

**BOARD OF DIRECTORS**

Mr. Vijay Mohan, Chairman & Managing Director  
 Mr. L. Lakshman  
 Mr. Suresh Jagannathan  
 Mr. C.R. Swaminathan  
 Mr. D. Sarath Chandran  
 Mr. Shinji Shirasaki  
 Mr. Haruo Ishida, Alternate Director to Mr. Shinji Shirasaki  
 Mr. C.N. Srivatsan  
 Mr. V. Ramakrishnan  
 Mr. R. Vidhya Shankar  
 Dr. Kalyani Gandhi (From 27th January 2007)  
 Mr. M. Lakshminarayan (From 29th May 2007)  
 Mr. T.K. Balaji (Upto 31st October 2006)  
 Mr. E.K. Parthasarathy (Upto 31st October 2006)  
 Mrs. Vanitha Mohan, Executive Director

**COMPANY SECRETARY**

Mr. T.G. Thamizhanban

**AUDITORS**

M/s. Suri & Co.,  
 Chartered Accountants  
 Coimbatore

**BANKERS**

Andhra Bank	State Bank of India
ICICI Bank Limited	IDBI Bank Limited
IndusInd Bank Limited	Bank of Nova Scotia
HDFC Bank Limited	BNP Paribas
Hongkong and Shanghai Banking Corporation Ltd	Citibank N.A

**REGISTERED OFFICE**

702/7, Avanashi Road,  
 Coimbatore - 641 037, India.  
 Ph : 0422-4336000 Fax : 0422-4336299  
 E-mail : city@pricol.co.in

**FACTORIES**

**PLANT I**

132, Ooty Main Road,  
 Perianaickenpalayam,  
 Coimbatore - 641 020.

**PLANT II**

Plot No.34&35, Sector 4  
 IMT Manesar  
 Gurgaon - 122 050

**PLANT III**

4/558, Chinnamathampalayam,  
 Bilichi Village,  
 Press Colony Post,  
 Coimbatore - 641 019.

**PLANT IV**

2/439, Main Road,  
 Karamadai Post,  
 Coimbatore - 641 104.

**PLANT V**

Survey No.1065 & 1066,  
 Pirangut, Taluk Mulshi,  
 Pune - 412 108.

**PLANT VI**

Plot No.11, Sector 10  
 Integrated Industrial Estate  
 Pant Nagar,  
 Rudrapur - 263 153  
 Dist. U.S.Nagar (Uttarakhand)

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## DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Your Directors have pleasure in presenting the Thirty Fifth Annual Report and audited accounts for the financial year ended 31st March 2007.

### FINANCIAL RESULTS

The summarised financial results are :

	Rs. Million	
	2006 - 07	2005 - 06
Net Sales & Services - Domestic	4809.476	4217.013
- Export	1024.355	599.869
Total	<u>5833.831</u>	<u>4816.882</u>
Profit Before Interest and Depreciation	984.532	807.428
Less : Interest	180.481	121.868
Depreciation	295.924	256.600
<b>Profit Before Tax</b>	<u>508.127</u>	<u>428.960</u>
Less : Provision for		
Current Taxation	160.000	123.000
Fringe Benefit Tax	6.000	8.870
Deferred Tax (Asset)	(20.000)	(6.000)
<b>Profit After Tax</b>	<u>362.127</u>	<u>303.090</u>
Add : Extra-Ordinary Income (Net)	—	29.785
Balance brought forward	200.155	219.903
<b>Amount available for appropriation</b>	<u>562.282</u>	<u>552.778</u>

### DIVIDEND

Your Directors recommend a dividend of 100% on the paid-up equity share capital of the Company for the year ended 31st March, 2007.

### APPROPRIATION

	Rs. Million	
Dividend 100% (Previous year 100%)	90.000	90.000
Dividend tax 16.995% (Previous year 14.025%)	15.296	12.623
General Reserve	200.000	250.000
Surplus to be carried over	256.986	200.155
Total	<u>562.282</u>	<u>552.778</u>

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

### INDUSTRY STRUCTURE AND DEVELOPMENTS

During fiscal 2006-07, the Automotive Industry grew slightly better when compared to the previous year. The Growth as per Society of Indian Automobile Manufacturers (SIAM) is

Category	Vehicles Sold In numbers		Growth %	
	2005-06	2006-07	2006-07	2005-06
Passenger Car	1,052,198	1,269,153	20.62	7.28
Utility Vehicle	198,991	224,602	12.87	10.06
Multi Purpose Vehicle	67,459	84,421	25.14	1.81
Medium & Heavy Commercial Vehicle	221,550	294,438	32.90	4.51
Light Commercial Vehicle	170,091	223,210	31.23	24.44
Scooters / Scooterettee	992,985	976,358	(1.67)	0.91
Motor cycles	6,196,653	7,106,892	14.69	18.31
Mopeds	375,922	393,436	4.66	7.05
Three Wheelers	436,801	547,805	25.41	16.66
<b>Total</b>	<b>9,712,650</b>	<b>11,120,315</b>	<b>14.49</b>	<b>13.95</b>

### OPERATIONS

In fiscal 2006-07, the company's domestic turnover, in line with the general performance of the automobile industry, grew from Rs.4,217 million to Rs.4,809 million recording a growth of 14% over the previous year. The export turnover has increased tremendously from Rs.600 million to Rs.1,024 million registering a growth of 71%. The trend in the export of automobile products are encouraging and the company will continue to pursue its efforts to increase its export turnover during the current period.

During 2006-07, the profit before interest and depreciation has increased by 22%. The financial cost has increased due to hardening of interest rates and higher borrowings to meet increased Capex for new projects. Hence Profit After Tax before considering extra ordinary income has gone up by 19% only.

### GREEN FIELD PROJECTS

As informed in previous year's report, the company has set up a Plant in Pantnagar, Uttarakhand State. Commercial operations has commenced from April 2007, to meet the requirements of Bajaj Auto. The company is in the process of setting up another Plant in Pantnagar, to cater the needs of other OEM customers. It is expected to commence commercial operations from August 2007.

During the year, the company had opened representative Offices in USA and Germany and is also in the process of opening an office in Italy, to cater the needs of USA and Europe market.

At the moment, we are exporting nearly USD One Million worth of fully finished Instrument Clusters and Speed Sensors every month to Iran. The duty for import into Iran is 25% for fully finished products. To grow the business, it would be better to set up an Assembly Unit in Iran with the major critical components to be supplied by us from India. As the import duty for components is only 10%, our products for the Iran Unit will be more competitive. Therefore during 2007-08, your company has decided to set up a Joint Venture Company in Iran with Nava Khodro Plastic Company, our present Marketing Partner. Pricol and Nava Khodro will hold 50% each in the share capital of the new Joint Venture Company. The commercial production is expected to commence in the quarter Jan-Mar'08.

### SUBSIDIARY COMPANIES

PT PRICOL SURYA, a wholly owned subsidiary at Indonesia, which was established for manufacturing two wheeler products to cater the requirements of OEM's in ASEAN, commenced commercial production in April 2007.

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

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In 2006-07, English Tools and Castings Limited had become wholly owned subsidiary of the company subsequent to the purchase of remaining 30% shares from its promoters. English Tools and Castings Limited had applied to the Honourable High Court, Chennai for restructuring its share capital by way of reduction of capital, from Rs.276.989 million to Rs.79.337 million to reflect the true value of its assets. The operations have been turned around from a turnover of Rs.169.790 million and loss of Rs.5.424 million for the year ended March 2006, to a turnover of Rs.231.486 million and profit of Rs.5.613 million for the year ended March 2007.

### OUTLOOK

The growth in automotive industry was quite robust, considering continued economic growth, good monsoon and continued need for transport. The entry of global OEMs, making India as their manufacturing base, has given a big boost to the industry. Rising exports of Indian-made vehicles has also emerged as a key component of growth. The growth expected in the automobile industry will give a fillip to the auto component sector. The Indian auto component industry is poised for good growth.

### OPPORTUNITIES, CHALLENGES, RISKS & CONCERNS

Larger opportunities for exports will be the thrust area of the Industry. The continued outsourcing of automotive components from vehicle manufacturers in USA and Europe to low cost manufacturing countries like India gives abundant opportunities for cost competitive companies like us.

Relaxations provided by the Government to the automobile industry such as reduction of duty on raw materials, the setting up of National Automotive Testing and R & D Infrastructure Project (NATRIP) and finalization of Automotive Mission Plan (AMP) would provide a boost to the sector in an enormous way.

The major challenge that the auto industry is presently facing is with respect to its capabilities to innovate and upgrade in order to remain competitive in the international market. Further, the industry has to develop a supply base with emphasis on lower costs and economies of scale, develop technical and human capabilities, overcome infra-structural bottlenecks, stimulate domestic demand and exploit export and international business opportunities.

The Company is exposed to a variety of risks caused by steep rise in interest rate, price increase in input materials, currency fluctuations, change in models and design, low volumes, pricing pressure, stiff competition etc. In order to reduce the risk, the Company has diversified into manufacture of a wide range of products for the entire spectrum of auto industry. The fluctuations in exchange rates and the impact of increased interest rate will have an adverse effect on the profitability of the Company. The Company will attempt to soften the impact of risks through continuous monitoring, timely action and control measures.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has proper and adequate systems of internal control to ensure proper financial & operating functions, safeguarding of assets and compliance with applicable Acts and Rules. The company periodically reviews the adequacy and effectiveness of the control systems. At Audit Committee Meetings, the members review the financial, operating & compliance reports and suggest for improvements. The heads of various monitoring / operating cells are invited for the Audit Committee meetings to explain in detail, about their operations.

### RISK MANAGEMENT

Risk Management is an integral part of the business process. Your company engaged a consultant firm to map the risks at the business processes and enterprise levels and evolve a risk management framework. The process for formulating a defined risk management framework encompassing, inter alia, methodology for assessing / identifying risks on an ongoing basis, risk prioritization, risk mitigation and comprehensive reporting system is under formulation. The Board has authorized the audit committee to review the risk management process from time to time.

### FINANCE

Your Company continues to hold high rating of FAA from CRISIL for fixed deposits. The total deposits from public outstanding as on 31st March, 2007 amounted to Rs.10.710 million, which includes 31 deposits amounting to Rs.0.709

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

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million matured but had not been claimed by the depositors as on that date. Out of these, 8 Deposits amounting to Rs.0.230 million have since been repaid. Reminders have been sent to unclaimed deposit holders for suitable instructions.

The Company undertook several steps to restructure its borrowings to keep a control over the cost of borrowings. Your Company continues to hold highest rating of A1+ for Commercial Paper from ICRA.

### DIRECTORS

Mr. Shinji Shirasaki, Mr. V. Ramakrishnan and Mr. R. Vidhya Shankar, Directors retire by rotation at the ensuing 35th Annual General Meeting and are eligible for reappointment.

Mrs. Vanitha Mohan has been re-appointed as Executive Director with remuneration for a period of 5 years with effect from 1st April 2007, subject to the shareholder's approval at the forthcoming 35th Annual General Meeting.

Dr. Kalyani Gandhi has joined the Board of Directors on 27th January 2007 as an additional director under section 260 of the Companies Act, 1956. She vacates office on the date of the forthcoming 35th Annual General Meeting and is eligible for appointment.

Mr. M. Lakshminarayan has joined the Board of Directors on 29th May 2007 as an additional director under section 260 of the Companies Act, 1956. He vacates office on the date of the forthcoming 35th Annual General Meeting and is eligible for appointment.

Mr. E.K. Parthasarathy has retired in line with the retirement policy for the directors of the company. Mr.E.K.Parthasarathy has been a Director of the company since 1982. The Board of Directors place on record their warm appreciation of the valuable contribution made by Mr. E.K. Parathasarathy during his association with the company.

Mr. T.K. Balaji has resigned his directorship due to other commitments. The Board of Directors place on record their warm appreciation of the valuable contribution made by Mr.T.K.Balaji during his association with the company.

### DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Eventhough the company maintained healthy and cordial relationship at all levels for more than two decades, we regret to inform that majority of operators of Coimbatore plants went on an illegal strike with effect from March 3rd, 2007 and production was affected to some extent. The strike continued in April and May 2007. The management is taking adequate steps to resolve the issue at the earliest.

### CORPORATE SOCIAL OBJECTIVES

The Company and its employees have taken it up as an objective to involve themselves in Corporate Social Responsibility activities such as water management, afforestation, waste water recycling, solid waste management, literacy and health. During the year, an Eco-Friendly Gasifier Crematorium was constructed at Perianaickenpalayam, Coimbatore in association with the local body.

The company continues to contribute financially to the social causes of health, education and environment.

### CONSERVATION OF ENERGY

Though your company is not a power intensive industry, the company continues its efforts to conserve and optimize energy by adopting various methods for energy saving and conservation.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were Rs.1,037.008 million (Rs.603.084 million in 2005-06). In 2006-07, the revenue expenditure in foreign currency was Rs.1,342.219 million (Rs.985.847 million in 2005-06) and the capital expenditure was Rs.146.839 million (Rs.50.251 million in 2005-06).

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

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### STATUTORY STATEMENTS

As required by section 212 of the Companies Act, 1956, a statement showing the Company's interest in the subsidiaries along with audited accounts is enclosed to the Balance Sheet of the Company.

The statement showing the particulars of technology absorption pursuant to section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the annexure forming part of this report.

As required by the provisions of section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the annexure forming part of this report.

### DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- a) that the applicable accounting standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
- b) that the Company has adopted prudent accounting policies.
- c) that proper care has been taken for maintenance of accounting records in accordance with the provisions of the Act and
- d) that the Annual Accounts of the Company have been prepared on a going concern basis.

### AUDITORS

The Auditors of the Company, M/s. Suri & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

### CORPORATE GOVERNANCE

Your company reaffirms its commitment to the good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of the same are made a part of this Annual Report.

### CAUTIONARY STATEMENT

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward-looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

### ACKNOWLEDGEMENTS

The Board wish to place on record their appreciation to Denso Corporation, Japan, Customers, Distributors, Dealers, Suppliers, Shareholders, Bankers and Other Collaborators for their continued support and co-operation during the year under review. The Directors also wish to place on record their appreciation to the management team and the work force for their co-operation and commitment.

Coimbatore  
29th May 2007

For and on behalf of the Board  
**Vijay Mohan**  
Chairman & Managing Director

## ANNEXURES TO DIRECTORS' REPORT

Statement pursuant to section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### TECHNOLOGY ABSORPTION

#### I. Research and Development (R & D)

##### (i) Specific areas of R & D

The Company has an R & D centre, which is approved by the Department of Science and Technology, Government of India. Our R & D is focussed mainly in :

- Designing and development of new products
- Search for new technology
- Value Engineering
- Improvement in existing products
- Build new technology process and products
- Build domain expertise.

##### (ii) Benefits derived from R & D

- Customer satisfaction
- Quality Improvement
- New products
- Cost reduction

##### (iii) Future plan of action

- Anticipate customer's requirements
- Design & Develop new products and accessories accordingly

Expenditure on R & D :	(Rs. Million)
Capital	38.452
Recurring	169.115
	207.567
R & D expenditure as a percentage of sales	3.56%

#### II. Technology Absorption, Adaptation and Innovation

##### Imported Technology

The technology imported during the year 2002-03 from (a) M/s. DENSO Corporation, Japan, for manufacture of instrument cluster using Stepper Motor, (b) M/s. NHK Spring Co. Ltd., Japan for manufacture of Chain Tensioner and (c) M/s. Directed Electronics Inc, USA for the manufacture of Vehicle Remote Entry and Security System have been fully absorbed. The technology imported during the year 2006-07 from M/s. Magneti Marelli Sistemi Elettronici S.P.A., Italy for manufacture of Instrument Cluster for Renault-Mahindra's Logan Model Car, has been fully absorbed. Supplies have commenced from April '07.

Particulars of Employees pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the year ended 31st March, 2007.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment
		Gross (Rs. Million)	Net (Rs. Million)			
Vijay Mohan (59)	Chairman & Managing Director General Management of affairs of the Company	10.560	7.144	Bachelor of Engineering & Master of Management Science (34)	03.04.1973	—

NOTE : 1. Mr. Vijay Mohan is related to Mr. D. Sarath Chandran, Director and Mrs. Vanitha Mohan, Executive Director. Mr. Vijay Mohan owns more than 2% of the equity shares of the Company as on 31st March 2007.

2. The Chairman & Managing Director is appointed for a period of five years at a time.

3. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites and the Company's contribution to provident fund, gratuity and superannuation fund.

4. Net remuneration is exclusive of contributions to provident fund, gratuity fund, superannuation fund and tax deducted.

## TEN YEARS PERFORMANCE AT A GLANCE

Rupees Million

### OPERATING RESULTS

Year ended 31st March	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net Sales & Service Charges										
— Domestic	1,198.26	1,223.27	1,791.05	2,258.87	2,273.91	2,635.61	3,295.05	3,891.32	4,217.01	4,809.48
— Export	167.64	188.98	221.96	274.94	187.22	348.38	409.24	598.36	599.87	1,024.35
Total Net Sales	1,365.90	1,412.25	2,013.01	2,533.81	2,461.13	2,983.99	3,704.29	4,489.68	4,816.88	5,833.83
Gross Surplus from Operation	286.72	256.29	400.19	466.23	430.00	542.71	785.61	890.31	778.13	956.09
Other Income	11.96	19.03	12.71	32.02	6.74	8.24	11.91	19.45	29.30	28.44
Depreciation (a)	84.16	103.61	128.42	151.83	171.97	188.83	205.47	218.90	256.60	295.92
Interest & Finance Charges (b)	55.34	72.24	96.81	120.71	134.77	105.13	80.02	68.33	121.87	180.48
Profit Before Tax (PBT) (c)	159.18	99.47	187.67	225.71	130.00	256.99	512.03	622.53	428.96	508.13
Tax Provision incl.										
Deferred Tax	48.00	35.02	50.00	63.00	39.50	105.00	176.00	210.00	125.87	146.00
Profit After Tax (PAT) (d)	111.18	64.45	137.67	162.71	90.50	151.99	336.03	412.53	303.09	362.13
Dividend (including Tax) (e)	23.06	19.98	26.64	26.45	21.00	40.61	60.92	102.62	102.62	105.30
Retained Profit	88.12	44.47	111.03	136.26	69.50	111.38	275.11	309.91	200.47	256.83
As at 31st March	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007

### SOURCES OF FUNDS

Share Capital	60.00	60.00	60.00	60.00	60.00	60.00	60.00	90.00	90.00	90.00
Reserves & Surplus	646.37	690.83	801.87	938.13	924.94	899.20	918.96	1,163.81	1,394.06	1,650.89
Networth (f)	706.37	750.83	861.87	998.13	984.94	959.20	978.96	1,253.81	1,484.06	1,740.89
Deferred Tax Liability	—	—	—	—	87.19	110.19	103.19	93.19	87.19	67.19
Borrowed Funds (g)	478.91	670.52	822.66	1,156.93	1,128.70	1,194.32	1,152.34	1,558.71	2,334.16	3,159.39
Total capital employed (h)	1,185.28	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,967.47

### APPLICATION OF FUNDS

Gross Fixed Assets	992.50	1,273.51	1,512.73	1,747.17	1,977.80	2,250.45	2,538.82	3,130.38	3,505.33	4,186.60
Depreciation	343.32	446.88	568.35	688.79	860.11	1,044.06	1,241.42	1,326.63	1,502.76	1,794.99
Net Fixed Assets	649.18	826.63	944.38	1,058.38	1,117.69	1,206.39	1,297.40	1,803.75	2,002.57	2,391.61
Investments	76.10	76.10	126.10	125.50	126.69	80.15	76.50	49.83	277.74	243.74
Net Current Assets	460.00	518.62	614.05	971.18	956.45	977.17	860.59	1,052.13	1,625.10	2,332.12
Net Assets Employed	1,185.28	1,421.35	1,684.53	2,155.06	2,200.83	2,263.71	2,234.49	2,905.71	3,905.41	4,967.47

### PERFORMANCE INDICATORS

Equity shares (Nos. in Mn) (i)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	@90.00	90.00	90.00
Earnings per share (EPS) (Rs.) (d/i)	18.53	10.74	22.95	27.12	15.08	25.33	56.01	#4.58	3.37	4.02
Dividend per share (Rs.)	3.50	3.00	4.00	4.00	3.50	6.00	9.00	1.00	1.00	1.00
Networth per share (NWPS) (Rs.) (f/i)	117.73	125.14	143.65	166.35	164.16	159.87	163.16	#13.93	16.49	19.34
Return on Average Networth (RONW) (%) *	18.35	8.85	17.07	17.50	9.13	15.64	34.68	36.95	22.14	22.46
Return on Average Capital Employed (ROCE) (%) **	20.19	13.18	18.32	18.04	12.16	16.22	26.32	26.88	16.17	15.52
Total Debt to Networth (g/f)	0.68	0.89	0.95	1.16	1.15	1.25	1.18	1.24	1.57	1.81
Interest Coverage Ratio (a+b+c)/b	5.40	3.81	4.27	4.13	3.24	5.24	9.97	13.32	6.63	5.46

@ Increase in the Equity shares is on account of Bonus issue in the ratio 1:2 and splitting of the equity shares from the face value of Rs.10/- per share to Re.1/- per share on 15th July 2004.

