (KEC) vs BSE Sensex



Share Price Movements for the period 1st April, 2011 to 31st March, 2012

Kirloskar Electric Company Limited (KEC) vs NSE Sensex



Registrar and Share Transfer Agents

M/s. Integrated Enterprises (India) Ltd, are the Registrar and Share Transfer Agents of the Company for both the physical and the dematerialised shares. Their address is:

M/s. Integrated Enterprises (India) Ltd
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bangalore 560 003.

Telephone No : 23460815,23460816,23460817 and 23460818
Fax No. 23460819
Website :www.123alpha.com

All applications for transfer/dematerialisation may be forwarded to the Registrars at their above address or to the Company at its Registered Office.

The Company's shares are in compulsory demat mode. Investors/Members are requested to note that physical documents, viz. Demat Request Forms (DRF), Share Certificates, etc. should be sent by their DPs' directly to the Transfer Agents of the Company. Investors/Members who purchase/acquire shares of the Company in the physical form should similarly send the physical documents, viz Transfer Deeds, Share Certificates etc. to the Transfer Agents of the Company. In cases of transfer of shares in the physical form, option is given to transferees to dematerialise their shares as per SEBI guidelines. If the option is not exercised, physical share certificates duly endorsed for transfer are despatched.

The shareholders' complaints received during the year have been resolved with due despatch and no complaints were pending as on 31.3.2012. There were no physical transfers pending as on 31.3.2012 and there were no dematerialisation requests pending as on 31.3.2012. The Company has not received any request for rematerialisation during the year.

Distribution of Shareholding as on 31.3.2012

Shareholding Range	No. of share holders in Demat Form	No. of shares	No. of share holders in physical Form	No. of shares	Total No. of share holders	%	No. of shares	% of share holdings
1-500	14513	1768558	22221	969093	36734	92.98	2737651	5.42
501-1000	1087	890182	256	184192	1343	3.40	1074374	2.13
1001-2000	524	797507	136	186587	660	1.67	984094	1.95
2001-3000	214	553239	45	110291	259	0.66	663530	1.31
3001-4000	91	327071	21	72142	112	0.28	399213	0.79
4001-5000	94	437403	14	60837	108	0.27	498240	0.99
5001-10000	142	1062873	16	110259	158	0.40	1173132	2.32
10001 & above	124	34660216	9	8330917	133	0.34	42991133	85.09
TOTAL	16789	40497049	22718	10024318	39507	100.00	50521367	100.00

Pattern of Equity Shareholding as on 31.3.2012

Category	No. of Shares held	Percentage of Shareholding
Promoters	22384683	44.31
Banks, Financial Institutions	4102889	8.12
Foreign Investment Institutions	850	0.00
Private Corporate Bodies	4176418	8.27
Indian Public	17874107	35.38
NRIs/OCBs	1982420	3.92
TOTAL	50521367	100.00

Dematerialisation of Shares

The paid up equity capital of the Company as on 31.3.2012 was ₹ 50,52,13,670 (50521367 shares of ₹.10/- each). Out of the total Equity paid up share capital of ₹ 50,52,13,670, 40497049 equity shares representing 80.16% of the Equity Capital were held in dematerialised form as on 31.3.2012.

Shareholders complaints received during the period 1.4.2011 to 31.3.2012.

Type of Complaint	Number of Complaints Received	Number of Complaints redressed	Redressal under process
Letters regarding Non receipt of Annual Reports	5	5	Nil
Letters or Complaints regarding shares (Non-receipt of shares after transfer/transmission, deletion of names consolidation/sub-division of shares and general transfer correspondence)	1	1	Nil
Miscellaneous Letters or complaints received other than of above categories.	6	6	Nil

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has no GDR/ADR/Warrants or any convertible instruments.

Insider Trading

The code of internal procedure of conduct and code of corporate disclosure practices as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended by the Notification of 20th February, 2002 has been approved on 24th September, 2002 and is made effective with effect from 1.10.2002.

Plant Locations

Govenahalli	Hubli	Mysore	Kachenahalli	Tumkur	Tumkur Road
Survey No.16 Govenahalli Thyamagondalu Hobli Nelamangala Taluk Bangalore Rural District 562 123	Gokul Road, Hubli 580 030	Belvadi- Industrial Area, Mysore 570 018	Survey No.81/3, Kachenahalli (Budihal) Nelamangala Taluk Bangalore Rural 562 123	Hirehalli Industrial Area, Hirehalli Tumkur 572 168	JD Royalite Building Tumkur Road Bangalore 560 022

Hubli	Nagar Road	Kondhapuri	Andul Mauri
Sy. No.16/1 Gabbur Village P B Road, Hubli 580 028	5/4 Nagar Road Pune 411014	GAT No. 309, 315, 317 and 318 Opp Govt Milk Dairy Kondhapuri Dt. Pune 412 209	Cal-Mumbai Truck Terminal Ltd. East Wing - 14, Jala Dhulagori Sankrail, Andul Mauri, Howrah 711 302

Address for Correspondences :

Kirloskar Electric Company Limited
Post Box No.5555, Malleswaram West, Bangaore 560 055
Telephone : 080-23374865, 23378735 Fax: 080-23377706
Web Site Address – www.kirloskar-electric.com

Directors' Responsibility Statement

The Directors' Responsibility Statement in conformity with the requirement of the Companies Act, 1956 has been included in the Directors' Report to the Shareholders. A Management Discussion and Analysis Report in terms of item IV (F) of Clause 49 of the Listing Agreement has been annexed to the Directors' Report.

The financial accounts are in full conformity with the requirements of the Companies Act, 1956. These accounts reflect the form and substance of transactions and present a true and fair view of the Company's financial condition and the results of operations.

The Company has a system of internal control which is reviewed, evaluated and updated on an ongoing basis. The Internal Audit has conducted periodic audit of systems and procedures to provide reasonable assurance that the activities are conducted in a manner not prejudicial to the interests of the Company.

The financial statements have been audited by M/s B.K. Ramadhyani & Co., Chartered Accountants and have been reviewed by and discussed in the Audit Committee Meeting.

Information pursuant to Clause 49 IV (G) (i) (c) of the Listing Agreement

The details required under Clause 49 IV (G) (i) (c) of the Listing Agreement are given in the notice convening the meeting.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry

Your Company is engaged in Electrical Industry, which has various groups such as Rotating Machines Group, Static Equipments Group, Switchgears Group, Transformers Group, Capacitors Group, Transmission Lines Group, etc. Each product group is having its different products within its broad range. The industry is further divided into Organised Sector and Unorganised Sector. Your Company manufactures and deals in major products in the industry.

Opportunities

The industries to which we cater to and diversified portfolio of ours provide consistent demand for our products overall. We are also trying to innovate and further diversify our range of products. The Indian Economy is expected to do well in comparison with others. There is considerable energy deficit. This provides significant opportunities to share in the chain of power business for our different product lines. The strong brand image of the Company's products on account of our stress on quality and a broad network of our dealers/service centres puts us in an advantageous position. It may be noted that the Company has no control over the external factors as a result of which the actual performance may vary from the expected.

Threats

Delays in supply of raw materials and fluctuations in prices thereof are a matter of concern. The industry is becoming highly competitive. Industrial climate is hazy and uncertain making the working challenging. The actual performance may differ, as it is dependent on several factors beyond control of the Company.

Performance Overview

During the year the Company has achieved a turnover of ₹ 8.72 billion as against ₹ 8.24 billion in the previous year. The profit before tax for the year is ₹ 95.7 million as against a profit of ₹ 21.1 million in the previous year.

Segmentwise or productwise performance

The Company has identified the reportable segments as Rotating Machines Group, Power Generation and Distribution Group and Others, taking into account the nature of products and services, the different risks and returns and the internal reporting systems.

The segmentwise turnover of the Company is as follows: -

(₹ in Lakhs)

Products	**2011-12**	2010 -11
Rotating Machines Group	**63566.02**	64016.52
Power Generation and Distribution Group	**46369.66**	46467.60
Others	**6916.69**	5359.05
TOTAL	**116852.37**	115843.17

Future Outlook

Global economies appear to be going through a phase which is having greater share of volatility than that of stability. There are signs of inertia in Indian Economy as well. Your Company has taken several steps to mitigate the impact of slowdown - rather to have better results by stress upon actions oriented towards goals and performance which should enable the Company to do better, barring unforeseen circumstances. The power deficit provides opportunity to share in the chain of power business.

Risks & Concerns

Competition is increasing and the GDP growth is expected to be just around 7.5%. The rise in prices of raw materials and supply uncertainties and tighter monetary conditions are a matter of concern.

Internal Control System

The Company has in place an adequate system of internal controls commensurate with the size of the Company and the nature of its business. This ensures efficacy of operations and safeguarding of assets against loss and compliance with applicable legislation. The system involves appropriate and timely recording of all transactions and financial tracking. There exists an adequate management reporting system comprising managerial reporting and analysis on various performance indicators, for corrective action as necessary. The Company has regular review systems to monitor the performance against agreed financial parameters to assess the strengths and areas of improvement at all the Units.

Human Resources

Employees at all levels have put in their best to the services of the Company. Industrial relations during the year were cordial and the Company continued to have good support of all its employees at all levels. The Company is focusing on Employee Retention, Development, Recognition and Performance Management.

For and on behalf of the Board

Place : Bangalore
Date : May 28, 2012

Vijay R Kirloskar
Chairman

CEO & CFO CERTIFICATION

We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2012 and certify, to the best of our knowledge and belief, that:

i. these statements present a true and fair view of the Company's affairs, and are in compliance with existing accounting standards, applicable laws and regulations;

ii. these statements do not contain any materially untrue statement, or omit any material fact, or contain statements that might be misleading;

iii. no transactions entered into by the Company during the year were fraudulent, illegal or violative of the Company's code of conduct ;

iv. we have accepted the responsibility for establishing & maintaining internal control for financial reporting;

v. we have evaluated the effectiveness of the internal control systems of the company, and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, of which we are aware and have taken steps to rectify the same, wherever found;

vi. significant changes in internal control over financial reporting, as well as changes in accounting polices, have been intimated to the Auditors and the Audit Committee, and have been disclosed in the notes to the financial statements; There were no instances of fraud of which we have become aware.

Place : Bangalore
Date : May 28, 2012

Vijay R Kirloskar
Chairman & Managing Director

CA. Vinayak N Bapat
Vice President &
Chief Financial Officer

AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED, BANGALORE

We have audited the attached Balance Sheet of Kirloskar Electric Company Limited, Bangalore as at March 31, 2012, the statement of Profit and Loss and also the Cash Flow statement for the year ended on that date annexed thereto.

1 These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3 As required by the Companies (Auditor's report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Company Law Board, in terms of subsection 4A of section 227 of the Companies Act, 1956 ('Order'), we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

Further to our comments in the annexure referred to above, we report that:

4 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.

5 In our opinion, *subject to paragraph 8 of the annexure*, the Company has kept proper books of account as required by law, so far as it appears from our examination of such books.

6 The report on the accounts of the Kuala Lumpur office in Malaysia not visited by us but audited by M/s Sundar & Associates, Chartered Accountants has been forwarded to us and has been dealt with in the manner considered appropriate by us while preparing our report.

7 The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Account and the audited returns received from the Kuala Lumpur office of the Company.

8 In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply in all material respects with the mandatory accounting standards (AS) referred to in subsection (3C) of section 211 of the Companies Act, 1956 as applicable, subject to *note 37 (b) to the financial statements (valuation of Inventories)*.

9 On the basis of written representations received from directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on that date from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

10 Attention of the members is invited to:

i Note 9 to the financial statements regarding complete particulars (including interest payable) of dues to micro, small and medium enterprises not being ascertained, with consequential non provision for interest due.

ii Note 36 to the financial statements regarding accounts of certain debtors, creditors, loans and advances, balances between the Company, its erstwhile subsidiary Kaytee Switchgear Limited and the operating business of Kirloskar Power Equipments Limited being subject to review/reconciliation/identification. Further debts above two years and considered as good by management is estimated at Rs. 2,386.24 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/advances.

iii. Note 2 of annexure to this report and Note 37 to the financial statements regarding SAP ERP systems being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Accordingly, value of inventories adopted in the financial statements of Rs.13,174.60 lakhs is as certified by the management and could not be verified by us.

iv Note 39 to the financial statements regarding realizable value of assets held for sale of Rs. 793.09 lakhs being assessed by management without the support of an external valuation or quotations from prospective buyers.

v Note 40 to the financial statements regarding amounts due from certain companies of Rs.431.93 lakhs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery.

In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.

11 In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts read with the other notes give the information as required by the Companies Act, 1956 in the manner so required and subject *to paragraph 10 above,* give a true and fair view in conformity with the accounting principles generally accepted in India: -

A In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012

B In the case of the Statement of Profit and Loss, of the profits of the Company for the year ended on that date and

C In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B.K.RAMADHYANI & CO.
Chartered Accountants
Firm Registration No 002878S

CA. C R KRISHNA
Partner
Membership number 027990

Bangalore
Date: May 28, 2012

ANNEXURE TO AUDITORS' REPORT

(AS REFERRED TO IN PARA 3 OF OUR REPORT
TO THE MEMBERS OF KIRLOSKAR ELECTRIC COMPANY LIMITED)

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However comprehensive description of assets, their current location and accumulated depreciation need to be updated in the asset record.

   b. The management during the year has physically verified fixed assets as per a program of verification. We understand that reconciliation is in progress and that difference, if any, will be assessed after completion of reconciliation. Fixed assets lying with third parties are subject to confirmation.

   c. During the year, the Company has not disposed off a substantial part of its fixed assets and as such the provisions of clause 4(i) (c) of the Order are not applicable to the Company.

2. a. Inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. *Certain stocks lying with third parties, stock lying at port and with inter-units are subject to confirmation/reconciliation.*

   b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business *except at certain units where the same need to be strengthened.*

   c. *The Company has implemented SAP ECC 6 systems at a majority of its units. Certain mistakes and omissions to the extent identified during the year have been corrected based on physical verification taken from time to time (refer note 37 (a) of the financial statements). The Company is in the process of quantifying the excess and shortages adjusted in the books of account on a comprehensive basis. Accordingly, we are unable to state whether the discrepancies between book records and inventory are material and whether they have been properly dealt with in the books of account.*

   d. We have relied on the representation of the management that the consumption of materials and components is in line with production/ industry norms.

3. a. The terms and conditions on which fixed deposits were accepted from a director and a relative of a director are prima facie not prejudicial to the interests of the Company. The maximum amount involved during the year and amount outstanding at the end of the year were Rs. 45.00 lakhs.

   b. The Company has not granted any loans to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. For this purpose, we have relied on the representations of the management that monies due from parties referred to in note 40(a) to the financial statements are advances and not in the nature of loans.

4. Having regard to the explanations given to us that some of the bought items / assets are proprietary and / or are customised to the requirements of the Company and as such comparative quotations are not available *and subject to notes 36 and 37 to the financial statements*, there are adequate internal control procedures commensurate with the size of the Company and the nature its business with regard to purchases of inventory and fixed assets and for the sale of goods. We have not observed during the course of our audit any continuing failure to correct major weaknesses in the internal controls, subject to note 36 and 37 to the financial statements.

5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered. *Attention is invited to note 49 to the financial statements regarding prior approval of the Central Government not having been obtained in respect of certain contracts in which directors are interested, in terms of section 297 of the Act.*

   b. No comments can be made on the reasonability of the rates in respect of the transactions so made and exceeding Rs. 500,000 in respect of any one party since there are no similar transactions with third parties at the relevant time.

6. The Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public.

7. We have been informed by the management that an independent agency has been appointed for conducting internal audit of certain units and their report is awaited. Under the circumstances, we cannot comment whether the Company's internal audit system is commensurate with its size and nature of business.

8. We have broadly reviewed the Cost Records maintained by the Company as prescribed by the Central Government under clause (d) of sub section (1) of 209 of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained*, subject to paragraph 2(c) above regarding inventory records.* We have not made a detailed examination to ensure their accuracy or completeness.

9. a. The Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities and barring delays in certain months and non payment of certain dues detailed in paragraph 9(b) below.

   b. We have been informed by the management that the customs duty payable of Rs 4,119,078 referred to in our report dated June 25, 2007 to the members of the Company is old, not subsisting and not payable. Matured deposits aggregating to Rs. 244,000 have not been remitted to Investor Protection Fund, pending resolution of disputes regarding beneficiaries. According to the information and explanations given to us, pending completion of reconciliation in respect of professional tax, employees' state insurance and income tax deducted at source in respect of certain branches / offices, we are unable to identify amounts outstanding for more than 6 months, if any. However the following undisputed statutory dues were outstanding as at March 31, 2012 outstanding for a period of more than six months from the date they became payable:

Name of the Statute	Nature of Dues	Amount ₹	Period to which it relates	Due Date	Date of Payment
The Finance Act, 1994	Service tax on Goods Transport Agency	19,816	April to August 2011	5th of subsequent month	₹ 3,654 paid on 21-May-2012 & ₹ 19,816 paid on 21-May-2012

c. According to the information and explanations given to us, the following dues of sales tax, income tax, customs tax, excise duty, service tax and cess had not been deposited as at March 31, 2012 with the relevant authorities on account of disputes.

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax	Demands at Various Branches of the Company	781,446	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	1,596,910	1985 to 2001	Sales Tax Appellate Tribunal
Local Sales Tax at Various Branches	Demands at Various Branches of the Company	2,459,790	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Demands at Various Branches of the Company	1,178,688	1999 to 2000	Joint Commissioner of Sales tax
Central Sales Tax	Sales tax demand.	4,532,781	2002 to 2005	Commissioner of Sales Tax (A)
Bombay Sales Tax Act	Sales tax demand	505,585	2002 to 2005	Commissioner of Sales Tax (A)
Central Sales Tax	Sales tax demand.	54,648,404	1999-2000, 2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act	Sales tax demand	575,331	1999-2000, 2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Works Contract Tax Act	Sales tax demanded	1,004,030	2001-2002 & 2002-2003	Maharastra Sales Tax Tribunal, Mumbai
Karnataka Sales Tax Act	Resale tax demanded	36,912,070	2002 – 2005	High Court of Karnataka
Karnataka Value Added Tax Act, 2003	VAT penalty demanded	38,051,249	2005 – 2008	High Court of Karnataka
The Customs Act, 1962.	Customs demand	5,154,369	1994 to 1999	Asst. Commissioner of Customs
The Central Excise, 1944	Excise demand	217,927	April 1993	High Court of Karnataka
Works Contract Tax Act	Sales tax demanded	1,253,188	1996-1997 & 1998-1999	Joint Commissioner of sales Tax
Central Sales Tax	Sales tax demand.	10,091,942	1996-1997 & 1998-1999	Joint Commissioner of sales Tax
The Central Excise, 1944	Excise demand	129,023	September 2006	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Excise demand	133,370	September 2007	Central Excise and Service Tax Appellate Tribunal
The Central Excise, 1944	Cenvat credit demand	574,282	April 2008 to June 2009	Commissioner of Central Excise (Appeals)
The Income Tax Act, 1961	Income tax demand	7,947,186	Assessment year 2008–2009	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income tax demand	9,525,224	Assessment year 2009-10	Commissioner of Income Tax (Appeals)

10. In our opinion, the Company did not have accumulated losses as at year end. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year. This is without taking cognizance of our comments in paragraph 10 of our report.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks & financial institutions.

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 and as such the provisions of clause 4(xii) of the Order are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by its wholly owned subsidiary from a bank is not prima facie prejudicial to its interest.

16. In our opinion, the Company had no terms loans outstanding from banks as at the year. Accordingly, the provisions of clause 4 (xvi) of the Order is not applicable.

17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that Rs.6,341.76 lakhs funds raised on short- term basis have been used for long-term investment.

18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.

19. According to the information and explanations given to us, no debentures were outstanding at the end of the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable

20. The Company has not raised any monies by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.

21 According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatement to the financial statement have been noticed or reported during the year.

For B. K. Ramadhyani & Co.,
Chartered Accountants
Firm Registration No 002878S

CA. C R KRISHNA
Partner
Membership number 027990

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th cross, Malleswaram,
Bangalore - 560 055

Date: May 28, 2012

BALANCE SHEET AS AT MARCH 31, 2012

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2012		As at March 31, 2011	
I. EQUITY AND LIABILITIES					
1) SHAREHOLDERS' FUNDS					
a) Share Capital	2	5,052.14		5,825.73	
b) Reserves and Surplus	3	14,095.64		13,138.82	
			19,147.78		18,964.55
2) NON - CURRENT LIABILITIES					
a) Long term borrowings	4	1,294.30		2,605.57	
b) Other long term liabilities	6	690.45		663.30	
c) Long term provisions	7	1,047.15		1,308.06	
			3,031.90		4,576.93
3) CURRENT LIABILITIES					
a) Short term borrowings	8	12,697.42		11,643.65	
b) Trade payables	9	24,845.36		24,970.74	
c) Other current liabilities	10	7,342.34		7,903.75	
d) Short term provisions	11	1,447.77		1,124.90	
			46,332.89		45,643.04
TOTAL			68,512.57		69,184.52
II. ASSETS					
1) NON - CURRENT ASSETS					
a) Fixed Assets					
i) Tangible assets	12	14,310.17		15,914.62	
ii) Intangible assets	12	173.82		227.31	
iii) Capital work in progress	13	395.16		203.82	
		14,879.15		16,345.75	
b) Non - current investments	14	12,703.58		10,833.52	
c) Deferred tax assets (Net)	5	-		-	
d) Long term loans and advances	15	1,449.60		1,584.81	
e) Other non current assets	16	1,030.05		1,897.36	
			30,062.38		30,661.44
2) CURRENT ASSETS					
a) Inventories	17	13,174.60		11,617.19	
b) Trade receivables	18	18,744.11		19,573.53	
c) Cash and cash equivalents	19	2,783.02		3,816.13	
d) Short term loans and advances	20	1,445.24		1,882.19	
e) Other current assets	21	2,303.22		1,634.04	
			38,450.19		38,523.08
TOTAL			68,512.57		69,184.52
Significant accounting policies and notes attached form an integral part of the Financial Statements	1 to 52		-		-

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm number: 002878S

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA. C R KRISHNA
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	Particulars	Note No.	Current Reporting Period		Previous Reporting Period	
I	**REVENUE FROM OPERATIONS**	23		87,173.97		82,387.54
II	**OTHER INCOME**	24		576.26		369.19
III	**TOTAL REVENUE (I + II)**			87,750.23		82,756.73
IV	**EXPENSES**					
	Cost of materials consumed	25	66,612.43		64,353.26	
	Purchases of stock in trade					
	Changes in inventories of finished goods, work in progress and stock in trade	26	(1,026.54)		(1,044.40)	
				65,585.89		63,308.86
	Employee benefits expense	27		8,012.98		7,646.25
	Finance costs	28		3,830.46		3,171.07
	Depreciation and amortization expense	29		1,838.89		1,618.81
	Other expenses	30		7,481.20		6,804.63
				86,749.42		82,549.62
	Less Expenses Capitalised			8.09		5.69
	TOTAL EXPENSES			86,741.33		82,543.93
V	**PROFIT BEFORE TAX (III-IV)**			1,008.90		212.80
VI	**TAX EXPENSE:**					
	Current tax			52.08		2.27
VII	**PROFIT FOR THE PERIOD (V + VI)**			956.82		210.53
VIII	**EARNING PER EQUITY SHARE:**	33				
	Basic & Diluted			1.73		0.18

Significant accounting policies and notes attached form an integral part of the Financial Statements 1 to 52

In Accordance with our Report attached

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm number: 002878S

CA. C R KRISHNA
Partner

Place : Bangalore
Date : May 28, 2012

For and on behalf of the Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	Current Reporting Period		Previous Reporting Period	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		**1,008.90**		212.80
Adjustments for :				
Depreciation & Amortisation	**1,838.89**		1,618.81	
Provisons (Net)	**60.52**		(984.23)	
Loss on sale of fixed assets	**5.75**		3.89	
Interest received	**(114.81)**		(146.83)	
Dividends received	**(7.08)**		(3.66)	
Interest expenses	**3,830.46**		3,171.07	
		5,613.73		3,659.05
		6,622.63		3,871.85
(Increase)/ decrease in trade and other receivables	**1,029.63**		(281.73)	
(Increase)/ decrease in inventories	**(1,557.41)**		(2,495.37)	
Increase/ (decrease) in trade payables & other current liabilities	**(1,407.69)**		6,436.85	
		(1,935.47)		3,659.75
		4,687.16		7,531.60
Income taxes paid		**155.68**		840.37
NET CASH FROM OPERATING ACTIVITIES		**4,531.48**		6,691.23
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(840.86)**		(743.90)	
Proceeds from sale of property, plant and equipment	**5.38**		26.99	
Purchase of investments	**(1,847.57)**		(2,276.58)	
Interest received	**106.40**		180.76	
Reduction in margin money	**1,118.48**		282.15	
Dividend received	**7.08**		3.66	
NET CASH FROM INVESTING ACTIVITIES		**(1,451.09)**		(2,526.92)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long term borrowings	**72.00**		2,570.40	
Repayment of long term borrowings	**(380.20)**		(1,211.74)	
ICD's Accepted	**5,485.00**		1,531.06	
Repayment of ICD's	**(3,896.06)**		(100.00)	
Fixed deposits from public accepted	**219.90**		641.24	
Repayment of fixed deposits from public	**(735.50)**		(720.30)	
Repayment of preference share capital	**(773.59)**		(773.59)	
Repayment of short term borrowings (net)	**(166.59)**		-	
Repayment of finance lease obligation	**(216.00)**		(1,582.94)	
Interest paid	**(3,722.46)**		(3,115.26)	
NET CASH FROM FINANCING ACTIVITIES		**(4,113.50)**		(2,761.13)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,033.11)**		1,403.18
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD		**3,816.13**		2,412.95
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD		**2,783.02**		3,816.13

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm number: 002878S

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA. C R KRISHNA
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

1.2 FIXED ASSETS:

(i) Tangible Assets

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, erection and commissioning less depreciation. A portion of the land owned by the Company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

1.3 ASSETS HELD FOR SALE::

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

1.4 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

1.5 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued on first in first out basis/ weighted average at net landed cost or net realizable value whichever is lower.
2. Work in progress is valued at works cost or net realizable value whichever is lower.
3. Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress and finished goods have been computed based on the weighted average/ average price/ latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

1.6 DEPRECIATION:

a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, whichever is higher on assets as on 31st March 1994.

b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.

c) Depreciation on furniture and fixtures above ₹ 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is ₹ 5,000/- or below are fully depreciated in the year of addition.

d) Depreciation on assets taken on finance lease is charged over the primary lease period.

e) Depreciation on software is provided at 33.33% per annum.

f) Depreciation on technical know-how fees and product development are written over a period of six years.

g) Project specific tools are depreciated over the life of the project.

h) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹ 5,000/- is depreciated fully.

1.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

1.8 REVENUE RECOGNITION:

a) Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

b) Interest income is recognized on time proportion basis.

c) Dividend income is recognized, when the right to receive the dividend is established.

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

1.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

(ii) Post Employment Benefits:

a) Defined Contribution Plans:

The Company has contributed to provident, pension & superannuation funds which are defined contribution plans. The contributions paid/ payable under the scheme is recognized during the year in which employee renders the related service.

b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

1.10 FOREIGN CURRENCY TRANSACTIONS:

a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.

b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.

c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

d) Branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

e) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period.

1.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

1.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalised up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to the Statement of Profit & Loss.

1.13 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

1.14 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March, 2012 Number	As at 31st March, 2012 ₹ in Lakhs	As at 31st March, 2011 Number	As at 31st March, 2011 ₹ in Lakhs
2 SHARE CAPITAL				
Authorised:				
Preference Shares of Rs.100/- each	**3,000,000**	**3,000.00**	3,000,000	3,000.00
Equity shares of Rs.10/- each	**60,000,000**	**6,000.00**	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of Rs.100/- each				
At the beginning of the reporting period	**773,592**	**773.59**	1,547,182	1,547.18
Redeemed during the reporting period	**773,592**	**773.59**	773,590	773.59
At the close of the reporting period	**-**	**-**	773,592	773.59
Equity shares of Rs.10/- each				
At the beginning of the reporting period	**50,521,367**	**5,052.14**	50,521,367	5,052.14
At the close of the reporting period	**50,521,367**	**5,052.14**	50,521,367	5,052.14
Total		**5,052.14**		5,825.73

OTHER INFORMATION:

I. PREFERENCE SHARES:

a. The Company had issued cumulative preference shares of Rs 100/- each. The preference shareholders did not have voting rights.

b. Nil (as at March 31, 2011: 4,00,000) preference shares carry a cumulative dividend of 7% p.a. w.e.f October 1, 2001 payable cumulatively out of the profits of the Company. The rate of dividend can be increased to 9% p.a. by way of redemption premium subject to profitability and cashflows of the Company. These shares have been redeemed on November 9, 2011 without any premium.

c. Nil (as at March 31, 2011: 179,855) preference shares carry a cumulative dividend of 6.5% & Nil (as at March 31, 2011: 1,93,737) preference shares carry a cumulative dividend of 8%. These preference shares have been redeemed on March 31, 2012.

d. 1,176,746 Preference shares (Value Rs 1,176.75 lakhs) were allotted pursuant to a contract without consideration being received in cash. These preference shareholders were alloted to preference share holders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement apporved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash.

	2012 Number	2012 ₹ in Lakhs	2011 Number	2011 ₹ in Lakhs
e. Preference shares bought back during the five years immediately preceding the date of the balance sheet	**2,376,746**	**2,376.75**	1,603,154	1,603.15

f. Particulars of preference share holders holding more than 5% of the total number of preference share capital	As at 31st March, 2012 Number	As at 31st March, 2012 Percentage	As at 31st March, 2011 Number	As at 31st March, 2011 Percentage
(i) IDBI Bank	-	-	508,227	65.70%
(ii) Bank of India	-	-	116,318	15.04%

2 EQUITY SHARES:

a. The Company has only one class of equity shares having a par value of Rs 10/- each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the equity shares held by the shareholder.

b. Equity Shares of Rs.10/- each includes:	As at 31st March, 2012 Number	As at 31st March, 2012 ₹ in Lakhs	As at 31st March, 2011 Number	As at 31st March, 2011 ₹ in Lakhs
(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipments Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under sections 391 - 394 of the Companies Act, 1956. Equity shares so alloted includes 6,174,878 equity shares of Rs.10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii) Shares alloted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of The Companies Act, 1956.	**2,000,000**	**200.00**	2,000,000	200.00
(iii) Shares allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by Honourable High Court of Karnataka.	**6,000,000**	**600.00**	6,000,000	600.00

c. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	Number	Percentage	Number	Percentage
a. Abhiman Trading Company Private Limited	**8,337,857**	**16.50%**	8,337,857	16.50%
b. Vijay Jyothi Investment & Agencies Private Limited	**6,709,325**	**13.28%**	6,667,447	13.20%
c. KECL Investment Trust	**6,174,878**	**12.22%**	6,174,878	12.22%
d. Mr Vijay Ravindra Kirloskar	**3,890,811**	**7.70%**	3,890,811	7.70%
e. Vijay Kirthi Investments and Agencies Private Limited	**2,734,094**	**5.41%**	2,734,094	5.41%
f. Life Insurance Corporation of India	**2,576,571**	**5.10%**	2,576,571	5.10%

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
3 RESERVES AND SURPLUS:		
a) Capital Reserve		
At the close of the previous reporting period	**18.06**	18.06
At the close of the reporting period	**18.06**	18.06
b) Capital redemption reserve		
At the close of the previous reporting period	**2,401.75**	1,628.16
Transferred from Surplus	**-**	773.59
At the close of the reporting period	**2,401.75**	2,401.75
c) Debenture Redemption Reserve		
At the close of the previous reporting period	**494.00**	494.00
At the close of the reporting period	**494.00**	494.00
d) Revaluation Reserve		
At the close of the previous reporting period	**480.41**	480.41
At the close of the reporting period	**480.41**	480.41
e) Reconstruction Reserve		
At the close of the previous reporting period	**641.67**	641.67
At the close of the reporting period	**641.67**	641.67
f) Reserve for Doubtful debts		
At the close of the previous reporting period	**90.00**	90.00
At the close of the reporting period	**90.00**	90.00
g) Surplus i.e. balance in Statement of Profit & Loss		
At the close of the previous reporting period	**9,012.93**	9,575.99
Transferred from Profit & Loss Account	**956.82**	210.53
Transfer to Capital Redemption Reserve	-	(773.59)
At the close of the reporting period	**9,969.75**	9,012.93
TOTAL CLOSING BALANCE	**14,095.64**	13,138.82
4 LONG TERM BORROWINGS		
1) Secured Loans:		
a. Finance lease obligations (refer note 44)	**265.68**	481.68
b. Term loan from Bank	**-**	0.99
c. Car Loan from Banks	**-**	1.00
c. Car Loan from a Company	**60.14**	2.64
	325.82	486.31
Less:		
Current maturities	**249.92**	216.78
	75.90	269.53
2) Unsecured Loans:		
a. Term Loans		
- from Banks	**-**	363.72
b. Fixed Deposits	**2,509.42**	2,656.44
	2,509.42	3,020.16
Less:		
Current Maturities	**1,291.02**	684.12
	1,218.40	2,336.04
3) Total long term borrowings (1+2)	**1,294.30**	2,605.57
Additional Information:		
1) Details of security for secured loans:		
a Against assets purchased on finance lease	**265.68**	481.68
b. Against first pari passu charge on certain fixed assets and second pari passu charge on current assets and the said credit facilities are guaranteed by the Chairman & Managing director	-	0.99
c. Against security of Motor cars	**60.14**	3.64
2) Loans have been guaranteed by Chairman & Managing Director		
Term Loans from Banks	-	1.00

3) Terms of repayment of term loans and others

a) Finance lease

Finance lease relate to Plant & Machinery taken for a period of five years. Interest on such lease is ranging between 13% to 14% p.a. Average equated monthly instalment is Rs.18.40 lakhs per month.

b) Car Loans:

Car loans are for a period of three to five years and interest rate is ranging from 9% to 10% p.a. Average equated monthly instalment is about Rs.2.52 lakhs per month

4) Unsecured Loans:

a) Fixed deposits are taken for a period of 24 and 36 months with interest rates ranging from 11.5% to 13.5%

b) Term loan taken was with a interest rate of 12 % p.a repayable in 25 monthly instalments of Rs 1 crore each.

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011
5	**DEFERRED TAX:**		
i)	**Deferred tax liability:**		
	a) On account of depreciation on fixed assets	**1,765.62**	2,043.00
	Total	**1,765.62**	2,043.00
ii)	**Deferred tax asset:**		
	a) On account of timing differences in recognition of expenditure	**440.43**	587.00
	b) On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961 (restricted to)	**1,325.19**	1,456.00
		1,765.62	2,043.00
	Net Deferred tax (liability)/asset	**-**	-
6	**OTHER LONG TERM LIABILITIES**		
	Security deposits from suppliers, dealers etc	**690.45**	663.30
		690.45	663.30
7	**LONG TERM PROVISIONS**		
	Provisions for employee defined benefit plans	**1,047.15**	1,308.06
		1,047.15	1,308.06
8	**SHORT TERM BORROWINGS**		
1)	**Secured Loans:**		
	a) Loans repayable on demand		
	- from banks	**9,473.29**	8,969.88
	b) Loan against pledge of fixed deposit from Bank	**43.78**	583.78
		9,517.07	9,553.66
2)	**Unsecured Loans:**		
	a) Fixed Deposits	**136.92**	505.50
	b) SICOM Sales Tax Loan	**11.19**	11.19
	c) Inter corporate Deposits	**3,020.00**	1,431.06
	d) Other Loans and advances	**12.24**	142.24
		3,180.35	2,089.99
	Total	**12,697.42**	11,643.65

Additional Information:

1)	**Details of security for secured loans**		
	a) First pari passu charge on all current assets and second pari passu charge on certain fixed assets and current assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company.	**9,473.29**	8,969.88
	b) Against pledge of fixed deposits	**43.78**	583.78

2) Unsecured loans

a) Fixed deposits are taken for a period of 12 months with interest rates ranging from 11.5% to 12%

b) Fixed deposits accepted from related parties amount to Rs.45 (as at March 31, 2011: Rs.35)

c) ICDs are taken for periods ranging between 90 to 360 days with interest rates ranging from 13% to 16% per annum.

d) Fixed deposits include Rs.1.02 (as at March 31, 2011: Rs.1.02) matured unclaimed deposits.

		As at 31st March 2012	As at 31st March 2011
9	**TRADE PAYABLES**		
	i) Trade payables	**17,711.23**	19,878.55
	ii) Acceptances	**7,134.13**	5,092.19
		24,845.36	24,970.74

Additional Information:

The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

Sl No.	Particulars	As at 31st March 2012	As at 31st March 2011
1	Principal amount due and remaining unpaid	598.52	216.48
2	Interest due on (1) above and the unpaid interest	**Not ascertained**	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**Not ascertained**	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	**Nil**	NIL
6	Interest accrued and remaining unpaid	**Not ascertained**	Not ascertained
7	Amount of further interest remaining due and payable in succeeding years	**Not ascertained**	Not ascertained

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
10 OTHER CURRENT LIABILITIES:		
a) Current maturities of long term debt	-	0.99
b) Current maturities of finance lease obligations	**220.90**	214.54
c) Current maturities of Car Loan from bank and a Company	**29.02**	1.25
d) Current maturities of Fixed Deposit	**1,291.02**	320.40
e) Current maturities of unsecured loan from bank	-	363.72
f) Interest accrued but not due on deposits	**220.00**	111.99
g) Statutory liabilities	**532.47**	524.18
h) Other Liabilites	**337.23**	515.75
i) Trade advances	**4,711.70**	5,850.93
	7,342.34	7,903.75
11 SHORT TERM PROVISIONS:		
a) Provision for employee defined benefit plans	**44.64**	19.00
b) Provision for Wage arrears	**336.16**	-
c) Provision for Warranty	**442.41**	442.41
d) Provision for stamp duty	**619.21**	659.58
e) Provision for tax (Net of advance tax outside India)	**5.35**	3.91
	1,447.77	1,124.90

12 FIXED ASSETS:

(₹ in Lakhs)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2011	Additions for the Year	Deductions during the Year	As at March 31, 2012	As at April 1, 2011	For the year	Ded-uctions	As at March 31, 2012	As at March 31 2012	As at March 31 2011
Tangible Assets										
Own assets										
Land	1,228.75	-	-	1,228.75	-	-	-	-	1,228.75	1,228.75
Building (*)	5,054.65	2.56	-	5,057.21	1,326.18	180.19	-	1,506.37	3,550.84	3,728.47
Plant & Equipment	16,013.06	367.70	1,030.92	15,349.84	8,828.64	990.81	573.25	9,246.20	6,103.64	7,184.42
Tools & Jigs	1,285.77	46.67	-	1,332.44	596.12	118.18	-	714.30	618.14	689.65
Electrical Installations	202.08	-	-	202.08	72.61	10.48	-	83.09	118.99	129.47
Motor Vehicles	390.88	109.06	10.51	489.43	195.99	32.93	2.16	226.76	262.67	194.89
Office Equipments	319.10	34.16	-	353.27	204.58	31.81	-	236.39	116.88	114.52
Furniture & Fittings	821.26	20.18	8.39	833.04	527.19	47.23	6.06	568.36	264.68	294.07
Leasehold Improvements	313.35	-	-	313.35	33.36	10.47	-	43.83	269.52	279.99
Assets taken on finance lease										
Land ($)	1,451.99	-	-	1,451.99	-	-	-	-	1,451.99	1,451.99
Plant & Machinery	1,033.39	-	-	1,033.39	414.99	294.33	-	709.32	324.07	618.40
	28,114.28	580.33	1,049.82	27,644.79	12,199.66	1,716.43	581.47	13,334.62	14,310.17	15,914.62
Intangible assets										
Goodwill	423.46	-	-	423.46	423.46	-	-	423.46	-	-
Computer Software	389.57	69.19	0.37	458.39	180.92	116.24	0.15	297.01	161.38	208.65
Technical knowhow & product development	147.93	-	-	147.93	129.27	6.22	-	135.49	12.44	18.66
	960.96	69.19	0.37	1,029.78	733.65	122.46	0.15	855.96	173.82	227.31
TOTAL	29,075.24	649.52	1,050.19	28,674.57	12,933.31	1,838.89	581.62	14,190.58	14,483.99	16,141.93
	(28,183.53)	(936.52)	(44.81)	(29,075.24)	(11,328.43)	(1,618.81)	(13.93)	(12,933.31)		

Additional information:

1) (*) Includes ₹ 33.37 being the cost of ownership premises taken in possession for which Society is to be formed.

2) ($) Land taken on lease from KIADB aggregates to ₹ 69.58 and from UPSIDC aggregates to ₹ 1,382.41. On expiry of lease periods, payment of balance considerations if any, and execution of sale deeds, the relevant title will pass to the Company.

3) (* $) Leasehold land and buildings aggregating to ₹ 1,570.37 are subject to registration. Provision has been made for estimated stamp duty and registration charges payable.

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
13 CAPITAL WORK IN PROGRESS:		
i) Plant and Machinery	**25.70**	-
ii) Building under Construction	**369.46**	203.82
	395.16	203.82

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Details of Investments	Name of the Company	As at March 31, 2012 No of Shares	Face Value	₹ In Lakhs	As at March 31, 2011 No of Shares	Face Value	₹ In Lakhs
14 NON CURRENT INVESTMENTS:							
a) Investments in Equity Instruments:							
i) Subsidiaries: (Trade)							
Fully paid up							
	Kirsons BV (refer note 4 below)	1583	€ 100.00	**12,648.12**	1,353	€ 100.00	10,778.06
	KEC North America Inc (refer note 5 below)	210		**129.36**	210		129.36
ii) Associates: (Trade)							
Fully paid up							
	Kirloskar (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	300,000	MR1	**5.29**	300,000	MR1	5.29
iii) Others							
Fully paid up							
	ICICI Ltd (on merger of Sangli Bank Limited)	1,081	10	**1.00**	1,081	10	1.00
	Kirloskar Computer Services Ltd (refer note 3 below)	200,000	10	**-**	200,000	10	-
	The Mysore Kirloskar Ltd (refer note 3 below)	770,750	10	**-**	770,750	10	-
	Kirloskar Proprietary Ltd	26	100	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	1,272	K.Sh 1000	**8.52**	1,272	K.Sh 1,000	8.52
	Kirsons Trading Pte.Ltd	56,250	S $1	**11.20**	56,250	S $1	11.20
	Kirloskar Power Equipments Ltd	340,000	10	**28.17**	340,000	10	28.17
b) Investments in debentures or bonds							
i) Others							
	Fully paid up						
	The Mysore Kirloskar Ltd (refer note 3 below)	30,000	44	-	30,000	44	-
	Total			**12,832.94**			**10,962.88**
	Less:						
	Provision for diminution in value of investments			**129.36**			129.36
	Total			**12,703.58**			**10,833.52**

Additional Information:

1)	Aggregate value of quoted investments:		
	Cost	**1.00**	1.00
	Market Value	**9.59**	12.03
2)	Aggregate value of unquoted investments:		
	Cost	**12,831.94**	10,961.88

3) Securities in The Mysore Kirloskar Limited and Kirloskar Computer Services Limited have been written off.

4) Pledged to Morgan Walker Solicitors LLP, London

5) This Company has been dissolved. However, the investment has not been written off since no approvals have been obtained from Reserve Bank of India. However, full provision has been made for the same.

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
15 LONG TERM LOANS AND ADVANCES:		
(Unsecured, considered good)		
i) Capital advances	**106.66**	288.20
ii) Security Deposits	**323.00**	254.18
iii) Loans and advances to related parties (Refer Note 40)	**280.00**	280.00
iv) Share application pending allotment in a subsidiary Company	**-**	22.49
v) Disputed tax liabilities / taxes refundable	**739.94**	739.94
	1,449.60	1,584.81
Additional information:		
Amount due from a private company in which a director of the Company is a director	**100.00**	100.00

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
16 OTHER NON CURRENT ASSETS		
(unsecured, considered good)		
i) Long term trade receivables	**205.67**	59.54
ii) Other bank balances - Margin Money	**635.62**	1,754.10
iii) Advance payment of tax -(Net)	**188.76**	83.72
	1,030.05	1,897.36
17 INVENTORIES:		
i) Raw materials, Stores, spares and components (*)	**4,121.46**	3,673.52
ii) Work in progress	**7,356.17**	6,301.87
iii) Finished goods	**1,436.42**	1,519.49
iv) Others (Scrap Stock)	**10.67**	3.42
Goods in transit:		
i) Raw materials, Stores, spares and components (*)	**201.82**	118.89
ii) Finished goods	**48.06**	
	13,174.60	11,617.19
(*) Stores, spares and components are not separately ascertainable		
18 TRADE RECEIVABLES:		
i) Trade receivables exceeding six months	**8,762.67**	6,978.24
ii) others	**10,506.49**	13,760.62
	19,269.16	20,738.86
Less: Allowance for doubtful debts	**525.05**	1,165.33
	18,744.11	19,573.53
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**18,744.11**	19,573.53
ii) Doubtful	**525.05**	1,165.33
Total	**19,269.16**	20,738.86
Less: Allowance for doubtful debts	**525.05**	1,165.33
	18,744.11	19,573.53
2) Debts due by private companies in which directors of the Company are directors	**5.00**	1.10
19 CASH AND CASH EQUIVALENTS:		
i) Balances with banks		
- in deposit accounts not exceeding 12 months maturity	**288.50**	1,157.23
- in other accounts	**2,488.10**	2,649.03
ii) Cheques, drafts on hand	**-**	9.00
iii) Cash on hand	**6.42**	0.87
	2,783.02	3,816.13
20 SHORT TERM LOANS AND ADVANCES:		
i) Loans and advances to related parties (refer note 40)	**558.35**	356.00
ii) Others	**1,184.41**	2,376.50
	1,742.76	2,732.50
Less:		
Allowance for doubtful advances	**297.52**	850.31
	1,445.24	1,882.19
Additional information:		
1) Breakup of above:		
i) Unsecured, considered good	**1,445.24**	1,882.19
ii) Doubtful	**297.52**	850.31
Total	**1,742.76**	2,732.50
Less: Allowance for doubtful advances	**297.52**	850.31
	1,445.24	1,882.19
2) Debts due by private companies in which directors of the Company are directors	**530.22**	282.90
21 OTHER CURRENT ASSETS		
i) Central Excise Receivable	**547.74**	831.00
ii) VAT receivable	**962.39**	467.39
iii) Assets Held for sale - refer note 39	**793.09**	335.65
	2,303.22	1,634.04

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011

22 CONTINGENT LIABILITIES AND COMMITMENTS:

(to the extent not provided for)

(a)	CONTINGENT LIABILITIES:		
i)	Claims against the Company not acknowledged as debts. The Company has made counter claim against one of the parties amounting to ₹ 129 (as at the end of the previous reporting period ₹ 129)	**2,683.09**	2,564.91
ii)	Guarantees	**5,617.58**	3,724.29
iii)	Letters of credit	**3,026.35**	8,685.00
iv)	Bills discounted with Bank	**2,030.72**	2,615.12
v)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 lakhs paid has been included in loans and advances	**91.54**	91.54
vi)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company	**183.52**	62.09
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 701.94 lakhs against the demand which has been included in Loans & advances	**2,237.80**	2,121.94
viii)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	**45.99**	45.99
ix)	Sales tax liabilities in respect of pending assessments - C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
x)	Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xi)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers. Will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
xii)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However provision has been made on estimated basis and differences if any will be accounted on final settlement	**Not Ascertainable**	Not Ascertainable
xiv)	Income tax demands under appeal	**174.98**	93.07
xv)	Guarantee given to ICICI Bank in consideration of stand by letter of credit opened by them in favour of ICICI Bank,Canada as security for loan granted issued by them to Kirsons BV. SBLC is secured by mortgage of certain immovable properties of the company and shares of Kirsons BV	**5,878.54**	8,031.25
xvi)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at the end of the previous reporting period ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	**405.60**	405.60
xvii)	Arrears of fixed cumulative dividends on preference shares (including tax thereon)	**1,154.82**	1,071.74

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums / settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

b)	**Commitments**		
i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**305.99**	1,047.87

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	For the current Reporting Period	For the previous Reporting Period
23	**REVENUE FROM OPERATIONS:**		
i)	Sale of products		
	Motors, Alternators & Generators	**42,841.55**	38,234.46
	Transformers	**30,147.81**	32,130.24
	DG Sets	**13,508.22**	11,595.38
	Others	**8,095.91**	7,485.92
	Total	**94,593.49**	89,446.00
ii)	Sale of services	**308.12**	75.98
		94,901.61	89,521.98
	Less:		
	Excise duty	**7,727.64**	7,134.44
		87,173.97	82,387.54
24	**OTHER INCOME:**		
i)	Interest income	**114.81**	146.83
ii)	Dividend Income from long term investments	**7.08**	3.66
iii)	Provision no longer required withdrawn	**249.45**	39.73
iv)	Rent Received	**47.94**	51.06
v)	Miscellaneous Income	**156.98**	127.91
		576.26	369.19
25	**COST OF MATERIALS CONSUMED:**		
	Consumption of raw materials, components, stores & spare parts*	**66,612.43**	64,353.26
		66,612.43	64,353.26
	* Value of stores and spare parts not ascertained separately		
i)	Copper (Wires, strips, rods, sheets etc)	**14,403.19**	14,118.00
ii)	Iron and steel (pigiron, rounds, plates, sheets , etc.,)	**8,774.52**	10,013.00
iii)	Others	**43,434.72**	40,222.26
26	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:**		
	Stocks at the end of the year		
i)	Work in progress		
	Motors, Alternators & Generators	**4,617.62**	3888.33
	Transformers	**1,599.66**	1692.61
	DG Sets	**1,116.60**	619.95
	Others	**22.29**	100.98
	Total	**7,356.17**	6,301.87
ii)	Finished goods		
	Motors, Alternators & Generators	**1,087.89**	869.59
	Transformers	**249.26**	586.79
	DG Sets	**95.53**	59.96
	Others	**51.80**	3.15
	Total	**1,484.48**	1,519.49
iii)	Scrap	**10.67**	3.42
		8,851.32	7,824.78
	Less:		
	Stocks at the beginning of the year		
i)	Work in progress		
	Motors, Alternators & Generators	**3,888.33**	3,171.01
	Transformers	**1,692.61**	828.67
	DG Sets	**619.95**	1,059.56
	Others	**100.98**	42.74
	Total	**6,301.87**	5,101.98
ii)	Finished goods		
	Motors, Alternators & Generators	**869.59**	1,175.23
	Transformers	**586.79**	445.51
	DG Sets	**59.96**	14.80
	Others	**3.15**	30.45
	Total	**1,519.49**	1,665.99
iii)	Scrap	**3.42**	12.41
		7,824.78	6,780.38
		(1,026.54)	(1,044.40)

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars		For the current Reporting Period		For the previous Reporting Period
27 EMPLOYEE BENEFIT EXPENSES:				
i) Salaries, wages and bonus		**6,366.09**		5,811.45
ii) Contribution to provident and other funds		**532.50**		794.30
iii) Remuneration to whole time directors		**229.55**		237.65
iv) Staff welfare expenses		**884.84**		802.85
		8,012.98		7,646.25
28 FINANCE COSTS:				
i) Interest expense		**2,809.26**		2,575.79
ii) Loss on derivatives		**266.53**		-
iii) Other borrowing costs		**754.67**		595.28
		3,830.46		3,171.07
29 DEPRECIATION AND AMORTIZATION:				
i) Depreciation		**1,716.43**		1,511.80
ii) Amortization of intangible assets		**122.46**		107.01
		1,838.89		1,618.81
30 OTHER EXPENSES:				
i) Power and fuel		**864.74**		860.27
ii) Rent		**656.06**		687.95
iii) Repairs to buildings		**52.45**		59.03
iv) Repairs to machinery		**253.19**		279.41
v) Repairs to others		**266.12**		190.21
vi) Vehicle maintenance		**34.33**		28.42
vii) Insurance		**35.56**		34.25
viii) Rates and taxes		**113.25**		102.68
ix) Payment to auditors				
- as auditor (includes branch audit fees of ₹ 0.12, previous year ₹ 0.12)	**25.12**		25.12	
- for taxation matters (includes Rs Nil, previous year ₹ 0.09 to branch auditor)	**15.00**		15.09	
- for Certification work	**5.00**		5.00	
- for management services	**15.00**		15.00	
- for reimbursement of expenses	**6.62**		6.00	
		66.74		66.21
x) Selling expenses		**1,840.99**		1,737.83
xi) Commission		**102.16**		62.67
xii) Warranty claims		**237.28**		55.89
xiii) Allowance for doubtful trade receivables		**94.00**		150.00
xiv) Net (gain)/loss on foreign currency transaction and translation		**112.91**		18.60
xv) Bad trade receivables written off	**734.28**		486.61	
Less: Allowance for doubtful trade receivable withdrawn	**734.28**	-	486.61	-
xvi) Irrecoverable loans and advances written off	**552.80**		364.82	
Less: Allowance for doubtful loans & advances withdrawn	**552.80**	-	364.82	-
xvii) Loss on sale of fixed asset (net)		**5.75**		3.89
xviii) Donations		**150.00**		0.05
xix) Legal and professional charges		**685.31**		923.08
xx) Travelling		**954.49**		834.48
xxi) Printing and stationary		**97.97**		81.76
xxii) Postage, telgrams & telephones		**163.17**		167.42
xxiii) Directors sitting fees		**10.80**		9.01
xxiv) Uninstalled machinery written off	-		0.50	
Less: Allowance for uninstalled machinery withdrawn	-		0.50	
		-		-
xxv) Miscellaneous expenses		**683.93**		451.53
		7,481.20		6,804.63

NOTES TO FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the current Reporting Period	For the previous Reporting Period
31 PRIOR PERIOD ITEMS:		
i) Income	-	20.13
ii) Expenses	197.50	30.38
32 ADDITIONAL INFORMATION:		
a) Value of Imports calculated on CIF basis:		
i) Raw Materials, Components and spare parts	**6,528.85**	6,567.00
ii) Capital goods	**226.27**	34.00
b) Expenditure in foreign currency: (net of withholding tax)		
i) Professional and consultancy fees	**11.41**	38.00
ii) Travel	**128.50**	127.00
iii) Investments in wholly owned subsidaiary	**1,847.57**	2,225.00

c)

Sl No	Particulars	Amount	% to total	Amount	% to total
i)	Value of imported raw materials, spare parts and components consumed	**5,233.67**	**8%**	6,641.00	10%
ii)	Value of indigenous raw materials, spare parts and components consumed	**61,378.76**	**92%**	57,712.26 (*)	90%
		66,612.43	**100%**	64,353.26	100%

(*) Recast

Particulars	For the current Reporting Period	For the previous Reporting Period
d) Details of non-resident shareholdings		
i) Number of nonresident share holders	**359**	361
ii) Number of shares held by nonresident shareholders	**1,982,420**	1,983,270.00
iii) Amount remitted during the year in foreign currency on account of dividends	**-**	-
e) Earnings in foreign exchange:		
i) Export of goods calculated on FOB basis (net) (inclusive of sales within India eligible for export incentives)	**6,984.58**	6,412.00
ii) Royalty, Knowhow, professional and consultancy fees	**36.59**	39.00
iii) Dividends received	**6.07**	4.00
iv) Remittances from overseas offices (Net)	**626.64**	240.00
33 EARNINGS PER SHARE:		
(Basic & diluted)		
Profit for the year after tax expense	**956.82**	210.53
Less:		
Preference dividend payable including dividend tax	**83.08**	121.00
	873.74	89.53
Weighted average number of equity shares	**50,521,367**	50,521,367
Earning per share	**1.73**	0.18

34. (a) The order of the Honourable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 (“Scheme”) was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipments Limited (“KPEL”) and amalgamation of Kaytee Switchgear Limited (“KSL”) with the Company. The Scheme was registered with the Registrar of Companies on October 17, 2008.

(b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honourable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 589.22 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.

(c) The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

35. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.

36. (a) Confirmation of balances from sundry debtors, deposit accounts, loans and advances, certain creditors etc have not been obtained. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding as at March 31, 2012 for more than 2 years of ₹ 2,911.29, the Company holds a provision of ₹ 525.05. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.

(b) The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹ 1,116.75 and ₹ 561.14 has been included in Current assets and current liabilities respectively. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

37. (a) The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.

(b) The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be refined/improved to bring in line with the requirements of the said standards. Continuing steps are being taken by the management in this respect.

38. (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2012 have been based on moving weighted average and labour/ overheads absorption methods configured in the said system as against other cost basis used in the Previous reporting Period. Effect of such change on the revenue for the year is not ascertained.