# Earnings per Share and Networth Per Share have been calculated on the enhanced Equity Capital on account of the Bonus Issue and enhanced number of Equity Shares due to Stock Split.

\* RONW =  $\frac{PAT}{\{(Previous\ Year\ Networth + Current\ Year\ Networth) / 2\}} \times 100$

\*\* ROCE =  $\frac{(PBT + Interest)}{\{(Previous\ Year\ Capital\ Employed + Current\ Year\ Capital\ Employed) / 2\}} \times 100$



## REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Pricol Limited, Coimbatore, as at 31<sup>st</sup> March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies' (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

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

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of

Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- 6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2007;
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Suri & Co  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No. 28328

Coimbatore  
29th May 2007

### Annexure to Auditor's Report

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
- c) There is no disposal of substantial part of Fixed Assets during the year.
- 2) a) The inventories have been physically verified by the management during the year at reasonable intervals, except materials lying with third parties where confirmations have been obtained.
- b) The procedures of physical verification of the inventories followed by the management are

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS (Contd..)

reasonable and adequate in relation to the size of the company and nature of its business.

- c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- 3) a) During the year the company has not granted loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- b) The terms and conditions in respect of loans already given by the company, secured or unsecured, are in our opinion, prima facie not prejudicial to the interest of the company.
- c) In respect of such loans given by the company, the company has provided for overdue advances.
- d) During the year the company has not taken loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4) There are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. There is no major weakness in the internal control system.
- 5) a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions

made in pursuance of such contracts or arrangements exceeding rupees five lakh each have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

- 6) During the year the company has not accepted deposits from public. The company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 or any other relevant provisions of the Act.
- 7) The Company has an adequate Internal Audit system commensurate with its size and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed records have been maintained.
- 9) a) According to the information and explanations given to us and the records examined by us, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.
- b) There are disputed statutory dues. The details are as under:-

Sl. No.	Name of the Statute	Period to which the amount relates	Nature of the Dues	Amount disputed Rs. Million	Amount paid Rs. Million	Forum where dispute is pending
1.	Central Excise Act	1990-2006	i) Excise Duty	9.688	Nil	Commissioner of Appeals Tribunal Supreme Court
			ii) Excise Duty	0.189	Nil	
			iii) Excise Duty	23.131	Nil	
2.	Sales Tax Act	1995-1997	i) Sales Tax	13.325	Nil	Interim stay granted by High Court
			ii) Penalty	19.988	Nil	
3.	Income Tax Act	1993-2003	i) Income Tax	21.804	21.804	Tribunal High Court
			ii) Income Tax	0.096	0.096	

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS (Contd..)

- |   |   |
|---|---|
| <p>10) There are no accumulated losses of the Company as at 31<sup>st</sup> March 2007. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.</p> <p>11) The Company has not defaulted in repayment of its dues to financial institution, banks and debenture holders.</p> <p>12) During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.</p> <p>13) The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.</p> <p>14) The Company is not dealing or trading in shares, securities, debentures or other investments.</p> <p>15) According to the information and explanations given to us, the Company has given guarantee during the year for loans taken by others from banks and the terms and conditions are not prejudicial to the interest of the company.</p> <p>16) The Company has applied term loan for the purposes for which they were obtained.</p> | <p>17) According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.</p> <p>18) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>19) During the year, the Company has not issued Debentures.</p> <p>20) During the year, the Company has not raised money by Public issue.</p> <p>21) According to the information and explanations given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.</p> |
|---|---|

For Suri & Co  
Chartered Accountants  
**C.S.Sathyarayanan**  
Partner  
Membership No.28328

Coimbatore  
29th May 2007

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Accounting Convention

The financial statements have been prepared under the Historical Cost Convention on the basis of a going concern and in accordance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, wherever applicable.

### 2. Fixed Assets & Depreciation

- a) Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation, accumulated amortization and cumulative impairment. Cost includes pre-operative expenses and all expenses related to acquisition and installation of the assets concerned.
- b) Own manufactured assets are capitalized at cost including an appropriate share of overheads.
- c) (i) Depreciation has been provided under the Straight Line Method as per Schedule XIV of the Companies Act, 1956 except for Dies, Tools and Moulds which are depreciated at 33.33%.
- (ii) Intangible Assets are amortised as follows:-

i) Specialized software Over a period of 4 years.

ii) Fees for technical know-how Over a period of 4 years.

d. As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine

i) the provision for impairment loss, if any, required or

ii) the reversal, if any, required of impairment loss recognised in previous periods.

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

### 3. Investments

- a) Long Term Investments are stated at cost.
- b) Current Investments are carried at lower of cost and fair value as on the Balance Sheet date.
- c) Provisions for diminution in value of long-term

## SIGNIFICANT ACCOUNTING POLICIES

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investments is made, if the diminution is other than temporary.

### 4. Valuation of Inventories

- a) Inventories are valued at lower of cost and estimated net realizable value. Cost is arrived at on weighted average basis.
- b) Excise Duty is added in the Closing Inventory of Finished Goods.
- c) The basis of determining cost for various categories of inventories are as follows:
  - i) Raw Materials, Packing Materials and Stores and spares      Weighted Average basis.
  - ii) Finished Goods and Work-In-Progress      Cost of Direct Material, labour and other Manufacturing overheads.

### 5. Revenue Recognition

- a) The company generally follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.
- b) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch of goods.
- c) Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

### 6. Foreign Currency Transactions

- a) Foreign Currency Transactions are recorded at exchange rates prevailing on the date of such transaction.
- b) Foreign currency assets and liabilities at the year end are realigned at the exchange rate prevailing at the year end and the difference on realignment is recognised in the Profit and Loss Account / fixed assets as the case may be.
- c) Premium / Discount in respect of Forward Contract is amortised as expense / income over the period of contract. Exchange difference arising on forward contracts between the exchange rate on the date of the transaction and the exchange rate prevailing at the year end is recognised in the Profit and Loss Account.

### 7. Research and Development

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

### 8. Employee Benefits

- a) Contribution to Provident Fund is charged to Profit and Loss Account.
- b) Liability for Leave Encashment is provided on accrual basis as per the terms of Employment.
- c) Liability for Gratuity (other than superannuated staffs) / Superannuation and Service Weightage scheme is provided on the basis of actuarial valuation under schemes with LIC of India and other Private Insurance Companies.

### 9. Borrowing Costs

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All the other borrowing costs are charged to revenue.

A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

### 10. Taxes on Income

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

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

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

### 11. Accounting Standards

Accounting Standards prescribed by the Institute of Chartered Accountants of India have been followed wherever applicable.

## STATEMENT IN PURSUANCE OF SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the Subsidiary Company	Integral Investments Limited	English Tools and Castings Limited	PT Pricol Surya, Indonesia
2. Financial year of the Subsidiary ended on	31st March 2007	31st March 2007	31st March 2007
3. Holding Company's interest in the Subsidiary	2,250,000 equity shares of Rs.10/- each (100%)	27,698,921 equity shares of Rs.10/- each (100%) (30% acquired during the year)	1,500 equity shares of USD 1,000 each (100%)
4. Net aggregate amount of the Profit / (Loss) of the Subsidiary not dealt within the Holding Company's Accounts			
a) For the current financial year of the Subsidiary Company	(Rs.0.022 million)	Rs.5.613 million	Indonesian Rupiah (4.253.781.633)
b) For the previous financial years of the Subsidiary Company	(Rs.5.373 million)	(Rs.202.434 million)	Indonesian Rupiah (5.728.299)
5. Net aggregate amount of the Profit / (Loss) of the Subsidiary dealt within the Holding Company's Accounts			
a) For the current financial year of the Subsidiary Company	Nil	Nil	Nil
b) For the previous financial years of the Subsidiary Company	Rs.1.294 million	Nil	Nil

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328  
Coimbatore, 29th May, 2007

**Vijay Mohan**  
Chairman & Managing Director

**Vanitha Mohan**  
Executive Director

For and on behalf of the Board

**P. Ravi**  
General Manager  
Finance & Secretarial

**D. Sarath Chandran**  
Director

**T.G. Thamizhanban**  
Company Secretary

## SCHEDULES FORMING PART OF THE ACCOUNTS

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule I - SHARE CAPITAL</b>		
<b>Authorised</b>		
100,000,000 Equity Shares of Re.1/- each	100.000	100.000
<b>Issued, Subscribed and Paid-up</b>		
90,000,000 Equity Shares of Re.1/- each (Of the above 37,500,000 Equity Shares of Re.1/- each have been issued as fully paid-up Bonus Shares by capitalisation of Reserves).	90.000	90.000
<b>Schedule II - RESERVES &amp; SURPLUS</b>		
<b>Share Premium Account</b>	181.000	181.000
<b>General Reserve</b>		
As per last Balance Sheet	1,012.909	762.909
Add : Transfer from Profit & Loss Account	200.000	250.000
	1,212.909	1,012.909
<b>Surplus</b>		
Balance in Profit & Loss Account	256.986	200.155
	1,650.895	1,394.064
<b>Schedule III - SECURED LOANS</b>		
<b>From Banks :</b>		
<b>a. Term Loans :</b>		
Rupee Term Loans	312.247	416.178
Foreign Currency Term Loans	1,035.235	648.367
<b>b. Working Capital Borrowings :</b>		
Rupee Cash Credit Facilities	95.423	150.452
Foreign Currency Credit Facilities	478.954	591.854
	1,921.859	1,806.851
<b>Schedule IV - UNSECURED LOANS</b>		
Fixed Deposits	10.001	57.107
Loan from Banks	1,227.529	470.200
	1,237.530	527.307
<b>Schedule V - DEFERRED TAX LIABILITY</b>		
As per last Balance Sheet	87.190	93.190
For the Current Year	(20.000)	(6.000)
	67.190	87.190

## SCHEDULES (Contd.,)

### Schedule VI - FIXED ASSETS

(Rs. Million)

	Gross Block				Upto 31-3-2006	Depreciation			Net Block	
	Cost as on 1-4-2006	Additions during 2006-07	Sales/Trans- fer during 2006-07	Balance as on 31-3-2007		For 2006-07	Withdrawn during 2006-07	Total upto 31-3-2007	Written down as on 31-3-2007	Value as on 31-3-2006
<b>Tangible Assets</b>										
Land	90.955	138.149	20.896	208.208	—	—	—	—	208.208	90.955
Buildings	824.032	57.246	—	881.278	106.899	27.801	—	134.700	746.578	717.133
Plant & Machinery	2,286.321	302.732	2.318	2,586.735	1,244.265	245.648	0.160	1,489.753	1,096.982	1,042.056
Furniture, Fittings & Equipments	42.039	0.642	—	42.681	16.103	2.192	—	18.295	24.386	25.936
Vehicles	63.853	13.101	11.666	65.288	17.462	5.930	3.528	19.864	45.424	46.391
<b>Total Tangible Assets</b>	<b>3,307.200</b>	<b>511.870</b>	<b>34.880</b>	<b>3,784.190</b>	<b>1,384.729</b>	<b>281.571</b>	<b>3.688</b>	<b>1,662.612</b>	<b>2,121.578</b>	<b>1,922.471</b>
<b>Intangible Assets</b>										
Computer Software	38.190	6.390	—	44.580	18.141	7.913	—	26.054	18.526	20.049
Technical Knowhow	111.881	3.332	—	115.213	99.885	6.440	—	106.325	8.888	11.996
<b>Total Intangible Assets</b>	<b>150.071</b>	<b>9.722</b>	<b>—</b>	<b>159.793</b>	<b>118.026</b>	<b>14.353</b>	<b>—</b>	<b>132.379</b>	<b>27.414</b>	<b>32.045</b>
<b>Sub-Total</b>	<b>3,457.271</b>	<b>521.592</b>	<b>34.880</b>	<b>3,943.983</b>	<b>1,502.755</b>	<b>295.924</b>	<b>3.688</b>	<b>1,794.991</b>	<b>2,148.992</b>	<b>1,954.516</b>
Capital Work-in-progress	48.059	242.621	48.059	242.621				—	242.621	48.059
<b>Total Assets</b>				<b>4,186.604</b>				<b>1,794.991</b>	<b>2,391.613</b>	<b>2,002.575</b>

Schedule VII - INVESTMENTS	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>A. LONG TERM INVESTMENTS (at Cost)</b>		
<b>1. Non-Trade - Quoted :</b>		
a) 550,000 Units of Rs.10/- each in Canfortune 94 (Previous year - 550,000 units of GIC Fortune 94)	5.335	5.335
<b>2. Shares in Subsidiary Company - Non Trade - Unquoted :</b>		
2,250,000 Equity Shares of Rs.10/- each fully paid-up in Integral Investments Limited	22.500	22.500
<b>3. Shares in Subsidiary Company - Trade - Unquoted :</b>		
a) 27,698,921 Equity Shares of Rs.10/- each fully paid-up in English Tools and Castings Limited (Previous year 19,389,245 Equity Shares)	92.500	57.500
b) 1,500 Equity Shares of USD 1,000 each fully paid-up in PT PRICOL SURYA, Indonesia. (Previous year 1,500 Equity Shares)	67.907	67.907
	<b>188.242</b>	<b>153.242</b>
<b>B. CURRENT INVESTMENT (at lower of Cost and Fair Value)</b>		
4,942,780 Units of Reliance Liquidity Fund - Growth Option (Previous year 11,932,312 units)	55.500	124.500
	<b>55.500</b>	<b>124.500</b>
<b>Total Investments (A+B)</b>	<b>243.742</b>	<b>277.742</b>
Aggregate Cost of Quoted Investments (long term)	5.335	5.335
Aggregate Cost of Un-Quoted Investments (long term)	182.907	147.907
Market Value of Quoted Investments (long term)	16.924	17.336

## SCHEDULES (Contd.,)

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule VIII - CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>a. Inventories</b> (At lower of cost and net realisable value) (As certified by Chairman & Managing Director)		
Stock of Stores & Spares	47.903	41.545
Raw Materials & Components	688.546	556.821
Materials in Transit	0.834	19.209
Work-in-Progress	98.498	77.200
Finished Goods	77.905	84.757
	<u>913.686</u>	<u>779.532</u>
<b>b. Sundry Debtors :</b>		
Unsecured Considered Good		
a) Outstanding for a period exceeding six months	115.671	118.159
b) Others	1,101.464	1,066.963
	<u>1,217.135</u>	<u>1,185.122</u>
Unsecured Considered Doubtful		
	31.567	25.013
Less : Provision for Doubtful Debts	31.567	25.013
	<u>—</u>	<u>—</u>
	<u>1,217.135</u>	<u>1,185.122</u>
<b>c. Cash &amp; Bank Balances :</b>		
Cash on hand	0.249	0.328
Balances with Scheduled Banks		
In Current Account	34.556	10.833
In Unclaimed Dividend Account	4.097	3.305
In Fixed Deposit Account	270.082	211.628
	<u>308.984</u>	<u>226.094</u>
<b>d. Loans and Advances :</b>		
Advances Recoverable in cash or in kind or for value to be received and considered Good		
Unsecured	502.253	270.829
(Due from subsidiary company Rs.132.665 mn) (Previous year Rs.16.028 mn)		
Less : Provision for Doubtful Advances	3.607	3.607
	<u>498.646</u>	<u>267.222</u>
Deposits	28.928	27.774
Prepaid expenses	9.312	7.999
Tax payments pending adjustment	543.540	563.304
	<u>1,080.426</u>	<u>866.299</u>
	<u>3,520.231</u>	<u>3,057.047</u>



## SCHEDULES (Contd.,)

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule IX - CURRENT LIABILITIES AND PROVISIONS</b>		
<b>a. Liabilities :</b>		
Sundry Creditors (Due to Small Scale Industrial Undertakings & Micro, Small and Medium Enterprises is Nil) (Due to Subsidiary companies Rs.15.167 mn) (Previous year Rs.15.605 mn)	512.511	745.101
Interest accrued but not due on loans	11.578	10.976
Due to Chairman & Managing Director	8.889	7.640
<b>Investor Education and Protection Fund - not due :</b>		
Unclaimed Dividend	4.097	3.305
Unclaimed Deposits including interest	0.952	1.192
	<u>5.049</u>	<u>4.497</u>
	<b>538.027</b>	<b>768.214</b>
<b>b. Provisions :</b>		
For Current Taxation	529.919	552.245
For Fringe Benefit Tax	14.870	8.870
For Dividend	90.000	90.000
For Tax on Dividend	15.296	12.623
	<u>650.085</u>	<u>663.738</u>
	<b>1,188.112</b>	<b>1,431.952</b>

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule X - INCOME</b>		
<b>Sales &amp; Service Charges</b>		
<b>Domestic Sales &amp; Service Charges</b>		
Sale of Finished Products (Incl. of excise duty and sales tax)	5,884.744	5,117.922
Service Charges	29.507	34.548
Sale of Windmill Power	9.182	7.989
	<u>5,923.433</u>	<u>5,160.459</u>
Less : Excise Duty	810.821	694.878
Sales Tax	287.881	231.851
Discount & Commission on Sales	15.255	16.717
	<u>4,809.476</u>	<u>4,217.013</u>
<b>Export Sales</b>		
Sale of Finished Products	1,030.183	606.333
Less : Commission on Export Sales	5.828	6.464
	<u>1,024.355</u>	<u>599.869</u>
	<b>5,833.831</b>	<b>4,816.882</b>