(b) Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

39. Assets held for sale have been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.

40. (a) Current Assets, Loans & Advances include ₹ 431.93 (as at end of Previous reporting Period ₹ 236.92) being rescheduled advances from certain other Companies.

(b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

41. DISCLOSURES AS PER ACCOUNTING STANDARD 15 "EMPLOYEE BENEFITS":

Defined Contribution Plan:

Contribution to defined contribution plan are recognized as expense for the year are as under:

(₹ in Lakhs)

	Current reporting period	Previous reporting Period
Employer's contribution to provident & pension funds	**355.83**	353.29
Employer's contribution to superannuation fund	**105.29**	113.95

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

(₹ in Lakhs)

	Current reporting period		Previous reporting period	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	**2477.03**	**432.08**	2,256.43	424.69
Current Service Cost	**119.32**	**96.66**	119.13	76.50
Interest Cost	**172.56**	**34.45**	165.02	30.09
Additional provision for increase in limit of gratuity/ in excess of limit	**25.81**	**-**	181.38	-
Actuarial (gain)/ loss	**(133.52)**	**(62.22)**	(18.12)	(37.09)
Benefits Paid	**(277.25)**	**-**	(226.81)	(62.11)
Defined Benefit obligation at end of the year	**2383.95**	**500.97**	2,477.03	432.08
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**1537.95**	**44.10**	1,189.63	-
Expected return on plan assets	**144.12**	**7.62**	122.36	2.06
Employer Contribution	**270.63**	**73.95**	454.33	43.87
Benefits paid	**(277.25)**	**-**	(226.81)	-
Actuarial gain/(loss)	**(5.48)**	**(2.51)**	(1.56)	(1.83)
Fair value of plan assets at year end	**1669.97**	**123.16**	1,537.95	44.10
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**1669.97**	**123.16**	1,537.95	44.10
Present value of obligation	**2383.95**	**500.97**	2,477.03	432.08
Amount recognized in Balance Sheet under liabilities:	**713.98**	**377.81**	939.08	387.98
4. Expense recognized during the year: (under "Note 27" Employee Benefit Expenses" in the Statement of Profit and Loss account)				
Current Service Cost	**119.32**	**96.66**	119.13	76.50
Interest Cost	**172.56**	**34.45**	165.02	30.09
Expected return on plan assets	**(144.12)**	**(7.62)**	(122.36)	(2.06)
Additional provision for increase in limit of gratuity/ in excess of limit	**25.81**	**-**	181.38	-
Actuarial (gain)/ loss	**(128.04)**	**(41.91)**	(16.56)	(35.26)
Net Cost	**45.53**	**81.58**	326.61	69.27
5 Actuarial assumptions:				
Mortality Table (LIC)	**1994 – 96 (Ultimate)**	**1994 – 96 (Ultimate)**	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	**8.60%**	**8.60%**	7.70%	7.70%
Expected rate of return on plan assets (per annum)	**9.40%**	**9.40%**	9.25% to 9.40%	9.40%
Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

42. SEGMENT REPORTING:

The Company has not furnished segment report since same has been furnished in the Consolidated financial statements, as referred in para 4 of accounting standard 17 issued by Central Government.

NOTES TO THE FINANCIAL STATEMENTS

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

43. RELATED PARTIES DISCLOSURE:

Sl. No	Name of the related party	Relationship
1	Kirsons BV	Subsidiary (Wholly owned)
2	Lloyd Dynamowerke GmbH & Co. KG (LDW) Lloyd Beteiligungs GmbH	Step down Subsidiaries
3	Mr. Vijay R Kirloskar Mr. P S Malik (upto October 11, 2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (from September 23, 2010)	Key management personnel and their Relatives.
4	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
5	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Kirloskar Electric Charitable Trust Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services KEC Executives & Others Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which key management personnel and their relatives are able to exercise significant influence

DETAILS OF TRANSACTIONS: **(₹ in Lakhs)**

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods /services	**Nil** (Nil)	**59.14** (26.75)	**Nil** (Nil)	**Nil** (Nil)	**327.15*** (236.13)
Sale of goods/fixed assets/ services	**36.59** (39.18)	**152.65** (24.58)	**Nil** (Nil)	**199.90#** (259.86)	**2.63^** **(54.86)**
Purchase of Motor vehicles from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (45.14)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (52.33)
Rent received from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**26.47** (24)
Dividend received	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**284 #** (Nil)	**Nil** (Nil)
Rent paid	**Nil** (Nil)	**Nil** (Nil)	**Nil** (15.95)	**Nil** (Nil)	**430.07##** (414.87)

NOTES TO THE FINANCIAL STATEMENTS

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT *(Contd...)*

₹ in Lakhs

Nature of transactions	Subsidiary	Step down subsidiaries (LDW)	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Donations Paid to Kirloskar Electric Charitable Trust	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**150.00** (Nil)
Investments as at March 31, 2012	**12,648.12$$$** (10,778.06)	**Nil** (Nil)	**Nil** (Nil)	**5.29#** (5.29)	**28.17++** (28.17)
Investments made during the year	**1,847.57** (2,253.92)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)
Share application money pending allotment	**Nil** (22.49)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)
Irrecoverable advances written off during the year	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (322.46)$
Amount due to Company as at March 31, 2012	**Nil** (18.33)	**Nil** (Nil)	**Nil** (Nil!)	**37.60#** (43.94)	**843.14!** (594.56)
Amount due from Company as at March 31, 2012	**Nil** (Nil)	**48.39** (134.05)	**Nil**	**Nil** (Nil)	**1.88 $$** (67.46)
Remuneration paid	**Nil** (Nil)	**Nil** (Nil)	**266.72 ^^^** (246.38)	**Nil** (Nil)	**Nil** (Nil)
Fixed deposit renewed/ accepted during the year	**Nil** (Nil)	**Nil** (Nil)	**45**** (35)	**Nil** (Nil)	**40@** (Nil)
Fixed deposit outstanding as at March 31, 2012	**Nil** (Nil)	**Nil** (Nil)	**45**** (35)	**Nil** (Nil)	**40@** (Nil)
Interest on fixed deposit	**Nil** (Nil)	**Nil** (Nil)	**4.51 ***** (4.23)	**Nil** (Nil)	**3.59@@** (Nil)
Redemption of Preference Shares to Abhiman Trading Company Pvt. Ltd.	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**4.67** (4.67)
Guarantees given by the Company and outstanding at the end of the year.	**5,878.54** (8,481.25)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)	**Nil** (Nil)
Guarantees given on behalf of the Company and outstanding at the end of the year by Mr. Vijay R Kirloskar	**Nil** (Nil)	**Nil** (Nil)	**9,473.29** (8,970.88)	**Nil** (Nil)	**Nil** (Nil)

KEC North America Inc has been dissolved. The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

* Includes Purchases of goods/ services from Kirloskar Batteries Pvt. Ltd. ₹ 51.75 (Previous reporting Period ₹ 47.71), Vijay Farms Pvt. Ltd. ₹ 70.58 (Previous reporting Period ₹ 63.71), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 125.29 (Previous reporting Period ₹ 86.46), Vijay Jyothi Investments and Agencies Pvt. Ltd. ₹ 2.73 (Previous reporting Period ₹ 2.84), Ravindu Motors Pvt. Ltd. ₹ 0.97 (Previous reporting Period ₹ Nil), Vijay Kirthi Investments Pvt. Ltd. ₹ 1.20 (Previous reporting Period ₹ Nil), Abhiman Trading Company Pvt. Ltd. ₹ 60.65 (Previous reporting Period ₹ 35.41) and Kirloskar Electric Charitable Trust ₹ 13.98 (Previous reporting Period ₹ Nil).

\# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Power Equipment Limited ₹ 2.55 (Previous reporting Period ₹ Nil), Kirloskar Electric Charitable Trust ₹ 0.08 (Previous reporting Period ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ Nil (Previous reporting Period ₹ 54.86).

NOTES TO THE FINANCIAL STATEMENTS

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT ***(Contd...)***

Includes rent paid to Kirloskar Power Equipments Limited ₹ 240.00 (Previous reporting Period ₹ 222.00), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 172.07 (Previous reporting Period ₹ 156.00), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 18.00 (Previous reporting Period ₹ 18.00) and Kirloskar Batteries Pvt Ltd ₹ Nil (Previous reporting Period ₹ 18.87).

++ Investments in Kirloskar Power Equipments Limited ₹ 28.17 (as at March 31, 2011 ₹ 28.17)

$$ includes amount due to Kirloskar Batteries Private Limited ₹ Nil (as at March 31, 2011 ₹ 67.46), Kirloskar Electric Charitable Trust ₹ 1.76 (Previous reporting Period Nil) and Vijay Kirthi Investments and Agencies Private Limited ₹ 0.12 (as at March 31, 2011 ₹ Nil).

$ Represents Kirloskar Computer Services Limited

!! Includes due from Kirloskar Power Equipments Limited ₹ 308.14 (as at March 31, 2011 ₹ 312.46), Vijay Farms Pvt. Ltd. ₹ 173.39 (as at March 31, 2011 ₹ 178.48), Vijay Jyothi Investments and Agencies Pvt. Ltd. ₹ 98.28 (as at March 31, 2011 ₹ 44.10), Abhiman Trading Company Pvt. Ltd. ₹ 40.80 (as at March 31, 2011 ₹ 34.05), Vijaydurga Investments and Agencies Pvt Ltd ₹ 13.33 (as at March 31, 2011 ₹ 24.39), Kirloskar Batteries Pvt. Ltd. ₹ 204.41 (as at March 31, 2011 ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ 4.79 (as at March 31, 2011 ₹ 1.08).

****** Represents deposits renewed/ accepted from Mrs. Meena Kirloskar ₹ 25 (Previous reporting Period ₹ 25) and Ms. Rukmini Kirloskar ₹ 20 (Previous reporting Period ₹ 10)

******* Represents interest paid to Mrs. Meena Kirloskar ₹ 2.88 (Previous reporting Period ₹ 3.79) and Ms. Rukmini Kirloskar ₹ 1.62 (Previous reporting Period ₹ 0.54)

$$$ Includes expenses incurred in connection of acquisition of subsidiary ₹ 902.60.

^^^ Includes paid to Mr. Vijay R Kirloskar ₹ 137.16 (Previous reporting Period ₹ 137.16), Mr. P S Malik ₹ Nil (Previous reporting Period ₹ 61.73), Mr. Anuj Pattanaik ₹ 129.24 (Previous reporting Period ₹ 38.76) but does not include accrued gratuity, compensated absence (since liability has been recognized for the company as a whole) free use of company car and communication facilities.

^^^ Includes Mrs. Meena Kirloskar ₹ 0.90 (Previous reporting Period ₹ 0.73), Ms. Janaki Kirloskar ₹ 2.72 (Previous reporting Period ₹ 2.40) and Ms. Rukmini Kirloskar ₹ 6.39 (Previous reporting Period ₹ 5.60).

@ Includes received from KEC Executives & Others Officers Welfare Trust ₹ 10.00 (Previous reporting Period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 10.00 (Previous reporting Period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 15.00 (Previous reporting Period ₹ Nil) and KEC Engineers of Mysore Unit Welfare Trust ₹ 5.00 (Previous reporting Period ₹ Nil)

@@ Includes paid to KEC Executives & Others Officers Welfare Trust ₹ 0.95 (Previous reporting Period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 0.95 (Previous reporting Period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 1.32 (Previous reporting Period ₹ Nil) and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.37 (Previous reporting Period ₹ Nil)

44. FINANCE LEASES:

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% per annum. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

(₹ in Lakhs)

Particulars	**Total minimum lease payments outstanding as at March 31, 2012**	**Future interest on outstanding Lease Payments**	**Present value of minimum lease payments as at March 31, 2012**
Within One year	**239.94** (262.55)	**19.04** (48.01)	**220.90** (214.54)
Later than one year but not later than five years	**51.02** (288.85)	**6.25** (21.71)	**44.78** (267.14)
TOTAL	**290.96** (551.40)	**25.29** (69.72)	**265.68** (481.68)

45. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are ₹ 656.06. (₹ 693.80).

NOTES TO THE FINANCIAL STATEMENTS

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

46. The Company has made provisions towards wage arrears, warranty claims from the customers towards sales and stamp duty payable the details of the same are as under:

(₹ in Lakhs)

Particulars	**Wage Arrears**	**Stamp Duty**	**Warranty Claims**
Balance outstanding at the beginning of the year	**-** (70.00)	**659.58** (720.36)	**442.41** (430.00)
Provision for the year (net)	**336.16** (-70.00)	**(40.37)** (-60.78)	**-** (12.41)
Balance outstanding at the end of the year	**336.16** (-)	**619.21** (659.58)	**442.41** (442.41)

47. The Company has entered into forward contracts outstanding as on March 31, 2012 for Euro Nil (as at March 31, 2011 Euro 250,000) to hedge future contractual obligation.

The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2012 are as under:

(₹ in Lakhs)

Particulars	**As at end of the reporting period**	**As at end of previous reporting period**
Assets (Receivables)	**757.55**	409.79
Liabilities (Payables)	**680.86**	441.11

48. The Company has paid a higher remuneration to the Deputy Managing Director amounting to ₹ 92.13 for the period August 4, 2011 to March 31, 2012 which is subject to approval of the members of the Company.

49. During the year the Company has sold goods amounting to ₹ 6.15 and purchases of goods amounting to ₹ 0.10 to a private limited company covered under Section 297 of the Companies Act, 1956 in respect of which no prior approval of the Central Government as required under Section 297 of the Companies Act, 1956 was obtained. The Company is in the process of making an application to the Company Law Board under Section 621A of the Companies Act, 1956 for compounding of the above non-compliance. However, no adjustments have been made to the financial statements for the year ended March 31, 2012.

50. Donations of ₹ 150 are subject to approval of members in their meeting under section 293 (1) (e) of the Companies Act, 1956.

51. Operating Cycle for segregation between current and non current:

Normal operating cycle of the business of the Company is assessed by management as not more than twelve months for segregation of Current and Non-Current.

52. Previous reporting period's figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets relates to previous reporting period figures.

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm number: 002878S

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

CA. C R KRISHNA
Partner

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

Consolidated
Financial Statements 2011-12

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED

1. We have audited the attached consolidated Balance Sheet of Kirloskar Electric Company Limited ("the Company"), its subsidiaries and other consolidating entities (collectively referred as "the KEC group") as at March 31, 2012, the consolidated Statement of Profit and Loss of the KEC group and the consolidated Cash Flow Statement of the KEC group for the year ended on that date. These financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3 a. We have not audited the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.36,565.01 lakhs (March 31, 2011 Rs.30,198.30 lakhs) and total revenues for the year of Rs.26,873.83 lakhs (March 31, 2011 Rs.26,904.70 lakhs). These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

   b We have not audited the financial statements of Electrical Machine Industries (Baharin) WLL (EMIB) and Kirloskar (Malaysia) Sdn. Bhd. for the year ended March 31, 2012. Consequently, the Company's share in the profits/losses of associates as shown separately in the Statement of Profit and Loss and the value of investments in the consolidated balance sheet is based on audited statements of EMIB and unaudited financial statements of Kirloskar (Malaysia) Sdn. Bhd. for the year as received from the said associates.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial statements and AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements on the basis of the separate audited financial statements of the Company & its subsidiaries, audited/ unaudited financial statements of the associates for the year ended March 31, 2012.

5 *Attention is invited to the following: -*

   a) Note 13 to the financial statements regarding complete particulars regarding dues to Micro, Small & Medium Enterprises by the parent company not being ascertained, with consequential non provision for interest due.

   b) Note 39 to the financial statements regarding accounts of certain debtors, creditors, loans & advances, balances between the parent company, its erstwhile subsidiary Kaytee Switchgear Limited and operating business of Kirloskar Power Equipment Limited being subject to review/reconciliation. Further debts above two years of the parent company and considered as good by management is estimated at Rs. 2,386.24 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of further doubtful debts/ advances.

   c) Note 40 of the financial statements regarding SAP ECC 6 systems in respect of parent company, being in the process of stabilization/cleansing of data and modifications required in the processes to bring the determination of cost and net realisable value of inventories at certain units in line with Accounting Standard 2. Certain mistakes and omissions to the extent identified during the year in respect of parent company have been corrected based on physical verification taken from time to time. Further comprehensive identification/reconciliation of excess/shortages in respect of inventories of the parent company is in process. Accordingly, value of inventories adopted in the financial statements in respect of the parent company of Rs. 13,174.60 lakhs is as certified by the management and could not be verified by us.

   d) Note 42 to financial statements regarding realizable value of assets held for sale of Rs. 793.09 lakhs being assessed by management without the support of an external valuation or quotations from prospective buyers.

   e) Note 43 to the financial statements regarding amounts due from certain companies of Rs.431.93 lakhs, which have incurred losses and whose net worth has been partially or wholly eroded, being considered good of recovery.

   In all cases referred to above, effect on financial statements is not ascertainable. We do not express independent opinion in these matters.

6. In our opinion and to the best of our knowledge and according to the information and explanations given to us, *the said accounts subject to our comments in paragraph 5 above* and read with the other notes give a true and fair view in conformity with accounting principles generally accepted in India:

   a. In the case of the balance sheet, of the consolidated state of affairs of the KEC group as at March 31, 2012
   b. In the case of the Statement of Profit and Loss, of the profits of the KEC group for the year ended on that date and
   c. In case of the cash flow statement, of the cash flows of the KEC group for the year ended on that date.

For B. K. Ramadhyani & Co.,
Chartered Accountants
Firm Registration No 002878S

CA. C R KRISHNA
Partner
Membership number 027990

B. K. Ramadhyani & Co.,
4B, Chitrapur Bhavan
8th Main, 15th cross, Malleswaram,
Bangalore - 560 055

Date: May 28, 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2012		As at March 31, 2011	
I. EQUITY AND LIABILITIES					
1) SHAREHOLDERS' FUNDS					
a) Share Capital	6	5,052.14		5,825.73	
b) Reserves and Surplus	7	18,278.93		16,575.97	
			23,331.07		22,401.70
2) MINORITY INTEREST			184.32		225.59
3) NON - CURRENT LIABILITIES					
a) Long term borrowings	8	5,236.38		8,580.24	
b) Other long term liabilities	10	690.45		663.30	
c) Long term provisions	11	1,047.15		1,534.13	
			6,973.98		10,777.67
4) CURRENT LIABILITIES					
a) Short term borrowings	12	18,369.96		14,392.94	
b) Trade payables	13	28,963.75		27,605.68	
c) Other current liabilities	14	13,771.64		12,284.52	
d) Short term provisions	15	1,672.54		1,396.93	
			62,777.89		55,680.07
TOTAL			93,267.26		89,085.03
II. ASSETS					
1) NON - CURRENT ASSETS					
a) Fixed Assets					
i) Tangible assets	16	17,658.56		19,210.71	
ii) Intangible assets	16	522.28		533.21	
iii) Capital work in progress	17	395.16		203.81	
iv) Intangible assets under development	17	234.05		-	
		18,810.05		19,947.73	
b) Goodwill on consolidation		14,555.84		13,530.64	
c) Non - current investments	18	209.46		196.65	
d) Deferred tax assets (Net)	9	1,639.38		1,480.96	
e) Long term loans and advances	19	1,449.60		1,562.32	
f) Other non current assets	20	3,016.21		3,556.62	
			39,680.54		40,274.92
2) CURRENT ASSETS					
a) Inventories	21	23,041.61		16,505.39	
b) Trade receivables	22	23,478.37		24,406.03	
c) Cash and cash equivalents	23	2,858.75		3,889.42	
d) Short term loans and advances	24	1,734.73		2,685.22	
e) Other current assets	25	2,473.26		1,324.05	
			53,586.72		48,810.11
TOTAL			93,267.26		89,085.03
Significant accounting polices and notes to financial statements	1 to 55		-		-

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm registration number: 002878S
CA. C R KRISHNA
Partner

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

	Particulars	Note No.	Current Reporting Period		Previous Reporting Period	
I.	**REVENUE FROM OPERATIONS**	27		**109,124.73**		108,708.73
II	**OTHER INCOME**	28		**845.00**		773.67
III	**TOTAL REVENUE (I + II)**			**109,969.73**		109,482.40
IV	**EXPENSES**					
	Cost of materials consumed	29	**78,263.78**		74,629.16	
	Purchases of stock in trade					
	Changes in inventories of finished goods, work in progress and stock in trade	30	**(5,482.95)**		716.01	
				72,780.83		75,345.17
	Employee benefits expense	31		**17,899.33**		16,628.51
	Finance costs	32		**4,569.00**		3,846.44
	Depreciation and amortization expense	33		**2,486.87**		2,188.22
	Other expenses	34		**12,275.26**		10,587.36
				110,011.29		108,595.70
	Less Expenses Capitalised			**233.88**		19.05
	Total Expenses			**109,777.41**		108,576.65
V	**PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)**			**192.32**		905.75
VI	**EXCEPTIONAL ITEMS**	35		**135.72**		184.62
VII	**PROFIT BEFORE SHARE OF INCOME FROM ASSOCIATES & MINORITY INTEREST (V-VI)**			**328.04**		1,090.37
VIII	**TAX EXPENSE:**					
	1) Current tax		**46.11**		160.49	
	2) Prior year tax		-		0.31	
	3) Deferred tax		**(37.52)**		196.64	
				8.59		357.44
IX	**PROFIT AFTER TAX EXPENSE (VII - VIII)**			**319.45**		732.93
X	**ADJUSTMENTS**					
	Add: Share of profit of associates (net of tax)		**8.69**		4.29	
	Less: Minority Interest profit/(loss)		**(15.36)**		45.74	
				24.05		(41.45)
XI	**PROFIT FOR THE PERIOD (IX - X)**			**343.50**		691.48
XII	**Earning per equity share:**	36				
	Basic & diluted			**0.52**		1.13

Significant accounting polices and notes to financial statements 1 to 55

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm registration number: 002878S
CA. C R KRISHNA
Partner

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place: Bangalore
Date : May 28, 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Particulars	Current Reporting Period		Previous Reporting Period	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation		**343.50**		691.48
Add: tax expense		**8.59**		357.44
		352.09		1,048.92
Adjustments for:				
Depreciation & Amortisation	**2,486.87**		2,188.22	
Amortisation & Provisons (Net)	**(212.81)**		(1,176.58)	
Proift /loss from sale of fixed assets (Net)	**(25.05)**		3.89	
Interest received	**(126.57)**		(183.12)	
Extraordinary items	**(135.72)**		(184.62)	
Dividends received	**(7.08)**		(3.66)	
Interest expenses	**4,569.00**		3,846.44	
		6,548.64		4,490.57
		6,900.73		5,539.49
(Increase)/ decrease in trade and other receivables	**1,152.97**		1,077.21	
(Increase)/ decrease in inventories	**(6,536.22)**		(922.04)	
Increase/ (decrease) in trade payables	**1,953.21**		4,115.61	
		(3,430.04)		4,270.78
		3,470.69		9,810.27
Income taxes paid		**391.01**		986.65
NET CASH FROM OPERATING ACTIVITIES		**3,079.68**		8,823.62
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (including CWIP)	**(1,928.27)**		(1,474.84)	
Proceeds from sale of property, plant and equipment	**146.69**		26.99	
(Increase)/decrease in value of investments	**(12.81)**		(7.58)	
Increase in goodwill on consolidation	**(1,025.20)**		(652.00)	
Increase /(decrease) in Minority Interest	**(41.27)**		117.61	
Increase/ (decrease) in Foreign currency translation reserve	**1,232.95**		992.32	
Increase/(decrease) in foreign currency monetary item translation difference account	**-**		(361.81)	
(Increase)/decrease in other bank balances	**909.10**		368.95	
Interest received	**126.57**		217.04	
Dividend received	**7.08**		3.66	
NET CASH FROM INVESTING ACTIVITIES		**(585.16)**		(769.66)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from ICD's	**5,485.00**		1,531.06	
Repayment of ICD's	**(3,896.06)**		(100.00)	
Proceeds from long term borrowings	**72.00**		2,708.03	
Proceeds from short term borrowings	**3,053.25**		1,352.00	
Fixed deposits from public accepted	**219.90**		641.24	
Repayment of fixed deposits from public	**(735.50)**		(720.30)	
Repayment of preference share capital	**(773.59)**		(773.59)	
Repayment of long term borrowings	**(2,247.89)**		(1,211.74)	
Repayment of short term borrowings	**(166.59)**		-	
Repayment of finance lease obligation	**(216.00)**		(6,488.45)	
Interest paid	**(4,455.43)**		(3,776.25)	
Extraordinary Income	**135.72**		184.62	
NET CASH FROM FINANCING ACTIVITIES		**(3,525.19)**		(6,653.38)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,030.67)**		1,400.58
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD		**3,889.42**		2,488.84
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD		**2,858.75**		3,889.42

In Accordance with our Report attached

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm registration number: 002878S
CA. C R KRISHNA
Partner

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF CONSOLIDATION

The financial statements of Kirloskar Electric Company Limited ("Parent Company"), subsidiary companies and associates ("the Group") used in the preparation of this consolidated financial statements have been drawn up on the same reporting date as that of the parent company i.e. year ended March 31, 2012. The financial statement of Kirloskar (Malaysia) Sdn. Bhd., used are as received from it and is unaudited.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Company and its subsidiaries have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in the countries in which they operate and in the case of the parent company, the provisions of the Companies Act, 1956. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The direct subsidiary of the Company, namely Kirsons BV has been classified as an 'Integral Foreign Operation'. Revenue items denominated in foreign currency have been converted at the average rate prevailing during the year. Non monetary foreign currency assets and liabilities have been accounted at the rate of exchange prevailing on the transaction date. Monetary foreign currency assets and liabilities have been converted at the rates prevailing at the end of the year. Resultant differences have been adjusted in the statement of profit & loss

The step down subsidiaries of the Company referred to in note 5 below have been classified as 'Non Integral Foreign Operations'. Revenue items have been consolidated at the average rate prevailing during the year and all assets and liabilities have been converted at the rates prevailing at the end of the year.

The difference between the parent Company's portion of equity in the subsidiaries as at the date of its investment and the cost of their respective investments has been treated as capital reserve/goodwill on consolidation.

3. PRINCIPLES OF CONSOLIDATION

(a) The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditures after eliminating intra group balances and transactions to the extent identified and reconciled.

(b) Investments in associates have been accounted under the equity method as per Accounting Standard 23. Under the equity method of accounting, the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for post acquisition changes in the investor's share of net assets of the investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Calculation of goodwill/ capital reserve as well as post acquisition changes has been made based on available information. Comprehensive information was not available.

4. SIGNIFICANT ACCOUNTING POLICIES:

4.1 FIXED ASSETS:

(i) Tangible Assets

Fixed Assets (other than land which were revalued) are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses relating to the acquisition, installation, and erection and commissioning less depreciation. A portion of the land owned by the Company has been revalued. Internally manufactured assets are valued at works cost.

(ii) Intangible Assets

Intangible assets are accounted at cost of acquisition.

4.2 ASSETS HELD FOR SALE:

Assets held for sale are stated at the cost or estimated net realizable value whichever, is lower.

4.3 INVESTMENTS:

Investments unless otherwise stated are considered as long term in nature and are valued at acquisition cost less provision for diminution, if any.

4.4 INVENTORIES:

1. Raw materials, stores, spare parts and components are valued on first in first out basis/weighted average at net landed cost or net realizable value whichever is lower.
2. Work in progress is valued at works cost or net realizable value whichever is lower.
3. Finished goods are valued at works cost or net realizable value whichever is lower.

Material cost of work in progress and finished goods have been computed based on the weighted average/average price/latest estimated purchase price. At certain units, cost of finished goods has been computed by subtracting an estimated percentage from selling price to cover margins, further cost to be incurred to make the sale and excluded cost.

4.5 DEPRECIATION:

Parent Company:

(a) Depreciation is charged on the written down value of assets at the rates specified in schedule XIV to the Companies Act, 1956 or Income Tax Act, 1961, which ever is higher on assets as on 31st March 1994.

(b) In respect of other additions after 1st April 1994, depreciation on straight-line basis at the rates specified in schedule XIV to the Companies Act 1956 has been charged, except otherwise stated.

(c) Depreciation on furniture and fixtures above ₹ 5,000/- provided at the residences of the employees has been charged at the rate of 33.33% on the straight-line method irrespective of the quarter of addition. Furniture and fixtures whose cost is ₹ 5,000/- or below are fully depreciated in the year of addition.

(d) Depreciation on assets taken on finance lease is charged over the primary lease period.

(e) Depreciation on software is provided at 33.33% per annum.

(f) Depreciation on Technical Know-how fees and product development are written over a period of six years.

(g) Project specific tools are depreciated over the life of the project.

(h) Depreciation on assets (other than Furniture and Fixtures provided to employees and assets taken on finance lease) bought / sold during the year is charged at the applicable rates on a monthly basis, depending upon the month of the financial year in which the assets are installed / sold. Assets whose individual value less than ₹ 5,000/- is depreciated fully.

LDW

(a) Depreciation on assets is charged on the straight line basis based on the estimated useful life of the assets as follows:

Sl No	Asset category	Useful life
1)	Intangible assets	4 to 10 years
2)	Land & Buildings	25 years
3)	Technical Equipment & Machinery	4 to 21 years
4)	Other equipment, factory & office equipment	3 to 13 years
5)	Technical Knowhow fees and product development	20 years
6)	Assets costing between Euro 410 to Euro 1,000	5 Years
7)	Assets costing less than Euro 410	100% in the year of purchase

4.6 IMPAIRMENT OF ASSETS:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

4.7 RESEARCH AND DEVELOPMENT EXPENDITURE:

Revenue expenditure in carrying out research and development activity is charged to the Statement of Profit and Loss of the year in which it is incurred. Capital expenditure in respect of research and development activity is capitalized as fixed assets and depreciation provided as detailed above.

4.8 REVENUE RECOGNITION:

(a) Sale of goods is recognized on shipment to customers and excludes recovery towards sales tax.

(b) Interest income is recognized on time proportion basis.

(c) Dividend income is recognized, when the right to receive the dividend is established.

4.9 EMPLOYEE BENEFITS:

(i) Short Term Employee Benefits:

Employee benefits payable wholly within twelve months of rendering the service are classified as short term. Benefits such as salaries, bonus, leave travel allowance etc. are recognised in the period in which the employee renders the related service.

(ii) Post Employment Benefits:

(a) Defined Contribution Plans:

The Company has contributed to provident, pension, superannuation funds and other social security contributions which are defined contribution plans. The contributions paid/payable under the scheme is recognised during the year in which employee renders the related service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Defined Benefit Plans:

Employees' gratuity and leave encashment are defined benefit plans. The present value of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. Gratuity to employees is covered under Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

There were no defined benefit plans at LDW.

4.10 FOREIGN CURRENCY TRANSLATION ON OVERSEAS BRANCH:

(a) Foreign currency transactions are translated into rupees at the exchange rate prevailing on the date of the transaction.

(b) Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year. All exchange differences are accounted for in the profit and loss account.

(c) Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.

(d) In respect of branches, which are integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself.

(e) The Company has entered into forward exchange contracts, which is not intended for trading or speculation purposes, to establish the amount of reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognized as income or as expense for the period.

4.11 TAXES ON INCOME:

Provision for current tax for the year is after taking cognizance of excess / short provision in prior years. Deferred tax assets/liability is recognized, subject to consideration of prudence, on timing differences.

4.12 BORROWING COSTS:

Interest and other borrowing costs on specific borrowings relatable to qualifying assets are capitalized up to the date such assets are ready for use / intended to use. Other interest and borrowing costs are charged to the Statement of Profit & Loss for the year.

4.13 PROVISIONS & CONTINGENT LIABILITIES:

A provision is recognized when the group has a present obligation as a result of a past event and it is probable that the outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Financial effect of contingent liabilities is disclosed based on information available upto the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

In LDW, a floating provision of 1% is made on the doubtful trade receivables.

5. THE CONSOLIDATION OF FINANCIAL STATEMENT (CFS) PRESENT THE CONSOLIDATED ACCOUNTS OF KIRLOSKAR ELECTRIC COMPANY LIMITED WITH ITS FOLLOWING SUBSIDIARIES AND ASSOCIATES:

Name of the company	Ownership Percentage	Country of Incorporation
Subsidiary		
Kirsons BV	100%	The Netherlands
Step down Subsidiaries		
Lloyd Dynamowerke GmbH & Co.KG (LDW)	94.8949%	Germany
Lloyd Beteiligungs GmbH	100%	Germany
Associate		
Electrical Machine Industries (Bahrain) W.L.L. (Associate of LDW)	33.33%	Bahrain
Kirloskar (Malaysia) Sdn.Bhd	30%	Malaysia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March, 2012 Number	₹ in Lakhs	As at 31st March, 2011 Number	₹ in Lakhs
6 SHARE CAPITAL				
Authorised:				
Preference Shares of Rs.100/- each`	**3,000,000**	**3,000.00**	3,000,000	3,000.00
Equity shares of Rs.10/- each	**60,000,000**	**6,000.00**	60,000,000	6,000.00
		9,000.00		9,000.00
Issued, subscribed and fully paid up:				
Preference shares of Rs.100/- each				
At the beginning of the reporting period	**773,592**	**773.59**	1,547,182	1,547.18
Redeemed during the reporting period	**773,592**	**773.59**	773,590	773.59
At the close of the reporting period	**-**	**-**	773,592	773.59
Equity shares of Rs.10/- each				
At the beginning of the reporting period	**50,521,367**	**5,052.14**	50,521,367	5,052.14
At the close of the reporting period	**50,521,367**	**5,052.14**	50,521,367	5,052.14
Total		**5,052.14**		5,825.73

Other Information:

I. PREFERENCE SHARES:

a. The Company has issued cumulative preference shares of Rs 100/- each. The preference shareholders did not have voting rights.

b. Nil (as at March 31, 2011: 4,00,000) preference shares carry a cumulative dividend of 7% p.a. w.e.f October 1, 2001 payable cumulatively out of the profits of the Company. The rate of dividend can be increased to 9% p.a. by way of redemption premium subject to profitability and cashflows of the Company. These shares have been redeemed on November 9, 2011 without any premium.

c. Nil (as at March 31, 2011: 179,855) preference shares carry a cumulative dividend of 6.5% & Nil (as at March 31, 2011: 1,93,737) preference shares carry a cumulative dividend of 8%. These preference shares have been redeemed on March 31, 2012.

d. 1,176,746 Preference shares were allotted pursuant to a contract without consideration being received in cash. These preference shareholders were alloted to preference share holders of Kaytee Switchgear Limited as fully paid up pursuant to the Scheme of arrangement approved by the Honourable High Court of Karnataka under sec 391 -394 of the Companies Act, 1956 without payment received in cash.

	As at 31st March, 2012 Number	₹ in Lakhs	As at 31st March, 2011 Number	₹ in Lakhs
e. Preference shares bought back during the five years immediately preceding the date of the balance sheet	**2,376,746**	**2,376.75**	1,603,154	1,603.15

f. Particulars of preference share holders holding more than 5% of the total number of preference share capital	**Number**	**Percentage**	Number	Percentage
i) IDBI Bank	-	-	508,227	65.70%
ii) Bank of India	-	-	116,318	15.04%

2 EQUITY SHARES:

a. The Company has only one class of equity shares having a par value of Rs 10/- each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the equity shares held by the shareholder.

b. Equity Shares of Rs.10/- each includes:	As at 31st March, 2012 Number	₹ in Lakhs	As at 31st March, 2011 Number	₹ in Lakhs
(i) Equity shares include Shares allotted pursuant to a contract without consideration being received in cash. These shares were issued to shareholders of Kaytee Switchgear Limited and Kirloskar Power Equipment Limited as fully paid, pursuant to Scheme of arrangement approved by the Honourable High Court of Karnataka under section 391 - 394 of the Companies Act, 1956. Equity shares so alloted includes 6,174,878 equity shares of Rs.10/- each alloted to KECL Investment Trust, sole beneficiary of which is the Company.	**17,252,550**	**1,725.26**	17,252,550	1,725.26
(ii) Shares alloted during the year 2007-08 to the promoters group in terms of order June 29, 2007 of the Honourable High Court of Karnataka read with scheme of arrangement dated February 13, 2003 under sections 391 to 394 of the Companies Act, 1956.	**2,000,000**	**200.00**	2,000,000	200.00
(iii) Shares allotted during the year 2003 - 04 to IDBI on conversion of Preference Share Capital at face value as per the scheme of arrangement approved by honourable High Court of Karnataka.	**6,000,000**	**600.00**	6,000,000	600.00

c. Particulars of equity share holders holding more than 5% of the total number of equity share capital:	**Number**	**Percentage**	Number	Percentage
a. Abhiman Trading Company Private Limited	**8,337,857**	**16.50%**	8,337,857	16.50%
b. Vijay Jyothi Investment & Agencies Private Limited	**6,709,325**	**13.28%**	6,667,447	13.20%
c. KECL Investment Trust	**6,174,878**	**12.22%**	6,174,878	12.22%
d. Mr Vijay Ravindra Kirloskar	**3,890,811**	**7.70%**	3,890,811	7.70%
e. Vijay Kirthi Investment and Agencies Private Limited	**2,734,094**	**5.41%**	2,734,094	5.41%
f. Life Insurance Corporation of India	**2,576,571**	**5.10%**	2,576,571	5.10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011
7	**RESERVES AND SURPLUS:**		
a)	**Capital Reserve**		
	At the close of the previous reporting period	**1,589.39**	18.06
	Adjustments during the year	**126.51**	1,571.33
	At the close of the reporting period	**1,715.90**	1,589.39
b)	**Capital redemption reserve**		
	At the close of the previous reporting period	**2,401.75**	1,628.16
	Transferred from surplus	**-**	773.59
	At the close of the reporting period	**2,401.75**	2,401.75
c)	**Debenture Redemption Reserve**		
	At the close of the previous reporting period	**494.00**	494.00
	At the close of the reporting period	**494.00**	494.00
d)	**Revaluation Reserve**		
	At the close of the previous reporting period	**480.41**	480.41
	At the close of the reporting period	**480.41**	480.41
e)	**Reconstruction Reserve**		
	At the close of the previous reporting period	**641.67**	641.67
	At the close of the reporting period	**641.67**	641.67
f)	**Reserve for Doubtful debts**		
	At the close of the previous reporting period	**90.00**	90.00
	At the close of the reporting period	**90.00**	90.00
g)	**Foreign currency translation Reserve**		
	At the close of the previous reporting period	**(258.35)**	(1,250.67)
	Adjustments on account of exchange fluctuation	**1,232.95**	992.32
	At the close of the reporting period	**974.60**	(258.35)
h)	**Surplus i.e. balance in Statement of Profit & Loss**		
	At the close of the previous reporting period	**11,137.10**	11,219.21
	Transferred from Profit & Loss Account	**343.50**	691.48
	Tranfer to Capital Redemption Reserve	**-**	(773.59)
	At the close of the reporting period	**11,480.60**	11,137.10
	TOTAL CLOSING BALANCE	**18,278.93**	16,575.97
8	**LONG TERM BORROWINGS**		
1)	**Secured Loans:**		
	a. Finance lease obligations (refer note 47)	**265.68**	481.68
	b. Term loan from Banks	**6,456.75**	8,324.81
	c. Car Loan from Banks	**-**	1.00
	c. Car Loan from a Company	**60.14**	2.64
		6,782.57	8,810.13
	Less:		
	Current maturities	**2,764.59**	2,565.93
		4,017.98	6,244.20
2)	**Unsecured Loans:**		
	a. Term Loans		
	- from Banks	**-**	363.72
	b. Fixed Deposits	**2,509.42**	2,656.44
		2,509.42	3,020.16
	Less:		
	Current Maturities	**1,291.02**	684.12
		1,218.40	2,336.04
3)	**Total long term borrowings (1+2)**	**5,236.38**	8,580.24
	Additional Information:		
1)	**Details of security for secured loans:**		
	a Against assets purchased on finance lease	**265.68**	481.68
	b. Against first pari passu charge on certain fixed assets and second pari passu charge on current assets and the said credit facilities are guaranteed by the Chairman & Managing director	-	0.99
	c. Against security of Motor cars	**60.14**	3.64
	d. Term loan at LDW is secured by first charge on specific Land and building and plant & machinery procured by LDW	**578.21**	707.06
	e. Term loan at Kirsons BV is secured by pledge of shares of subsidiary and guarantee given to ICICI Bank in consideration of the stand by letter of credit (SBLC) opened in the favour of ICICI Bank, Canada as security for loan given. The SBLC is secured by mortgage of certain immovable properties of KEC.	**5,878.54**	7,616.76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
2) Terms of repayment of term loans and others		
a) Finance lease		
Finance lease relate to Plant & Machinery taken for a period of five years. Interest on such lease is ranging between 13% to 14% p.a. Average equated monthly instalment is Rs.18.40 lakhs per month.		
b) Car Loans:		
Car loans are for a period of three to five years and interest rate is ranging from 9% to 10% p.a. Average equated monthly instalment is about ₹ 2.52 lakhs per month		
c) One of the term loans at LDW is for a period of three years and carries an interest rate of 8.73% and repayable in monthly instalment of Euro 15,661 and an other term loan for a period of ten years carrying an interest rate of Euribor + 2.5% and repayable in 40 quarterly instalments amounting to Euro 25,000/-		
d) Termloan of Kirsons BV is repayable in 20 quarterly equal instalments of Euro 850,000 and carrying an interest rate of Euribor + 2%		
3) Unsecured Loans:		
a) Fixed deposits are taken for a period of 24 and 36 months with a interest rate ranging from 11.5% to 13.5%		
b) Loan was taken with an interest rate of 12% p.a. repayable in 25 monthly instalments of ₹ 1 crore each.		
9 DEFERRED TAX :		
IN INDIA		
i) Deferred tax liability:		
a) On account of depreciation on fixed assets	**1,765.62**	2,043.00
b) On account of timing differences in recognition of expenditure		
Total	**1,765.62**	2,043.00
ii) Deferred tax asset:		
a) On account of timing differences in recognition of expenditure	**440.43**	587.00
b) On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961 (restricted to)	**1,325.19**	1,456.00
	1,765.62	2,043.00
Net Deferred tax (liability)/asset	-	-
IN GERMANY		
i) Deferred tax liability:		
a) Dissolution from supplementary tax balance sheet	-	198.12
b) On account of timing differences in recognition of expenditure	**0.46**	0.42
Total	**0.46**	198.54
ii) Deferred tax asset:		
a) On account of depreciation on fixed assets	**1,345.24**	23.64
b) On account of timing differences in recognition of expenditure	**15.58**	1,655.86
c) On account of Unabsorbed losses and depreciation available under the relevant fiscal legislations.	**279.02**	
	1,639.84	1,679.50
Net Deferred tax asset	**1,639.38**	1,480.96
Total Net Deferred tax asset	**1,639.38**	1,480.96
10 OTHER LONG TERM LIABILITIES		
Security deposits from suppliers, dealers etc	**690.45**	663.30
	690.45	663.30
11 LONG TERM PROVISIONS		
Provisions for employee defined benefit plans	**1,047.15**	1,534.13
	1,047.15	1,534.13
12 SHORT TERM BORROWINGS		
1) Secured Loans:		
a) Loans repayable on demand		
- from banks	**15,145.83**	11,719.17
b) Loan against pledge of fixed deposit from Bank	**43.78**	583.78
	15,189.61	12,302.95
2) Unsecured Loans:		
a) Fixed Deposits	**136.92**	505.50
b) SICOM Sales Tax Loan	**11.19**	11.19
c) Inter corporate Deposits	**3,020.00**	1,431.06
d) Other Loans and advances	**12.24**	142.24
	3,180.35	2,089.99
Total	**18,369.96**	14,392.94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011
	Additional Information:		
1)	**Details of security for secured loans**		
a)	First pari passu charge on all current assets and second pari passu charge on certain fixed assets along with the holders of zero coupon debentures and the said credit facilities have been guaranteed by the Chairman & Managing Director of the Company. All the loans carry an interest of around 13% to 14%	**9,473.29**	8,969.88
b)	Against pledge of fixed deposits	**43.78**	583.78
c)	Working capital facilities at LDW are secured by first charge on current assets and second charge on all fixed assets excluding assets charged to term lenders and carry an interest about 6%	**5,672.54**	2,749.29

2) Unsecured loans

a) Fixed deposits are taken for a period of 12 months with interest rates ranging from 11.5% to 12%

b) Fixed deposits accepted from related parties amount to Rs.45 (as at March 31, 2011: Rs.35)

c) ICDs are taken for periods ranging between 90 to 360 days with interest rates ranging from 13% to 16% per annum

d) Fixed deposits include Rs.1.02 (as at March 31, 2011: Rs.1.02) matured unclaimed deposits.

13 TRADE PAYABLES

i)	Trade payables	**21,829.62**	22,513.49
ii)	Acceptances	**7,134.13**	5,092.19
		28,963.75	27,605.68

Additional Information:

The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

(₹ in Lakhs)

Sl No.	Particulars	As at 31st March 2012	As at 31st March 2011
1	Principal amount due and remaining unpaid	598.52	216.48
2	Interest due on (1) above and the unpaid interest	**Not ascertained**	Not ascertained
3	Interest paid on all delayed payments under the MSMED Act	**Nil**	Nil
4	Payment made beyond the appointed day during the year	**Not ascertained**	Not ascertained
5	Interest due and payable for the period of delay other than (3) above	**Nil**	NIL
6	Interest accrued and remaining unpaid	**Nil**	NIL
7	Amount of further interest remaining due and payable in succeeding years	**Not ascertained**	Not ascertained

14 OTHER CURRENT LIABILITIES:

a)	Current maturities of long term debt	**2,514.67**	2,349.14
b)	Current maturities of finance lease obligations	**220.90**	215.54
c)	Current maturities of Car Loan from bank and a Company	**29.02**	1.25
d)	Current maturities of Fixed Deposit	**1,291.02**	320.40
e)	Current maturities of unsecured loan from bank	**-**	363.72
f)	Interest accrued but not due on loans & deposits	**240.13**	126.56
g)	Statutory liabilities	**649.60**	739.46
h)	Other liabilites	**337.13**	293.07
i)	Trade advances	**8,489.17**	7,875.38
		13,771.64	12,284.52

15 SHORT TERM PROVISIONS:

a)	Provision for employee defined benefit plans	**44.64**	19.00
b)	Provision for Wage arrears	**336.16**	-
c)	Provision for Warranty	**667.18**	714.44
d)	Provision for stamp duty	**619.21**	659.58
e)	Provision for tax (Net of advance tax outside India)	**5.35**	3.91
		1,672.54	1,396.93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FIXED ASSETS:

(₹ in Lakhs)

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at beginning of current reporting period	Additions for the year	Adjustments on account of exchange fluctuation	Deductions during the year	As at end of current reporting period	As at beginning of current reporting period	For the year	Adjustments on account of exchange fluctuation	Deductions	As at end of current reporting period	As at end of current reporting period	As at end of previous reporting period
Tangible Assets Own assets												
Land	1,665.54	-	35.16	-	1,700.70	-	-	-	-	-	1,700.70	1,665.54
Building (*)	6,032.85	29.87	78.75	-	6,141.47	1,579.56	239.79	23.21	-	1,842.56	4,298.91	4,453.29
Plant & Machinery	20,266.74	598.55	342.45	1,171.01	20,036.73	11,407.74	1,311.35	222.77	647.99	12,293.87	7,742.86	8,859.00
Tools & Jigs	1,285.77	46.67	-	-	1,332.44	596.12	118.18	-	-	714.30	618.14	689.65
Electrical Installations	202.08	-	-	-	202.08	72.61	10.48	-	-	83.09	118.99	129.47
Office equipment	1,714.87	227.34	112.37	51.76	2,002.82	1,153.77	200.06	84.36	30.38	1,407.81	595.01	561.10
Motor Vehicles	425.53	109.06	2.79	10.51	526.87	217.31	36.23	1.87	2.16	253.25	273.62	208.22
Furniture & Fittings	821.26	20.18	-	8.39	833.05	527.20	47.23	-	6.13	568.30	264.75	294.06
Leasehold Improvements	313.35	-	-	-	313.35	33.36	10.47	-	-	43.83	269.52	279.99
Assets taken on finance lease												
Land ($)	1,451.99	-	-	-	1,451.99	-	-	-	-	-	1,451.99	1,451.99
Plant & Machinery	1,033.39	-	-	-	1,033.39	414.99	294.33	-	-	709.32	324.07	618.40
	35,213.37	1,031.67	571.52	1,241.67	35,574.89	16,002.66	2,268.12	332.21	686.66	17,916.33	17,658.56	19,210.71
Intangible assets												
Goodwill	423.46	-	-	-	423.46	423.46	-	-	-	423.46	-	-
Computer Software	1,229.58	211.81	67.63	62.61	1,446.41	715.03	212.53	47.55	38.54	936.57	509.84	514.55
Technical knowhow & product development	147.93	-	-	-	147.93	129.27	6.22	-	-	135.49	12.44	18.66
	1,800.97	211.81	67.63	62.61	2,017.80	1,267.76	218.75	47.55	38.54	1,495.52	522.28	533.21
TOTAL	**37,014.34**	**1,243.48**	**639.15**	**1,304.28**	**37,592.69**	**17,270.42**	**2,486.87**	**379.76**	**725.20**	**19,411.85**	**18,180.84**	**19,743.92**
	(35,218.29)	(1,506.68)	(334.16)	(44.81)	(37,014.32)	(14,922.74)	(2,188.22)	(173.38)	(13.93)	(17,270.41)		

Additional information:

* Includes ₹ 33.37 being the cost of ownership premises taken in possession for which Society is to be formed.

$ Land taken on lease from KIADB aggregates to ₹ 69.58. On expiry of lease periods, payment of balance considerations if any, and execution of sale deed, the relevant title will pass to the Company.

*$ Leasehold land and buildings aggregating to ₹ 1,570.37 are subject to registration. Provision has been made for estimated stamp duty and registration charges payable.

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011
17 CAPITAL WORK IN PROGRESS:		
a) Tangible assets:		
i) Plant and Machinery	**25.70**	-
ii) Building under Construction	**369.46**	203.81
	395.16	203.81
Less:		
Provision for impairment	-	-
	395.16	203.81
b) Intangible assets under development:		
i) Models, Designs & Prototypes	**234.05**	-
	234.05	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Details of Investments	Name of the Company	As at March 31, 2012 No of Shares	Face Value	₹ In Lakhs	As at March 31, 2011 No of Shares	Face Value	₹ In Lakhs
18	**NON CURRENT INVESTMENTS:**						
a)	**Investments in Equity Instruments:**						
i)	Associates: (Trade)						
	Fully paid up						
	Kirloskar (Malaysia) Sdn. Bhd.						
	Kuala Lumpur, Malaysia	**300,000**	**MR1**	**63.51**	300,000	MR1	64.41
	Electrical Machines Industries (Bahrain) WLL			**64.85**			51.14
ii)	Others						
	Fully paid up						
	ICICI Ltd (on merger of Sangli Bank Limited)	**1,081**	**10**	**1.00**	1,081	10	1.00
	Kirloskar Computer Services Ltd						
	(refer note 3 below)	**200,000**	**10**	**-**	200,000	10	-
	The Mysore Kirloskar Ltd (refer note 3 below)	**770,750**	**10**	**-**	770,750	10	-
	Kirloskar Proprietary Ltd	**26**	**100**	**1.28**	26	100	1.28
	Kirloskar Kenya Limited, Nairobi, Kenya	**1,272**	**K.Sh 1000**	**8.53**	1,272	K.Sh 1,000	8.53
	Kirsons Trading Pte.Ltd	**56,250**	**S $1**	**11.20**	56,250	S $1	11.20
	Kirloskar Power Equipments Ltd	**340,000**	**10**	**59.09**	340,000	10	59.09
b)	**Investments in debentures or bonds**						
i)	Others						
	Fully paid up						
	The Mysore Kirloskar Ltd (refer note 3 below)	**30,000**	**44**	**-**	30,000	44	-
	Total			**209.46**			196.65
Additional Information:							
1)	Aggregate value of quoted investments:						
	Cost			**1.00**			1.00
	Market Value			**9.59**			12.03
2)	Aggregate value of unquoted investments:						
	Cost			**208.46**			195.65
3)	Securities in The Mysore Kirloskar Limited and Kirloskar Computer Services Limited have been written off.						

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011
19	**LONG TERM LOANS AND ADVANCES:**		
	(UNSECURED, CONSIDERED GOOD)		
i)	Capital advances	**106.66**	288.20
ii)	Security Deposits	**323.00**	254.18
iii)	Loans and advances to related parties (refer note 43)	**280.00**	280.00
iv)	Disputed tax liabilities/ taxes refundable	**739.94**	739.94
		1,449.60	1,562.32
	Additional information:		
	Debts from a private company in which a director of the Company is a director	**100.00**	100.00
20	**OTHER NON CURRENT ASSETS**		
	(UNSECURED, CONSIDERED GOOD)		
i)	Long term trade receivables	**205.67**	59.54
ii)	Other bank balances - Margin Money	**2,504.26**	3,413.36
iii)	Advance payment of tax -(Net)	**306.28**	83.72
		3,016.21	3,556.62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	As at 31st March 2012	As at 31st March 2011
21	**INVENTORIES:**		
	i) Raw materials, Stores, spares and components	**6,224.97**	5,135.76
	ii) Work in progress	**15,119.68**	9,608.94
	iii) Finished goods	**1,436.42**	1,519.50
	iv) Others	**10.67**	122.30
	Goods in transit:		
	i) Raw materials, Stores, spares and components	**201.82**	118.89
	ii) Finished goods	**48.05**	-
		23,041.61	16,505.39
22	**TRADE RECEIVABLES:**		
	i) Trade receivables exceeding six months	**9,589.00**	5,942.93
	ii) others	**14,561.44**	19,793.12
		24,150.44	25,736.05
	Less: Allowance for doubtful debts	**672.07**	1,330.02
		23,478.37	24,406.03
	Additional information:		
1)	Breakup of above:		
	i) Unsecured, considered good	**23,478.37**	24,406.03
	ii) Doubtful	**672.07**	1,330.02
	Total	**24,150.44**	25,736.05
	Less: Allowance for doubtful debts	**672.07**	1,330.02
		23,478.37	24,406.03
2)	Debts due from private companies in which directors of the Company are directors	**5.00**	1.10
23	**CASH AND CASH EQUIVALENTS:**		
	i) Balances with banks		
	- in deposit accounts not exceeding 12 months maturity	**288.50**	1,157.22
	- in other accounts	**2,544.42**	2,712.61
	ii) Cheques, drafts on hand	**-**	9.00
	iii) Cash on hand	**25.83**	10.59
		2,858.75	3,889.42
24	**SHORT TERM LOANS AND ADVANCES:**		
	i) Loans and advances to related parties (refer note 43)	**558.35**	357.00
	ii) Others	**1,473.91**	3,178.54
		2,032.26	3,535.54
	Less:		
	Allowance for doubtful advances	**297.53**	850.32
		1,734.73	2,685.22
	Additional information:		
1)	Breakup of above:		
	i) Unsecured, considered good	**1,734.73**	2,685.22
	ii) Doubtful	**297.53**	850.32
	Total	**2,032.26**	3,535.54
	Less: Allowance for doubtful advances	**297.53**	850.32
		1,734.73	2,685.22
2)	Debts due from private companies in which directors of the Company are directors	**530.22**	306.90
25	**OTHER CURRENT ASSETS**		
	i) Central Excise Receivable	**547.74**	831.00
	ii) VAT receivable	**1,132.43**	157.40
	iii) Assets Held for sale (refer note 42)	**793.09**	335.65
		2,473.26	1,324.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	As at 31st March 2012	As at 31st March 2011