## SCHEDULES (Contd.,)

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule XI - Increase / (Decrease) in Stock of Finished Goods</b>		
Stock at Closing	77.905	84.757
Less : Stock at Opening	<u>84.757</u>	<u>111.157</u>
	<u>(6.852)</u>	<u>(26.400)</u>
<b>Schedule XII - EXPENDITURE</b>		
<b>RAW MATERIALS &amp; COMPONENTS CONSUMED</b>		
<b>Opening Stock</b>		
a) Raw Materials & Components	576.030	527.308
b) Work-in-Progress	<u>77.200</u>	<u>92.283</u>
	653.230	619.591
Add : Purchases	<u>3,637.478</u>	<u>2820.065</u>
	4,290.708	3,439.656
<b>Less : Closing Stock</b>		
a) Raw Materials & Components	689.380	576.030
b) Work-in-Progress	<u>98.498</u>	<u>77.200</u>
	787.878	653.230
	3,502.830	2,786.426
Less : Sale of Raw Materials & Scrap	<u>123.385</u>	<u>93.513</u>
Add : Direct Expenses	<u>69.066</u>	<u>62.436</u>
Total Raw Materials & Components Consumed	<u>3,448.511</u>	<u>2,755.349</u>
Includes materials consumed for In-house Manufacture of Machines & Toolings of Rs.74.724 million for 2006-07 (Rs.71.259 million for 2005-06)		
<b>EMPLOYEE'S COST</b>		
a) Pay, Allowances, Performance Reward & Bonus	765.550	685.067
b) Company's Contribution to Provident, Superannuation and Gratuity Funds	<u>40.097</u>	<u>45.832</u>
c) Welfare Expenses	<u>64.612</u>	<u>55.099</u>
	870.259	785.998
<b>REPAIRS AND MAINTENANCE</b>		
Machinery	71.188	72.101
Building	24.076	19.492
Others	<u>9.778</u>	<u>9.834</u>
	105.042	101.427

## SCHEDULES (Contd.,)

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule XII - EXPENDITURE (Contd..)</b>		
<b>OTHER EXPENDITURE</b>		
Printing & Stationery	11.133	12.360
Postage, Telegram and Telephone	13.761	14.083
Rent	7.999	9.104
Rates, Taxes & Licence	21.505	22.049
Insurance	14.653	12.995
Bank Charges	7.423	6.350
Travelling & Conveyance	71.199	61.525
Freight & Forwarding	141.500	95.842
Advertisement, Publicity & Sales Promotion	14.212	21.406
Royalty	40.532	33.506
Bad Debts written off	12.277	—
Provision for doubtful debts	6.554	(2.738)
Director's Commission	2.490	2.170
Auditor's Remuneration	0.993	0.675
Professional Charges, Books and Periodicals	41.219	30.953
Assets Discarded	—	4.610
Miscellaneous Expenses	6.890	4.965
Donations	17.000	4.000
Net Foreign Exchange (Gain)	(41.720)	(0.057)
	<u>389.620</u>	<u>333.798</u>

### Schedule XIII - OTHER INCOME

Interest Received	19.707	14.419
Dividend Received	4.417	4.203
Rent Received	1.621	0.228
Trading Income	3.868	0.201
Sundry Income	0.749	3.085
Profit / (Loss) on Sale of Assets (Net)	(1.925)	7.166
	<u>28.437</u>	<u>29.302</u>

### Schedule XIV - INTEREST

On Fixed Loans	88.651	54.038
On Other Loans	91.830	67.830
	<u>180.481</u>	<u>121.868</u>

### Schedule XV - EARNINGS PER SHARE (Basic)

a. Profit After Tax	362.127	303.090
b. Add : Extra-Ordinary Items (Net)	—	29.785
c. Profit After Tax & Extra-Ordinary Items	362.127	332.875
d. Equity Share of Re.1/- each (Nos. in Million)	90.000	90.000
e. Earnings per Share before Extra-Ordinary Items (a/d)	4.02	3.37
f. Earnings per Share after Extra-Ordinary Items (c/d)	4.02	3.70

## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

### 1. Secured Loans:

- a) Rupee Term Loans from BNP Paribas, The Bank of Nova Scotia and Foreign Currency Term Loan from The Hongkong and Shanghai Banking Corporation Ltd (USD 3 Mn) are secured by a pari passu first charge on the specific immovable and movable properties of the company.
  - b) External Commercial Borrowings from BNP Paribas and Citibank N.A are secured by exclusive charges on the specific movable and immovable properties of the company.
  - c) External Commercial Borrowings from Standard Chartered Bank is secured by an exclusive charge on the specific movable properties of the company.
  - d) Foreign currency Loan from The Hongkong and Shanghai Banking Corporation Ltd (USD 5 Mn) is secured by an exclusive charge on the specific immovable properties of the company.
  - e) Rupee Term Loan from IDBI Bank Ltd is secured by an exclusive charge on the specific movable properties of the company.
  - f) Vehicle Loan from ICICI Bank Ltd is secured by hypothecation of specific vehicles covered under the loan.
  - g) Rupee Term Loan from The Bank of Nova Scotia is secured by an exclusive charge on the specific immovable properties of the company.
  - h) Cash Credit facilities from banks and the Long Term Working Capital Loan from Export Import Bank of India are secured by way of hypothecation of stock of raw materials, finished goods, and consumable stores, spares, work-in-progress and book debts.
  - i) Cash Credit facilities from Andhra Bank, State Bank of India, ICICI Bank Ltd., IndusInd Bank Ltd., HDFC Bank Ltd., BNP Paribas, The Hongkong and Shanghai Banking Corporation Ltd, Citibank N.A and Long Term Working Capital Loan from Export Import Bank of India are further secured by pari-passu second charge on the specific immovable properties of the Company.
  - j) Cash Credit facilities from IDBI Bank Ltd., and The Bank of Nova Scotia are further secured by pari-passu second charge on the specific immovable properties of the Company.
2. Estimated value of contracts remaining to be executed on capital accounts is Rs.88.182 million.
3. Loans & Advances includes security deposit for leasehold land amounting to Rs.10.302 million.
4. Stores and spares consumed is net of realisation of sale of stores materials of Rs.0.278 million (Previous year Rs.0.123 million)
5. Employee Cost includes Rs.89.509 million paid to certain Special Vendors towards the Labour cost of the work exclusively executed for the Company.
6. Research & Development expenses of revenue nature for the year is Rs.169.115 million. The same have been classified under the relevant heads of accounts in the Profit and Loss Account and expenditure of capital nature of Rs.38.452 million is grouped under fixed assets and depreciation is charged on such assets.
7. Provision for current taxation has been made after considering the application made before the appropriate authority for the eligible deductions under the provisions of the Income Tax Act. Provision for Taxation includes Wealth Tax.
8. Income tax assessments are completed up to Assessment Year 2004-05.
9. Deferred Tax :
- |  | As at<br>31-03-2007 | As at<br>31-3-2006 |
|--|---------------------|--------------------|
|  | Rs. Million         |                    |
| <b>Deferred Tax Liability on account of :</b>    |                     |                    |
| Depreciation                                     | 89.493              | 96.710             |
| <b>Less : Deferred Tax Asset on account of :</b> |                     |                    |
| Tax, Duties, Cess etc.                           | 22.303              | 9.520              |
|  | 67.190              | 87.190             |
10. Provisions for Doubtful debts made during the year is net of reversal of provision of Rs.12.277 million.
11. Pay, Allowances, Performance Reward and Bonus is net of excess provision for performance reward of Rs.10.561 million of Financial Year 2005-2006 reversed during the year.
12. Trading Income represents i) Gain on Goods Traded of Rs.4.596 million arising out of Sale of Rs.109.540 million (includes High Sea Sales of Rs.32.618 million) and Purchase of Rs.104.944 million and ii) Loss of Rs.0.728 million arising out of Purchase and Sale of Fuel.
13. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.
14. Figures have been rounded off to the nearest thousand.

## NOTES FORMING PART OF ACCOUNTS (Contd.,)

	2006-07 Rs. Million	%	2005-06 Rs. Million	%
<b>15. Value of imported and indigenous Raw Materials and Components Consumed</b>				
<b>Raw Materials and Components :</b>				
Imported	766.337	22.09	722.220	26.36
Indigenous	2,703.472	77.91	2,018.046	73.64
	<u>3,469.809</u>		<u>2,740.266</u>	
Decrease / (Increase) in Work-in-Progress	(21.298)		15.083	
	<u>3,448.511</u>		<u>2,755.349</u>	
<b>16. Earnings in Foreign Currency :</b>				
Sales calculated on FOB Basis & Services	1,002.152		578.475	
Insurance & Freight on Sales	34.856		24.609	
	<u>1,037.008</u>		<u>603.084</u>	
<b>17. Foreign Exchange Outgo :</b>				
<u>CIF Value of Imports :</u>				
Raw Materials & Components	1,054.601		826.280	
Spares	5.693		5.207	
Capital Goods	144.767		49.456	
Total	<u>1,205.061</u>		<u>880.943</u>	
<u>Other Payments :</u>				
Lumpsum Know-how fee	2.072		0.795	
Royalty on Sales	31.482		27.222	
Consultancy charges	7.085		7.505	
Interest on Foreign Currency Loan	112.934		63.412	
Other matters	119.174		44.971	
Dividend *	11.250		11.250	
Total	<u>283.997</u>		<u>155.155</u>	
<b>18. Dividend remitted in Foreign Currency *</b>				
a) Dividend (Rs. Million)	11.250		11.250	
b) No. of Non-Resident Shareholders (in Nos.)	1		1	
c) No. of Shares of Re.1 each held by them (in Nos.)	11,250,000		11,250,000	
<b>19. Remuneration to Auditors :</b>				
For Audit (exclusive of Service Tax)	0.600		0.400	
For Taxation Matters	0.221		0.123	
For Certification	0.129		0.103	
Reimbursement of Expenses	0.043		0.049	
	<u>0.993</u>		<u>0.675</u>	

## NOTES FORMING PART OF ACCOUNTS (Contd.,)

	31-3-2007 Rs. Million			
<b>20. Contingent Liabilities as on the closing date are as follows :</b>				
Sales Tax Matters				33.313
Excise Matters				2.265
Bill Discounting Facilities from Bank				103.500
Corporate Guarantee to Foreign Subsidiary				178.330
Other Claims against the company not acknowledged as debts				14.100
				331.508
<b>21. Provisions as on the closing date are as follows :</b>				
	Opening Balance	Additional	Reversal	Closing Balance
		(Rs. Million)		
1. Excise Duty Demands	29.791	2.826	—	32.617
2. Others	0.334	—	—	0.334
Total	30.125	2.826	—	32.951
Note : The company is contesting before the appropriate authorities in respect of the provisions made for the demands referred in Sl. No.1 above. The company does not expect any reimbursement of the above provisions.				
<b>22. a) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of Chairman &amp; Managing Director's Commission for the year ended 31st March, 2007 :</b>				
Profit Before Tax as per Profit & Loss Account				508.127
Add : Director's Commission				2.490
Add : Chairman & Managing Director's remuneration including commission				10.560
Add : Loss on sale of assets				1.925
Net profit as per Section 198 of the Companies Act, 1956				523.102
1.50% Commission on Net Profit				7.847
<b>b) Commission to Non-Whole Time Directors</b>				2.490
<b>23. Employee's Cost include :</b>				
Rs. Million				
<b>Chairman &amp; Managing Director's Remuneration</b>				
Salary				1.122
HRA				0.673
Commission				7.847
Contribution to Provident Fund & Other Funds				0.357
Perquisites & Benefits				0.561
				10.560

## NOTES FORMING PART OF ACCOUNTS (Contd.,)

	2006-07 Rs. Million		2005-06 Rs. Million	
<b>24. Opening and Closing Stock of Finished Goods : Main Products</b>	<b>Opening Stock</b>		<b>Closing Stock</b>	
	As at 1-4-2006 Nos.	As at 1-4-2005 Nos.	As at 31-3-2007 Nos.	As at 31-3-2006 Nos.
Dashboard Instruments	153,124	159,905	240,200	153,124
Speedometer Cables (in mtrs)	42,964	28,240	58,200	42,964
Sensors (all types)	80,555	42,025	78,500	80,555
Oil Pumps	45,763	94,492	61,044	45,763
Chain Tensioners	25,755	21,255	22,200	25,755
Idle Speed Control Valve Assembly	785	1,114	920	785
<b>25. Installed Capacity and Actual Production : Main Products</b>	<b>Installed capacity as on</b>		<b>Production</b>	
	31-3-2007 Nos.	31-3-2006 Nos.	2006-07 Nos.	2005-06 Nos.
Dashboard Instruments	20,451,000	16,890,000	13,512,174	11,784,308
Speedometer Cables (in mtrs)	3,370,000	3,370,000	2,140,186	2,440,572
Sensors (all types)	9,448,000	7,932,000	7,221,505	5,819,130
Oil Pumps	6,709,000	6,470,000	5,519,899	5,033,908
Chain Tensioners	2,673,000	1,970,000	2,106,817	1,739,445
Idle Speed Control Valve Assembly	682,000	682,000	588,735	546,953
<i>Note : Installed Capacity as certified by Plant Head.</i>				
<b>26. Turnover</b>	<b>2006-07</b>		<b>2005-06</b>	
	<b>Quantity</b> (Nos.)	<b>Value</b> Rs. Million	<b>Quantity</b> (Nos.)	<b>Value</b> Rs. Million
1. Dashboard Instruments & Accessories :				
i. Dashboard Instruments	13,425,098	3,316.728	11,791,089	2,726.583
ii. Speedometer Cables (in mtrs)	2,124,950	88.282	2,425,848	96.072
iii. Sensors (all types)	7,223,560	934.568	5,780,600	731.250
iv. Accessories & Sub-assembly Components		104.665		93.425
2. Oil Pumps	5,504,618	456.715	5,082,637	397.099
3. Chain Tensioners	2,110,372	138.016	1,734,945	106.125
4. Idle Speed Control Valve Assembly	588,600	156.354	547,282	147.340
5. Other Auto Components		250.618		247.437
6. Other Products & Services		387.885		271.551
		<b>5,833.831</b>		<b>4,816.882</b>

27. The Company's operations mainly relate to one segment.

## NOTES FORMING PART OF ACCOUNTS (Contd.,)

### 28. List of Related parties with whom transactions have taken place during the year 2006-07 and Relationship :

**Holding Company** : Nil; **Subsidiary Companies** : Integral Investments Limited, English Tools and Castings Limited and PT Pricol Surya, Indonesia ; **Promotee Company** : Terra Agro Technologies Limited; **Key Management Personnel**: Mr. Vijay Mohan and Mrs. Vanitha Mohan; **Others** : Pricol Holdings Limited, Pricol Packaging Limited, Pricol Travel Limited, Pricol Technologies Limited, Pricol Property Development Limited, Prime Agri Solutions (India) Limited, Xenos Technologies Limited, Synoro Technologies Limited, Penta Enterprises (India) Limited, Priana Enterprises India Limited, Pricol Corporate Services Limited, Carcerano Pricoltech (India) Private Limited, Shanmuga Steel Industries Limited, Libra Industries, Leo Industries, Ellargi & Co., and Bhavani Treads.

(Rs. Million)

Nature of Transaction	Subsidiary Company		Promotee Company		Key Mgmt Personnel		Others	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Purchase / Labour Charges paid	22.93	14.16	—	—	—	—	113.96	79.12
Sales / Job Work Charges received	14.09	0.39	—	—	—	—	384.91	273.84
Receiving of Services	—	—	—	—	11.05	9.28	0.95	1.68
Rendering of Services	—	—	—	—	—	—	1.78	6.36
Advances / Investments realised	—	—	—	48.17	—	—	—	—
Sale of Assets	—	—	—	3.66	—	—	—	—
Outstanding advance - Opening	1.61	76.85	—	—	—	—	—	—
Amount advanced during the year	131.09	16.03	—	—	—	—	—	—
Amount received during the year	—	91.27	—	—	—	—	—	—
Interest receivable for the year	7.08	—	—	—	—	—	—	—
Amount receivable - Closing	139.78	1.61	—	—	—	—	—	—
Investments - Opening	147.91	22.50	—	—	—	—	—	—
Add : Investments made during the year	35.00	125.41	—	—	—	—	—	—
Investments - Closing	182.91	147.91	—	—	—	—	—	—
Guarantee	178.33	—	—	—	—	—	—	—



## NOTES FORMING PART OF ACCOUNTS (Contd.,)

### 29. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No. : 0641 State Code : 181  
Balance Sheet Date : 31st day of March, 2007

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

Public Issue : Nil Rights Issue : Nil  
Bonus Issue : Nil Private Placement : Nil

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

Total Liabilities : 6,155,586 Total Assets : 6,155,586

##### Sources of Funds

Paid-up Capital : 90,000  
Reserves & Surplus : 1,650,895  
Secured Loans : 1,921,859  
Unsecured Loans : 1,237,530  
Deferred Tax : 67,190  
Current Liabilities : 1,188,112

##### Application of Funds

Net Fixed Assets : 2,391,613  
Current Assets : 3,520,231  
Accumulated Losses : Nil  
Investments : 243,742  
Misc. Expenditure : Nil

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

Turnover/Production Value : 5,936,564 Profit After Tax : 362,127  
Other Income : 28,437 Earnings per Share : Rs.4.02  
Total Expenditure : 5,456,874 Dividend rate : 100%  
Profit Before Tax : 508,127

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

Item Code No. (ITC Code)	Major Product Description
9 0 2 9	: Dashboard Instruments, Sensors and Accessories
8 4 0 9	: Oil Pumps
8 7 0 8	
&	: Other Auto Components
8 7 1 4	

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328  
Coimbatore, 29th May, 2007

**Vijay Mohan**  
Chairman & Managing Director

**Vanitha Mohan**  
Executive Director

For and on behalf of the Board

**D. Sarath Chandran**  
Director

**P. Ravi**  
General Manager  
Finance & Secretarial

**T.G. Thamizhanban**  
Company Secretary

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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We have examined the attached Consolidated Balance Sheet of **Pricol Limited** ("the Company") and its subsidiaries as at 31st March 2007 and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statement of an associate and certain subsidiaries whose financial statements reflect total assets of Rs.590.425 million as at 31st March, 2007 and total profit of Rs.5.606 million for the year ended on that date. Those financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of those associates and subsidiaries, is based solely on the report of the other auditor.

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, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and its aforesaid subsidiaries, in our opinion the consolidated financial statements read together with the attached schedules and Note on consolidation and other Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March 2007;
- b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

Coimbatore  
29th May 2007

For Suri & Co  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328

## CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2007

	Schedule	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	90.000	90.000
Reserves & Surplus	II	1,629.578	1,392.005
		<u>1,719.578</u>	<u>1,482.005</u>
<b>Borrowed Funds</b>			
Secured Loans	III	2,016.809	1,860.976
Unsecured Loans	IV	1,237.530	527.307
		<u>3,254.339</u>	<u>2,388.283</u>
Minority Interest		—	23.800
Deferred Taxation	V	65.770	85.770
		<u>5,039.687</u>	<u>3,979.858</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	VI		
a. Gross Block		4,292.554	3,694.970
b. Less : Accumulated Depreciation		<u>1,887.837</u>	<u>1,582.555</u>
c. Net Block		2,404.717	2,112.415
d. Capital Work-in-Progress		270.163	63.700
		<u>2,674.880</u>	<u>2,176.115</u>
<b>Investments</b>	VII	63.719	130.837
Current Assets, Loans and Advances	VIII		
a. Inventories		941.210	795.628
b. Sundry Debtors		1,308.635	1,236.521
c. Cash and Bank Balances		320.947	228.174
d. Loans and Advances		975.273	787.159
	(A)	<u>3,546.065</u>	<u>3,047.482</u>
Less : Current Liabilities & Provisions	IX		
a. Liabilities		593.114	709.750
b. Provisions		651.863	664.826
	(B)	<u>1,244.977</u>	<u>1,374.576</u>
Net Current Assets	(A-B)	2,301.088	1,672.906
<b>Total Assets</b>		<u>5,039.687</u>	<u>3,979.858</u>

Schedule I to IX, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet.

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328  
Coimbatore, 29th May, 2007

**Vijay Mohan**  
Chairman & Managing Director

**Vanitha Mohan**  
Executive Director

For and on behalf of the Board

**D. Sarath Chandran**  
Director

**P. Ravi**  
General Manager  
Finance & Secretarial

**T.G. Thamizhanban**  
Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Schedule	2006-07 Rs. Million	2005-06 Rs. Million
<b>INCOME</b>			
Net Sales & Services - Domestic		5,004.289	4,354.414
- Export		1,024.940	604.218
<b>Total Sales</b>	X	<b>6,029.229</b>	4,958.632
Increase / (Decrease) in Stock of Finished Goods	XI	(6.852)	(26.400)
Cost of Inhouse Manufactured Machines & Toolings Capitalised		109.585	111.749
		<b>6,131.962</b>	5,043.981
Investment Income		—	0.534
<b>Production Value</b>		<b>6,131.962</b>	5,044.515
<b>EXPENDITURE</b>			
	XII		
Raw Materials & Components Consumed		3,559.654	2,834.627
Employee's Cost		890.173	803.040
Power & Utilities		146.281	129.801
Stores & Spares Consumed		51.402	41.936
Repairs & Maintenance		109.761	105.882
Other Expenditure		393.547	346.280
<b>Total Expenditure</b>		<b>5,150.818</b>	4,261.566
<b>Profit before Interest, Depreciation &amp; Other Income</b>		<b>981.144</b>	782.949
Add : Other Income	XIII	22.355	62.383
Less : Interest	XIV	188.095	125.381
Depreciation		307.351	267.675
<b>Profit Before Tax</b>		<b>508.053</b>	452.276
Less : Provision for Current Tax		160.745	123.000
: Provision for Fringe Benefit Tax		6.094	9.026
: Provision for Deferred Tax (Asset)		(20.000)	(6.000)
Add : Minority Interest Loss		—	1.060
<b>Profit After Tax</b>		<b>361.214</b>	327.310
Add : Extra-Ordinary Income (Net)		—	29.289
: Balance brought forward		192.273	188.297
<b>Amount available for appropriation</b>		<b>553.487</b>	544.896
<b>APPROPRIATION</b>			
Dividend @ 100% (Previous year 100%)		90.000	90.000
Tax on dividend		15.296	12.623
General Reserve		200.000	250.000
Surplus to be carried over		248.191	192.273
		<b>553.487</b>	544.896
<b>Earnings per Share (Basic) (In Rupees) (Face Value Re.1/-)</b>	XV		
1) Earnings per share before Extra-Ordinary items		4.01	3.64
2) Earnings per share after Extra-Ordinary items		4.01	3.96

Schedules X to XV, Significant Accounting Policies and the Notes on Accounts form part of this Profit & Loss Account.

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328  
Coimbatore, 29th May, 2007

For and on behalf of the Board  
**Vijay Mohan**  
Chairman & Managing Director

**Vanitha Mohan**  
Executive Director

**P. Ravi**  
General Manager  
Finance & Secretarial

**D. Sarath Chandran**  
Director

**T.G. Thamizhanban**  
Company Secretary

## CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule I - SHARE CAPITAL</b>		
<b>Authorised</b>		
100,000,000 Equity Shares of Re.1/- each	100.000	100.000
<b>Issued, Subscribed and Paid-up</b>		
90,000,000 Equity Shares of Re.1/- each (Of the above 37,500,000 Equity Shares of Re.1/- each have been issued as fully paid-up Bonus Shares by Capitalisation of Reserves).	90.000	90.000
<b>Schedule II - RESERVES &amp; SURPLUS</b>		
<b>Share Premium Account</b>	181.000	181.000
<b>General Reserve</b>		
As per last Balance Sheet	1,010.956	760.956
Add : Transfer from Profit & Loss Account	200.000	250.000
Less : Goodwill on aquisition written off	10.376	—
	1,200.580	1,010.956
Foreign Currency Translation Reserve	(0.193)	7.776
<b>Surplus</b>		
Balance in Profit & Loss Account	248.191	192.273
	1,629.578	1,392.005
<b>Schedule III - SECURED LOANS</b>		
<b>From Banks :</b>		
<b>a) Term Loans :</b>		
Rupee Term Loans	339.288	431.700
Foreign Currency Term Loans	1,035.235	648.367
<b>b) Working Capital Borrowings :</b>		
Rupee Cash Credit facilities	163.332	189.055
Foreign Currency Credit facilities	478.954	591.854
	2,016.809	1,860.976
<b>Schedule IV - UNSECURED LOANS</b>		
Fixed Deposits	10.001	57.107
Loan from Banks	1,227.529	470.200
	1,237.530	527.307
<b>Schedule V - DEFERRED TAX LIABILITY</b>		
As per last Balance Sheet	85.770	93.191
For the Current Year	(20.000)	(7.421)
	65.770	85.770

## CONSOLIDATED SCHEDULES (Contd.,)

### Schedule VI - FIXED ASSETS

(Rs. Million)

	Gross Block			Balance as on 31-3-2007	Upto 31-3-2006	Depreciation			Net Block	
	Cost as on 1-4-2006	Additions during 2006-07	Sales/trans fer during 2006-07			For 2006-07	Withdrawn during 2006-07	Total upto 31-3-2007	Written Down as on 31-3-2007	Value as on 31-3-2006
<b>Tangible Assets</b>										
Land	158.972	133.862	20.896	271.938	—	—	—	—	271.938	158.972
Buildings	864.510	139.289	0.182	1,003.617	124.038	31.480	0.012	155.506	848.111	740.472
Plant & Machinery	2,409.135	328.550	8.277	2,729.408	1,304.284	254.809	1.793	1,557.300	1,172.108	1,104.851
Furniture, Fittings & Equipments	45.447	14.221	0.454	59.214	18.030	4.069	0.249	21.850	37.364	27.417
Vehicles	66.835	13.888	12.139	68.584	18.177	6.239	3.615	20.801	47.783	48.658
<b>Total Tangible Assets</b>	<b>3,544.899</b>	<b>629.810</b>	<b>41.948</b>	<b>4,132.761</b>	<b>1,464.529</b>	<b>296.597</b>	<b>5.669</b>	<b>1,755.457</b>	<b>2,377.304</b>	<b>2,080.370</b>
<b>Intangible Assets</b>										
Computer Software	38.190	6.390	—	44.580	18.141	7.913	—	26.054	18.526	20.049
Technical Know-how	111.881	3.332	—	115.213	99.885	6.441	—	106.326	8.887	11.996
<b>Total Intangible Assets</b>	<b>150.071</b>	<b>9.722</b>	<b>—</b>	<b>159.793</b>	<b>118.026</b>	<b>14.354</b>	<b>—</b>	<b>132.380</b>	<b>27.413</b>	<b>32.045</b>
<b>Sub-Total</b>	<b>3,694.970</b>	<b>639.532</b>	<b>41.948</b>	<b>4,292.554</b>	<b>1,582.555</b>	<b>310.951</b>	<b>5.669</b>	<b>1,887.837</b>	<b>2,404.717</b>	<b>2,112.415</b>
Capital Work-in-Progress	63.700	270.163	63.700	270.163	—	—	—	—	270.163	63.700
<b>Total - Assets</b>				<b>4,562.717</b>				<b>1,887.837</b>	<b>2,674.880</b>	<b>2,176.115</b>
Less : Pre-acquisition / Pre-commencement Depreciation						3.600				
Depreciation charged to Profit & Loss Account						307.351				

### Schedule VII - INVESTMENTS

31-3-2007  
Rs. Million

31-3-2006  
Rs. Million

#### A. LONG TERM INVESTMENTS (at Cost)

##### 1. Non-Trade - Quoted :

a) 550,000 Units of Rs.10/- each in Canfortune 94 (Previous year 550,000 Units of GIC Fortune 94)	5.335	5.335
b) 71 Equity Shares of Re.1/- each fully paid-up in TVS Motors Limited	0.001	0.001
c) 50 Equity Shares of Rs.10/- each fully paid-up in Munjal Auto Industries Limited	0.001	0.001
d) 50 Equity Shares of Rs.10/- each fully paid-up in Shivam Autotech Limited		
	<u>5.337</u>	<u>5.337</u>

##### 2. Non Trade - Unquoted :

199,700 Equity Shares of Rs.10/- each fully paid-up in Synoro Technologies Limited	1.997	0.494
(Previous year 49,400 Equity Shares of Rs.10/- each)	<u>1.997</u>	<u>0.494</u>

##### 3. Investment in Associates

a. 720,000 Equity Shares of Rs.10/- each fully paid-up in Pricol Technologies Limited	7.200	7.200
b. 3,190 Equity Shares of Rs.100/- each fully paid-up in Shanmuga Steel Industries Limited	0.160	0.160
	<u>7.360</u>	<u>7.360</u>



Pricol PT Surya, Jakarta, Indonesia  
(100% Subsidiary)

## NEW SENSORS



Crank Position  
Sensor



Throttle Position  
Sensor



Cam Position  
Sensor



Reed Switch Type  
Fuel Level Sensor for  
Off Highway &  
Heavy Vehicles

Platinum Resistance  
Thermistor  
Temperature Sensor  
(for High Temperatures  
upto 260°C)



Manifold Air Intake  
Temperature Sensor



## OTHER NEW ELECTRONIC PRODUCTS



GSM based Vehicle  
Security System with Immobiliser  
(Activation & Alerts through  
Mobile Phone)



RFID based Immobiliser  
for Enhanced Vehicle Security



GPS based Journey  
Risk Manager for Safe Driving



Digital Tachograph for Driver  
& Vehicle Monitoring



Taxi Fare Meter with Printer

# ADDITIONS



Factory VI – Pantnagar –  
Uttarakand

## NEW ELECTRONIC INSTRUMENT CLUSTERS



Bajaj Auto, India  
(Pulsar)

### Motorcycles & Scooters



TVS Motor, India  
(Apache)

### Other Vehicles



Antonio Carraro, Italy  
(Tractor)



TVS Motor, Indonesia  
(Neo)

### Cars



32

Renault Mahindra, India (Logan)



Saipa, Iran (Xantia)



General Motors, India  
(Aveo)



## CONSOLIDATED SCHEDULES (Contd.,)

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule VII - INVESTMENTS (Contd..)</b>		
<b>4. Application Money Paid</b>		
Synoro Technologies Limited	—	0.506
Total (1+2+3+4)	<u>14.694</u>	<u>13.697</u>
Less : Share of Post Acquisition Loss	<u>6.475</u>	<u>7.360</u>
	<u>8.219</u>	<u>6.337</u>
<b>B. CURRENT INVESTMENT (at lower of Cost and Fair Value)</b>		
4,942,780 Units of Reliance Liquidity Fund - Growth Option (Previous year 11,932,312 units)	<u>55.500</u>	<u>124.500</u>
	<u>55.500</u>	<u>124.500</u>
<b>Total Investments (A+B)</b>	<u>63.719</u>	<u>130.837</u>
Aggregate Cost of Quoted Investments (long term)	<u>5.337</u>	<u>5.337</u>
Aggregate Cost of Un-quoted Investments (long term)	<u>2.882</u>	<u>1.000</u>
Aggregate Market Value of Quoted Investments (long term)	<u>16.939</u>	<u>17.369</u>

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule VIII - CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>a. Inventories (At lower of cost and net realisable value) (As certified by Chairman &amp; Managing Director)</b>		
Stock of Stores & Spares	55.291	42.328
Raw Materials & Components	700.648	563.621
Materials in Transit	0.834	19.209
Work-in-Progress	106.532	85.713
Finished Goods	<u>77.905</u>	<u>84.757</u>
	<u>941.210</u>	<u>795.628</u>
<b>b. Sundry Debtors :</b>		
Unsecured Considered Good		
a) Outstanding for a period exceeding six months	132.650	110.361
b) Others	<u>1,175.985</u>	<u>1,126.160</u>
	<u>1,308.635</u>	<u>1,236.521</u>
Unsecured Considered Doubtful		
	<u>31.567</u>	<u>35.082</u>
Less : Provision for Doubtful Debts	<u>31.567</u>	<u>35.082</u>
	<u>—</u>	<u>—</u>
	<u>1,308.635</u>	<u>1,236.521</u>
<b>c. Cash &amp; Bank Balances :</b>		
Cash on hand	0.485	0.387
Balances with Scheduled Banks		
In Current Account	45.238	11.854
In Unclaimed Dividend Account	4.097	3.305
In Fixed Deposit Account	<u>271.127</u>	<u>212.628</u>
	<u>320.947</u>	<u>228.174</u>

## CONSOLIDATED SCHEDULES (Contd.,)

	31-3-2007 Rs. Million	31-3-2006 Rs. Million
<b>Schedule VIII - CURRENT ASSETS, LOANS AND ADVANCES (Contd.,)</b>		
<b>d. Loans and Advances :</b>		
Advances Recoverable in cash or in kind or for value to be received and considered Good		
Unsecured	376.674	188.294
Less : Provision for Doubtful Advances	3.607	3.607
	<u>373.067</u>	<u>184.687</u>
Deposits	31.378	29.922
Prepaid expenses	10.007	8.331
Tax payments pending adjustment	560.821	564.219
	<u>975.273</u>	<u>787.159</u>
	<u>3,546.065</u>	<u>3,047.482</u>

## Schedule IX - CURRENT LIABILITIES AND PROVISIONS

<b>a. Liabilities :</b>		
Sundry Creditors (Due to Small Scale Industrial Undertakings & Micro, Small and Medium Enterprises is Nil)	566.948	686.474
Interest accrued but not due on loans	12.228	11.139
Due to Chairman & Managing Director	8.889	7.640
<b>Investor Education and Protection Fund - not due :</b>		
Unclaimed Dividend	4.097	3.305
Unclaimed Deposits including Interest	0.952	1.192
	<u>5.049</u>	<u>4.497</u>
	<u>593.114</u>	<u>709.750</u>
<b>b. Provisions :</b>		
For Current Taxation	531.596	553.177
For Fringe Benefit Tax	14.971	9.026
For Dividend	90.000	90.000
For Tax on Dividend	15.296	12.623
	<u>651.863</u>	<u>664.826</u>
	<u>1,244.977</u>	<u>1,374.576</u>

## CONSOLIDATED SCHEDULES (Contd.,)

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule X - INCOME</b>		
<b>Sales &amp; Service Charges</b>		
<b>Domestic Sales &amp; Service Charges</b>		
Sale of Finished Products (Incl. of excise duty and sales tax)	6,109.100	5,277.332
Service Charges	41.057	34.548
Sale of Windmill Power	9.182	7.989
	<u>6,159.339</u>	<u>5,319.869</u>
Less : Excise Duty	842.909	712.399
Sales Tax	296.886	236.339
Discount & Commission on Sales	15.255	16.717
	<u>5,004.289</u>	<u>4,354.414</u>
<b>Export Sales</b>		
Sale of Finished Products	1,030.768	610.682
Less : Commission on Export Sales	5.828	6.464
	<u>1,024.940</u>	<u>604.218</u>
	<u>6,029.229</u>	<u>4,958.632</u>

### Schedule XI - Increase / (Decrease) in Stock of Finished Goods

Stock at Closing	77.905	84.757
Less : Stock at Opening	84.757	111.157
	<u>(6.852)</u>	<u>(26.400)</u>

### Schedule XII - EXPENDITURE

#### RAW MATERIALS & COMPONENTS CONSUMED

##### Opening Stock

a) Raw Materials & Components	582.830	527.308
b) Work-in-Progress	85.713	92.283
	<u>668.543</u>	<u>619.591</u>

##### Add : Purchases

3,755.001	2,914.656
<u>4,423.544</u>	<u>3,534.247</u>

##### Less : Closing Stock

a) Raw Materials & Components	701.482	582.830
b) Work-in-Progress	106.532	85.713
	<u>808.014</u>	<u>668.543</u>

3,615.530	2,865.704
124.942	93.513
69.066	62.436
<u>3,559.654</u>	<u>2,834.627</u>

#### Total Raw Materials & Components Consumed

Includes materials consumed for In-house Manufacture of Machines & Toolings of Rs.74.724 million for 2006-07 (Rs.71.259 million for 2005-06)

## CONSOLIDATED SCHEDULES (Contd.,)

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule XII - EXPENDITURE (Contd.,)</b>		
<b>EMPLOYEE'S COST</b>		
a) Pay, Allowances, Performance Reward & Bonus	782.663	698.587
b) Company's Contribution to Provident, Superannuation and Gratuity Funds	41.968	48.575
c) Welfare Expenses	65.542	55.878
	890.173	803.040
<b>REPAIRS AND MAINTENANCE</b>		
Machinery	73.766	75.517
Building	24.660	19.776
Others	11.335	10.589
	109.761	105.882
<b>OTHER EXPENDITURE</b>		
Printing & Stationery	11.457	12.641
Postage, Telegram and Telephone	14.101	14.494
Rent	7.999	9.104
Rates, Taxes & Licence	22.732	23.135
Insurance	15.038	13.420
Bank Charges	7.972	6.860
Travelling & Conveyance	71.576	61.795
Freight & Forwarding	142.184	96.303
Advertisement, Publicity & Sales Promotion	14.411	21.785
Royalty	40.532	33.506
Bad Debts written off	12.382	0.179
Provision for doubtful debts	6.554	(2.738)
Director's Commission	2.636	2.533
Auditor's Remuneration	1.071	0.723
Professional Charges, Books and Periodicals	41.777	31.235
Assets Discarded	—	4.610
Miscellaneous Expenses	5.800	5.925
Donations	17.025	4.000
Net Foreign Exchange (Gain) / Loss	(41.700)	0.007
Share of Post Acquisition Loss in Associates	—	6.763
	393.547	346.280
<b>Schedule XIII - OTHER INCOME</b>		
Interest Received	13.028	14.419
Dividend Received	4.417	4.203
Rent Received	1.621	0.228
Trading Income	2.966	0.201
Sundry Income	2.248	22.128
Profit / (Loss) on Sale of Assets (Net)	(1.925)	21.204
	22.355	62.383

## CONSOLIDATED SCHEDULES (Contd.,)

	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule XIV - INTEREST</b>		
On Fixed Loans	90.537	54.731
On Other Loans	97.558	70.650
	<u>188.095</u>	<u>125.381</u>
<b>Schedule XV - EARNINGS PER SHARE (Basic)</b>		
a. Profit After Tax	361.214	327.310
b. Add : Extra-Ordinary Items (Net)	—	29.289
c. Profit After Tax & Extra-Ordinary Items	361.214	356.599
d. Equity Share of Re.1/- each (Nos. in Million)	90.000	90.000
e. Earnings per Share before Extra-Ordinary Items (a/d) (in Rs.)	4.01	3.64
f. Earnings per Share after Extra-Ordinary Items (c/d) (in Rs.)	4.01	3.96

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2007.

### 1. The Subsidiary Companies considered in the Consolidated Financial Statements are:

Sl. No.	Name of the subsidiary	Country of Incorporation	% of Ownership
1	English Tools and Castings Limited	India	100 % (Prev. Yr. 70%)
2	Integral Investments Limited	India	100 %
3	PT Pricol Surya	Indonesia	100 %

### 2. The Associate Companies considered in the Consolidated Financial Statements are:

Sl. No.	Name of the Associate	Country of Incorporation	% of Ownership
1	Pricol Technologies Limited	India	36 % (Prev. Yr. 39.78%)
2	Shanmuga Steel Industries Limited	India	49 %

3. The value of Investments made by the wholly owned subsidiary Company – Integral Investments Limited in the associates Shanmuga Steel Industries Limited and Pricol Technologies Limited has been accounted in compliance with Accounting Standard (AS-23).

4. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

5. Figures have been rounded off to the nearest thousand.

### 6. Re-Structuring :

English Tools and Castings Limited had applied to Honorable High Court, Chennai for restructuring its share capital by way of reduction of capital, from Rs.276.989 million to Rs.79.337 million. The company is expecting the approval within the end of June 2007.

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS (Contd.,)

7. The exchange rate considered for consolidation of foreign subsidiary, PT Pricol Surya is as follows :

	As at 31st March 2007	As at 31st March 2006
	(In Indonesian Rupiah)	
One Indian Rupee	209.86	200.00

8. In respect of foreign subsidiary, PT Pricol Surya, since commercial production is yet to commence, all expenditure net of income upto 31st March, 2007 has been capitalised in accordance with Indian Accounting Standards. However in the attached PT Pricol Surya's accounts the same has been charged to Statement of Income as per Indonesian Corporate Law.

9. List of Related parties with whom transactions have taken place during the year 2006-07 and Relationship :

**Key Management Personnel:** Mr. Vijay Mohan, Mrs. Vanitha Mohan, Mr. Viren Mohan and Mr. K. Janardhanan; **Promotee Company :** Terra Agro Technologies Limited; **Others :** Pricol Holdings Limited, Pricol Packaging Limited, Pricol Travel Limited, Pricol Technologies Limited, Pricol Property Development Limited, Prime Agri Solutions (India) Limited, Xenos Technologies Limited, Synoro Technologies Limited, Penta Enterprises (India) Limited, Priana Enterprises India Limited, Pricol Corporate Services Limited, Carcerano Pricoltech (India) Private Limited, Shanmuga Steel Industries Limited, Libra Industries, Leo Industries, Ellargi & Co., and Bhavani Treads.

(Rs. Million)

Nature of Transaction	Promotee Company		Key Mgmt Personnel		Others	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Purchase / Labour Charges paid	—	—	—	—	113.96	79.44
Sales / Job Work Charges received	—	—	—	—	385.19	274.39
Receiving of Services	—	—	11.10	9.31	1.01	1.69
Rendering of Services	—	—	—	—	1.78	6.36
Advances / Investments realised	—	48.17	—	—	—	—
Sale of Assets	—	3.66	—	—	—	—

10. **Other Notes forming part of Accounts:**

These are set out in and under "Schedules and Notes forming part of accounts for the year ended 31st March, 2007" as given in the unconsolidated financial statements of Pricol Limited and its subsidiaries.

## SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 1. Principles of consolidation

The consolidated financial statements relate to Pricol Limited ("the Company") and its subsidiary companies. The Consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profit or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- The difference between the cost of investment in the subsidiaries, over the net assets at the time of

acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments.

### 3. Other Significant Accounting Policies:

These are set out under "Notes on Accounts" as given in the Unconsolidated Financial Statements of Pricol Limited and its subsidiaries.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	2006-07 Rs. Million	2005-06 Rs. Million
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit Before Tax	508.053	452.276
Adjustments for :		
Depreciation	307.351	267.675
Bad debts written off	12.382	0.179
Provision for bad debts	6.554	(2.738)
(Profit) / Loss on Sale of Investments	—	(32.899)
(Profit) / Loss on Sale of Assets	1.925	(7.166)
Interest Income	(13.028)	(14.419)
Interest	188.095	125.381
Other Investment Income	(5.302)	(4.432)
	497.977	331.581
Operating profit before working capital changes	1,006.030	783.857
Adjustments for :		
Trade and other receivables	(282.562)	(482.510)
Inventories	(145.582)	(31.502)
Trade and other payables	(142.076)	33.936
	(570.220)	(480.076)
Cash generated from operations	435.810	303.781
Direct taxes paid	(179.077)	(155.008)
Net Cash Flow from Operating Activities	256.733	148.773
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(860.739)	(1,042.681)
Sale / Transfer of Fixed Assets	34.354	494.068
Interest received	13.028	14.419
Purchase of Investments	(0.997)	(102.500)
Sale of Investments	69.000	49.189
Other Investment Income	4.417	4.432
	(740.937)	(583.073)
Net Cash used in Investing Activities	(740.937)	(583.073)
<b>C. Cash Flow from Financing Activities:</b>		
Long term Borrowings	294.456	553.896
Unsecured Loans & Deposits	709.981	98.132
Working Capital Borrowings	(138.623)	177.544
Dividend & Tax on Dividend paid	(101.831)	(127.818)
Interest paid	(187.006)	(101.367)
	576.977	600.387
Net Cash used in Financing Activities	576.977	600.387
<b>Net increase in cash and cash equivalents (A+B+C)</b>	92.773	166.087
Cash and cash equivalents as at 1.4.2006 and 1.4.2005 (Opening balance)	228.174	62.087
Cash and cash equivalents as at 31.3.2007 and 31.3.2006 (Closing balance)	320.947	228.174

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328  
Coimbatore, 29th May, 2007

**Vijay Mohan**  
Chairman & Managing Director

**Vanitha Mohan**  
Executive Director

For and on behalf of the Board

**P. Ravi**  
General Manager  
Finance & Secretarial

**D. Sarath Chandran**  
Director

**T.G. Thamizhanban**  
Company Secretary

## INTEGRAL INVESTMENTS LIMITED

<b>Board of Directors</b>	<b>Mr. A. Venkatesan</b> <b>Mrs. Visalam R.S.</b> <b>Mr. P. Ravi</b> (From 8th November 2006) <b>Mr. R. Janardhanan</b> (Upto 8th November 2006)
<b>Auditors</b>	<b>M/s Suri &amp; Co.,</b> Chartered Accountants, Coimbatore
<b>Bankers</b>	Andhra Bank & IndusInd Bank Limited
<b>Registered Office</b>	702/7, Avanashi Road, Coimbatore - 641 037, India

### DIRECTORS' REPORT

Your Directors are pleased to present the Thirteenth Annual Report alongwith the Audited Accounts for the year ended 31st March 2007.

#### Financial Results

During the year, the Company has incurred a loss of Rs.22,000. There was no income to the company during the financial year.

#### Dividend

No dividend has been recommended for the financial year ended 31st March 2007.

#### Directors

Mr. A. Venkatesan retire by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Mr. R. Janardhanan resigned from the Board with effect from 8th November 2006. The directors would like to place on record their appreciation for his valuable contribution made for the development of the company during his tenure as Director.

Mr. P. Ravi has joined the Board of Directors on 8th November 2006 as an additional director under section 260 of the Companies Act, 1956. He vacates the office on the date of the forthcoming 13th Annual General Meeting and is eligible for appointment.

#### Auditors

The Auditors of the Company, M/s. Suri & Co., Chartered Accountants, Coimbatore, retire at the ensuing Annual General Meeting and are eligible for reappointment.

#### Fixed Deposits

The company has not accepted any fixed deposits from public during the year under review.

#### Information as per Section 217(1)(e) of the Companies Act, 1956

The company has no activities relating to conservation of energy or technology absorption. The Company did not have foreign exchange earnings or outgo during the year under review.

#### Personnel

Your company has not employed any person attracting the provisions of Section 217(2A) of the Companies Act, 1956 during the period under review.

#### Directors Responsibility Statement

The Directors confirm:

- that the applicable accounting standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
- that the company has adopted prudent accounting policies.
- that proper care has been taken for maintenance of accounting records in accordance with the provisions of the Act and
- that the Annual Accounts of the company have been prepared on a going concern basis.

For and on behalf of the Board

Coimbatore  
29th May 2007

**A. Venkatesan**  
**P. Ravi**  
Directors



## REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Integral Investments Limited, Coimbatore, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies' (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

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

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
- 3) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March,

2007 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

- 6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
  - b) In the case of the Profit and Loss Account, of the loss for the year ended on that date, and
  - c) In the case of Cash Flow Statement of the cash flows for the year ended on that date.

Coimbatore  
29th May 2007

For Suri & Co  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328

### Annexure to Auditor's Report

1. During the year, the company has neither granted loans to nor taken loans from Companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
2. There are no transactions made in pursuance of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section.
3. According to the information furnished to us, the Company has an adequate Internal Audit system commensurate with its size and nature of its business.
4. To the best of our knowledge and according to the information and explanations given to us, there are no undisputed amounts of taxes and duties outstanding for a period of more than six months from the date they became payable as on the Balance Sheet date.
5. The accumulated losses of the Company as at the end of the financial year has not exceeded 50% of its net worth and the company has incurred cash loss during

# Integral Investments Limited

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS (Contd..)

the financial year covered by our audit and has not incurred any cash losses in the immediately preceding financial year.

6. The Company has not defaulted in repayment of its dues to financial institution, banks and debenture holders.
7. During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
8. The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
9. The Company has maintained proper records of transactions and contracts in respect of trading in shares and that timely entries have been made there in. All shares have been held by the company in its own name except to the extent of the exemption granted under section 49 of the Companies Act, 1956.
10. According to the information and explanations given to us, the Company has not given any guarantee

during the year for loans taken by others from banks and financial institutions.

11. The Company has not obtained any term loan during the year.
12. According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.
13. According to the information and explanations given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.
14. The other provisions of the Companies (Auditor's Report) Order, 2003, do not apply to the company.

For Suri & Co  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner  
Membership No.28328

Coimbatore  
29th May 2007

## ACCOUNTING POLICIES

1. **Investments — Long Term**  
Investments are stated at Cost.
2. **Income**  
Dividend is accounted as and when declared & received.
3. **Expenditure**  
Expenses are accounted for on accrual basis.
4. Accounting standards prescribed by the Institute of Chartered Accountants of India and NBFC Prudential Norms issued by Reserve Bank of India have been followed wherever applicable.

5. As a prudent measure, the recognition of deferred tax asset as required by the accounting standard for accounting of taxes on income has not been considered in the accounts.
6. Figures have been rounded off to the nearest thousand.
7. List of Related parties with whom transactions have taken place during the year 2006-07 and relationship.

**Holding Company :** Pricol Limited; **Fellow Subsidiaries :** English Tools and Castings Limited & PT Pricol Surya, Indonesia.

(Rs. '000)

Name of Transaction	Holding Company		Fellow Subsidiaries	
	06-07	05-06	06-07	05-06
Outstanding Loan - Opening	14,422	(76,855)	—	—
Amount received during the year	1,053	—	—	—
Amount paid during the year	—	91,277	—	—
Outstanding Loan - Closing	13,369	14,422	—	—

## NOTES ON ACCOUNTS

1. Income Tax Assessments are completed upto Assessment year 2004-05.
2. Earnings in Foreign Currency and Expenditure in Foreign Currency - Nil.
3. As the Company is not a manufacturing Company, the particulars required in Para 4C of Part II of Schedule VI to Companies Act, 1956 are not applicable.
4. Previous year's figures have been regrouped wherever necessary to conform to the current year's classifications.

8. The Company's operations mainly relate to one segment.

## BALANCE SHEET AS AT 31st MARCH, 2007

	31-3-2007 Rs. '000	31-3-2006 Rs. '000
<b>SOURCES OF FUNDS</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
37,50,000 Equity Shares of Rs.10/- each	37,500	37,500
<b>Issued, Subscribed &amp; Paid-up</b>		
22,50,000 Equity Shares of Rs.10/- each fully paid-up (held by the Holding Company, Pricol Limited)	22,500	22,500
<b>Reserves &amp; Surplus</b>		
<b>General Reserve</b>		
As per last Balance Sheet	4,282	4,282
Less: Adjusted against debit balance of Profit & Loss Account	4,282	4,282
	—	—
<b>Statutory Reserve</b>		
As per last Balance Sheet	1,091	1,091
	23,591	23,591
<b>APPLICATION OF FUNDS</b>		
<b>Investments (Long Term)</b>		
at cost - Schedule I	9,359	8,362
<b>Current Assets, Loans and Advances</b>		
<b>I. Current Assets</b>		
Balance with Banks	107	78
Cash on hand	2	—
<b>II. Loans and Advances</b>		
Advances recoverable in cash or in kind or for value to be received and considered good		
Due from Holding Company	13,369	14,422
Tax payment-Pending Adjustments	69	69
(A)	13,547	14,569
<b>Less: Current Liabilities and Provisions</b>		
<b>I. Current Liabilities:</b>		
Sundry Creditors	8	11
<b>II. Provisions:</b>		
For Taxation	420	420
(B)	428	431
Net Current Assets (A-B)	13,119	14,138
Profit and Loss Account	5,395	5,373
Less: Adjusted against General Reserves	4,282	4,282
	1,113	1,091
	23,591	23,591

Schedule I, Accounting Policies and the Notes on Accounts form part of this Balance Sheet.

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
C.S. Sathyanarayanan  
Partner, Membership No.28328  
Coimbatore, 29th May 2007

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	2006-07 Rs. '000	2005-06 Rs. '000
<b>INCOME</b>		
<b>Investment Income</b>		
Dividend	—	534
Profit on sale of shares (Investments)	—	32,938
Other Income	—	20
Total	—	33,492
<b>EXPENDITURE</b>		
Establishment Charges and other expenses	12	21
Auditors Remuneration		
For Audit	7	7
For Certifications etc.,	2	5
For Travelling Expenses	1	1
	10	13
Total	22	34
Profit/(Loss) Before Tax	(22)	33,458
Add: Extra ordinary item	—	(495)
Profit/(Loss) After Tax	(22)	32,963
Add: Balance brought forward from previous years	(5,373)	(38,336)
Loss carried over	(5,395)	(5,373)
<b>Schedule - 2</b>		
<b>Earnings per share (Basic) (Face Value of Rs.10/- each)</b>		
a. Profit/(Loss) After Tax (Rs. '000)	(22)	32,963
b. Equity Shares of Rs.10/- each (Nos.)	2,250,000	2,250,000
c. Earnings per Share (a/b) (in Rs.)	(0.01)	14.65

Schedule 2, Significant Accounting Policies and the Notes on Accounts form part of this Profit and Loss Account.

For and on behalf of the Board

A. Venkatesan  
P. Ravi  
Directors

# Integral Investments Limited

## SCHEDULES FORMING PART OF THE ACCOUNTS

	Cost 31-3-2007 Rs. '000	Cost 31-3-2006 Rs. '000		(Rs. '000)
			Amount outstanding	Amount Overdue
<b>Schedule I - INVESTMENTS - LONG TERM</b>				
<b>1. Quoted :</b>				
71 Equity Shares of Re.1/- each fully paid-up in TVS Motors Ltd	1	1		
50 Equity Shares of Rs.10/- each fully paid-up in Munjal Auto Industries Ltd	1	1		
50 Equity Shares of Rs.10/- fully paid-up in Shivam Autotech Ltd				
<b>2. Unquoted :</b>				
7,20,000 Equity Shares of Rs.10/- each fully paid-up in Pricol Technologies Ltd., Coimbatore	7,200	7,200		
1,99,700 Equity Shares of Rs.10/- each fully paid in Synoro Technologies Ltd, Coimbatore (Previous year 49,400 Equity Shares of Rs.10/- each)	1,997	494		
3,190 Equity Shares of Rs.100/- each fully paid-up in Shanmuga Steel Industries Ltd., Coimbatore	160	160		
	<b>9,359</b>	<b>7,856</b>		
<b>3. Application money paid</b>				
Synoro Technologies Limited	—	506		
	<b>9,359</b>	<b>8,362</b>		
a. Aggregate cost of Quoted Investments is Rs.1.778 Thousand				
b. Aggregate Market Value of Quoted Investments is Rs.14.996 Thousand				
c. Unquoted Investments are taken at cost.				

### SCHEDULE TO THE BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2007

(As required in terms of paragraph 9BB on Non-banking Financial Companies Prudential Norms (RBI) Directions, 1998)

	Amount outstanding	Amount Overdue		(Rs. '000)
<b>Liabilities side</b>				
<b>1. Loans &amp; Advances availed by NBFCs inclusive of interest accrued thereon but not paid</b>				
a) Debentures : Secured	—	—		
Unsecured	—	—		
(Other than falling within the meaning of public deposits)				
<b>5 Break-up of Investments :</b>				
<b>Current Investments :</b>				
<b>1. Quoted :</b>				
i) Shares : a) Equity				—
b) Preference				—
ii) Debentures & Bonds				—
<b>2 Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)</b>				
a) In the form of Unsecured Debentures	—	—		
b) In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	—	—		
c) Other public deposits	—	—		
<b>Assets Side</b>				
<b>3 Break-up of loans and advances including bills receivables (other than those included in (4) below)</b>				
a) Secured				—
b) Unsecured				—
<b>4 Break-up of leased assets and stock on hire and hypothecation loans counting towards EL/HP activities</b>				
<b>i) Lease assets including lease rentals under sundry debtors:</b>				
a) Financial lease				—
b) Operating lease				—
<b>ii) Stock on hire including hire charges under Sundry debtors</b>				
a) Assets on hire				—
b) Repossessed assets				—
<b>iii) Hypothecation loans counting towards EL/HP activities</b>				
a) Loans where assets have been repossessed				—
b) Loans other than (a) above				—



# Integral Investments Limited

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I. Registration Details</b>			
Registration No. : 5250	State Code : 181	Balance Sheet Date	: 31st March 2007
<b>II. Capital raised during the year (Amount in Rs. Thousands)</b>			
Public Issue	: Nil	Rights Issue	: Nil
Bonus Issue	: Nil	Private Placement	: Nil
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)</b>			
Total Liabilities	: 24,019	Total Assets	: 24,019
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	: 22,500	Net Fixed Assets	: Nil
Reserves & Surplus	: 1,091	Current Assets	: 13,547
Deferred Tax	: Nil	Accumulated Losses	: 1,113
Secured Loans	: Nil	Investments	: 9,359
Unsecured Loans	: Nil	Misc. Expenditure	: Nil
Current Liabilities	: 428		
<b>IV. Performance of Company (Amount in Rs. Thousands)</b>			
Total Income	: Nil	Profit / (Loss) After Tax	: (22)
Total Expenditure	: 22	Earnings per Share (in Rs.)	: (0.01)
Profit / (Loss) Before Tax	: (22)	Dividend rate	: Nil
<b>V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)</b>			
Investments			

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	31-03-2007 Rs. '000	31-03-2006 Rs. '000
<b>A. Cash flow from operating activities:</b>		
Net profit before tax and Extra-ordinary Items	(22)	33,458
Adjustment for :		
Investment Income	—	(534)
(Profit) / Loss on Sale of Investments	—	(32,938)
	<u>—</u>	<u>(33,472)</u>
Operating profit before working capital changes	(22)	(14)
Other Receivables	1,053	67,330
Trade and Other Payables	(3)	(117,724)
	<u>1,050</u>	<u>(50,394)</u>
Cash outflow from Operations	1,028	(50,408)
Extra-Ordinary item	—	(495)
Net Cash outflow from Operations activities	<u>1,028</u>	<u>(50,903)</u>
<b>B. Cash flow from investing activities:</b>		
Purchase of Investments	(997)	—
Sale of Investments	—	49,228
Dividend Received	—	534
	<u>—</u>	<u>49,762</u>
Net Cash outflow from Investing activities	(997)	49,762
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B)</b>	<b>31</b>	<b>(1,141)</b>
Cash and Cash Equivalents as at 1-4-2006 and 1-4-2005 (Opening Balance)	<u>78</u>	<u>1,219</u>
Cash and Cash Equivalents as at 31-3-2007 and 31-3-2006 (Closing Balance)	<b>109</b>	<b>78</b>

As per our report of date attached  
For SURI & Co.,  
Chartered Accountants  
**C.S. Sathyanarayanan**  
Partner, Membership No.28328  
Coimbatore, 29th May 2007

For and on behalf of the Board

**A. Venkatesan**  
**P. Ravi**  
Directors

## ENGLISH TOOLS AND CASTINGS LIMITED

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### BOARD OF DIRECTORS

Mr. Vijay Mohan, Chairman  
Mr. K. Janardhanan, Managing Director  
Mr. Viren Mohan, Executive Director (w.e.f. 20th October 2006)  
Mr. P. Vijay Raghunath  
Mr. A. Venkatesan  
Mr. M. Sampath Kumar (upto 13th July 2006)  
Mr. P. Madhusudhan (upto 13th July 2006)  
Dr. V.G. Ratnam (upto 20th January 2007)

### AUDIT COMMITTEE

Mr. P. Vijay Raghunath  
Mr. K. Janardhanan  
Mr. A. Venkatesan  
Dr. V.G. Ratnam (upto 20th January 2007)

### AUDITORS

M/s. Narayan & Dharan  
Chartered Accountants,  
No.1, 'Dhurvatra' Apartments,  
241, Dr. Rajendra Prasad Road,  
Tatabad, Coimbatore - 641 012.