26 CONTINGENT LIABILITIES AND COMMITMENTS OF THE COMPANY AND ITS SUBSIDIARIES (TO THE EXTENT NOT PROVIDED FOR)

(a)	**CONTINGENT LIABILITIES:**		
i)	Claims against the Company not acknowledged as debts. The Company has made counter claim against one of the parties amounting to ₹ 129 (as at the end of the previous reporting period ₹ 129).	**2,683.09**	2,564.91
ii)	Guarantees	**13,078.92**	17,255.71
iii)	Letters of credit	**3,026.35**	3,592.82
iv)	Bills discounted with Bank	**2,030.72**	2,615.12
v)	Penal damages levied by the Regional Provident Fund commissioner and subject to writ before the High Court of Karnataka, Bangalore. An amount of ₹ 46.18 lakhs paid has been included in loans and advances.	**91.54**	91.54
vi)	Central excise and customs authorities have issued notices and raised certain demands, which are pending in appeal before various authorities, not acknowledged as debt by the Company.	**183.52**	62.09
vii)	Sales tax demanded under appeal. The Company has paid an aggregate amount of ₹ 701.94 lakhs against the demand which has been included in Loans & advances.	**2,237.80**	2,121.94
viii)	Show cause notices raised by the Income Tax Department for short and non remittances of tax deduction at source – matter under examination	**45.99**	45.99
ix)	Sales tax liabilities in respect of pending assessments - C forms have not been received from several customers. Continuing efforts are being made to obtain them. Significant progress has been made in the matter as compared to the previous year.	**Not Ascertainable**	Not Ascertainable
x)	Interest if any, on account of delays in payment to suppliers.	**Not Ascertainable**	Not Ascertainable
xi)	Sales tax on equipment procured on hire/ lease and on computer software charges is contested by the suppliers. Will be charged to revenue in the year of final claim.	**Not Ascertainable**	Not Ascertainable
xii)	Certain industrial disputes are pending before various judicial authorities – not acknowledged by the Company.	**Not Ascertainable**	Not Ascertainable
xiii)	Wage settlement of certain units have expired. However, provision has been made on estimated basis and differences, if any will be accounted on final settlement.	**Not Ascertainable**	Not Ascertainable
xiv)	Arrears of fixed cumulative dividends on preference shares (including tax thereon).	**1,154.82**	1,071.74
xv)	The Company had furnished a guarantee for the redemption of preference shares issued by Kirloskar Investment and Finance Ltd to an extent of ₹ 200 lakhs (as at the end of the previous reporting period ₹ 200 lakhs) and had obtained counter guarantee from the said Company. The preference shareholder has claimed a sum of ₹ 200 lakhs along with dividends in arrears of ₹ 205.60 lakhs and interest from the Company. This claim has been upheld by the Debt Recovery Tribunal (DRT). The Company has preferred an appeal before the Debt Recovery Appellate Tribunal to set aside the orders passed by the DRT. The Company does not acknowledge this liability.	**405.60**	405.60
xvi)	Income tax demands under appeal.	**174.98**	93.07

In respect of items above, future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums/ settlement of matter. The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

b)	Commitments		
i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**305.99**	1,047.87

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

Particulars	For the current Reporting Period	For the Previous Reporting Period
27 REVENUE FROM OPERATIONS:		
i) Sale of products		
Motors, Alternators & Generators	**64,792.31**	60,464.32
Transformers	**30,147.81**	29,813.23
DG Sets	**13,508.22**	11,079.18
Others	**8,095.91**	14,410.46
Total	**116,544.25**	115,767.19
ii) Sale of services	**308.12**	75.98
	116,852.37	115,843.17
Less:		
Excise duty	**7,727.64**	7,134.44
	109,124.73	108,708.73
28 OTHER INCOME:		
i) Interest income	**126.57**	183.12
ii) Dividend Income from long term investments	**7.08**	3.66
iii) Profit on sale of fixed assets (Net)	**25.05**	0.78
iv) Other non operating income	**72.18**	-
v) Provision no longer required withdrawn	**398.70**	130.25
vi) Rent Received	**89.86**	90.72
vii) Miscellaneous Income	**125.56**	365.14
	845.00	773.67
29 COST OF MATERIALS CONSUMED:		
Consumption of raw materials, components, stores & spare parts*	**78,263.78**	74,629.16
	78,263.78	74,629.16
* Value of stores and spare parts not ascertained separately		
30 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:		
Stocks at the end of the year		
i) Work in progress		
Motors, Alternators & Generators	**12,381.13**	7,195.40
Transformers	**1,599.66**	1692.61
DG Sets	**1,116.60**	619.95
Others	**22.29**	100.98
Total	**15,119.68**	9,608.94
ii) Finished goods		
Motors, Alternators & Generators	**1,087.88**	866.18
Transformers	**249.26**	586.79
DG Sets	**95.53**	59.96
Others	**51.80**	6.57
Total	**1,484.47**	1,519.50
iii) Scrap	**10.67**	3.42
	16,614.82	11,131.86
Less:		
Stocks at the beginning of the year		
i) Work in progress		
Motors, Alternators & Generators	**7,195.41**	8,238.51
Transformers	**1,692.61**	828.67
DG Sets	**619.95**	1,059.56
Others	**100.98**	42.74
Total	**9,608.95**	10,169.48
ii) Finished goods		
Motors, Alternators & Generators	**866.18**	1,162.81
Transformers	**586.79**	445.51
DG Sets	**59.96**	14.80
Others	**6.57**	42.86
Total	**1,519.50**	1,665.98
iii) Scrap	**3.42**	12.41
	11,131.87	11,847.87
	(5,482.95)	716.01

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars		For the current Reporting Period		For the Previous Reporting Period
31	**EMPLOYEE BENEFIT EXPENSES:**				
	i) Salaries, wages and bonus		**14,619.97**		13,275.91
	ii) Contribution to provident and other funds		**1958.83**		2,240.22
	iii) Remuneration to whole time directors		**229.55**		237.65
	iv) Staff welfare expenses		**1,090.98**		874.73
			17,899.33		16,628.51
32	**FINANCE COSTS:**				
	i) Interest expense		**3,503.53**		3,160.86
	ii) Loss on derivatives		**311.49**		-
	iii) Other borrowing costs		**753.98**		685.58
			4,569.00		3,846.44
33	**DEPRECIATION AND AMORTIZATION:**				
	i) Depreciation		**2,268.12**		2,008.68
	ii) Amortization of intangible assets		**218.75**		179.54
			2,486.87		2,188.22
34	**OTHER EXPENSES:**				
	i) Power and fuel		**1,427.75**		1,386.20
	ii) Rent		**830.44**		807.22
	iii) Repairs to buildings		**214.10**		59.03
	iv) Repairs to machinery		**373.64**		279.41
	v) Repairs to others		**659.79**		722.60
	vi) Vehicle maintenance		**34.33**		-
	vii) Insurance		**402.49**		363.89
	viii) Rates and taxes		**157.65**		144.48
	ix) Payment to auditors		**107.34**		88.23
	x) Selling expenses		**3,037.12**		2,828.09
	xi) Commission		**102.16**		-
	xii) Warranty claims		**237.28**		112.81
	xiii) Allowance for doubtful trade receivables		**94.00**		150.00
	xiv) Net loss on foreign currency transaction		**394.24**		18.60
	xv) Bad trade receivables written off	**751.95**		667.00	
	Less: Allowance for doubtful trade receivable withdrawn	**751.95**	**-**	667.00	-
	xvi) irrecoverable loans and advances written off	**552.79**		364.82	
	Less: Allowance for doubtful loans & advances withdrawn	**552.79**	-	364.82	-
	xvii) Loss on sale of fixed asset (net)				3.89
	xviii) Donations		**157.69**		11.63
	xix) Legal and professional charges		**1,357.68**		1,478.36
	xx) Travelling		**1,324.99**		1,263.42
	xxi) Printing and stationary		**97.97**		98.91
	xxii) Postage, telgrams & telephones		**163.17**		167.42
	xxiii) Directors sitting fees		**10.80**		9.01
	xxiv) Uninstalled machinery written off	-		0.50	
	Less: Allowance for uninstalled machinery withdrawn	-	-	0.50	-
	xxv) Miscellaneous expenses		**1,090.63**		594.16
			12,275.26		10,587.36
35	**PRIOR PERIOD ITEMS:**				
	i) Income		**-**		66.90
	ii) Expenses		**197.50**		85.68
36	**EARNINGS PER SHARE:**				
	(BASIC & DILUTED)				
	Profit for the year after tax expense		**343.50**		691.48
	Less:				
	Preference dividend payable including dividend tax		**83.08**		121.00
			260.42		570.48
	Weighted average number of equity shares		**50,521,367**		50,521,367
	Earning per share		**0.52**		1.13

37. (a) The order of the Honourable High court of Karnataka according approval for the scheme of arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 ("Scheme") was received in September 2008 with April 1, 2007 as the appointed date. This scheme of arrangement and amalgamation interalia involved transfer of operating business of Kirloskar Power Equipment Limited ("KPEL") and amalgamation of Kaytee Switchgear Limited ("KSL") with the Company. The Scheme was registered with the Registrar of Companies on October 17,2008.

(b) Decree in Form 42 of the Companies (Court) Rules, 1949 is yet to be passed by the Honourable High Court of Karnataka pending assessment and payment of stamp duty. The Company has provisionally accounted for stamp duty liability estimated at ₹ 589.22 pending finalization of the matter. Further adjustments to the accounts will be made as and when correct assessment of stamp duty is made and settled.

(c) The assets & liabilities so transferred to the Company are continuing in the name of the respective companies. Necessary action is being taken by the company to obtain the consent/approvals of the various regulatory authorities.

38. The Company has preferred a suit for various claims against Deutsche Bank, one of the members of the consortium of bankers for breach of trust for withholding of monies belonging to the company and freezing sanctioned working capital limits.

39. (a) Confirmation of balances from sundry debtors, deposit accounts, loans and advances, certain creditors etc have not been obtained. Accounts of certain sundry debtors, loans and advances, deposits, collector of customs and creditors, are under review and reconciliation. Against aggregate debts outstanding in India as at March 31, 2012 for more than 2 years of ₹ 2,911.29, the Company holds a provision of ₹ 525.05. Adjustments, if any will be made on completion of review/reconciliation/ identification of further doubtful debts/advances. Effect on revenue is not expected to be material.

(b) The Company is in process of reconciling the balances of the Company, its erstwhile subsidiary KSL and the operating business of KPEL. The net difference to the extent identified amounting to ₹ 1,116.95 and 561.94 have been included in Current assets and current liabilities respectively. Necessary rectification entries will be accounted after completion of the reconciliation. However, according to the management this difference is not likely to materially affect the operating results of the Company.

40. (a) The Company has implemented SAP ECC 6 systems at certain units. Various mistakes and omissions noticed have been corrected based on physical inventory taken from time to time. Continuing steps are being taken to cleanse data and stabilize systems. The effect of unrectified mistakes and omissions is not expected to be material.

(b) The Company has initiated steps to bring the valuation of inventories in line with Accounting Standard – 2. However, the processes followed for determination of cost and net realizable value needs to be refined/improved to bring in line with the requirements of the said standard. Continuing steps are being taken by the management in this respect.

41. (a) During the year, the Company has implemented SAP ECC 6 systems software in certain units. Inventory at these units as at March 31, 2012 have been based on moving weighted average and labour/overheads absorption methods configured in the said system as against other cost basis used in the Previous reporting period. Effect of such change on the revenue for the year is not ascertained.

(b) Depreciation on additions has been calculated on monthly prorata basis instead of quarterly basis, in certain units where SAP ECC 6 system has been implemented. Effect of such change on the revenue for the year is not ascertained.

42. Assets held for sale have been recognized at realizable value estimated by the management. No external valuation or quotations from prospective buyers have been obtained.

43. (a) Current Assets, Loans & Advances include ₹ 431.93 (as at Previous reporting Period ₹ 236.92) being rescheduled advances from certain other Companies.

(b) All the above companies have incurred losses and their net worth is substantially eroded. Having regard to the long term association with these companies and their revival plans as communicated to the Company and other factors, these debts are considered good of recovery.

44. Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to defined contribution plan are recognized as expense for the year are as under:

(₹ lakhs)

	Current reporting period	Previous reporting period
Employer's Contribution to provident & pension funds	**355.83**	353.29
Employer's Contribution to superannuation fund	**105.29**	113.95
Employer's contribution to social security at LDW	**1,426.33**	1,445.93

Defined Benefit Plan:

The employees' gratuity fund scheme managed by a trust is a defined benefit plan. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Current reporting period		Previous reporting period	
	Gratuity (Funded)	**Leave (Funded)**	Gratuity (Funded)	Leave (Funded)
1. Reconciliation of opening and closing balances of defined benefit obligation:				
Defined Benefit obligation at beginning of the year	**2477.03**	**432.08**	2,256.43	424.69
Current Service Cost	**119.32**	**96.66**	119.13	76.50
Interest Cost	**172.56**	**34.45**	165.02	30.09
Additional provision for increase in limit of gratuity/ in excess of limit	**25.81**	**-**	181.38	-
Actuarial (gain)/ loss	**(133.52)**	**(62.22)**	(18.12)	(37.09)
Benefits Paid	**(277.25)**	**-**	(226.81)	(62.11)
Defined Benefit obligation at end of the year	**2383.95**	**500.97**	2,477.03	432.08
2. Reconciliation of opening and closing balance of fair value of plan assets:				
Fair value of plan assets at beginning of the year	**1537.95**	**44.10**	1,189.63	-
Expected return on plan assets	**144.12**	**7.62**	122.36	2.06
Employer Contribution	**270.63**	**73.95**	454.33	43.87
Benefits paid	**(277.25)**	**-**	(226.81)	-
Actuarial gain/(loss)	**(5.48)**	**(2.51)**	(1.56)	(1.83)
Fair value of plan assets at year end	**1669.97**	**123.16**	1,537.95	44.10
3. Reconciliation of fair value of assets and obligations:				
Fair value of plan assets	**1669.97**	**123.16**	1,537.95	44.10
Present value of obligation	**2383.95**	**500.97**	2,477.03	432.08
Amount recognized in Balance Sheet under liabilities:	**713.98**	**359.52**	939.08	387.98
4. Expense recognized during the year: (under "Note 31" Employee Benefit Expenses" in the Statement of Profit and Loss account)				
Current Service Cost	**119.32**	**96.66**	119.13	76.50
Interest Cost	**172.56**	**34.45**	165.02	30.09
Expected return on plan assets	**(144.12)**	**(7.62)**	(122.36)	(2.06)
Additional provision for increase in limit of gratuity/ in excess of limit	**25.81**	**-**	181.38	-
Actuarial (gain)/ loss	**(128.04)**	**(41.91)**	(16.56)	(35.26)
Net Cost	**45.53**	**81.58**	326.61	69.27
5 Actuarial assumptions: Mortality Table (LIC)	**1994 – 96 (Ultimate)**	**1994 – 96 (Ultimate)**	1994 – 96 (Ultimate)	1994 – 96 (Ultimate)
Discount rate (per annum)	**8.60%**	**8.60%**	7.70%	7.70%
Expected rate of return on plan assets (per annum)	**9.40%**	**9.40%**	9.25% to 9.40%	9.40%
Rate of escalation in salary (per annum)	**7%**	**7%**	7%	7%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the actuary.

45. Segment Reporting:

(i) The Company has identified the reportable segments as Power Generation & Distribution, Rotating Machine Group and Others taking into account the nature of products and services, the different risks and returns and the internal reporting systems. The accounting policies for segment reporting are in line with the accounting policies followed by the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(₹ in Lakhs)

	Particulars	Primary Segment			Total
		Power Generation & Distribution Group	Rotating Machines Group	Others	
1	**Segment Revenues**				
	External Revenues	**46,369.66** (46,467.60)	**63,566.02** (64,016.52)	**6,916.69** (5,359.05)	**116,852.37** (115,843.17)
	Intersegment revenues	**871.16** (451.57)	**2,026.74** (1,661.43)	**47.93** (370.23)	**2,945.83** (2,150.02)
	Total Revenues	**47,240.82** (46,919.17)	**65,592.76** (65,677.95)	**6,964.62** (5,396.07)	**19,978.20** (117,993.19)
2	**Segment Results**: Profit Before Taxation and Interest	**2,953.15** (3,711.69)	**5,994.33** (4,878.16)	**2,722.97** (1,174.32)	**11,670.45** (9,764.17)
	Less: Interest				**4,569.00** (3,846.44)
	Less: Depreciation & Amortizations				**2,486.87** (2,188.22)
3	Unallocable Expenditure				**4,554.43** (3,597.43)
4	Unallocable & Other Income (including Extraordinary items)				**264.48** (958.29)
5	Less: Tax (including FBT)				**8.59** (357.44)
6	Share of Profits/ (losses) in the Associates (Net)				**8.69** (4.29)
7	Minority interest – Share of Profits/(losses)				**-15.36** (45.74)
	Total Profit				**340.09** (691.48)
8	**Segment Assets**	**17,128.78** (20,281.59)	**35,557.98** (30,335.08)	**1,677.82** (2,518.96)	**54,364.58** (53,135.63)
9	**Unallocable Assets**				**38,899.27** (35,949.40)
10	**Segment Liabilities**	**17,667.79** (16,823.28)	**26,609.91** (17,864.73)	**681.18** (1,534.01)	**44,958.89** (36,222.03)
11	**Unallocable Liabilities**				**24,792.98** (30,235.71)
12	**Capital Expenditure**	**331.74** (116.67)	**928.00** (1,304.80)	**14.55** (0.13)	**1,274.29** (1,421.60)
13	**Unallocated capital expenditure**				**203.24** (85.08)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Geographical Segment:

(₹ in Lakhs)

Particulars	Segment revenue by geographical Market	
	Current reporting period	Previous reporting period
Sales in India	**91,120.02**	89,521.98
Sales outside India	**25,732.35**	26,321.19
Total	**116,852.37**	115,843.17

Carrying amounts of geographical assets & additions to tangible & intangible fixed assets: (₹ in Lakhs)

	Carrying amounts of segment assets		Additions to fixed assets & Intangible assets	
	As at March 31, 2012	As at March 31, 2011	Current reporting period	Previous reporting period
Located in India	**55,684.18**	57,986.79	**649.53**	936.52
Located outside India	**37,579.67**	31,098.24	**828.00**	570.16
Total	**93,263.85**	89,085.03	**1,477.53**	1,506.68

46. Related Parties Disclosure:

Sl. No	Name of the related party	Relationship
1	Mr. Vijay R Kirloskar Mr. P S Malik (upto October 11, 2010) Mrs. Meena Kirloskar Ms. Janaki Kirloskar Ms. Rukmini Kirloskar Mr. Anuj Pattanaik (from September 23, 2010)	Key management personnel and their Relatives.
2	Kirloskar (Malaysia) Sdn. Bhd Electrical Machines Industries (Bahrain) W.L.L	Associates
3	Kirloskar Computer Services Limited Kirloskar Batteries Private Limited Kirloskar Power Equipments Limited Ravindu Motors Private Limited Vijay Farms Private Limited Sri Vijaydurga Investments and Agencies Private Limited Vijay Jyothi Investment and Agencies Private Limited Abhiman Trading Company Private Limited Vimraj Investment Private Limited Vijay Kirthi Investment and Agencies Private Limited Kirloskar Software Services Kirloskar Electric Charitable Trust KEC Executives and Other Officers Welfare Trust KEC Officers & Engineers Welfare Trust KEC Vice Presidents Welfare Trust KEC Engineers of Mysore Unit Welfare Trust	Enterprises over which key management personnel and their relatives are able to exercise significant influence

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILS OF TRANSACTIONS:

(₹ in Lakh's)

Nature of transactions	Key management personnel and their Relatives	Associates	Enterprises over which key management personnel and their relatives are able to exercise significant influence
Purchases of goods/services	**Nil** (Nil)	**Nil** (Nil)	**327.15*** (236.13)
Sale of goods/fixed assets/services	**Nil** (Nil)	**199.90#** (259.86)	**2.63^** (**54.86**)
Purchase of Motor vehicles from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**Nil** (45.14)
Purchase of plant & machinery from Kirloskar Batteries Pvt Ltd	**Nil** (Nil)	**Nil** (Nil)	**Nil** (52.33)
Rent received from Ravindu Motors Private Limited	**Nil** (Nil)	**Nil** (Nil)	**26.47** (24)
Dividend received	**Nil** (Nil)	**284 #** (Nil)	**Nil** (Nil)
Rent paid	**Nil** (15.95)	**Nil** (Nil)	**430.07##** (414.87)
Donations Paid to Kirloskar Electric Charitable Trust	**Nil**	**Nil**	**150.00** (-)
Investments as at March 31, 2012	**Nil** (Nil)	**5.29#** (5.29)	**28.17++** (28.17)
Irrecoverable advances written off during the year	**NiL** (Nil)	**Nil** (Nil)	**Nil** (322.46) $
Amount due to Company as at March 31, 2012	**Nil** (Nil!)	**37.60#** (43.94)	**843.14!!** (594.56)
Amount due from Company as at March 31, 2012	**Nil** (Nil)	(Nil)	**1.88 $$** (67.46)
Remuneration paid	**266.72 ^^^** (246.38)	(Nil)	(Nil)
Fixed deposit renewed/ accepted during the year	**45**** (35)	**Nil** (Nil)	**40 @** (Nil)
Fixed deposit outstanding as at March 31, 2012	**45**** (35)	(Nil)	**40 @** (Nil)
Interest on fixed deposit	**4.51 ***** (4.23)	(Nil)	**3.59 @@** (Nil)
Redemption of Preference Shares to Abhiman Trading Company	**Nil** (Nil)	**Nil** (Nil)	**4.67** (4.67)
Guarantees given on behalf of the Company and outstanding at the end of the year by Vijay R Kirloskar	**9,473.29** (8,970.88)	**Nil**	**Nil**

KEC North America Inc has been dissolved.The investments in and dues from the said company have not been written off, pending receipt of approvals from Reserve Bank of India. However, full provision has been made for the same. Since the said company has been dissolved, the same has not been considered for related party disclosures.

* Includes Purchases of goods/services from Kirloskar Batteries Pvt. Ltd. ₹ 51.75 (Previous reporting period ₹ 47.71), Vijay Farms Pvt. Ltd. ₹ 70.58 (Previous reporting period ₹ 63.71), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 125.29 (Previous reporting period ₹ 86.46), Vijay Jyothi Investment and Agencies Pvt. Ltd. ₹ 2.73 (Previous reporting period ₹ 2.84), Ravindu Motors Pvt. Ltd. ₹ 0.97 (Previous reporting period ₹ Nil), Vijay Kirthi Investment Pvt. Ltd. ₹ 1.20 (Previous reporting period ₹ Nil) Kirloskar Electric Charitable Trust ₹ 13.98 (Previous reporting period ₹ Nil) and Abhiman Trading Company Pvt. Ltd. ₹ 60.65 (Previous reporting period ₹ 35.41).

\# Represents transaction with Kirloskar (Malaysia) Sdn Bhd.

^ Includes sales to Kirloskar Power Equipments Limited ₹ 2.55 (Previous reporting period ₹ Nil) Kirloskar Electric Charitable Trust ₹ 0.08 (Previous reporting period ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ Nil (Previous reporting period ₹ 54.86).

Includes rent paid to Kirloskar Power Equipments Limited ₹ 240.00 (Previous reporting period ₹ 222.00), Vijay Jyothi Investment and Agencies Pvt Ltd ₹ 172.07 (Previous reporting period ₹ 156.00), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 18 (Previous reporting period ₹ 18) and Kirloskar Batteries Pvt. Ltd. ₹ Nil (Previous reporting period ₹ 18.87).

Investments in Kirloskar Power Equipments Limited ₹ 28.17 (as at March 31, 2011 ₹ 28.17)

$$ includes amount due to Kirloskar Batteries Pvt. Ltd. ₹ Nil (as at March 31, 2011 ₹ 67.46), Kirloskar Electric Charitable Trust ₹ 1.76 (as at March 31, 2011 ₹ Nil) and Vijay Kirthi Investment and Agencies Pvt. Ltd. ₹ 0.12 (as at March 31, 2011 ₹ Nil).

$ Represents Kirloskar Computer Services Limited

** Represents deposits renewed/accepted from Mrs. Meena Kirloskar ₹ 25 (Previous reporting period ₹ 25) and Ms. Rukmini Kirloskar ₹ 20 (Previous reporting period ₹ 10)

!! Includes due from Kirloskar Power Equipments Limited ₹ 306.86 (as at March 31, 2011 ₹ 312.46), Vijay Farms Pvt. Ltd. ₹ 173.39 (as at March 31, 2011 ₹ 178.48), Vijay Jyothi Investments and Agencies Pvt. Ltd. ₹ 98.28 (as at March 31, 2011 ₹ 44.10), Abhiman Trading Company Pvt. Ltd. ₹ 40.80 (as at March 31, 2011 ₹ 34.05), Sri Vijaydurga Investments and Agencies Pvt. Ltd. ₹ 13.33 (as at March 31, 2011 ₹ 24.39) Kirloskar Batteries Pvt. Limited ₹ 204.41 (as at March 31, 2011 ₹ Nil) and Ravindu Motors Pvt. Ltd. ₹ 4.79 (as at March 31, 2011 ₹ 1.08).

*** Represents interest paid to Mrs. Meena Kirloskar ₹ 2.88 (Previous reporting period ₹ 3.79) and Ms. Rukmini Kirloskar ₹ 1.62 (Previous reporting period ₹ 0.54)

^^^ Includes paid to Vijay R Kirloskar ₹ 137.16 (Previous reporting period ₹ 137.16), Mr. P S Malik ₹ Nil (Previous reporting period ₹ 61.73), Mr. Anuj Pattanaik ₹ 129.24 (Previous reporting period ₹ 38.76) but does not include accrued gratuity compensated absences (since liability has been recognized for the Company as a whole), free use of Company Car and communication facilities.

^^^ Includes Ms. Meena Kirloskar ₹ 0.90 (Previous reporting period ₹ 0.73), Ms. Janaki Kirloskar ₹ 2.72 (Previous reporting period ₹ 2.40) and Ms. Rukmini Kirloskar ₹ 6.39 (Previous reporting period ₹ 5.60).

@ Includes received from KEC Executives and Other Officers Welfare Trust ₹ 10.00 (Previous reporting period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 10.00 (Previous reporting period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 15.00 (Previous reporting period ₹ Nil), and KEC Engineers of Mysore Unit Welfare Trust ₹ 5.00 (Previous reporting period ₹ Nil).

@@ Includes interest paid to KEC Executives and Other Officers Welfare Trust ₹ 0.95 (Previous reporting period ₹ Nil), KEC Officers & Engineers Welfare Trust ₹ 0.95 (Previous reporting period ₹ Nil), KEC Vice Presidents Welfare Trust ₹ 1.32 (Previous reporting period ₹ Nil), and KEC Engineers of Mysore Unit Welfare Trust ₹ 0.37 (Previous reporting period ₹ Nil)

47. Finance Leases:

Finance lease arrangements relate to Plant & Machinery. The lease period is for five years with interest rates ranging from 13% to 14% p.a. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount substantially to the cost of the assets.

(₹ in Lakhs)

Particulars	Total minimum lease payments outstanding as at March 31, 2012	Future interest on outstanding Lease Payments	Present value of minimum lease payments as at March 31, 2012
Within One year	**239.94** (262.55)	**19.04** (48.01)	**220.90** (214.54)
Later than one year but not later than five years	**51.02** (288.85)	**6.25** (21.71)	**44.78** (267.14)
Total	**290.96** (551.40)	**25.29** (69.72)	**265.68** (481.68)

48. The Company has various operating leases for office facilities, guesthouse and residential premises of employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the financial statements for the year are ₹ 830.44 (₹ 807.22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. The Company has made provisions towards wage arrears, warranty claims from the customers towards sales, and stamp duty payable the details of the same are as under:

(₹ in Lakhs)

Particulars	Wage Arrears	Stamp Duty	Warranty Claims
Balance outstanding at the beginning of the year	**-** (70)	**659.58** (720.36)	**714.44** (687.51)
Provision for the year including exchange fluctuation (net)	**336.16** (-70)	**-40.37** (-60.78)	**-26.93** (112.81)
Balance outstanding at the end of the year	**336.16** (-)	**619.21** (659.58)	**667.18** (714.44)

50. The following derivative contracts were outstanding at the end of the year:

(a)

Particulars	As at end of Current reporting Period	As at end of Previous reporting Period
Forward Contracts	**Nil**	Euro 2.50
Commodity futures	**Nil**	5 MT
Interest rate swap with banks whose expiry date upto August 30, 2016	**3 million**	Nil

(b) The foreign currency exposures that have not been hedged by any derivative instrument or otherwise as on March 31, 2012 are as under:

(₹ in Lakhs)

Particulars	As at end of Current reporting Period	As at end of Previous reporting Period
Assets (Receivables)	**757.55**	409.79
Liabilities (Payables)	**680.86**	441.11

51. The Company has paid an higher remuneration to Deputy Managing Director amounting to ₹ 92.13 for the period August 4, 2011 to March 31, 2012 which is subject to approval of the members of the Company.

52. During the year the Company has sold goods amounting to ₹ 6.15 and purchases of goods amounting to ₹ 0.10 to a private limited company covered under Section 297 of the Companies Act, 1956 in respect of which no prior approval of the Central Government as required under Section 297 of the Companies Act, 1956 was obtained. The Company is in the process of making an application to the Company Law Board under Section 621A of the Companies Act, 1956 for compounding of the above non-compliance. However, no adjustments have been made to the financial statements for the year ended March 31, 2012.

53. Donations of ₹150 are subject to approval of members in their meeting under section 293 (1) (e) of the Companies Act, 1956.

54 Normal operating cycle of the business of the Company is assessed by the Management as not more than twelve months for segregation of Current & Non-current.

55. Previous reporting period figures have been regrouped wherever required in conformity with presentation this year. Figures in brackets relate to Previous reporting period.

As per our report of even date

For and on behalf of the Board of Directors

For B.K. RAMADHYANI & CO.,
Chartered Accountants
Firm registration number: 002878S

CA. C R KRISHNA
Partner

Place: Bangalore
Date : May 28, 2012

VIJAY R KIRLOSKAR
Chairman & Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

ANUJ PATTANAIK
Deputy Managing Director

CA. VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies

						The net aggregate amount of the subsidiary companies Profit/(loss) so far as it concerns the members of the Holding Company			
						Not dealt with in the Holding Company's accounts		Dealt with in the Holding Company's accounts	
Sl No.	Particulars	The financial year of the subsidiary companies ended on	Date from which they become subsidiary companies	Number and face value of shares held by the Company at the end of the financial year of the subsidiary companies	Extent of interest of Holding Company at the end of the financial year of the subsidiary companies	For the financial year ended 31st March, 2012	For the previous financial years of the subsidiary companies since they became the Holding Company's subsidiary	For the Financial year ended 31st March, 2012	For the previous financial years of the subsidiary companies since they became the Holing Company's subsidiary
1	Kirsons B.V.	31.3.2012	11.8.2008	1583 shares of € 100 each	100 %	€ (70755)	€ (965753)	-	-
2	Lloyd Dynamowerke GmbH & Co. KG, Germany LLP *	31.3.2012	1.9.2008	€ 3160000 Capital	94.9%	€ (550128)	€ 4284342	-	-
3	Lloyd Beteiligungs-GmbH, Germany *	31.3.2012	1.9.2008	€ 25000 Capital	100%	€ 939	€ 2648	-	-

* subsidiary of Kirsons B.V.

For and on behalf of Board of Directors

VIJAY R KIRLOSKAR
Chairman & Managing Director

ANUJ PATTANAIK
Deputy Managing Director

P Y MAHAJAN
Vice President (Legal) &
Company Secretary

CA VINAYAK N BAPAT
Vice President &
Chief Financial Officer

Place : Bangalore
Date : May 28, 2012

KIRSONS B.V.

IN AMSTERDAM

Financial Statements of the year 2011 - 2012

REPORT OF THE AUDITOR

To the Board of Managing Directors of
Kirsons B.V.
Prins Bernhardplein 200
1097 JB AMSTERDAM

Oostzaan, May 16, 2012

Dear Sirs,

According to your assignment we have audited the financial statements for the year 2011-2012 (ending March 31, 2012) of Kirsons B.V. in Amsterdam (Netherlands).

1 GENERAL INFORMATION

1.1 Scope of engagement

According to your assignment we have audited the financial statement 2011-2012 of Kirsons B.V. in Amsterdam (Netherlands). These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are stated on the pages 6 up to and including 17 of this report.

1.2 Registration

The company is first registered under number 34308680 in the trade register of the Chamber of Commerce in Amsterdam on August 11, 2008. The companies' activities have started at August 11, 2008.

1.3 Activities of the company

The activities of the company consist of rendering advisory services and trading of electric motors and other products.

1.4 Management

At the end of this financial year the management of the company was carried out by Mr. Vijay R. Kirloskar, Mr. Pralhad P. Katti and Mr. Prabhakar Y. Mahajan.

The auditor's report is stated under "Other information" on page 19 of this report.

We hope to have served you duly in this matter. We are willing to give further explanation if requested.

Yours sincerely,

Drs. Gerrit C. Groen RA

1. BALANCE SHEET AS PER MARCH 31, 2012

(after appropriation of the result)

		March 31, 2012		March 31, 2011	
		€	€	€	€
ASSETS					
Fixed assets					
Financial fixed assets	(1)				
Subsidiaries			23,188,092		23,188,092
Current assets					
Receivables	(2)				
Loans and advancements to subsidiaries		6,521,177		7,417,309	
Tax receivables		160,407		15,935	
Transitory items		2,096		-	
			6,683,680		7,433,244
Cash	(3)		36,613		25,650
TOTAL			29,908,385		30,646,986
EQUITY AND LIABILITIES					
Shareholders' equity	(4)				
Issued and paid up share capital		158,300		135,300	
Share premium		18,199,792		15,411,792	
Other reserves		3,029,113		3,099,868	
			21,387,205		18,646,960
Long-term liabilities	(5)				
Debts to banks			5,100,000		8,500,000
Current liabilities	(6)				
Redemptions coming year loan from ICICI Bank Canada		3,400,000		3,400,000	
Accounts payable		390		5,435	
Payable to parent company		-		29,333	
Accruals and deferred liabilities		20,790		65,258	
			3,421,180		3,500,026
TOTAL			29,908,385		30,646,986

2 PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2011 TILL MARCH 31, 2012

		April 1, 2011-March 31, 2012		April 1, 2010-March 31, 2011	
		€	€	€	€
Net turnover	(7)		58,400		67,000
Operating costs					
General expenses	(8)		82,517		86,593
Operational result			-24,117		-19,593
Interest income and related revenues	(9)	294,256		285,969	
Interest expenses and related expenses	(10)	-360,241		-393,959	
Financial result			-65,985		-107,990
Result normal operations before taxation			-90,102		-127,583
Taxation	(11)		19,347		8,706
Share in profit subsidiaries	(12)		-		4,065,621
Net result after taxation			-70,755		3,946,744

3 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

GENERAL INFORMATION

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

The valuation of assets and liabilities and the determination of the result occurs under the historical costs convention. Unless presented otherwise assets and liabiliities are stated at face value. Income and expenses are accounted for on accrual basis. Profit is only included if and when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if and when these are known before finalizing the financial statements.

Group Companies

The company forms part of a group, of which Kirsons B.V. in Amsterdam is at the head. The group consists futhermore of:

- Lloyd Dynamowerke GmbH & Co. KG in Bremen, Germany (94.8949% share in capital)
- Lloyd Beteiligung GmbH in Bremen, Germany (100% share in capital)

Consolidation

Based upon the exemption stated in article 408, Book 2 of the Dutch Civil Code the company does not prepare consolidated financial statements. The company's financial statements as well as those of its subsidiaries are included in the consolidated financial statements of Kirloskar Electric Company Limited in Bangalore, India.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Financial fixed assets

The participations in the subsidiaries are valued at cost price according to Dutch reporting guideline RJ 214,325 since the exemption of article 408, Book 2 of the Dutch Civil Code is applied.

Receivables

Upon initial recognition the receivables are accounted for at face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The result is determined as the difference between net turnover and operating costs and other expenditures taking into account the above mentioned principles of valuation.

Net turnover

The net turnover represents amounts invoiced for goods supplied and services rendered during the financial year net of discounts and value added taxes.

Operating costs

Operating costs are taken into account in the period to which they relate, if necessary by means of accruals.

Financial result

The interest income and interest expenses relate to in this financial year received and paid interest of issued and received loans.

Taxation

Corporation tax is calculated at the applicable rate on the result for the financial year, taking into account differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

4 NOTES TO THE BALANCE SHEET

ASSETS

FIXED ASSETS

	31-03-2012	31-03-2011
	€	€
1. Financial fixed assets		
Subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	23,154,155	23,154,155
Lloyd Beteiligung GmbH	33,937	33,937
	23,188,092	23,188,092

	01-04-2011 till 31-03-2012	01-04-2010 till 31-03-2011
	€	€
Lloyd Dynamowerke GmbH & Co. KG		
Account balance as per April 1	23,154,155	20,755,034
Cost additions during the year	-	-40,157
Accumulated losses before date of acquisition	-	2,439,278
Account balance as per March 31	23,154,155	23,154,155
Lloyd Beteiligung GmbH		
Account balance as per April 1	33,937	33,937
Movements -	-	
Account balance as per March 31	33,937	33,937

CURRENT ASSETS

2. Receivables

	31-03-2012	31-03-2011
	€	€
Loans and advancements to subsidiaries		
Lloyd Dynamowerke GmbH & Co. KG	6,521,177	7,417,309

The company can not claim repayments of its shareholders' loan to Lloyd Dynamowerke GmbH & Co. KG until the shareholder accounts and the shareholders' equity combined on the balance sheet of Lloyd Dynamowerke GmbH & Co. KG are above 40% of the balance sheet total.

Tax receivables		
VAT refundable	1,431	867
VAT refundable (Germany)	-	15,068
Foreign withholding tax in Germany	158,976	-
	160,407	15,935
Transitory items		
Prepaid expenses	2,096	-
3. Cash		
ING Bank N.V., current account (6808,74,488)	36,240	25,650
ING Bank N.V., savings account (6538,46,282)	373	-
	36,613	25,650

EQUITY AND LIABILITIES	31-03-2012	31-03-2011
	€	€
4. Shareholders' equity		
Issued and paid up share capital	158,300	135,300
Share premium	18,199,792	15,411,792
Other reserves	3,029,113	3,099,868
	21,387,205	18,646,960
Issued and paid up share capital		
1583 ordinary shares each of a nominal value of € 100	158,300	135,300

The authorised capital of the company amounts to € 390,000 consisting of 3,900 ordinary shares each of a nominal value of € 100.

In this financial year 230 (previous year 294) ordinary shares were issued and fully paid up.

	01-04-2011 till 31-03-2012	01-04-2010 till 31-03-2011
	€	€
Share premium		
Account balance as per April 1	15,411,792	11,570,716
Share premium paid on new issued shares	2,788,000	3,841,076
Account balance as per March 31	18,199,792	15,411,792
Other reserves		
Account balance as per April 1	3,099,868	-846,876
Net result	-70,755	3,946,744
Account balance as per March 31	3,029,113	3,099,868

5. Long-term liabilities	31-03-2012	31-03-2011
	€	€
Debts to banks		
Loan from ICICI Bank Canada	5,100,000	8,500,000

	01-04-2011 till 31-03-2012	01-04-2010 till 31-03-2011
	€	€
Loan from ICICI Bank Canada		
Account balance as per April 1	11,900,000	15,300,000
Redemptions	-3,400,000	-3,400,000
Account balance as per March 31	8,500,000	11,900,000
Redemptions coming year	-3,400,000	-3,400,000
Book value as per March 31	5,100,000	8,500,000

The loan was granted in September 2008 for a six year period. Redemption is agreed upon in 20 equal quarterly instalments of € 850,000 commencing from December 2009 until September 2014. An amount of € 3,400,000 is to be redeemed within 12 months after balance sheet date.
The interest rate is calculated at 3 months LIBOR plus 2 percent and stated in euro.
The bank loan is secured by pledge of shares of the company and its subsidiaries and is backed by a Standby Letter of Credit from ICICI Bank Limited in India.

6. Current liabilities

	31-03-2012	31-03-2011
	€	€
Redemptions coming year loan from ICICI Bank Canada		
Redemptions	3,400,000	3,400,000

	31-03-2012	31-03-2011
	€	€
Accounts Payable		
Accounts payable to creditors	390	5,435
Accruals and deferred liabilities		
Accruals		
Share application money pending allotment	-	35,000
Interest loan ICICI Bank Canada	13,290	22,758
Audit fee	7,500	7,500
	20,790	65,258

		01-04-2011 (till) 31-03-2012	01-04-2010 (till) 31-03-2011
5	**NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD APRIL 1, 2011 TILL MARCH 31, 2012**		
7.	**Net turnover**		
	Advisory services	58,400	67,000
	Operating costs		
8.	*General expenses*		
	Advisory expenses from parent company	55,619	63,809
	Legal service costs	1,500	2,539
	Tax advise, VAT and corporate tax	3,003	6,158
	Audit fee	7,500	7,500
	Trust service costs	7,345	5,026
	Professional charges	7,303	1,561
	Other expenses	247	-
		82,517	86,593
	Financial result		
9.	*Interest income and related revenues*		
	Interest on loan to Lloyds Dynamowerke GmbH & Co. KG	293,645	285,841
	Interest income	611	128
		294,256	285,969
10.	*Interest expenses and related expenses*		
	Interest loan from ICICI Bank Canada	-354,026	-389,980
	Interest loans groupcompanies	-	2,141
	Bankcharges	-6,215	-6,120
		-360,241	-393,959
11.	**Taxation**		
	Deferred taxes from capital reserves of Lloyd Dynamowerke GmbH & Co. KG	-	293,726
	Foreign withholding tax in Germany written off	19,347	-285,020
		19,347	8,706
12.	**Share in profit subsidiaries**		
	Lloyd Dynamowerke GmbH & Co. KG, financial year 2010-2011	-	1,205,062
	Lloyd Dynamoweke GmbH & Co. KG, for the period April 1, 2009 till March 31, 2010	-	1,809,824
	Lloyd Dynamowerke GmbH & Co. KG, for the period January 1, 2009 till March 31, 2009	-	382,095
	Lloyd Dynamowerke GmbH & Co. KG, for the period September 1, 2008 till December 31, 2008	-	668,640
		-	4,065,621

Signing of the financial statements

AMSTERDAM, May 16, 2012

Mr. Vijay R. Kirloskar

To the Managing Board of Directors

1 AUDITOR'S REPORT

We have audited the accompanying financial statements for the year ended March 31, 2012 of Kirsons B.V. in Amsterdam (Netherlands), which comprise the balance sheet as at March 31, 2012 and the profit and loss account for the period April 1, 2011 till March 31, 2012 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 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines necessary to enable the preparation of the financial statements 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 we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments the auditor considers internal control relevant to the entity's preparation 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Kirsons B.V. as at March 31, 2012 and of its result for the period April 1, 2011 till March 31, 2012 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Oostzaan, May 16, 2012

Ozlo Accountants

Drs. Gerrit C. Groen RA

2 Statutory rules concerning the appropriation of the profit

According to article 28 of the Articles of Association the appropriation of the profit is as follows:

1. The profit shall be at the free disposal of the general meeting of shareholders.
2. The company may only make distributions to the shareholders and others entitled to the profit susceptible of distribution in so far as the equity is greater than the paid-up and called part of the capital increased by the reserves that must be maintained by virtue of the law.
3. Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.
4. On shares acquired by the company in its own capital or at their depositary receipts no distribution shall be made for the benefit of the company. When the appropriation of profit is calculated, the shares on which no distribution is made in pursuance of the preceding paragraph shall not be counted.
5. In the meantime the company may only make distributions if the requirement of paragraph 2 has been fulfilled.
6. The general meeting of shareholders may resolve that dividends will be paid out entirely or partly in another form than money.
7. Out of the reserves prescribed by the law a deficit may only be paid in so far as the law permits this.
8. Dividends must be made payable one month after declaration, unless the general meeting of shareholders sets another time.
9. Claims on dividend shall lapse on expiry of five years after the start of the day following the one on which they became claimable.

3 Processing of the loss for the financial year 2011-2012

According to Dutch legislation the loss of € 70.755 has to be deducted from the other reserves. This deduction has already been accounted for in the financial statements.

LLOYD DYNAMOWERKE GmbH & CO. KG

BREMEN

Audit Report

Annual Financial Statement as at 31st March 2012

and Management Report

1. Audit assignment

At the shareholders meeting of

"Lloyd Dynamowerke GmbH & Co KG, Bremen"
(also referred to in the following as "Company")

on 16th May 2011 we were selected as the auditor for the annual accounts for the fiscal year 2012. In execution of the order granted us by the management, we have audited

- the annual statement of accounts (balance sheet) for 31st March 2012 (Annex 1 - 3)
- the management report for the fiscal year 2012 (Annex 4)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2011 and the management report for 2010/2011 and provided/issued an unrestricted audit certificate.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for annual accounts (IDW PS 450).

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 8. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

With regard to the assessment given by legal representative, we refer in particular to the progress report which in our opinion provides a detailed and comprehensive description of the situation and outlook. We consider the representation and assessment of the company's situation and its prospective development by the management in the annual statement of accounts and in the progress report to be appropriate and accurate. The company expects in the coming years from rising orders and in particular by rising revenue from. This is based on a continuing recovery in the economic as well as the fact that commodities prices and labor costs over the current level will increase only slightly.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting, annual statement of accounts (balance sheet) and the progress report. The annual statement of accounts and the progress reports were drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The audit was carried out during the period from 12th April 2012 until 12th May 2012.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. sqq. German Commercial Code (HGB) and the German legal execution of annual accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping, the annual statement of accounts (balance sheet) and the progress report are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB) .

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the annual financial statement, making it possible for us to assess the business risks as well as our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the annual statement of accounts/balance sheet. The main emphasis of our audit, method and scope of the auditing procedures as well as the timerelated and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

The audit focused on the following areas:

- Fixed assets
- Inventories
- Trade receivables and trade liabilities
- Other provisions
- Bank loans and overdrafts
- Sales

In addition, we have resolved, among other things, to the following standardized audit procedures:

We have obtained bank confirmations from all credit institutes with whom the company has business dealings during the fiscal year. We also obtained confirmations from lawyer.

By obtaining confirmations of balance, we have verified the appropriate balancing of receivables and liabilities from deliveries and services.

The goal of our auditing procedures within the framework auditing the progress report was to determine if the progress report was consistent with the annual statement of accounts and if it conveyed an appropriate representation of the company's situation and whether the prospects and risks of future development were appropriately represented. Within this framework, the information was examined for completeness and plausibility. We have assessed the information based on our findings that were obtained during the annual accounts auditing.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting, annual statement of accounts and progress report.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents, the annual statement of accounts as well as the progress report correspond to the legal rules and the supplementary regulations of the partnership agreement. The Lloyd Dynamowerke GmbH & Co. KG is a big company according to § 267 Art. 3 German Commercial Code (HGB).

4.1.2. Previous year's statement of accounts

The previous year's statement of accounts was adopted at the corporate meeting on 16th May 2011. The management was granted exoneration. The prior year financial statements are announced on 19 August 2011 in the electronic Federal Gazette.

4.1.3. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting, annual statement of accounts and progress report that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.4. Annual statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the annual statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The annual statement of accounts is appropriately derived from the previous year's annual statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.1.5.Management report

Our audit proved that the progress report is consistent with the annual statement of accounts as well as with our findings obtained by the audit and provides an overall appropriate representation of the company's situation. The course of business and the essential chances and risks of its future development are appropriately represented. The progress report contains information that is in accordance with § 289, paragraph 2 of the German Commercial Code (HGB).

4.2. Overall statement of the annual balance sheet

The annual balance sheet for 31st March 2012 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

Regarding the essential basis of evaluation, i.e. regarding the essential accounting and assessment methods and for the relevant factors for the assessment of assets and debts, we submit the following explanations:

The assessment of unfinished products and services results in prime costs minus distribution costs and represents therefore the maximum assessment method permissible under commercial law.

All accounting and assessment methods used by the company are given in the notes (Annex 3).

4.3 Net assets, financial position and results of operations

Net assets position

	31st March 2012		31st March 2011		Changes	
	t€	%	t€	%		t€
ASSETS						
Fixed Assets						
Intangible and tangible assets	5,684	21.0	5,628	23.8	+	56
Financial assets	18	0.1	18	0.1		0
	5,702	21.1	5,646	23.9	+	56
Current Assets						
Inventories (incl. payments received on account)	8,954	33.1	4,696	19.8	+	4,258
Trade receivables	6,584	24.3	7,413	31.3	-	829
Receivables from group companies	193	0.7	378	1.6	-	185
Other assets	338	1.2	334	1.4	+	4
Cash and equivalents	2,740	10.1	2,646	11.2	+	94
	18,809	69.4	15,467	65.3	+	3,342
Prepaid expenses	183	0.7	238	1.0	-	55
Deferred taxes	2,370	8.8	2,314	9.8	+	55
	27,064	100.0	23,665	100.0	+	3,399
LIABILITIES						
Middle and long-term						
Equity (incl. shareholder loans)	11,638	43.1	13,142	55.5	-	1,504
Bank loans and overdrafts	600	2.2	850	3.6	-	250
	12,238	45.3	13,992	59.1		-1,754
Short-term						
Provisions	2,454	9.1	2,971	12.6	-	517
Bank loans and overdrafts	8,454	31.2	4,550	19.2	+	3,904
Trade liabilities	3,550	13.1	1,962	8.3	+	1,588
Payables to affiliated companies	143	0.5	0	0.0	+	143
Other liabilities	225	0.8	190	0.8	+	35
	14,826	54.7	9,673	40.9	+	5,153
	27,064	100.0	23,665	100.0	+	3,399

Financial position

		t€
Profit for the period	-	550
Essential expenses and earnings without influence to the liquidity		
Write-up assets	-	19
Activation deferred taxes	-	56
Changes provision	-	517
Depreciation of fixed assets	+	981
	-	161
Changes of Inventories, Trade receivable and Other assets	-	3,194
Changes of Trade liabilities and other liabilities	+	1,766
Cash flow from operating activities	-	1,589
Payments-off for investments in fixed assets	-	1,178
Payments-in from disposals of fixed assets	+	159
Cash flow from investment activities	-	1,019
Borrowing loan	+	1,000
Credit on shareholder accounts	-	955
Accrued interests	-	8
Loan redemption	-	351
Cash flow from financial activities	-	314
Changes of Cash and equivalents	-	2,922
Cash and equivalents - Opening Balance	+	459
Cash and equivalents - Closing Balance	-	2,463
Cash and equivalents	+	2,739
Short-term overdrafts facility	-	5,202
Cash and equivalents - Closing Balance	-	2,463

Results of operations

	2011 - 2012		2010 - 2011		Changes
	t€	%	t€	%	t€
Sales	33,333	83.9	43,509	107.8	- 10,176
Changes in work in progress	+ 6,059	15.2	- 3,197	- 7.9	+ 9,256
Other own work capitalized	+ 341	0.9	+ 22	0.1	+ 319
Overall performance	+ 39,733	100.0	+ 40,334	100.0	- 920
Other operating income	+ 280	0.7	+ 587	1.5	- 307
Operating performance	+ 40,013	100.7	+ 40,921	101.5	- 1,227
Cost of materials	17,128	43.1	17,070	42.3	- 58
Personnel expenses	14,702	37.0	13,897	34.4	- 823
Depreciation	981	2.5	942	2.3	- 39
Other taxes	67	0.2	69	0.2	+ 2
Repairs and maintenance	539	1.4	517	1.3	- 22
Administrative expenses	1,781	4.5	1,502	3.7	- 279
Selling expenses	1,676	4.2	1,538	3.8	- 138
Other operating expenses	2,914	7.3	3,201	7.9	+ 287
Expenses for the operating performance	39,788	100.2	38,718	95.9	- 1,070
Operating result	+ 225	0.5	+ 2,203	5.6	- 1,978
Financial result	- 960		- 843		- 117
Ordinary result	- 735		+ 1,360		- 2,095
Non-operating result	+ 196		- 90		+ 286
Income taxes	- 11		0		- 11
Profit	- 550		+ 1,270		- 1,820

The increase in inventories is essentially due to the rise in unfinished products, caused by the many semi-finished contracts. In one case the machine has already been delivered, but can only be invoiced in the coming financial year after a three-month trial period. The decline in trade receivable is essentially connected to weak sales in comparison to the previous year.

Our capital structure is balanced; the equity ratio (incl. shareholder loans) amounts to 43.1%.

Sales fell in 2011/12 in comparison to the previous year from € 43.5 million to € 33.3 million. This is equivalent to a decline of 23.4%. The three-phase division was primarily responsible for this, which was approx. 53% below the previous year's sales at nearly € 12 million. At € 40.0 million we almost achieved the same level of operating performance as the previous year of € 40.9 million (- 2.2%). The materials ratio rose slightly by 0.8% to 43.1%. This reflects the slight rises in material costs in some areas.

Furthermore, a collective agreement on partial retirement for employees was implemented for nine employees. Personnel expenses rose because of these measures and an increase in the collective earnings agreement from € 13.9 million to € 14.7 million. The ratio of personnel costs rose as a result from 34.4% to 37.0%.

	2011- 2012 t€	2010- 2011 t€
Non-operating expenses		
Changes deferred taxes	0	- 273
Other expenses related to other periods	- 43	- 89
	- 43	- 362
Non-operating income		
Dissolution of provision	+ 67	+ 5
Changes deferred taxes	+ 57	0
Sales of fixed asset	+ 47	0
Dissolution of provision for specific doubtful debt	+ 35	+ 40
Dissolution of provision for general doubtful debt	+ 9	0
Write-up assets from taxaudit	+ 19	0
Gains from write-off of liabilities	0	+ 151
Insurance refund	0	+ 53
Foreign currency gains	0	+ 1
Other income related to other periods	+ 5	+ 22
	+ 239	+ 272
	+ 196	- 90

Annex 5 included more information about the positions of the annual financial statement.

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version Based on the result of our audit, we have provided the accompanying annual statement of accounts (Annex 1-3) dated 31st March 2012 and the accompanying managing report (Annex 4) for the fiscal year 2012 of Lloyd Dynamowerke GmbH & Co KG, Bremen, with the following unrestricted audit certificate:

* * *

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 Lloyd Dynamowerke GmbH & Co. KG for the business year from 1st April 2011 to 31st 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 (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Bremen, 14th May 2012
WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

signed Grüneberg — signed Senge — (Seal)
German Public Auditor — German Public Auditor

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:
Bremen, 14th May 2012

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Grüneberg — Senge
German Public Auditor — German Public Auditor

Balance Sheet 31st March 2012

		31st March 2012 €	31st March 2012 €	31st March 2011 t€ Thousand (t)
ASSETS				
A.	**Fixed Assets**			
I.	**Intangible assets**			
1.	Own created Licenses	338,425,00		
2.	Accrued Licenses against payment	503,837.00		478
			842,262.00	478
II.	**Tangible assets**			
1.	Land and buildings	1,764,080.44		1,815
2.	Technical equipment and machinery	2,370,200.00		2,616
3.	Other equipment, factory and office equipment	707,196.00		719
			4,841,476.44	5,150
III.	**Financial assets**			
	Participating interests		18,064.71	18
B.	**Current Assets**			
I.	**Inventories**			
1.	Raw materials	3,041,541.00		2,470
2.	Work in progress	11,225,541.00		5,167
3.	Payments on account	148,866.25		210
4.	Payments received on account	-5,461,992.17		-3,151
			8,953,956.08	4,696
II.	**Receivables and other assets**			
1.	Trade receivables	6,583,601.25		7.413
3.	Receivables from affiliated companies	192,738.00		341
4.	Receivables from companies in which the company has a participating interest	0.00		37
5.	Other assets	338,573.48		334
			7,114,912.73	8,125
III.	**Cash and equivalents**		2,739,403.84	2,646
C.	**Prepaid expenses**		183,099.07	238
D.	**Deferred taxes**		2,370,446.86	2,314
			27,063,621.73	23,665
LIABILITIES				
A.	**Equity**			
I.	**Limited liability capital**	3,330,000.00		3,330
II.	**Capital reserves**	2,333,260.39		2,333
III.	**Loss (31.3.2011: Profit) for the year**	-550,127.61		1,270
			5,113,132.78	6,933
B.	**Provisions**			
1.	Tax provisions	0.00		0
2.	Other provisions	2,453,990.82		2,971
			2,453,990.82	2,971
C.	**Liabilities**			
1.	Shareholder accounts	6,521,875.57		6,207
2.	Bank loans and overdrafts	9,054,017.50		5,400
3.	Trade liabilities	3,550,164.62		1,962
4.	Payables to affiliated companies	143,152.75		0
5.	Liabilities to general partner	2,287.19		2
6.	Other liabilities	225,000.50		190
	—thereof Taxes: € 160,392.92 (31.3.2011: t € 132) and Social security: € 8,965.32 (31.3.2011: t € 10)			
			19,496,498.13	13,761
			27,063,621.73	23,665

Profit and loss account for the financial year 1st April 2011 to 31st March 2012

		1st April 2011 to 31st March 2012			1st April 2010 to 31st March 2011
		€	€	€	t €
1.	Sales		33,333,241.67		43,509
2.	Changes in work in progress		+ 6,058,756.00		- 3,197
3.	Other own work capitalized		341,088.00		22
				39,733,085.67	40,334
4.	Other operating income			461,877.52	859
				40,194,963.19	41,193
5.	Cost of materials				
	a) Cost of raw materials, consumables and goods for resale	13,627,968.52			13,519
	b) Cost of purchased services	3,500,370.54			3,551
			17,128,339.06		17,070
6.	Personnel expenses				
	a) Wages and salaries	12,313,721.56			11,482
	b) Social security	2,388,453.97			2,397
			14,702,175.53		13,879
7.	Depreciation of fixed intangible and tangible assets		981,200.61		942
8.	Other operating expenses		6,952,876.73		6,847
				39,764,591.93	
				430,371.26	2,455
9.	Other interests receivables and similar income		38,202.44		24
10.	Interests and similar expenses - thereof shareholders : €293,644.59 (31.3.2011: t € 286)		997,939.03		866
				- 959,736.59	- 842
11.	Ordinary operating results			- 529,365.33	1,613
12.	Income taxes - thereof changes deferred taxes: €56.677,90 (31.3.2011: t €273)			46,223.70	- 274
13.	Other taxes			-66,985.98	- 69
14.	Loss (31.3.2011: Profit) for the year			-550,127.61	1,270

Explanatory notes for the financial statements as at 31st March 2012

General information

Preliminary note to the report

The annual report was prepared according to § 264a Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Dynamowerke GmbH & Co. KG is a big company according to § 267 Art. 3 German Commercial Code (HGB).