### BANKERS

<b>HDFC Bank Limited</b> Classic Towers, 1635, Trichy Road, Coimbatore - 641 018.	<b>IDBI Bank Limited</b> Viscose Towers 1078, Avanashi Road, Coimbatore - 641 018.
<b>SIDBI</b> Gowtham Complex, 1055/7, Avanashi Road, Coimbatore - 641 018.	

### REGISTERED OFFICE

100/1A, Pollachi Main Road  
Thamaraikulam Post, Kinathukadavu (Via)  
Pollachi T.K., Coimbatore - 642 109.

### FACTORIES

Pressure Die Casting Division  
Plastic Moulding Division  
Tooling Division

100/1A, Pollachi Main Road  
Thamaraikulam Post, Kinathukadavu (Via)  
Pollachi T.K., Coimbatore - 642 109.

Machining Division

E-21, SIDCO Industrial Estate, Kurichi, Coimbatore.

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# English Tools and Castings Limited

## REPORT OF THE DIRECTORS

Your Directors of the Company have great pleasure in presenting their Thirteenth Annual Report of your Company together with Audited Accounts for the financial year ended 31st March 2007.

### WORKING RESULTS

The working results of the company is summarised as detailed below:

Rs. Million

Particulars	2006-07	2005-06
<b>Aluminum Die Casting, Tooling, Machining &amp; Plastic Moulding Divisions :</b>		
Sales & Service Charges - Domestic	230.848	145.186
- Export	0.638	5.219
<b>Sub Total (A)</b>	<b>231.486</b>	<b>150.405</b>
<b>Press Shop Division : Sales &amp; Service Charges</b> - Domestic	—	19.385
- Export	—	—
<b>Sub Total (B)</b>	<b>—</b>	<b>19.385</b>
<b>Total (A+B)</b>	<b>231.486</b>	<b>169.790</b>
<b>Profit before Interest, Depreciation &amp; Other Income</b>	<b>25.614</b>	<b>12.107</b>
Less : Interest	8.022	4.427
: Depreciation	12.186	13.541
Add : Other Income	1.053	0.587
: Prior period items	—	0.006
<b>Profit / (Loss) before Tax</b>	<b>6.459</b>	<b>(5.268)</b>
Less : Provision for Tax - Current Tax	0.745	—
- Fringe Benefit Tax	0.101	0.156
- Deferred Tax	—	—
<b>Profit / (Loss) after Tax</b>	<b>5.613</b>	<b>(5.424)</b>
Balance brought forward	(197.652)	3.636
Transfer from General Reserve	—	1.146
<b>Extra-ordinary items - Re-organisation loss (Net) written off</b>	<b>—</b>	<b>(197.010)</b>
Balance Carried to Balance Sheet	(192.039)	(197.652)

### REVIEW OF OPERATIONS & OUTLOOK

During the year 2006-07, Pricol Limited has acquired balance 30% stake in the company and it has become wholly-owned subsidiary of Pricol Limited. In June 2005, Pricol Limited acquired 70% stake and took over the management of the company comprising of Aluminum Die Casting, Plastic Moulding, Tool Room and Machining Divisions. The company had already disposed off its Press Shop division before Pricol took over the management. The company has achieved a turnover of Rs.231.486 million against Rs.150.405 million of previous year (excluding Press Shop Division) recording a growth of 54%.

In 2006-07, with better utilization of machineries and cost control measures, the company was able to turn around into a Profitable Company, with a PAT of Rs.5.613 million (2.42% on turnover of Rs.231.486 million) as against previous year loss of Rs.5.424 million.

In the current year 2007-08, the automobile industry, which is poised for a high growth will provide us ample opportunities for the growth of our company. Moreover with new and increased orders from existing major customers viz., Ashok Leyland, Sigma Vibracoustic, Trelleborg Automotive etc., and with new entrance of various automobile giants into our country, being hub for automobile ancillaries, will also give us opportunities for good growth and better profitability.



## REPORT OF THE DIRECTORS (Contd.,)

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### RE-STRUCTURING

As stated in the last year's report, the accumulated loss of Rs.197.652 million is being dealt with by way of reduction of capital. The company had applied to Honourable High Court, Chennai for restructuring its share capital by way of reduction of capital, from Rs.276.989 Million to Rs.79.337 Million. We are expecting the approval within the end of June 2007.

### DIRECTORS

Mr. M. Sampath Kumar and Mr. P. Madhusudhan resigned from the Board with effect from 13th July 2006. The directors would like to place on record their appreciation for their valuable contribution made for the development of the company during their tenure as director.

Dr. V.G. Ratnam resigned from the Board with effect from 20th January 2007. The directors would like to place on record their appreciation for his valuable contribution made for the development of the company during his tenure as Director and Chairman of Audit Committee.

Mr. Vijay Mohan, director retires by rotation at the ensuing 13th Annual General Meeting and is eligible for re-appointment.

Mr. Viren Mohan has joined the Board of Directors on 20th October 2006 as an additional director under section 260 of the Companies Act, 1956. He vacates the office on the date of the forthcoming 13th Annual General Meeting and is eligible for appointment.

### FIXED DEPOSITS

The Company has not accepted any Deposits from the public.

### AUDITORS

The statutory auditors M/s. Narayan & Dharan, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

### CONSERVATION OF ENERGY ETC.

Details of Conservation of Energy, technology absorption, Foreign Exchange Earnings and Outgo in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, is annexed herewith and forms part of this report.

### APPOINTMENT OF COMPANY SECRETARY

The company is required to appoint a full time Company Secretary under section 383A of the Companies Act 1956. The company has initiated necessary steps for appointing a Company Secretary to comply with the provisions of the Companies Act.

### PARTICULARS OF EMPLOYEES

The company does not have employees drawing remuneration attracting the provisions of section 217 (2A) of the Companies Act 1956.

### DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- a) that the applicable accounting standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.

# English Tools and Castings Limited

## REPORT OF THE DIRECTORS (Contd.,)

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- b) that the company has adopted prudent accounting policies.
- c) that proper care has been taken for maintenance of accounting records in accordance with the provisions of the Act and
- d) that the Annual Accounts of the company have been prepared on a going concern basis.

### ACKNOWLEDGEMENT

The directors wish to thank customers, vendors, banks / financial institutions and Pricol Limited for their continued support and co-operation during the year under review. They also wish to place on record their appreciation of the contribution made by the management team and the employees at all levels.

Coimbatore  
21st May 2007

By order of the Board  
**K. Janardhanan**                      **Viren Mohan**  
Managing Director                      Executive Director

## ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR 2006-07

### 1. Particulars pursuant to section 217 (1)(e) of the Companies Act 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988.

#### a. CONSERVATION OF ENERGY

- a) Energy Conservation Measures Taken : We have installed Energy saving devices both in Die-casting division and Plastic moulding division. We have planned to go for alternative fuel to reduce the cost of melting in Die-casting. We have also planned for Energy Saving Audit to be conducted by experts and implementation of the same during the year.
- b) Additional Investments and Proposal : The top executives of the company are contemplating the possibility of revamping the machinery to bring down the cost of power considerably.
- c) Energy Consumption as per Form-A :

PARTICULARS		2006-07	2005-06
1) Electricity Charges	Rs. Million	14.641	12.740
2) EB Units Purchased	Kwh.	3,208,509	2,695,946
3) Rate per Unit Purchased	Rs.	4.56	4.73
1) Generator - Diesel	Rs. Million	1.301	0.636
2) Units Generated	Kwh.	129,168	52,418
3) Cost per Unit Generated	Rs.	10.07	12.13
1) Total Power & Fuel (Excluding LPG)	Rs. Million	15.942	13.376
2) Units Purchased/generated	Kwh.	3,337,677	2,748,364
3) Cost per Unit Consumed	Rs.	4.78	4.87
1) Liquified Petroleum Gas (LPG)	Rs. Million	8.769	5.664
2) Kgs Consumed	Kgs.	253,782	166,343
3) Cost per Kg	Rs.	34.55	34.05

#### b. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

We have produced higher weightage component which is being used in automobile transmission wherein the dimensional stability is very important due to thermal shocks. Our Engineering department is working on chemical ageing of the finished components. This will be helpful to mould the future cylinder blocks for automobiles.

#### c. FOREIGN EXCHANGE EARNINGS & OUTGO

- i. Earnings in Foreign Exchange (FOB) : Rs.0.633 Million (Previous Year Rs.5.155 Million)
- ii. Outgo in Foreign Currency (CIF) : Rs.0.763 Million (Previous Year Rs.3.418 Million)

# English Tools and Castings Limited

## REPORT OF THE AUDITOR'S TO THE SHAREHOLDERS

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We have audited the attached Balance Sheet of English Tools and Castings Limited, Coimbatore, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed there to and the Cash Flow Statement for the year ended on that date. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

As required by the Companies (Auditor's Report) Order, 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said order.

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

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- 3) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- 4) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956.
- 5) On the basis of the written representation received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of Clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956.

6) In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2007;
- b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For Narayan & Dharan  
Chartered Accountants  
**K. Badri Narayanan**

Partner

Coimbatore  
21st May 2007.

Membership No.024550

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### Annexure to Auditor's Report

1. a) The company is maintaining records showing particulars of fixed assets.
- b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of the business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt with in the books of accounts.
- c) The machining division, a unit of the company has been disposed off during the year. This has not affected the going concern assumption.
2. a) The inventories have been physically verified by the management during the year at reasonable intervals.
- b) The procedures followed by the company for verification of inventory are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories were not material and have been appropriately dealt with.

**ANNEXURE TO AUDITOR'S REPORT (Contd..)**

3. a) During the year the company has not granted loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.  
b) During the year the company has not taken loan, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
4. There are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. There has been no major weakness in the internal control system.
5. a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding Rupees Five Lakhs each have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted deposits from public.
7. The company has an adequate internal audit system commensurate with its size and nature of its business.
8. As per information furnished to us, the Central Government has not prescribed cost records under section 209(1)(d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us and records examined, the company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income tax, Sales tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues.  
b) According to the information and explanations given to us, there has been no disputed dues under Sales tax, Service tax, Income tax, Customs duty, Excise duty and Cess.
10. The accumulated loss of the company as at 31st March 2007 is more than fifty percent of its net worth. The company had applied to Honourable High Court, Chennai for restructuring its share capital by way of reduction of capital for which the approval is yet to be received. The company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. The company has not defaulted in repayment of its dues to financial institution and banks.
12. During the year, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of special statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the company.
14. The company is not dealing or trading in shares, securities, debentures or other investments.
15. According to the information and explanations given to us, the company has not given guarantee for loans taken by others from bank or financial institutions.
16. The company has applied term loan for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination, we report that no funds raised on short term basis have been used for long term investment by the company.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained u/s.301 of the Companies Act, 1956.
19. During the year, the company has not issued debentures.
20. During the year, the company has not raised money by public issue.
21. According to the information and explanations given to us, and the books and records examined by us, there are no frauds on or by the company that has been noticed or reported during the year.

Coimbatore,  
21st May 2007.

For Narayan & Dharan  
Chartered Accountants  
**K. Badri Narayanan**  
Partner  
Membership No.024550

# English Tools and Castings Limited

## BALANCE SHEET AS AT 31st MARCH 2007

PARTICULARS	Schedule	31.03.2007 Rs. Million	31.03.2006 Rs. Million
<b>A. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	I	276.989	276.989
Reserves & Surplus	II	—	—
		<u>276.989</u>	<u>276.989</u>
<b>2. Borrowed Funds</b>			
Secured Loans	III	94.950	54.123
		<u>371.939</u>	<u>331.112</u>
<b>Total Capital Employed</b>			
<b>B. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block	IV	187.265	380.808
Less : Impairment of Fixed Assets		—	149.772
: Goodwill written off		—	60.946
		<u>187.265</u>	<u>170.090</u>
Less : Accumulated Depreciation		90.004	79.799
Net Block		<u>97.261</u>	<u>90.291</u>
<b>2. Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	V	105.931	51.399
Stock In Trade	VI	23.830	16.095
Cash & Bank Balances	VII	3.168	1.372
Loans, Advances & Deposits	VIII	7.797	5.627
		<u>140.726</u>	<u>74.493</u>
Total Current Assets		<u>140.726</u>	<u>74.493</u>
Less : Current Liabilities & Provisions	IX	59.508	32.745
Net Current Assets		<u>81.218</u>	<u>41.748</u>
<b>3. Deferred Tax Asset</b>			
	X	1.421	1.421
<b>4. Miscellaneous expenses to the extent not written off/adjusted</b>			
Preliminary Expenses	XI	—	—
Deferred Revenue Expenditure	XII	—	—
Profit & Loss Account	XIII	192.039	197.652
		<u>371.939</u>	<u>331.112</u>
<b>Total Assets</b>			

Schedule I to XIII, Significant Accounting Policies and the Notes on Accounts form part of this Balance Sheet.

As per our report of date attached  
For Narayan & Dharan  
Chartered Accountants  
K. Badri Narayanan, Partner  
Membership No.024550  
Coimbatore, 21st May, 2007

For and on behalf of the Board

K. Janardhanan  
Managing Director

Viren Mohan  
Executive Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007**

PARTICULARS	Schedule	2006-07 Rs. Million	2005-06 Rs. Million
<b>INCOME</b>			
Sales & Service Charges Received	XIV	231.486	169.790
Increase / (Decrease) In Stock	XVI	(0.479)	(22.141)
<b>Production Value</b>		<b>231.007</b>	<b>147.649</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	XVII	132.985	73.155
Labour Charges Paid		9.566	4.960
Employee's Cost	XVIII	21.284	20.330
Power & Fuel		24.711	19.040
Stores & Spares Consumed		7.995	6.198
Repairs & Maintenance	XIX	5.084	5.104
Other Expenditure	XX	3.768	6.755
<b>Total Expenditure</b>		<b>205.393</b>	<b>135.542</b>
<b>Profit Before Interest, Depreciation &amp; Other Income</b>		<b>25.614</b>	<b>12.107</b>
Add : Other Income	XV	1.053	0.587
		<b>26.667</b>	<b>12.694</b>
Less : Interest & Finance Charges	XXI	8.022	4.427
Depreciation		12.186	13.541
		<b>6.459</b>	<b>(5.274)</b>
Adj : Prior Period Items	XXII	—	0.006
<b>Profit / (Loss ) Before Tax</b>		<b>6.459</b>	<b>(5.268)</b>
Less : Provision For Taxation:			
Current Tax		0.745	—
Fringe Benefit Tax		0.101	0.156
Deferred Tax		—	—
<b>Profit / (Loss) After Tax</b>		<b>5.613</b>	<b>(5.424)</b>
Adj : Extra-Ordinary Items:			
Reorganisation Loss written off		—	197.010
<b>Balance Transferred To Balance Sheet</b>		<b>5.613</b>	<b>(202.434)</b>
<b>Earnings per Share (Basic) (in Rupees)</b>			
1. Earnings per Share before Extra-Ordinary items		0.20	(0.20)
2. Earnings per Share after Extra-Ordinary items		0.20	(7.31)

Schedule XIV to XXII, Significant Accounting Policies and the Notes on Accounts form part of this Profit & Loss Account.

As per our report of date attached  
For Narayan & Dharan  
Chartered Accountants  
**K. Badri Narayanan**, Partner  
Membership No.024550  
Coimbatore, 21st May, 2007

For and on behalf of the Board

**K. Janardhanan**  
Managing Director

**Viren Mohan**  
Executive Director

# English Tools and Castings Limited

## SCHEDULES FORMING PART OF THE ACCOUNTS

PARTICULARS	31.03.2007 Rs. Million	31.03.2006 Rs. Million	PARTICULARS	31.03.2007 Rs. Million	31.03.2006 Rs. Million
<b>Schedule - I SHARE CAPITAL</b>			<b>Schedule - III SECURED LOANS</b>		
A) Authorised Capital 30,000,000 Equity Shares of Rs.10/- each	<b>300.000</b>	300.000	Term Loans from Banks	<b>27.041</b>	15.522
B) Issued, Subscribed and Paid-up 27,698,921 Equity Shares of Rs.10/- each fully paid	<b>276.989</b>	276.989	Working Capital Borrowings from Banks	<b>60.176</b>	28.188
	<b>276.989</b>	276.989	Working Capital Borrowings from Financial Institution	<b>7.592</b>	9.844
<b>Schedule - II RESERVES &amp; SURPLUS</b>			<b>Hire Purchase Loans</b>		
Opening Balance in General Reserve	—	1.146	Hire Purchase Loans from Banks	<b>0.141</b>	0.356
Opening Balance in P & L Account	—	3.636	Hire Purchase Loans from companies	—	0.213
	—	4.782		<b>94.950</b>	54.123
Less : Transferred to P & L A/c (To adjust Debit Balance in P & L Account)	—	4.782			
	—	—			
	—	—			

### Schedule - IV FIXED ASSETS

(Rs. Million)

Description	Gross Block			Depreciation				Net Block		
	As on 31.03.2006	Additions	Deletions	As on 31.03.2007	Upto 31.03.2006	For the Year	With- drawn	Total as on 31.03.2007	As on 31.03.2007	As on 31.03.2006
Land	0.410	—	—	0.410	—	—	—	—	0.410	0.410
Building	40.478	0.846	0.182	41.142	17.141	1.337	0.012	18.466	22.676	23.337
Plant & Machinery	102.961	18.884	5.646	116.199	51.501	7.549	1.524	57.526	58.673	51.460
Furniture & Fittings	1.909	0.119	0.090	1.938	1.408	0.119	0.019	1.508	0.430	0.501
Office Equipments & Computers	5.328	2.564	0.364	7.528	2.691	0.881	0.230	3.342	4.186	2.637
Electrical Fittings	13.617	0.786	0.312	14.091	6.226	1.612	0.109	7.729	6.362	7.391
Lab Equipments	2.423	0.256	—	2.679	0.118	0.379	—	0.497	2.182	2.305
Vehicles	2.964	0.787	0.473	3.278	0.714	0.309	0.087	0.936	2.342	2.250
<b>Total</b>	<b>170.090</b>	<b>24.242</b>	<b>7.067</b>	<b>187.265</b>	<b>79.799</b>	<b>12.186</b>	<b>1.981</b>	<b>90.004</b>	<b>97.261</b>	<b>90.291</b>
Previous Year	419.062	12.495	261.467	170.090	70.255	13.541	3.997	79.799	90.291	348.807