For the profit and loss account the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Intangible assets of fixed assets are recorded at historical or production cost less regular accumulated depreciation. The components of the production costs are explained in the inventories.

Tangible assets are recorded at historical cost (acquisition cost or cost of production) less regular straightline accumulated depreciation. Real estate is depreciated over a period of 25 years. For movable property we assumed a useful lifetime between three and thirteen years. Low-value assets with acquisition costs up to € 150.00 were fully depreciated in the year of acquisition. Additions to low-value assets, which are starting with 2008, those with acquisition cost between € 150 and € 1,000, are recorded in the year of addition and are depreciated straight-line over a period of five years. Since 1st January 2010 the additions with acquisition costs up to € 410 are fully depreciated in the year of acquisition.

Financial assets are recorded at historical cost considering a low capital increase from company own resources in 2008.

Regarding inventories raw materials and finished goods are recorded at the lower of historical cost or replacement cost at balance sheet date. For slow moving inventories adequate write-downs were applied. Valuation for finished goods and work in progress was carried out at the lower of cost of production or the lower attributable value. Cost of production includes all directly attributable cost. Overhead cost and cost of general administration are included according to commercial and fiscal acceptable values. Predictable losses are with the intention of a loss-free valuation accounted for with revaluation adjustments or loss provisions.

Receivables and other assets are recorded at historical cost or face value. Identifiable risks are covered with single value adjustments, the general credit risks are covered by adequate general provisions.

Tax provisions and other provisions to the balance sheet include all identifiable risks and contingent liabilities. The Provisions are measured since the introduction of BilMoG the settlement amount, ie taking into account future costs and price increases. Provisions with a residual maturity greater than one year are discounted to their residual maturity, the corresponding market rate of the past seven years.

Liabilities are basically recorded at amounts to be repaid.

Foreign currency

Assets and liabilities in foreign currency are recorded with the quoted rate at the date of initial recording. Losses from changes in quoted rates are accounted for income statement-related at balance sheet date.

Notes to balance sheet items

1. Fixed Assets

Breakdown and changes of individual positions of the assets are depicted in the following asset analysis.

The interest in the Electrical Machines Industries (Bahrain) W.L.L. relates to a joint venture founded in 1997. The interest of Lloyd Dynamowerke GmbH & Co. KG amounts to 33.33% of the total share capital of BHD 25,000.00 = € 12.510. The company reported in fiscal year 2011 / 2012 a net profit of BHD 19.609 = € 9.812. Net worth of the company as at 31st March 2012 was BHD 142.132 = € 71.125.

2. Receivables and other assets

In the balance sheet disclosure are single value adjustments to receivables with doubtful recoverability of t€ 152 (previous year t€ 187) as well as general provisions of t€ 61 (previous year t€ 70) offset against receivables.

3. Accruals and deferred income

The disclosure relates to t€ 51 (previous year t€ 77) prepayments of services to be rendered by employees.

4. Deferred taxes

Deferred taxes result from the following differences between the commercial and the tax base and tax losses carried forward:

	€
Supplementary tax balance sheet	12,779,057.35
Capitalization trade tax loss carried forward	2,809,900.00
Own work capitalized	-338,425.00
Provison partial retirement	146,286.70
Provision for business records	-4,307.00
	15,392,512.05
thereof trade tax rate 15.4 %	2,370,446.86

5. Equity

Limited liability capital amounts to € 3,330,000.00. The capital was completely paid-in at balance sheet date.

The general partner Lloyd Beteiligungs-GmbH, Bremen, does not hold any partnership shares. The nominal capital of the company amounts to € 25,000.00.

The general partner receives a yearly compensation for risk of liability of 6.0% calculated on the reported equity as well as interest payment of 5.0% calculated on the clearing account.

6. Shareholder loan

The shareholders loan relates to one loan Kirsons B.V and the clearing accounts of the shareholders.

7. Other provisions

Other provisions relate mainly to personnel department for vacation (t€ 586) and for flex-time account and overtime (t€ 210), for partial retirement (t€ 345), for warranties (t€ 325) as well as for Employer's Liability Insurance Association (t€ 325).

8. Liabilities

The remaining lives of liabilities as well as the respective collaterals are depicted in the following liabilities ageing report.

9. Other financial liabilities

At balance sheet date there are presumably payment obligations from rental, leasing and service contracts to the amount of t€ 1,442 (previous year t€ 1,378 p.a.). The underlying contracts have durations up to 64 months.

10. Derivative financial instruments

In the year under derivative financial instruments (interest rate swaps) to hedge future cash flows from floating rate (Euribor) used loan. The interest rate swaps are based on underlying transactions with similar, but opposite risks. The wire which is made of the respective hedged item and the hedging instrument formed in accordance with § 254 HGB assessment unit secured credit volume is EUR 2,800,000.00 of the balance sheet date. It was formed according to the negative market values a provision. The negative result from bank confirmations.

Notes to the profit and loss account

1. Sales

Sales are distributed under regional and operative aspects as follows:	31st March 2012	31st March 2011
Sales by region	t€	t€
Domestic	18,307	24,403
Non-domestic	15,026	19,106
thereof EU	5,879	4,261
	33,333	43,509

Sales by operative segment	31st March 2012	31st March 2011
	t€	t€
Machinery	24,950	34,198
Services	6,179	7,165
Spare parts	2,118	1,886
Goods for resale	117	243
Other sales	172	178
Sales reductions	-203	-161
	33,333	43,509

2. Other operating income

Income relating to other periods amounting to t€ 173 (previous year t€ 271) are included. Mainly these are income from dissolution of provisions (t€ 67).

3. Other operating expenses

Expenses relating to other periods amounting to t€ 43 (previous year t€ 89) are included.

4. Research and development costs

The total amount of research and development costs amounted to € 1,046,216 in the expired fiscal year. In fiscal year t€ 338 of them were capitalized as internally generated intangible assets. This amount is not available for distribution.

Other information

1. Employees

For 2012 the headcount is depicted as a yearly average as follows:	2012	2011
Salaried workforce	141	138
thereof apprentices/trainees	14	13
Wage earner	138	138
thereof apprentices/trainees	2	2
Total workforce	279	276

2. General partner

Lloyd Beteiligungs-GmbH, Bremen, is the unlimited liable shareholder.

3. Consolidated financial statement

The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Electric Company Ltd., Bangalore. The end of period will be the 31st March. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Auditers Fee

	t€
Audit	27
Other Confirmations	16
Tax Consulting	6
Other Services	5

5. Managing director

Managing director for the general partner Lloyd Beteiligungs-GmbH was in 2011:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Lloyd Dynamowerke GmbH & Co. KG

Changes of assets from 1st April 2011 to 31st March 2012

	Anschaffungs- und Herstellungskosten					Abschreibungen				Buchwert	
	As at 1st April 2011	Additions	Write up	Disposals	As at 31st March 2012	As at 1st April 2011	Additions	Disposals	As at 31st March 2011	As at 31st March 2012	As at 1st April 2011
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
1. Own work Licenses	0.00	338,425.00	0.00	0.00	338,425.00	0.00	0.00	0.00	0.00	338,425.00	0.00
2. Accrued Licenses against payment	1,312,390.09	206,216.79	0.00	90,000.00	1,428,606.88	834,459.09	145,810.79	55,500.00	924,769.88	503,837.00	477,931.00
	1,312,390.09	544,641.79	0.00	90,000.00	1,767,031.88	834,459.09	145,810.79	55,500.00	924,769.88	842,262.00	477,931.00
II. Tangible assets											
1. Land and buildings	2,210,705.19	20,082.32	19,403.00	0.00	2,250,190.51	395,861.75	90,248.32	0.00	486,110.07	1,764,080.44	1,814,843.44
2. Technical equipment and machinery	6,645,720.53	333,795.22	0.00	202,561.70	6,776,954.05	4,029,471.53	485,375.22	108,092.70	4,406,754.05	2,370,200.00	2,616,249.00
3. Other equipment, factory and office equipment	2,234,816.33	279,326.28	0.00	74,838.00	2,439,304.61	1,516,303.33	259,766.28	43,961.00	1,732,108.61	707,196.00	718,513.00
	11,091,242.05	633,203.82	19,403.00	277,399.70	11,466,449.17	5,941,636.61	835,389.82	152,053.70	6,624,972.73	4,841,476.44	5,149,605.44
III. Financial assets											
Participating interests	18,064.71	0.00	0.00	0.00	18,064.71	0.00	0.00	0.00	0.00	18,064.71	18,064.71
	12,421,696.85	1,177,845.61	19,403.00	367,399.70	13,251,545.76	6,776,095.70	981,200.61	207,553.70	7,549,742.61	5,701,803.15	5,645,601.15

Liabilities ageing report 31st March 2012

	Total 31st March 2012	thereof with remaining life: up to 1 year	between 1 to 5 years	more than 5 years	collateralized amounts	nature of collateral
	€	€	€	€	€	
	(t€ 31st March 2011)	(t€ 31st March 2011)	(t€ 31st March 2011)	(t€ 31st March 2011)	(t€ 31st March 2011)	
Liabilities						
shareholder loan	6,521,876	6,521,876	0	0	0	
	(7,477)	(7,477)	(0)	(0)	(0)	
to banks	9,054,017	8,454,017	400,000	200,000	9,054,017,00	- land charge nominal t€ 4,838 - blanket assignment of accounts receivable - assignment of machinery, office equipment etc. - cession of claims to trade credit insurance - assignment of goods - export overall transfer by way of security
	(5,400)	(4,550)	(550)	(300)	(5,400)	
received advance payments	5,461,992	5,416,492	45,500	0	0	
	(3,151)	(3,151)	(0)	(0)	(0)	
trade liabilities	3,550,165	3,550,165	0	0	0	
	(1,962)	(1,962)	(0)	(0)	(0)	
to affiliated companies	143,153	143,153	0	0	0	
	(0)	(0)	(0)	(0)	(0)	
to general partner	2,287	2,287	0	0	0	
	(2)	(2)	(0)	(0)	(0)	
other	225,000	225,000	0	0	0	
	(190)	(190)	(0)	(0)	(0)	
	24,958,490	24,312,990	445,500	200,000	9,054,017	
	(18,182)	(17,332)	(550)	(300)	(5,400)	

1. Economic Report

A. Business Performance

Lloyd Dynamowerke GmbH & Co. KG develops, sells, plans and produces electrical machines. It also offers consultancy and servicing for electrical machines and related equipment.

The electrical machines are chiefly DC machines with an axle height starting from 90 mm and three-phase machines with an axle height starting from 315 mm up to axle heights of 2,800 mm. In each case motors and generators are both manufactured. The machines are predominantly installed in larger plants, e.g. in the petrochemical industry, in hydroelectric plants or extraction technology. Another sector where they are used frequently is shipbuilding.

Our electrical drives are high quality, durable assets from the plant and machinery sector. The production time for this type of machine can last up to 18 months from order confirmation to delivery of the machine. As we still had full order books at the beginning of the global economic crisis we were affected by the financial crisis with a time-lag. We therefore worked on short-time in many areas of our plant from September 2010 to October 2011.

The rise in our order receipts that took place in financial year 10/11 did not continue as we had expected, particularly in the first half of the financial year just ended. The reasons for this are the continued cautious awarding of new orders by our customers following the financial crisis and the high intensity of competition for the remaining orders. We are in the process, in contrast to some of our competitors, and true to our policy, of not accepting any orders that do not at least break-even in the pre-costing stage. Because of the long production time of our products we were therefore not able to achieve our planned turnover. With a turnover of € 33.3 million we reached a long-term low point in the financial year just ended. Despite savings being introduced by the directors only a negative annual result of -t€ 550 could be achieved.

B. Earnings, Financial and Assets Position

Earnings

	2011 - 2012		2010 - 2011		Changes
	t€	%	t€	%	t€
Sales	33,333	83.9	43,509	107.8	- 10,176
Changes in work in progress	+ 6,059	15.2	- 3,197	- 7.9	+ 9,256
Other own work capitalized	+ 341	0.9	+ 22	0.1	+ 319
Overall performance	+ 39,733	100.0	+ 40,334	100.0	- 920
Other operating income	+ 280	0.7	+ 587	1.5	- 307
Operating performance	+ 40,013	100.7	+ 40,921	101.5	- 1,227
Cost of materials	17,128	43.1	17,070	42.3	- 58
Personnel expenses	14,702	37.0	13,879	34.4	- 823
Depreciation	981	2.5	942	2.3	- 39
Other taxes	67	0.2	69	0.2	+ 2
Repairs and maintenance	539	1.4	517	1.3	- 22
Administrative expenses	1,781	4.5	1,502	3.7	- 279
Selling expenses	1,676	4.2	1,538	3.8	- 138
Other operating expenses	2,914	7.3	3,201	7.9	+ 287
Expenses for the operating performance	39,788	100.2	38,718	95.9	- 1,070
Operating result	+ 225	0.5	+ 2,203	5.6	- 1,978
Financial result	- 960		- 843		- 117
Ordinary result	- 735		+ 1,360		- 2,095
Non-operating result	+ 196		- 90		+ 286
Income taxes	- 11		0		- 11
Profit	- 550		+ 1,270		- 1,820

Our earnings are characterised by our focus on quality products. We only offer a few low-price products. We also do not accept any orders where a notable loss from the order is threatened due to the strong competition.

We were able to further increase the receipt of orders as in the previous year. Order receipts were approx. 4% above the comparative period 2010-2011 at € 42.4 million. Our order book therefore rose in the financial year just ended by € 9 million from € 29.4 million to € 38.4 million and is therefore close to our desired corridor of € 40–50 million order book. As we are expecting a continued rise in the order book we may well achieve this target corridor in the current financial year.

Sales fell in 2011/12 in comparison to the previous year from € 43.5 million to € 33.3 million. This is equivalent to a decline of 23.4%. The three-phase division was primarily responsible for this, which was approx. 53% below the previous year's sales at nearly € 12 million. Above all this was due to the fact that our customers continued to be cautious in issuing new tenders for large contracts, particularly in the shipbuilding sector, because of the financial crisis, and more competitors were competing for the contracts that did exist. In service on the other hand sales only declined slightly, while they grew in the DC sector by nearly 14%.

At € 40.0 million we almost achieved the same level of operating performance as the previous year of € 40.9 million (-2.2%). This is because we had a positive change in inventories at +€ 6.1 million (previous year -€ 3.2 million) due to the many semi-finished contracts at the end of the financial year. Included in this is also a contract for € 2.4 million for a DC machine, which can only be invoiced after a three-month smooth trial operation. Overall 55% of the sales were generated in Germany, the actual places where the machines will be used is however predominantly abroad, as they are mostly installed by our customers in larger plants internationally.

The materials ratio rose slightly by 0.8% to 43.1%. This reflects the slight rises in material costs in some areas.

We employ qualified and committed skilled personnel, who we would like to continue to employ even in times when we are working below capacity. We therefore used the instrument of short-time from September 2010 to October 2011 and therefore avoided redundancies.

Furthermore, a collective agreement on partial retirement for employees was implemented for nine employees. Personnel expenses rose because of these measures and an increase in the collective earnings agreement from € 13.9 million to € 14.7 million. The ratio of personnel costs rose as a result from 34.4% to 37.0%.

Depreciation of tangible fixed assets hardly changed because the investment volume remained even (mainly investments in replacements).

Maintenance expenses are around the same level as the comparative period. The expenses primarily include measures to maintain buildings as well as technical plant and machinery. Especially in the area of buildings there continues to be a large requirement for maintenance.

The increased administrative costs are essentially caused by consultancy services to optimise our organisation and our process flows. We had already introduced the first steps here in the previous financial year. On 1 September 2011 we then changed our “classic” organisational structure into a team organisation, i.e. smaller, autonomous teams were established along our process chain.

The rise in sales expenses essentially results from higher commission payments in contrast to the previous year.

The decline in other operating expenses is particularly a result of reduced insurance expenses and transportation costs due to our lower sales in comparison to the previous year. The cost structure is largely unchanged from the previous year.

Financial position		t€
Profit for the period	-	550
Essential expenses and earnings without influence to the liquidity		
Write-up assets	-	19
Activation deferred taxes	-	56
Changes provision	-	517
Depreciation of fixed assets	+	981
	-	161
Changes of Inventories, Trade receivable and Other assets	-	3,194
Changes of Trade liabilities and other liabilities	+	1,766
Cash flow from operating activities	-	1,589
Payments-off for investments in fixed assets	-	1,178
Payments-in from disposals of fixed assets	+	159
Cash flow from investment activities	-	1,019
Borrowing loan	+	1,000
Credit on shareholder accounts	-	955
Accrued interests	-	8
Loan redemption	-	351
Cash flow from financial activities	-	314
Changes of Cash and equivalents	-	2,922
Cash and equivalents - Opening Balance	+	459
Cash and equivalents - Closing Balance	-	2,463
Cash and equivalents	+	2,739
Short-term overdrafts facility	-	5,202
Cash and equivalents - Closing Balance	-	2,463

Because of the negative result in the financial year just ended with a simultaneous increase in inventory assets our operational cash flow amounts to -€ 1.589 million.

The change in cash and cash equivalents from the previous year totals -€ 2.922 million.

Nevertheless the financial position can still be described as solid. Liabilities are settled and receivables collected within their respective payment terms. Our principal banks have already signalled support in the form of expanding credit lines for looming short-term liquidity bottlenecks as a result of high material purchase orders with rising sales.

Assets Position:

	31st March 2012		31st March 2011		Changes
	t€	%	t€	%	t€
ASSETS					
Fixed Assets					
Intangible and tangible assets	5,684	21.0	5,628	23,8	+ 56
Financial assets	18	0.1	18	0.1	0
	5,702	21.1	5,646	23.9	+ 56
Current Assets					
Inventories (incl. payments received on account)	8,954	33.1	4,696	19.8	+ 4,258
Trade receivables	6,584	24.3	7,413	31.3	- 829
Receivables from group companies	193	0.7	378	1.6	- 185
Other assets	338	1.2	334	1.4	+ 4
Cash and equivalents	2,740	10.1	2,646	11.2	+ 94
	18,809	69.4	15,467	65.3	+ 3,342
Prepaid expenses	183	0.7	238	1.0	- 55
Deferred taxes	2,370	8.8	2,314	9.8	+ 56
	27,064	100.0	23,665	100.0	+ 3,399
LIABILITIES					
Middle and long-term					
Equity (incl. shareholder loans)	11,638	43.1	13,142	55.5	- 1,504
Bank loans and overdrafts	600	2.2	850	3.6	- 250
	12,238	45.3	13,992	59.1	-1,754
Short-term					
Provisions	2,454	9.1	2,971	12.6	- 517
Bank loans and overdrafts	8,454	31.2	4,550	19.2	+ 3,904
Trade liabilities	3,550	13.1	1,962	8.3	+ 1,588
Payables to affiliated companies	143	0.5	0	0.0	+ 143
Other liabilities	225	0.8	190	0.8	+ 35
	14,826	54.7	9,673	40.9	+ 5,153
	27,064	100.0	23,665	100.0	+ 3,399

In the intangible assets we have recognised two large development contracts as assets.

The first project is the development of a high-torque generator for a wind farm with direct drive using transverse flow technology. The second project is a possible material and weight saving system for the water coolers for our machines (see also D: Research and Development).

The increase in inventories is essentially due to the rise in unfinished products, caused by the many semi-finished contracts. In one case the machine has already been delivered, but can only be invoiced in the coming financial year after a three-month trial period.

The decline in trade receivable is essentially connected to weak sales in comparison to the previous year.

Our capital structure is balanced; the equity ratio (incl. shareholder loans) amounts to 43.1%.

The rise in dues to banks and accounts payable is due partly to higher material purchase orders for semi-finished contracts and secondly, payments are not always made with early payment discounts as in the previous year due to the worsening financial situation due to the low sales.

As in previous years too our transactions were almost exclusively processed in euros, so there are no risks from foreign currency transactions.

LDW entered into a combination of a commodity swap and a commodity price cap transaction in the form of a price ceiling arrangement for copper in September 2010. The term to maturity was twelve months and ended on 30 September 2011. We had already established a reserve for this in the previous financial year's accounts 10/11, which was used up by the end of the term of the swap.

As a result of the interest rates that were still rising at the beginning of the financial year, in particular the Euribor, LDW has concluded two so-called interest hedge transactions (interest rate swaps), since the bank loans granted to LDW are normally linked to the performance of the Euribor. The first interest hedge was concluded for a volume of € 1 million over a term of five years, the second with a volume of € 2 million over the term of two years. In the meantime the reference rate for the Euribor has fallen again. A reserve was established for the resultant negative performance of the swap.

C) Investments

Investments were made in the necessary renewal of buildings, machines and equipment, as well as in tools and the apparatus to process the orders.

D) Research and Development

As part of our reorganisation of the company's structure we have established an autonomous "Innovation" team. The aim is to further strengthen the field of research and development, which is so important for us. The Innovation team is divided into three sub-areas:

1. Contract development of special machines financed by customers, primarily for wind power generators.
2. Development of special bearings for hydroelectric power generators of varying weight in tonnes.
3. General research and development projects.

The outstanding developments continue to be the Wingy-Pro (EU-sponsored project) and the GenKühl project (sponsored by Wirtschaftsförderung Bremen [Bremen Promotion of Trade and Industry]), which were already running in the previous financial year. The first interest has been shown for the project of the high-torque generator (Wingy-Pro).

Considerable steps have been made in thermal calculation taking into account flow computation in association with the generator cooling project. With a finite-element flow computation program a thermal calculation of an asynchronous machine was carried out. The new capability is the basis for further cost savings in the ongoing development of the new class. A 25% reduction in costs has been set as the target in this class development. Initial savings have already been achieved with a prototype that has been built.

E) Employees

The number of employees remained almost constant at 263 (March 2011: 261 employees), as did the number of trainees/apprentices at 15 (previous year 15). As of September 2010 LDW was working on short-time. This affected all sections except sales, service and construction. Over time short-time was gradually reduced in many sections and from November 2011 normal working hours were resumed in all areas. In the financial year just ended contracts for part-time hours for those approaching retirement age were concluded in line with collective agreements. A total of nine contracts were drawn up in the so-called "block model", and their terms are up to four years.

The focus for training courses in the past year was primarily team leader training for our newly established teams, as well as safety training and computer training.

2. Subsequent Report

In January 2012 we delivered a machine in the value of approx. € 2.4 million to a customer. This machine can only be invoiced after three months' trial operation. This trial operation was completed successfully in April 2012 and we were able to enter the sale accordingly in the new financial year.

3. Risk Report

The financial instruments in existence in the company predominantly comprise accounts due and payable and balances at banks.

The company has an efficient arrears reminder system; there were no payment defaults to be reported in this financial year.

Liabilities are paid within the agreed payment terms. The company finances itself in the long-term through bank loans with the three company banks. These are business relations that have been in existence for many years.

The goal of the company's financial and risk management policy is security against financial risks of any kind. The company pursues a thoroughly conservative risk policy in its financial management.

In order to cover itself against the liquidity risk and to maintain the ability to pay at all times, an ongoing liquidity plan is generated, which is constantly adjusted to current changes and is used as the basis for the disposal of funds.

The liquidity position is adequate. Looming short-term bottlenecks are bridged by the expansion of the credit lines of the principal banks.

When default and creditworthiness risks are detected in the case of financial assets, corresponding provisions are made.

As many loans are linked to the Euribor interest rate there is an increased risk when interest rates rise.

Risks also arise from the continued high intensity of competition in our industry. While we have stopped short-time working, full capacity has still not been achieved by the end of the last financial year. We expect to be able to achieve this in the current financial year.

We are basing our assumptions on a further economic recovery in Europe and the world. This is certainly fraught with risk in view of the present discussions about the euro and its future performance.

Other risks, in particular in phases of economic recovery, are rising costs on the market and an extension of replacement times for components which we need for the manufacture of our products.

4. Forecast

The present market situation continues to be characterised by predatory competition, which has increased still further in the past year as a result of the global economic crisis.

At the end of financial year 10/11 we had hoped that the sharp rise in order receipts in comparison to the previous year would continue in the financial year just ended. Unfortunately this did not happen in this way, but rather only occurred with a few months' delay from the middle of the financial year just ended. Because of our long production lead times in the three-phase and DC sectors the budgeted sales could therefore no longer be achieved, especially in the three-phase sector. Therefore with sales of approx. € 33.3 million (-23.5% in comparison to the previous year) we reached a long-term low point. For this reason we have also postponed our planned new build of a hall for the time being.

In comparison to the previous year we had to report a hefty rise in the change in inventories (from -€ 3.2 million to +€ 6.4 million) and with an almost equal use of materials our gross yield is "only" slightly below that of the previous year.

The still rising receipt of orders also manifests itself in our order book. This has risen in comparison to the previous financial year end by € 9 million from € 29.4 million to € 38.4 million. At the end of the last financial year we already had more sales in our order submissions for the new financial year than we made in sales in the whole of the financial year just ended. We assume that we have now come through the worst in terms of sales as well.

This manifests itself both in further increasing activities in the requests for quotations by our customers and in the continuing positive economic development in Germany and the rest of the world.

In the past year we have further built on our sales activities in the Middle East and the USA as well as in South Africa. Here the first orders have been received and we assume that incoming orders from this area will continue to rise in future.

We have also used the past year that was weak in sales for some important projects within the company:

On 1 September a new team organisation was introduced at LDW. The aim of this reorganisation is a consistent alignment of the structures within LDW to the processes needed for customer orders. Throughput times for customer orders are thus reduced and administrative costs minimised.

Another large project is the introduction of the new ERP software SAP. We will simplify our systems landscape as a result of this (e.g. in the fields of sales, finance and accounts as well as personnel) and then have access to a central data pool. In this connection the intention is also to align our operational processes to the SAP standard. With the introduction of the SAP system on 1 January 2013 we are promising ourselves considerable increases in efficiency. As our Indian parent company also uses SAP, further synergy effects will be brought about in the next few years too.

We have also further expanded our activities in this connection with our Indian shareholder, the Kirloskar Electric Group (KEC). Thus both the Kirloskar Group was able to generate new customers on the Indian market and LDW on the European market for the respective other company.

As well as intensifying sales activities we have jointly developed a new standardised motor, a socalled "World Class Motor" and delivered it to the first customers. We will offer this motor with a very attractive price to customers of both LDW and KEC. It can be produced at both sites.

The current political discussions about the forced expansion of renewable energies, in particular hydroelectric and wind power, may well continue to have a positive effect on LDW, since we already have many years of experience in the development of such electrical drives.

Because of the measures and developments described above, our large order book, innovative product ideas, the quality of the range we offer and our reliability in service, we are totally convinced that we will be able to increase our order receipts and especially our sales. At the same time we are assuming a continuing economic recovery and that raw material prices and wage costs will only rise slightly in comparison to current levels. Likewise, it is important that the continued recovery of the economy only leads to a modest extension of replacement times for the components for our machines.

Our long-term cooperation both with our quality-conscious manufacturers and suppliers brings us the opportunity of global marketing. We are convinced that quality products can still be sold at reasonable prices even today. This leads us to look forward to a quite positive future overall.

To conclude, we are expecting sharply rising sales for the next two years and as a consequence, net annual profit at least at the same level as the previous year.

Explanation of the positions on the annual financial statements as at 31st March 2012

I. Balance sheet

Assets

A. Fixed assets

The developments of individual positions of fixed assets on the balance sheet, which are included in annex 3 of this report are presented on the basis of total historical costs. The asset analysis in accordance with § 268 Art. 2 HGB is part of the notes.

In addition to the information in the notes we give the following explanation:

I. Intangible assets

1. Own created Licenses

	€	338,425.00
31st March 2011	€	0.00

2. Accrued Licenses against payment

	€	503,837.00
31st March 2011	€	477,931.00

Computing software licenses and patents are accounted for.

The carrying amounts have developed as follows:

	€
As at 31st March 2011	477,931.00
Additions	206,216.79
Disposals	-34,500.00
Depreciation	-145,810.79
As at 31st March 2012	503,837.00

II. Tangible Assets

1. Land and buildings

	€	1,764,080.44
31st March 2011	€	1,814,843.44

The information shown concerns the industrial premises including all buildings located in Bremen, Hastedt. The premises has a size of 3,3 hectares with a frontage of ca. 238 m.

The carrying amounts have developed as follows:

	€
As at 31st March 2011	1,814,843.44
Addition	39,485.32
Depreciation	-90,248.32
As at 31st March 2012	1,764,080.44

The carrying amounts apply to more land share in the sum of € 682.410,43.

2. Technical equipment and machinery

	€	2,370,200.00
31st March 2011	€	2,616,249.00

	€
As at 31st March 2011	2,616,249.00
Addition	333,795.22
Disposals	-94,469.00
Depreciation	-485,375.22
As at 31st March 2012	2,370,200.00

The additions are mainly a lot of tools and cuts and a remanufacturing of a test field.

3. Other equipment, factory and office equipment

	€	707,196.00
31st March 2011	€	718,513.00

	€
As at 31st March 2011	718,513.00
Additions	279,326.28
Disposals	-30,877.00
Depreciation	-259,766.28
As at 31st March 2012	707,196.00

Of the Additions, t€ 63 apply to low-value assets with a maximum value of € 1.000. These assets are depreciated straight-line over five years.

III. Financial Assets

Participating interests

		€	18,064.71
	31st March 2011	€	18,064.71

This position accounts for the 33.33% shareholding in the equity of Electrical Machine Industries, Bahrain. Sales with this firm only account for a minor degree of the company sales.

B. Current Assets

I. Inventories

		€	8,953,956.08
	31st March 2011	€	5,648,604.88

	31st March 2012	31st March 2011
	€	€
1. Raw materials	3,041,541.00	2,470,276.00
2. Work in progress	11,225,541.00	5,166,785.00
3. Payments on account	148,866.25	209,870.37
4. Payments received on account	-5,461,992.17	-3,151,323.49
	8,953,956.08	4,695,607.88

To 1: Raw materials are administrated in form of a computer aided inventory accounting system and a framework of permanent inventory is applied.

To 2: Work in progress concerns a large amount of unfinished orders. The valuation is based on cost prices less distribution costs and represents the maximum of the commercial accounting method.

To 3: This concerns conduced payments in advance to five suppliers.

II. Receivables and other assets

1. Trade receivables

		€	6,583,601.25
	31st March 2011	€	7,412,929.96

	31st March 2012	31st March 2011
	€	€
Gross receivables	6,796,176.64	7,670,240.31
Provision for specific doubtful debts	151,619.52	187,046.74
General provision for doubtful debts	60,955.87	70,263.61
	6,583,601.25	7,412,929.96

The receivables are principally accounted for with their fair value. Risks have been accounted for with the creation of provision for specific doubtful debts or general provision for doubtful debt. The provision for specific doubtful debts has been created solely from sales tax corrections due to expected non-recoverability.

Due to a general credit risk, general provision for doubtful debt in the amount of 1% of accounts receivables has been created, which is equivalent to the method applied in the previous year.

2. Receivables from affiliated companies

		€	192,738.00
	31st March 2011	€	341,055.00

	31st March 2012	31st March 2011
	€	€
Kirlsokar Indien	189,683.00	241,455.00
Kirloskar Malaysia	3,055.00	99,600.00
	192,738.00	341,055.00

3. Receivables from companies in which the company has a participating interest

		€	0.00
	31st March 2011	€	37,494.81

4. Other assets € 338,573.48

31st March 2011 € 334,455.12

	31st March 2012	31st March 2011
	€	€
Tax on input	214,547.39	92,517.41
Claim against insurance premium	71,000.00	142,381.61
Tax on input foreign country	29,891.24	28,715.35
Receivable tax office about trade tax 2011	10,947.00	0.00
Suppliers with debit balances	10,077.85	12,603.48
Advances for travel expenses	2,060.00	1,479.00
Short-time compensation	0.00	50,361.84
Incentive claim against suppliers	0.00	3,956.77
Interest accrual saving accounts	0.00	2,389.66
Others	50.00	50.00
	338,573.48	334,455.12

III. Cash and equivalents € 2,739,403.84

31st March 2011 € 2,646,169.79

	31st March 2012	31st March 2011
	€	€
Time deposits	2,701,941.33	2,592,330.79
Current account surplus	9,394.56	38,644.69
Cash	28,067.95	15,194.31
	2,739,403.84	2,646,169.79

The time deposits apply to seven guaranty truster (31st March 2011: six).

C. Prepaid expenses € 183,099.07

31st March 2011 € 237,781.62

The information shown concerns mainly delimited rent-, leasing-, maintenance- and insurance expenses as well as the company's credit on working time accounts (negative hours).

D. Deferred taxes € 2,370,446.86

31st March 2011 € 2,313,768.96

The carrying amounts have developed as follows:

	€
As at 31st March 2011	2,313,768.96
Own work capitalized	-52,117.45
Differences provison between commercial balance sheet and tax balance sheet	22,528.07
Capitalization trade tax loss carried forward	395,795.40
Dissolution from supplementary tax balance sheet	-309,528.12
As at 31st March 2012	2,370,446.86

The computation depends on a trade tax about 15.4 %.

Liabilities

A. Equity

I. Limited liability capital € 3,330,000.00

31st March 2011 € 3,330,000.00

The obligatory deposit consists of:

	31st March 2012	31st March 2011
	€	€
Kirsons B.V., Netherlands	3,160,000.00	3,160,000.00
Herr Dipl.-Ing. Berthold Groeneveld	170,000.00	170,000.00
	3,330,000.00	3,330,000.00

II. Capital reserves € 2,333,260.39

31st March 2011 € 2,333,260.39

III. Loss (31.3.2011: Profit) for the period € -550,127.61

31st March 2011 € 1,269,892.04

B. Provisions

1. Tax provisions

	€	0.00
31st March 2011	€	493.00

2. Other provisions

	€	2,453.990.82
31st March 2011	€	2,970,747.53

Provisions for:	31st March 2011	Utilisation	Dissolution	Allocation	31st March 2012
	€	€	€	€	€
Vacation	353,208.00	353,208.00	0.00	586,141.00	586,141.00
Partial retirement	0.00	0.00	0.00	345,414.70	345,414.70
Warranties	425,000.00	425,000.00	0.00	325,000.00	325,000.00
Employer's Liability	320,000.00	245,409.72	0.00	228,659.72	303,250.00
Flex-time account and overtime	141,766.00	141,766.00	0.00	209,784.00	209,784.00
Commissions	245,942.57	245,942.57	0.00	126,568.33	126,568.33
Outstanding invoices	300,000.00	300,000.00	0.00	123,060.00	123,060.00
Contractual penalty	200,000.00	13,278.95	66,721.05	0.00	120,000.00
Follow-up costs	117,220.00	14,000.00	0.00	0.00	103,220.00
Storage of business records	49,884.86	5,000.00	0.00	5,000.00	49,884.86
Audit fees	36,000.00	36,000.00	0.00	40,030.50	40,030.50
Supplementary grant	721,251.00	721,251.00	0.00	0.00	0.00
Other	60,475.10	60,475.10	0.00	121,637.43	121,637.43
	2,970,747.53	2,561,331.34	66,721.05	2,111,295.68	2,453,990.82

The vacation contains free-time as well as the holiday pay. The contractual penalty is for payments due to late distribution of the orders. The item "Flex-time account and overtime" mainly contains excess work-time of the employees at balance sheet date. The provision for commissions includes only provisions for orders received.

C. Liabilities

1. Shareholder accounts

	€	6,521,875.57
31st March 2011	€	6,175,868.43

Further explanations are to be found at the annex 7.

2. Bank loans and overdrafts

	€	9,054,017.50
31st March 2011	€	5,399,992.49

	31st March 2012	31st March 2011
	€	€
Overdraft facility		
Bremer Landesbank	2,837,732.38	924,997.85
Deutsche Bank AG, Bremen	1,440,996.63	705,300.14
Commerzbank	923,413.26	557,080.86
	5,202,142.27	2,187,378.85
Loans		
Bremer Landesbank	1,700,000.00	1,800,000.00
Deutsche Bank AG, Bremen	1,000,000.00	1,083,000.00
Commerz Bank	1,000,000.00	0.00
Commerz Real	136,053.00	304,667.07
	3,836,053.00	3,187,667.07
Accrued interest	15,822.23	24,946.57
	9,054,017.50	5,399,992.49

Regarding to the valuation at balance sheet date balance confirmation received from banks was available. Details about remaining life and collaterals can be looked up in the notes (Annex 3).

3. **Trade liabilities**

	€	3,550,164.62
31st March 2011	€	1,992,702.70

4. **Payables to affiliated companies**

	€	143,152.75
31st March 2011	€	0.00

	31.3.2012	31.3.2011
	€	€
Kirloskar Indien	120,573.00	0.00
Kirloskar Malaysia	22,579.75	0.00
	143,152.75	0.00

5. **Liabilities to general partner**

	€	2,287.19
31st March 2011	€	2,195.79

6. **Other liabilities**

	€	225,500.50
31st March 2011	€	189,711.92

	31st March 2012	31st March 2011
	€	€
Liabilities from taxes		
Income and church tax	160,392.22	132,153.59
	160,392.22	132,153.59
Liabilities social security	8,965.32	10,423.30
Other		
Supplier incentives	15,990.00	19,912.00
Wages and salaries	1,857.56	7,516.00
Debtors on the credits side	541.00	90.00
Other	37,254.40	19,617.03
	55,642.96	47,135.03
	225,000.50	189,711.92

II. **Profit and loss account**

	1st April 2011 to 31st March 2012	1st April 2010 to 31st March 2011
1. **Sales**	€	€
Sales domestic	18,422,944.71	25,455,882.06
Sales non-domestic	15,112,857.51	18,255,233.20
	33,535,802.22	43,711,115.26
Sales reduction, cash discounts domestic	182,152.27	193,496.13
Sales reduction, cash discounts non-domestic	20,408.28	8,517.20
	202,560.55	202,013.33
	33,333,241.67	43,509,101.93
2. **Changes in work in progress**	6,058,756.00	- 3,196,889.00
3. **Other own work capitalized**	341,088.00	21,735.75
4. **Other operating income**		
Income relating to other periods		
Dissolution of provisions	66,721.05	4,824.00
Sales of fixed assets	46,515.96	1,194
Dissolution of provision for specific doubtful debt	35,427.22	40,000.00
Income from tax audit	19,403.00	0.00
Gains from write-offs of liabilities	0.00	150,715.28
Insurance refunds	0.00	53,170.75
Other income related to other periods	4,816.83	21,015.79
	172,884.06	270,919.82

	31st March 2012	31st March 2011
	€	€
Other operating income		
Income from changes in provision for warranties	100,000.00	0.00
follow-up costs	14,000.00	0.00
penalties	0.00	25,000.00
Rental income	63,325.91	65,632.08
Renumeration in kind	31,297.20	38,204.14
Foreign currency gains	17,545.28	912.49
Dissolution of provision for general doubtful debt	9,307.74	16,858.90
Insurance refunds	2,639.10	195,654.05
Benefits EU-Project Wingy-Pro	0.00	201,256.68
Other	50,878.23	44,215.82
	288,993.46	587,734.16
	461,877.52	858,653.98

	1st April 2011 to 31st March 2012	1st April 2010 to 31st March 2011
	€	€
5. Cost of materials		
a) Cost of raw materials, consumables and goods for resale	13,770,642.07	13,678,390.25
Cash discounts received	142,673.55	159,830.72
	13,627,968.52	13,518,559.53
b) Cost of purchased services	3,500,370.54	3,551,314.08
	17,128,339.06	17,069,873.61
6. Personnel expenses		
a) Wages and salaries		
Wages and salaries	11,902,359.56	11,481,501.66
Partial retirement	411.362.00	0.00
	12,313,721.56	11,481,501.66
b) Social security		
Employer's contribution to social security	2,159,794.25	2,173,718.30
Employer's Liability Insurance Association contribution	228,659.72	223,285.78
	2,388,453.97	2,397,004.08
	14,702,175.53	13,878,505.74
7. Depreciation of fixed intangible and tangible assets	981,200.61	941,573.89
8. Other operating expenses		
Other periods and nonoperating expenses		
Other expenses related to other periods	42,698.97	89,076.66
	42,698.97	89,076.66
Repairs and maintenance	539,102.34	516,811.91
Other operating expenses		
Power and fuel	852,541.87	863,593.69
Travel expenses	561,035.01	662,649.63
Insurance	326,949.96	564,141.53
Workman and staff welfare expenses	312,144.32	293,377.18

	1st April 2011 to 31st March 2012	1st April 2010 to 31st March 2011
	€	€
Manufacturing expenses and sundries	291,032.59	232,019.08
Rent and leasing	264,055.39	197,143.40
Leasing staff	123,823.84	117,964.29
Royalties	109,274.46	77,055.38
Subscription to the technical associations	35,567.75	38,332.50
Maintenance of vehicles	27,402.50	25,245.51
Foreign currency losses	9,751.21	1,580.00
Placement in other provisions	0.00	40,865.10
Placement in the provision for follow-up costs	0.00	31,220.00
Penalties	0.00	6,857.10
	2,913,578.90	3,152,044.39
Administrative expenses		
Legal and consulting costs	1,081,193.18	896,749.42
Computing expenses	484,167.52	362,744.82
Telephone and postal charges	66,769.48	66,039.83
Bank charges	55,001.12	58,052.01
Auditors Remuneration	53,870.00	70,886.11
Printing and stationary	28,500.65	28,217.03
Donations	11,650.00	19,350.00
Placement in provisions of storage of busines records	0.00	48,728.00
	1,781,151.95	1,550,767.22
Selling expenses		
Selling expenses	1,049,478.46	553,314.09
Commissions	490,634.37	851,885.67
Advertising costs	110,322.85	98,851.81
Entertainment expenses	25,908.89	34,299.93
	1,676,344.57	1,538,351.50
	6,952,876.73	6,847,051.68
9. Other interests receivables and similar income		
Discounting provisions	20,438.19	8,843.14
Other interest	17,764.25	14,733.40
	38,202.44	23,576.54
10. Interests and similar expenses		
Interests		
for shareholder loan	293,644.59	285,841.58
commission of bank guarantee expenses	236,541.67	227,533.55
for loan	203,960.75	74,570.07
for short-term liabilities	189,007.06	276,801.91
other	74,784.96	1,504.00
	997,939.03	866,251.11
11. Ordinary operating results	- 529,365.33	+ 1,612,923.17
12. Income taxes		
Change deferred taxes	+ 56,677.90	- 273,261.43
Trade tax prior years	- 10,454.20	- 489.20
	+ 46,223.70	- 273,750.63

13. Other taxes		
Land tax	- 64,204.80	- 66,908.32
Car tax	- 2,618.00	- 1,799.00
Other operating taxes	- 163.18	- 573.18
	- 66,985.98	- 69,280.50
14. Loss (31.3.2011: Profit) for the year	- 550,127.61	+ 1,269,892.04

Basic Principles of Corporate Law
(Status 31st March 2012)

Company	Lloyd Dynamowerke GmbH & Co. KG, Bremen	
Legal Form	Private Limited Partnership	
Associates	Lloyd Beteiligungs-GmbH, Bremen (General Partner) Kirsons B.V., Amsterdam, Netherlands (Limited Partner) Mr Berthold Groeneveld, Weyhe (Limited Partner)	
Capital shares of the personally liable associates	€ 0.00	
Capital shares of the limited partners	Kirsons B.V.	€ 3,160,000.00
	Berthold Groeneveld	€ 170,000.00
		€ 3,330,000.00
Seat	Bremen	
Objective of the company	The objective of the company is aimed at the development, production and distribution of electrical and electronic Machines and apparatuses of all kinds.	
a)	Participation irrespective of the legal form - in industrial and commercial enterprises, also the take over of the management and administration of a business of the type mentioned under a),	
b)	Any other appropriate commercial utilisation of the company assets	
Articles of Association	28. September 2006, last changes from 15. January 2009	
Commercial Register Entry	Local Court of Bremen A 22689	
Management	Lloyd Beteiligungs-GmbH (Managing Director: Herr Berthold Groeneveld)	
Financial Year	1st April - 31st March	

Shareholder accounts
from 1st April 2011 to 31st March 2012

	Limited liability capital			liabilities to shareholders		
	Kirsons B.V.	Hr. Groeneveld	Total	Kirsons B.V.	Hr. Groeneveld	Total
	€	€	€	€	€	€
1.4.2011	+ 3,160,000.00	+ 170,000.00	+ 3,330,000.00	+ 5,925,800.32	+ 0.00	+ 5,925,800.32
Interest shareholders loan	+ 0.00	+ 0.00	+ 0.00	+ 293,644.59	+ 0.00	+ 293,644.59
Loan as at 31.3.2012	+ 3,160,000.00	+ 170,000.00	+ 3,330,000.00	+ 6,219,444.91	+ 0.00	+ 6,219,444.91
Shareholder clearing accounts 1.4.2011				+ 1,491,509.04	+ 59,251.11	+ 1,550,760.15
Allowable taxes				- 4,935.21	- 265.50	- 5,200.71
Allowable other taxes				- 154,041.73	- 8,287.05	- 162,328.78
Other allowable / contribution				- 1,030,800.00	- 50,000.00	- 1,030,800.00
Shareholder clearing accounts 31.3.2012	+ 0.00	+ 0.00	+ 0.00	+ 301,732.11	+ 698.55	+ 302,430.66
Total Shareholder accounts				6,521,177.02	698.55	6,521,875.57

LLOYD BETEILIGUNGS-GmbH

BREMEN

Audit Report

Financial Statement for the period 1st April 2011 to 31st March 2012

1. Audit assignment

From the management of

"Lloyd Beteiligungs-GmbH, Bremen"

(also referred to in the following as " Company")

we were selected as the auditor for the accounts for the period 1st April 2011 to 31st March 2012. In execution of the order granted us by the management, we have audited

- the statement of accounts (balance sheet) for 31st March 2012 (Annex 1 - 3)
- and the accounting/bookkeeping

in accordance with §§ 316 et. sqq. of German Commercial Code (HGB) and the principles for proper execution of annual accounts auditing. We have also audited the annual statement of accounts for 31st March 2011 and provided/issued an unrestricted audit certificate.

In the following we shall report on method and scope of the audit as well as the results. Regarding the audit certificate issued by us, we refer to Section 5 of this audit report.

The audit was prepared in accordance with the auditing standards of the Institut der Wirtschaftsprüfer (Institute of Public Accountants) regarding the principles of proper reporting for accounts (IDW PS 450).

According to § 321 section 4a German Commercial Code we confirm, that we have observed in our annual audit the applicable regulations with regard to independency.

The General Conditions of Contract for Auditors and Audit Firms, 1st January 2002 version, form the basis for this audit assignment and are supplemented as Annex 5. The maximum liability amount is determined according to No. 9 of the General Conditions of Contract. The validity of the Conditions of Contract was also agreed upon in relation to third parties.

2. Fundamental findings

2.1. Status of the company and assessment of the situation given by the legal representative

We consider the representation and assessment of the company's situation and its prospective development by the management in the statement of accounts to be appropriate and accurate.

3. Focus, Method and Scope of the Audit

The focus of our audit was the accounting and statement of accounts (balance sheet). The statement of accounts was drawn up in accordance with the accounting regulations of German Commercial Code (HGB).

The legal representatives bear the responsibility for adhering to the accounting regulations and for the information made available to the auditor. Our job is to assess these documents within the framework of a dutiful audit, taking into account the bookkeeping and the information submitted.

The audit was carried out during the period from 12th April 2012 until 14th May 2012.

The method and scope of our audit procedures, which are in compliance with §§ 316 et. sqq. German Commercial Code (HGB) and the German legal execution of accounts auditing of the German accountants institute (IDW), have been recorded in our working papers.

The audit is planned and implemented in such a way as to allow a judgment to be made with adequate certainty that the bookkeeping and the statement of accounts (balance sheet) are free of major inaccuracies and violations. We have therefore structured the audit with the objective of recognizing such inaccuracies and violations against the legal accounting regulations which result fundamentally in a description of the asset, finance and profit situation corresponding to the actual circumstances, and as defined by § 264, paragraph 2 of the German Commercial Code (HGB).

The development of an audit strategy is the basis of our risk and process-oriented auditing procedure. This is based on the assessment of the economic and legal environment of the company, its goals, strategies and business risks which we judge on the basis of critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process analysis which we implement on a rotational basis, especially upon organizational adjustments and procedural changes, with the goal of determining their effect on relevant line items in the financial statement, making it possible for us to assess the business risks as well as our audit risk. Upon selection of the analytical audit procedures (plausibility assessment) and individual auditing, we have taken into account the findings from the audit of the processes and of the accounting-related internal control systems with regard to the inventory supporting documentation, recognition, presentation and measurement in the statement of accounts/balance sheet. The main emphasis of our audit, method and scope of the auditing procedures as well as the time-related and personnel-related audit cycle has been specified in the company-individual audit program. In this case, we have observed the principles of conciseness and risk-orientation and, therefore, have met our audit verdict judgment based mainly on sample audits.

All clarifications and evidence requested by us have been furnished to us by the company. The management has provided written confirmation for the completeness of these declarations and evidence, as well as for the completeness of the bookkeeping/accounting and statement of accounts.

4. Findings and clarifications on the accounting

4.1. Findings on the accounting

4.1.1. Compliance of accounting

The bookkeeping/accounting and the other audited documents and the statement of accounts correspond to the legal rules and the supplementary regulations of the partnership agreement. The Lloyd Beteiligungs-GmbH is a small company according to § 267 Art. 3 German Commercial Code (HGB).

4.1.2. Bookkeeping and other audited documents

The bookkeeping is in accordance with regulations from the standpoint of material and form. The information taken from other audited documents gives a representation of the accounting and statement of accounts that is appropriate and in accordance with regulations.

The accounting of the company takes place using data processing.

According to our findings, the bookkeeping corresponds to legal guidelines.

4.1.3. Statement of accounts (Balance sheet)

Our audit proved that all regulations for valid accounting have been adhered to in the statement of accounts, including appropriate accounting and all amount-dependent regulations bound to legal form and appropriate to the standards of the partnership agreement.

The statement of accounts is appropriately derived from the previous year's statement of accounts, bookkeeping and other audited documents. The principles of recognition, presentation and measurement as well as the principles of consistency were followed. The appendix contains all required explanations of the balance and the profit and loss statement as well as other required information.

4.2. Overall statement of the balance sheet

The balance sheet for 31st March 2012 and bookkeeping procedures that are compliant with the appropriate regulations provide an appropriate representation of the asset, finance and profit situation corresponding to the actual circumstances.

All accounting and assessment methods used by the company are given in the appendix (Annex 3).

5. Reproduction of the auditor's opinion

This is an English translation of the German text, which is the sole authoritative version

Based on the result of our audit, we have provided the accompanying statement of accounts (Annex1-3) dated 31st March 2012 of Lloyd Beteiligungs-GmbH, Bremen, with the following unrestricted audit certificate:

* * *

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of the Lloyd Beteiligungs-GmbH for the period 1st April 2011 to 31st March 2012. The maintenance of the books and records and the preparation of the financial statements in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the financial statements in accordance with § 317 HGB [„Han-delsgesetzbuch": „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 financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. 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 financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Bremen, 14th May 2012

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

signed Grüneberg	signed Senge	(Seal)
German Public Auditor	German Public Auditor	

* * *

We sign and seal this audit report in accordance with § 321 Art. 5 HGB and § 48 Art. 1 sentence 1 WPO as follows:

Bremen, 14th May 2012

WSG Hanseatische Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft

Grüneberg	Senge
German Public Auditor	German Public Auditor

Balance Sheet as at 31st March 2012

Assets

	31st March 2012 €	31st March 2012 €	31st March 2011 t€
A. Current Assets			
I. Receivables and other assets			
1. Receivable from companies in which the company has a participating interest	2,287.19		2
2. Other assets	1,347.92		1
		3,635.11	
		35,424.07	35
II. Cash and equivalents		39,059.18	38

Liabilities

	31st March 2012 €	31st March 2012 €	31st March 2011 t€
A. Equity			
I. Subscribed capital	25,000.00		25
II. Unappropriated profits brought forward	13,119.80		12
III. Profit for the period	939.38		1
		39,059.18	
		39,059.18	38

Profit and loss account for the Period 1st April 2011 to 31st March 2012

	1st April 2011-31st March 2012 €	1st April 2010-31st March 2011 €
1. Other operating income	2,542.82	2,195.79
2. Other operating expenses	1,474.89	386.10
3. Ordinary operating results	1,067.93	1,809.69
4. Income taxes	128.55	286.38
5. Profit for the period	939.38	1,523.31

Explanatory notes for the financial statements as at 31st March 2012

General Information

Preliminary note to the report

The annual report was prepared according to § 264 Art. 1 German Commercial Code (HGB) in respect of accounting and valuation provisions of the German Commercial Code (HGB). As far as fiscal valuation provisions required different measurement from commercial valuation provisions, these were applied.

The Lloyd Beteiligungs-GmbH is a small company according to § 267 Art. 3 German Commercial Code (HGB).

For the income statement the outline of the total cost accounting according to § 275 Art. 2 German Commercial Code (HGB) was applied.

Accounting and valuation policies

Receivables and other assets are recorded at historical cost or face value.

Liabilities are basically recorded at amounts to be repaid.

Notes to balance sheet items

1. Receivables and other assets

All receivables and other assets have a remaining useful life of less than one year.

2. Equity

Subscribed capital amounts to EUR 25.000,00. The capital was completely paid-in at balance sheet date.

Other information

1. Shareholder

Kirsons B.V., Amsterdam, Netherlands, is the shareholder.

2. General partner

Lloyd Beteiligungs-GmbH is the unlimited liable general partner of the Lloyd Dynamowerke GmbH & Co. KG, Bremen.

3. Consolidated financial statement

The annual report of the company will be integrated in the consolidated financial statement of Kirloskar Electric Co. Ltd., Bangalore. The end of period will be the 31.3. The consolidated financial statement will be published as followed: Trade register Karnataka State, Registration- No. L85110KA1946PLC000415.

4. Managing director

Managing director for the Lloyd Beteiligungs-GmbH were in 2011/ 2012:

Dipl.-Ing. Berthold Groeneveld, Weyhe

Explanation of the positions on the review of the financial statements for the period 1st April 2011 to 31st March 2012

I. Balance sheet
Assets

A. Current Assets

I. Receivable and other assets

1. Receivable from companies in which the company has a participating interest

	€	2,287.19
31st March 2011	€	2,195.79

The accounts receivable are for Lloyd Dynamowerke GmbH & Co. KG, Bremen.

2. Other assets

	€	1,347.92
31st March 2011	€	910.20

	31st March 2012	31st March 2011
	€	€
Receivable tax office corporate income tax	1,347.92	910.20
	1,347.92	910.20

II. Cash and equivalents

	€	35,424.07
31st March 2010	€	35,013.81

	31st March 2012	31st March 2011
	€	€
Current account surplus	35,424.07	35,013.81

Liabilities

B. Equity

I. Subscribed capital

	€	25,000.00
31st March 2011	€	25,000.00

II. Unappropriated profits brought forward

	€	13,119.80
31st March 2011	€	11,596.49

III. Profit for the period

	€	939.38
31st March 2011	€	1,523.31

II. Income statement

		1st April 2011- 31st March 2012
		€
1. Other operating income General partner fees		2,542.82
2. Other operating expenses Legal and consulting fees		1,474.89
3. Ordinary operating results	+	1,067.93
4. Income taxes Corporate income tax	+	128.55
5. Profit for the period	+	939.38

If undelivered please return to:

KIRLOSKAR ELECTRIC COMPANY LTD.
P. B. NO. 5555, Malleswaram West, Bangalore - 560 055.