**SCHEDULES (Contd.,)**

PARTICULARS	31.03.2007 Rs. Million	31.03.2006 Rs. Million	PARTICULARS	31.03.2007 Rs. Million	31.03.2006 Rs. Million
<b>Schedule - V SUNDRY DEBTORS</b> (Unsecured and Considered Good)			<b>Schedule - X DEFERRED TAX ASSET</b>		
Due from Holding Company	1.798	1.183	Opening Balance	1.421	1.421
Debtors outstanding for a period exceeding six months	16.979	5.667	Less : Deferred Tax written off	—	—
Debtors less than six months	87.154	44.549		1.421	1.421
	<u>105.931</u>	<u>51.399</u>	<b>Schedule - XI PRELIMINARY EXPENSES</b>		
<b>Schedule - VI STOCK IN TRADE</b> (At lower of cost and net realisable value) (As Certified by Managing Director)			Opening Balance	—	0.003
Raw Materials	12.102	6.090	Less : Written off	—	0.003
Stores & Consumables	3.694	1.492		—	—
Work In Progress	8.034	8.513		—	—
	<u>23.830</u>	<u>16.095</u>	<b>Schedule - XII DEFERRED REVENUE EXPENDITURE</b>		
<b>Schedule - VII CASH &amp; BANK BALANCES</b>			Opening Balance	—	2.037
Cash on Hand	0.097	0.059	Add : Incurred during the year	—	—
Cash at Bank			Less : Written Off during the year - Extra Ordinary Items	—	2.037
Current Accounts	2.026	0.313		—	—
Deposit Accounts	1.045	1.000		—	—
	<u>3.168</u>	<u>1.372</u>	<b>Schedule - XIII PROFIT &amp; LOSS ACCOUNT</b>		
<b>Schedule - VIII LOANS, ADVANCES &amp; DEPOSITS</b>			Opening Debit Balance in P & L Account	197.652	—
Advances Recoverable in cash or kind or for value to be received and considered good	4.214	2.301	Adj : (Net Profit) / Loss for the year	(5.613)	202.434
Deposits	2.234	2.148		192.039	202.434
	6.448	4.449	Less : Transfer from Reserves & Surplus	—	4.782
Prepaid Expenses	0.278	0.332		192.039	197.652
Tax Deducted At Source	1.071	0.846	<b>Schedule - XIV SALES &amp; SERVICE CHARGES</b>		
	<u>7.797</u>	<u>5.627</u>	Domestic :	2006-07	2005-06
<b>Schedule - IX CURRENT LIABILITIES &amp; PROVISIONS</b>				(Rs. Million)	
Sundry Creditors & Other Current Liabilities	57.500	31.914	Die Casting, Plastic Moulding, Tool Room & Machining Divisions :		
Interest Accrued but not due on Loans	0.650	0.163	Sale of Dies, Tools & Moulds	29.199	27.131
Provision for Income Tax	1.257	0.512	Sale of Components	232.036	124.388
Provision for Fringe Benefit Tax	0.101	0.156	Service Charges Received	12.796	17.992
	<u>59.508</u>	<u>32.745</u>		274.031	169.511
			Less : Excise Duty	33.767	19.379
			Sales Tax	9.416	4.946
			Domestic Sales (Sub Total)	<u>230.848</u>	<u>145.186</u>

# English Tools and Castings Limited

## SCHEDULES (Contd.,)

PARTICULARS	2006-07 Rs. Million	2005-06 Rs. Million	PARTICULARS	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule - XIV (Contd.,)</b>			<b>Schedule - XVII RAW MATERIALS CONSUMED</b>		
<b>Press Shop Division :</b>			Opening Stock	6.090	5.930
Sale of Dies, Tools & Moulds	—	10.118	Less : Written off in the current year (Extra-Ordinary Item)	—	1.380
Sale of Components	—	9.267			
		19.385	Add : Purchases of Raw Materials	140.707	75.857
Less : Excise Duty	—	—		146.797	80.407
Sales Tax	—	—	Less : Sale of Scrap	1.710	1.162
Domestic Sales (Sub Total)	—	19.385		145.087	79.245
Domestic Sales (Total)	230.848	164.571	Less : Closing Stock	12.102	6.090
<b>Export:</b>				132.985	73.155
<b>Die Casting, Plastic Moulding, Tool Room and Machining Division :</b>			<b>Schedule - XVIII - EMPLOYEE'S COST</b>		
Sale of Components	0.638	0.565	Pay, Allowances & Exgratia	18.295	16.033
Sale of Dies, Tools & Moulds	—	4.654	Company's Contribution to PF, ESI & Gratuity Funds	1.997	3.380
Export Sales (Total)	0.638	5.219	Welfare Expenses	0.992	0.917
Total Sales & Service Charges	231.486	169.790		21.284	20.330
<b>Schedule - XV OTHER INCOME</b>			<b>Schedule - XIX - REPAIRS &amp; MAINTENANCE</b>		
Interest	0.424	0.183	Buildings	0.599	0.325
Insurance Claim	0.100	0.029	Machinery & Electricals	2.828	3.914
Rent & Lease Charges	—	0.030	Others	1.657	0.865
Other Receipts	0.111	0.104		5.084	5.104
Recovery of Bad Debts Written off	0.068	—	<b>Schedule - XX - OTHER EXPENDITURE</b>		
Sundry Credits Written Back	0.350	0.241	Printing & Stationery	0.347	0.338
	1.053	0.587	Postage & Telephone	0.368	0.493
<b>Schedule - XVI INCREASE / (DECREASE) IN STOCK OF WORK IN PROGRESS</b>			Rent, Rates, Duty & Taxes	0.480	1.518
Opening Work-in-Progress	8.513	70.432	Insurance	0.422	0.511
Less : Written off during the year (Extra-Ordinary Item)	—	39.778	Bank Charges	0.664	0.612
	8.513	30.654	Travelling & Conveyance	0.395	0.324
Closing Work-in-Progress	8.034	8.513	Freight & Forwarding	0.817	0.553
	(0.479)	(22.141)	Advertisement & Sales Promotion	0.220	0.164
			Bad Debts Written Off	0.105	0.215
			Director's Sitting Fees	0.158	0.154
			C/f	3.976	4.882

## SCHEDULES (Contd.,)

PARTICULARS	2006-07 Rs. Million	2005-06 Rs. Million	PARTICULARS	2006-07 Rs. Million	2005-06 Rs. Million
<b>Schedule - XX (Contd.,)</b>			<b>Schedule - XXI - INTEREST &amp; FINANCE CHARGES</b>		
Auditor's Remuneration	B/f 3.976	4.882	Interest Charges on-		
Professional Charges,	0.068	0.058	- Fixed Loans	1.991	0.960
Books & Periodicals	0.567	0.338	- Other Loans	6.031	3.467
Security Service Charges	0.351	0.345		<u>8.022</u>	<u>4.427</u>
Miscellaneous Expenses	0.306	0.567			
Donation	0.025	—	<b>Schedule - XXII - PRIOR PERIOD ITEMS</b>		
Discount Allowed	0.198	0.122	Excess Audit Fees		
Additional Sales Tax	0.871	—	provision reversed	—	0.006
Foreign Exchange Loss	0.020	0.077		<u>—</u>	<u>0.006</u>
Loss/(Profit) on Sale of Assets	(2.614)	0.363			
Preliminary Expenses written off	—	0.003		<u>—</u>	<u>0.006</u>
	<u>3.768</u>	<u>6.755</u>			

## SIGNIFICANT ACCOUNTING POLICIES

- ACCOUNTING CONVENTION**  
Accounts have been prepared under Historical Cost Convention and as per the requirements of the Companies Act, 1956.
- FIXED ASSETS AND DEPRECIATION**  
Fixed Assets are stated at Historical Cost excluding Cenvat benefit on capital goods.  
  
Depreciation has been provided under the Straight Line Method as per Schedule XIV of the Companies Act, 1956.
- VALUATION OF INVENTORIES**  
Inventories are valued at lower of cost and Net realizable value.
- REVENUE RECOGNITION**  
The Company has been constantly adopting accrual system of accounting for income and expenditure.
- FOREIGN CURRENCY TRANSACTIONS**  
Revenue transactions in Foreign Currency are accounted at the rates prevailing at the date of transaction.  
  
Foreign currency assets and liabilities are restated at exchange rate as on the balance sheet date and any difference on realisation / settlement is recognized in the Profit & Loss account except in cases where they relate to the Fixed Asset in which case they are adjusted to the carrying cost of such assets.
- RETIREMENT BENEFITS**  
**Gratuity** : The liability in respect of gratuity payable to the employees of the company is covered by a scheme of LIC.
- BORROWING COSTS**  
Borrowing costs are charged to revenue. There are no assets, during the year for which borrowing cost is to be capitalized.
- ACCOUNTING FOR TAXES**  
There are carry forward losses eligible to be set off against future income under Income Tax Act. Deferred tax asset in respect of such losses and deferred tax asset on other timing difference have not been recognized on prudence.
- ACCOUNTING STANDARDS**  
Accounting standards prescribed by the Institute of Chartered Accountants of India have been followed wherever applicable.

# English Tools and Castings Limited

## NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

### 1) SECURED LOAN

Cash Credit facilities from banks are secured by way of hypothecation of finished goods, raw materials, stock in process, stores and spares and book debts of the Company. These limits are also secured by pari passu charge on company's fixed assets.

Credit facilities from SIDBI for the suppliers' bill-discounting limit are secured by charge on fixed assets and current assets of the company.

Term loans due to HDFC Bank Limited and IDBI Bank Limited are secured by fixed assets procured out of respective loan.

2) Previous year figures have been regrouped and reclassified to conform to current year's classification.

### 3) FOREIGN EXCHANGES EARNING & OUTGO:

	2006-07	2005-06
	Rs. Million	
i. Earnings in Foreign Exchange (FOB)	0.633	5.155
ii. Outgo in Foreign Currency (CIF)	0.763	3.418

	2006-07	2005-06
	Rs. Million	
4) Remuneration paid to Auditor's includes: (Excluding Service Tax)		
Audit Fees	0.050	0.040
Taxation Matters	0.018	0.018

### 5) Remuneration paid to Directors

Salary & Gratuity	Nil	0.282
Sitting Fees	0.158	0.154

### 6) RESTRUCTURING

As stated in the last year's report accumulated loss of Rs.197.652 million is being dealt with by way of reduction of capital. The company had applied to the honourable high court, chennai for restructuring its share capital by way of reduction of capital from Rs.276.989 million to Rs.79.337 million. The company is expecting approval within the end of June 2007.

7) Amount due to Small Scale Industrial Undertakings & Micro, Small and Medium Enterprises are not ascertainable due to non availability of relevant information.

### 8) CONTINGENT LIABILITY

Estimated amount of contracts remaining to be executed on capital account and not provided for NIL.

9) The quantitative details and other additional information required as per paragraph 4(A), 4(B), 4(C) & 4(D) of part II schedule VI of the Companies Act, 1956 are as follows:-

		2006-07	2005-06	2006-07	2005-06
<b>a. Installed Capacity and Actual Production : Main Products</b>		<b>Installed capacity</b>		<b>Production &amp; Sales (Excl. Labour basis)</b>	
Die Casting Components	(in Tonnes)	1,200	1,200	932	587
Tools & Dies	(in Nos.)	220	220	38	42
Injection Moulding Components	(Nos. in million)	1.800	1.800	0.842	0.438
Sheet Metal Components	(in Tonnes)	—	—	—	—
<b>b. Quantitative Details : Raw Materials</b>		<b>Opening Stock</b>		<b>Closing Stock</b>	
Aluminium & Zinc Ingots	(in Kgs.)	29,008	21,701	79,443	29,008
Plastic Granules / ABS Polymers	(in Kgs.)	8,992	12,345	23,941	8,992
Steel Sheets	(in Kgs.)	—	7,673	—	—
		<b>Purchase</b>		<b>Consumption</b>	
Aluminium & Zinc Ingots	(in Kgs.)	959,804	604,073	909,369	596,766
Plastic Granules / ABS Polymers	(in Kgs.)	121,295	76,900	106,346	80,253
Steel Sheets	(in Kgs.)	—	—	—	7,673
<b>c. Quantitative Details : Finished Goods</b>		<b>Opening &amp; Closing Stock</b>		<b>Production &amp; Sales (Excl. Labour basis)</b>	
Tools & Dies	(in Nos.)	—	—	38	42
Die Casting Components	(in Tonnes)	—	—	932	587
Injection Moulding Components	(Nos. in million)	—	—	0.842	0.438
Sheet Metal Components	(in Tonnes)	—	—	—	—

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

	2006-07	2005-06
	Rs. Million	
d. CIF value of Imports of the company	0.595	3.418
e. FOB value of exports	0.633	5.155
f. Other expenditure in foreign exchange	0.168	—

**10. List of Related parties with whom transactions have taken place during the year 2006-07 and Relationship :**

**Holding Company :** Pricol Limited; **Key Management Personnel :** Mr. K. Janardhanan & Mr. Viren Mohan; **Fellow Subsidiaries :** Integral Investments Ltd. and PT Pricol Surya; **Others :** Pricol Packaging Limited, Prime Agri Solutions (India) Limited, Pricol Technologies Limited, Pricol Travel Limited, Penta Enterprises (India) Limited, Xenos Technologies Limited, Synoro Technologies Limited, Shanmuga Steel Industries Limited, Carcerano Pricoltech (India) Private Ltd., Pricol Property Development Ltd., Priana Enterprises India Ltd., Pricol Holdings Ltd., Pricol Corporate Services Ltd., Ellargi & Co., Libra Industries, Leo Industries and Bhavani Treads.

(Rs. Million)

Nature of Transaction	Holding Company		Fellow Subsidiaries		Key Mgmt Personnel		Others	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Purchase/Labour charges paid	1.934	0.387	—	—	—	—	0.003	0.320
Sales / Labour charges received	22.928	14.156	—	—	—	—	0.282	0.550
Receiving of Services	—	—	—	—	0.051	0.030	0.060	0.010
Advance received	—	2.000	—	—	—	—	—	—
Advance paid	—	2.000	—	—	—	—	—	—
Interest paid	—	0.020	—	—	—	—	—	—

**11. The Company's operations mainly relate to one segment.**

# English Tools and Castings Limited

## PART – IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Rs. Thousand

#### I. Registration Details

Registration No. 181 – 5583 State Code - 18 Balance Sheet Date 31.03.2007

#### II. Capital Raised during the year:

Public Issue Nil Bonus Issue Nil  
Rights Issue Nil Private Placement Nil

#### III. Position of Mobilization and Deployment of Funds

Total Liabilities	371,939	Total Assets	371,939
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid - Up Capital	276,989	Net Fixed Assets	97,261
Reserves & Surplus	Nil	Net Current Assets	81,218
Secured Loans	94,950	Deferred Tax	1,421
Unsecured Loans	Nil	Misc. Expenditure	192,039

#### IV. Performance of Company

Total Turnover / Production Value	231,007	Total Expenditure	224,548
Profit / (Loss) Before Tax	6,459	Profit / (Loss) After Tax	5,613
Earnings Per Share (in Rs.)	0.20	Dividend Rate	Nil

#### V. Generic Names of Three products / services of Company (as per monetary terms)

ITC Code No.	722830.14	761090.02	3132 (NIC Code)
Product Description	Tools & Dies	Aluminium Die Casting Components	Plastic Components

As per our report of date attached  
For Narayan & Dharan  
Chartered Accountants  
K. Badri Narayanan, Partner  
Membership No.024550  
Coimbatore, 21st May, 2007

By order of the Board

K. Janardhanan  
Managing Director

Viren Mohan  
Executive Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007**

	2006-07 Rs. Million	2005-06 Rs. Million
<b>A. Cash flow from operating activities:</b>		
Net Profit / (Loss) Before Tax	6.459	(5.268)
Adj. : Depreciation	12.186	13.541
(Profit) / Loss on Sale of Assets (Net)	(2.614)	0.363
Deferred Revenue expenses written off	—	0.003
Interest and Finance charges	8.022	4.427
	<u>17.594</u>	<u>18.334</u>
Operating Profit Before Working Capital changes	24.053	13.066
Decrease / (Increase) in Trade and other receivables	(56.497)	(24.640)
Decrease / (Increase) in Inventories	(7.735)	23.696
Increase / (Decrease) in Trade and other payables	25.586	(40.894)
	<u>(38.646)</u>	<u>(41.838)</u>
Cash Outflow on Operations	(14.593)	(28.772)
Taxes paid (including Fringe Benefit Tax)	(0.362)	(0.512)
Net Cash outflow on Operations	<u>(14.955)</u>	<u>(29.284)</u>
<b>B. Cash flow from investing activities:</b>		
Purchase of Fixed Assets	(24.242)	(13.802)
Sale of fixed assets (including Press Shop Assets)	7.701	45.577
	<u>(16.541)</u>	<u>31.775</u>
<b>C. Cash flow from financing activities:</b>		
Secured loan obtained	40.827	1.708
Interest paid	(7.535)	(4.737)
	<u>33.292</u>	<u>(3.029)</u>
Net Increase / (Decrease) in cash and cash equivalents	1.796	(0.538)
Cash and cash equivalents As at 01.04.2005 and 01.04.2006 (Opening Balance)	1.372	1.910
Cash and cash equivalents As at 31.03.2006 and 31.03.2007 (Closing Balance)	<u>3.168</u>	<u>1.372</u>

As per our report of date attached  
For Narayan & Dharan  
Chartered Accountants  
**K. Badri Narayanan**, Partner  
Membership No.024550  
Coimbatore, 21st May, 2007

By order of the Board

**K. Janardhanan**  
Managing Director

**Viren Mohan**  
Executive Director

## PT PRICOL SURYA

A Development Stage Company

<b>Commissioner</b>	<b>Mr. Damotharan Vijay Mohan</b>
<b>President Director</b>	<b>Mr. Niranjana Rudraswamy</b>
<b>Director</b>	<b>Mr. Krishnan Kutty Udhaya Kumar</b>
<b>Auditors</b>	<b>Syarief Basir &amp; Rekan</b> Registered Public Accountants Member of Russell Bedford International Jakarta, Indonesia
<b>Bankers</b>	Bank Internasional Indonesia Hongkong and Shanghai Banking Corporation Ltd. ICICI Bank Limited
<b>Registered Office</b>	KIIC Industrial Park J1, Permata Raya Lot FF-2 Karawang 41361, Indonesia

### BOARD OF DIRECTORS' STATEMENT REGARDING THE RESPONSIBILITY FOR THE FINANCIAL STATEMENT AS AT 31st MARCH 2007 AND FOR PERIOD SINCE THE DATE OF ESTABLISHMENT ON DECEMBER 28, 2005 UNTIL MARCH 31, 2006

We the undersigned

Name : Niranjana Rudraswamy  
Office address : KIIC Industrial Park  
J1. Permata Raya Lot FF-2  
Karawang 41361  
Domicile address : Mysore, 696, 13th cross,  
As stated in ID : TK Layout IV Stage,  
Saraswathipuram,  
Mysore – 570 009, Karnataka, India  
Phone No. : 021 89119471-73  
Function : President Director

Declare that:

1. We are responsible for the preparation and presentation of PT Pricol Surya financial statement.

2. PT Pricol Surya financial statements have been prepared and presented in accordance with accounting principles generally accepted in Indonesia.
3. a. All information in the PT Pricol Surya financial statements has been disclosed in a complete and truthful manner.  
b. PT Pricol Surya financial statements do not contain any incorrect information or material fact, nor do they omit information or material fact.
4. We are responsible for PT Pricol Surya internal control system.

We certify the accuracy of this statement.

For and on behalf of the Board of Directors  
Jakarta,  
April 30, 2007  
**Niranjana Rudraswamy**  
President Director



## INDEPENDENT AUDITOR'S REPORT

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Report No : 033/SBR/IV/2007

**The Shareholders, Board of Commissioners and Directors  
PT Pricol Surya**

We have audited the accompanying balance sheet of PT Pricol Surya as of March 31, 2007 and 2006, and the related statements of income, changes in equity and cash flows for the year ended March 31, 2007 and period from December 28, 2005 (date of establishment) through March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Pricol Surya as of March 31, 2007 and 2006, and the results of its operations, changes in equity and its cash flows for the year ended March 31, 2007 and period from December 28, 2005 (date of establishment) through March 31, 2006 in conformity with accounting principles generally accepted in Indonesia.

April 30, 2007

**Tarkosunaryo, Ak., BAP**  
License of Public Accountant No.: 06.1.0983

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### Notice for readers

The accompanying financial statements are not intended to present the financial position, result of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures utilized to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their applications in practice.

# PT Pricol Surya

## BALANCE SHEET AS OF MARCH 31, 2007

## STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Indonesian Rupiah★)				(Expressed in Indonesian Rupiah)		
	Notes	As of March 31, 2007	As of March 31, 2006		2006-07 (April-March)	2005-06 (December 28 to March 31)
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	2a,3	1.822.890.008	126.056.374	Operating and administration expenses	12,2g (3.782.055.814)	(58.694.385)
Other receivables		81.723.073	60.584.151	Operating loss	(3.782.055.814)	(58.694.385)
Advances payment	4	520.268.800	—	Other income (expenses) - Net	13 (1.427.875.768)	50.511.100
Inventory	2b,5	775.256.661	—	Loss before income tax	(5.209.931.582)	(8.183.285)
Prepaid expenses		87.489.045	—	Provision for income tax		
Prepaid taxes	9a	3.388.255.506	1.568.201.155	Deferred tax income	956.149.949	2.454.986
Total Current Assets		6.675.883.093	1.754.841.680	Net loss #	(4.253.781.633)	(5.728.299)
<b>NON CURRENT ASSETS</b>						
Property, plant and equipment – net	2c,6	34.429.384.554	19.122.815.974	# Note for information : The statement of income given above is in line with Indonesian Corporate Law, where expenses prior to the commencement of commercial production is charged to Statement of Income unlike the Indian Corporate Law which prescribes for capitalisation of such expenditure.		
Deposit		45.420.440	—	★ The exchange rate : As on 31 March 2007 31 March 2006 (In Indonesian Rupiah)		
Deferred tax assets	2d, 9d	958.604.935	2.454.986	One Indian Rupee	209.86	200.00
Pre operating expense		873.187.258	—	The accompanying notes form an integral part of these financial statements.		
Total Non Current Assets		36.306.597.187	19.125.270.960			
<b>TOTAL ASSETS</b>		<b>42.982.480.280</b>	<b>20.880.112.640</b>			
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Trade payables	7	1.515.200.929	—			
Taxes payables	9b	93.997.953	61.632.515			
Accrued payables		1.524.070.163	—			
Other payables	8	1.526.528.950	2.782.020.924			
		4.659.797.995	2.843.653.439			
<b>LONG-TERM LIABILITIES</b>						
Long – term loan	10	27.816.975.048	3.289.687.500			
Post-retirement employee benefit		12.717.169	—			
Total Long term Liabilities		27.829.692.217	3.289.687.500			
<b>SHAREHOLDER'S EQUITY</b>						
Share capital – authorized, issued and fully paid USD 1.500 ordinary shares, with par value of IDR 10.110.000 (US\$ 1.000)	11	15.165.000.000	15.165.000.000			
Foreign exchange difference on paid in capital		(412.500.000)	(412.500.000)			
Retained earnings / (Accumulated loss)		(4.259.509.932)	(5.728.299)			
Total Shareholder's Equity		10.492.990.068	14.746.771.701			
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42.982.480.280</b>	<b>20.880.112.640</b>			

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2007 AND FOR THE PERIOD FROM DECEMBER 28, 2005 (DATE OF ESTABLISHMENT) THROUGH MARCH 31, 2006**

(Expressed in Indonesian Rupiah)

	Share capital	Different of Exchange rate	Retained earning/ (accumulated loss)	Total equity
Balance of Establishment Date at December 28, 2005	—	—	—	—
Paid in capital	15.165.000.000	—	—	15.165.000.000
Foreign exchange Difference on paid In capital	—	(412.500.000)	—	(412.500.000)
Net loss for the year 2005-06	—	—	(5.728.299)	(5.728.299)
Balance as of March 31, 2006	15.165.000.000	(412.500.000)	(5.728.299)	14.746.771.701
Net loss for the year 2006-07	—	—	(4.253.781.633)	(4.253.781.633)
Balance as of March 31, 2007	15.165.000.000	(412.500.000)	(4.259.509.932)	(10.492.990.068)

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2007 AND FOR THE PERIOD FROM DECEMBER 28, 2005 (DATE OF ESTABLISHMENT) THROUGH MARCH 31, 2006**

	2006-07 (April-March)	2005-06 (December 28 to March 31)
<b>Cash flow from (for) operating activities</b>		
Net loss	(4.253.781.633)	(5.728.299)
Add (deduct) items not affecting operating Cash follows:		
Depreciation	595.951.281	—
Deferred tax income	(956.149.949)	(2.454.986)
Employee benefit	12.717.169	—
Unrealized gain foreign exchange	—	(56.187.500)
Change in Working capital		
Inventory	(775.256.661)	—
Advances	(520.268.800)	—
Prepaid Expenses	(87.489.045)	—
Prepaid taxes	(1.742.605.993)	(1.568.201.155)
Pre operating Expenses	(873.187.258)	—
Other receivables	(21.138.922)	(60.584.151)
Deposit	(45.420.440)	—
Trade payables	1.515.200.929	—
Other payables	(1.706.663.561)	2.782.020.924
Accrued payables	1.524.070.163	—
Taxes payables	32.365.438	61.632.515
Payment for corporate income tax	(77.448.358)	—
Net cash flows provided from operating activities	<u>(7.379.105.640)</u>	<u>1.150.497.348</u>
<b>Cash flow from (for) investing activities</b>		
Fixed asset acquisition	(15.451.348.274)	(19.122.815.974)
Net cash flows used in investing activities	<u>(15.451.348.274)</u>	<u>(19.122.815.974)</u>
<b>Cash flow from (for) financing activities</b>		
Issuing share capital	—	15.165.000.000
Foreign exchange difference on paid-in-capital	—	(412.500.000)
Long term Loan	24.527.287.548	3.345.875.000
Net cash flows provided from financing Activities	<u>24.527.287.548</u>	<u>18.098.375.000</u>
Net increase (decrease) in cash and cash Equivalents	1.696.833.634	126.056.374
Cash and cash equivalents at beginning of the year	126.056.374	—
Cash and cash equivalents at the end of year	<u>1.822.890.008</u>	<u>126.056.374</u>

# PT Pricol Surya

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007 AND FOR THE PERIOD FROM DECEMBER 28, 2005 (DATE OF ESTABLISHMENT) THROUGH MARCH 31, 2006

### 1. General

PT PRICOL SURYA ("the Company") is a foreign direct investment company established based on Notarial Deed DR.A. Partomuan Pohan, SH., LL.M., No.3 dated December 1, 2005 which was approved by the Ministry of Law and Human Rights on December 28, 2005 No. C-34667 HT.01.01.TH.2005. The company obtained the investment approval from the Capital Investment Coordinating Board (BKPM) based on decision letter No.1141/I/PMA/2005 dated October 13, 2005.

The scope of activities comprises producing and marketing of instrument cluster, oil pumps and fuel sensors for Domestic and Export Market.

The Composition of the company's Board of Commissioners and Board of Directors as of March 31, 2007 and 2006 were as follows:

Commissioner	:	Mr. Damotharan Vijay Mohan
President Director	:	Mr. Niranjana Rudraswamy
Director	:	Mr. Krishnan Kutty Udhaya Kumar

The number of the company's employees as of March 31, 2007 and 2006 were 20 and 2 persons.

For the year ended March 31, 2007 and 2006, the Company was still in development stage that main activities are constructing the plant.

The company started to commercial activity on April 11, 2007.

### 2. Summary of significant accounting policies

The significant accounting policies that were applied consistently in the preparation of the financial statements for the year ended March 31, 2007 and 2006 was as follows:

#### a. Basis of preparation of financial statements

The financial statements are prepared based on historical costs concept. The statements of cash flows classify changes in cash and cash equivalents on the basis of operating, investing and financing activities. To meet the definition as cash and cash equivalents, the company does not consider any of its assets other than cash on hand; cash in bank and deposit/investment with maturity of three months or less as cash equivalents. The statements of cash flows are prepared using the indirect method.

The company's accounts are maintained in Indonesian Rupiah currency. Whereas transactions denominated in foreign currencies are translated into Indonesian Rupiah at the prevailing rates when transactions are made.

At balance sheet date, balances of monetary assets and liabilities in foreign currencies are translated into Indonesian Rupiah using the prevailing rates at that date. Gains or losses from foreign exchange are charged/ credit to current year income. The exchange rate of Rupiah to United States Dollar on March 31, 2007 and 2006 were Rp 9,118 and Rp 9,075 for USD 1.

#### b. Inventory

Inventory are stated on the lower of cost or net realizable value. The cost were stated by the FIFO method.

#### c. Machine, Property, Plant and Equipment

Machine, property, plant and equipment are stated at cost less accumulated depreciation. Machine, properties, plant and equipment are depreciated using the straight line method over the estimated useful life of the assets, commencing in the month in which the assets are placed into service. The estimated useful lives of the assets are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (Contd..)

**c. Machine, Property, Plant and Equipment (Contd..)**

Group	Depreciation Rate	Useful lives
Building	5%	20 years
Machinaries	12.5%	8 years
Furniture's and fixtures	25%	4 years
Equipments	25%	4 years

**d. Taxes**

Deferred tax income is provided using the liabilities method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax income. Under the taxation laws of Indonesia, the company submits tax returns on a self assessment basis. The tax authorities may assess or amend the amount of tax payables within five years from the date of the tax became due. Amendments to the company's taxation obligations are recorded when an assessment is received or, if appealed against are recorded when the results of the appeal is determined.

Deferred income tax are recognized for accumulated tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable income is probable.

**e. Post-Employment Benefit Obligation**

In accordance with the Indonesian labour regulation-law No.13 year 2003, the Company was required to provide certain post-employment benefit to its employees at the time of their employment period ended. These benefits were primarily calculated according to years of service and the employee's compensation received at the completion of employment.

**f. Transactions with related parties**

The Company uses Statements of financial Accounting Standards (SAK) No.7 "Related Party Disclosures", to maintain the transactions between the company and its related parties. Following are considered as related parties:

- i. Company by using one or more intermediaries, control or controlled by, or under the same control (including holding companies, subsidiaries and fellow subsidiaries);
- ii. Associated Company;
- iii. Individual who owns, direct or indirectly, a voting rights in reporting company and have significant influence and close-relative family of that person (close relative family means persons whom could be expected to influence or influenced by the person mentioned before in their transactions with the reporting company);
- iv. Main employees, who are persons that have rights and responsible in reporting company activities which consists of board of commissioners, directors and managers, also their close relative family;
- v. Company where a substantial interest in voting rights, direct or indirect by all the persons whom mentioned in (iii) or (iv) or by every person who owns a significant influence at the company. These included all the companies owned by the board of commissioners, directors or the main stockholders from the reporting company and the companies which have the same main employee with the reporting company.

**g. Expense**

Expense are recognized based on accrual basis. Expenditures for pre-operating are capitalized to the extent the expenditures will give benefit in the future and will be amortized starting from the commercial activities period.

# PT Pricol Surya

## NOTES TO THE FINANCIAL STATEMENTS (Contd..)

3. Cash and cash equivalents	2006-07 April-March		2005-06 December 28 to March 31	
	(in Indonesian Rupiah)			
Cash on hand	28.801.064		—	
HSBC. IDR 050-011196-001	152.602.100		25.186.660	
HSBC. USD 050-011196-007	1.459.291.313		100.869.714	
BII.IDR	168.519.990		—	
BII.USD	13.675.541		—	
	<u>1.822.890.008</u>		<u>126.056.374</u>	
<b>4. Advance payment</b>				
Purchasing fixed assets	520.268.800		—	
	<u>520.268.800</u>		<u>—</u>	
<b>5. Inventory</b>				
Raw materials	671.596.483		—	
Finished goods	103.660.178		—	
	<u>775.256.661</u>		<u>—</u>	
<b>6. Property, plant and equipment</b>				
	Beginning	April 2006 to March 2007		Ending
		Addition	Disposal	
		(in Indonesian Rupiah)		
Cost :				
Land	13.288.379.652	—	—	13.288.379.652
Building	—	17.040.165.312	—	17.040.165.312
Machinery	—	1.290.080.690	—	1.290.080.690
Furniture and fixtures	—	1.967.861.385	—	1.967.861.385
Equipment	—	265.226.885	—	265.226.885
	<u>13.288.379.652</u>	<u>20.563.334.272</u>	<u>—</u>	<u>33.851.713.924</u>
Construction in Progress	5.834.436.322	11.994.333.651	(16.655.148.062)	1.173.621.911
	<u>19.122.815.974</u>	<u>32.557.667.923</u>	<u>(16.655.148.062)</u>	<u>35.025.335.835</u>
Accumulated depreciation:				
Building	—	491.353.014	—	491.353.014
Machinery	—	—	—	—
Furniture and fixtures	—	97.354.012	—	97.354.012
Equipment	—	7.244.255	—	7.244.255
	<u>—</u>	<u>595.951.281</u>	<u>—</u>	<u>595.951.281</u>
Net book value	<u>19.122.815.974</u>			<u>34.429.384.554</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd..)

(In Indonesian Rupiah)				
	Beginning	December 28, 2005 to March 31, 2006		Ending
		Addition	Disposal	
<b>6. Property, plant and equipment (Contd.,)</b>				
Cost :				
Land	—	13.288.379.652	—	13.288.379.652
Construction in Progress	—	5.834.436.322	—	5.834.436.322
	—	<u>19.122.815.974</u>	—	<u>19.122.815.974</u>
<b>7. Trade payable</b>		<b>2006-07</b>		<b>2005-06</b>
		<b>April-March</b>		<b>December 28</b>
				<b>to March 31</b>
Related parties:				
Pricol Limited		<u>1.515.200.929</u>		—
		<u>1.515.200.929</u>		—
<b>8. Other payables</b>				
Third parties :				
PT Kadi International		<u>451.171.587</u>		2.712.934.950
Others		<u>103.899.947</u>		69.085.974
		<u>555.071.534</u>		2.782.020.924
Related parties :				
Pricol Limited		<u>971.457.416</u>		—
		<u>1.526.528.950</u>		<u>2.782.020.924</u>
<b>9. Taxation</b>				
a. Prepaid taxes				
Value added tax-in		<u>3.310.807.148</u>		1.568.201.155
Fiscal L-N		<u>7.000.000</u>		—
Income tax article 22 (Import)		<u>70.448.358</u>		—
		<u>3.388.255.506</u>		<u>1.568.201.155</u>
b. Tax payables				
Income tax article art 21		<u>32.206.706</u>		1.312.500
Income tax article art 23		<u>61.791.247</u>		60.320.015
		<u>93.997.953</u>		<u>61.632.515</u>

In management opinion, value added tax recorded as prepaid will be collectible within a year.

## NOTES TO THE FINANCIAL STATEMENTS (Contd..)

### c. Corporate Income tax calculation (In Indonesian Rupiah)

Reconciliation between profit before corporate income tax as shown in the statements of income and the company's estimated taxable profit for the years ended March 31, 2006 and 2007 was as follows:

	2006-07 April-March	2005-06 December 28 to March 31
Loss before corporate income tax	(5.209.931.582)	(8.183.285)
Temporary different	(3.536.074)	—
Permanent different	2.022.765.086	—
Taxable loss	<u>(3.190.702.570)</u>	<u>(8.183.285)</u>

The taxable losses can be utilized to compensate taxable profit in the next 5 (five) fiscal years.

### d. Deferred Tax

Deferred income tax was provided using the liability method, for all temporary differences arising from differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates were used to determine deferred income.

Deferred tax assets relating to the carry forward of unused tax losses were recognized to the extent that it was probable that future taxable profit will be available against which the unused tax losses can be utilized.

The deferred tax effect was resulted from tax loss carry forward calculated with maximum income tax rate of 30% was as follows:

	(in Indonesian Rupiah)			
	Beginning Deffered tax asset (Liabilities)	2006-07 Income	Expenses	Ending Deffered tax asset (Liabilities)
Fiscal loss	2.454.986	957.210.771	—	959.665.757
Depreciation	—	—	4.875.973	(4.875.973)
Employee Benefit	—	3.815.151	—	3.815.151
	<u>2.454.986</u>	<u>961.025.922</u>	<u>4.875.973</u>	<u>958.604.935</u>

### 10. Long-term loan

	2006-07 April-March	2005-06 December 28 to March 31
Related parties: Pricol Limited	<u>27.816.975.048</u>	<u>3.289.687.500</u>
	<u>27.816.975.048</u>	<u>3.289.687.500</u>

### 11. Shareholders' equity

Shareholders	Number of Share	Nominal value		Percentage of Ownership
		USD	IDR	
Pricol Limited	1.499	1.499.000	15.154.890.000	99.93%
Pricol Finance Limited	1	1.000	10.110.000	0.07%
	<u>1.500</u>	<u>1.500.000</u>	<u>15.165.000.000</u>	<u>100.00%</u>



NOTES TO THE FINANCIAL STATEMENTS (Contd..)

12. Operating expenses	(In Indonesian Rupiah)	
	2006-07 April-March	2005-06 December 28 to March 31
Employee cost	1.791.842.589	—
Power & Utilities	37.169.033	—
Repair & maintenance	285.166.207	16.194.338
Communication expenses	176.179.687	—
Printing & Stationery	121.131.155	—
Travelling expenses	160.421.670	—
Rental	143.733.178	—
Bank charge	32.677.901	3.747.683
Rates, taxes and license	73.954.712	6.199.864
Insurance	19.506.070	—
Professional charge	321.937.127	32.552.500
Advertisement & Publicity	1.725.000	—
Depreciation	595.951.280	—
Miscellaneous expenses	20.660.205	—
	<u>3.782.055.814</u>	<u>58.694.385</u>
<b>13. Other Income (Expense)-Net</b>		
Interest Income	1.109.821	—
Gain / loss foreign exchange	27.170.619	50.511.100
Interest Expense	(1.456.156.208)	—
	<u>(1.427.875.768)</u>	<u>50.511.100</u>

14. Nature and transaction with related parties

Nature of related parties consist was as follow:

Company	Nature of related parties
Pricol Limited	Shareholder
a. The company has long term loan facility which obtained from Pricol Ltd., Parent Company, with credit limit of USD 3.100.000. Up to end of year March 31, 2007, the company has withdrawn the loan amounted to USD 3.050.776. the tenor of the loan is four years including the moratorium period of one year. The interest on the loan outstanding for the period up to October 2007 will be 7.75% per annum after which the reset interest will be charged.	
b. Interest payable as of March 31, 2007 was USD 159.701.	
c. Amount payable for material and machine purchases as of March 31, 2007 was USD 272.720	

15. Date of completion of preparation of financial statements.

The company's management was responsible for the presentation and disclosures of the financial statements for the year ended March 31, 2007 which have been completed on April 30, 2007.