

MAHINDRA GEARS INTERNATIONAL LTD

INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS PERIOD FROM 01 APRIL 2013 TO 30 SEPTEMBER 2013

Interim Financial Information
For the period from 01 April 2013 to 30 September 2013

Index	Pages
Review report on interim financial information	1-2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the interim financial information	7-10



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MAHINDRA GEARS INTERNATIONAL LTD

Report on the Interim Financial Information

We have carried out a non-statutory audit of the statement of financial position of Mahindra Gears International Ltd as of 30 September 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and other explanatory information.

Directors' Responsibilities for the Interim Financial Information

The directors are responsible for the preparation and presentation of these interim financial information in accordance with International Financial Reporting Standards, as appropriate, and for such internal control as the directors determine is necessary to enable the preparation of the interim financial information that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to carry out a non-statutory audit on the interim financial information and to express an opinion thereon. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information are free from material misstatement.

The directors have voluntarily appointed Grant Thornton Mauritius to carry out a non-statutory audit of the interim financial information for the period ended 30 September 2013 that will be used solely for purpose of a merger between the Company and Mahindra Forgings Limited, a company incorporated in the Republic of India.

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

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



INDEPENDENT AUDITORS' REPORT (Contd) TO THE MEMBER OF MAHINDRA GEARS INTERNATIONAL LTD

Opinion

In our opinion, the interim financial information on pages 3 to 10 give a true and fair view of the financial position of the Company as at 30 September 2013 and of their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards, as appropriate.

Other matters

This report is made solely to the member of the Company as a body. Our audit work has been undertaken so that we might state to the member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.

Grant Thornton
Chartered Accountants

K RAMCHURUN, FCCA
Licensed by FRC

Date: 16 JAN 2014

Ebene, Republic of Mauritius

3

MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 01 APRIL 2013 TO 30 SEPTEMBER 2013

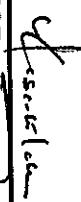
	6 months ended 30 September 2013 Notes Non statutory audit EUR	12 months ended 31 March 2013 Audited EUR
Income		
Interest income on loan	3	346,500
Expenses		
Interest expense on loan	7	343,750
Professional fees	9	13,136
Audit fees	1,572	3,021
Licence fees	2,094	1,498
Realised foreign exchange loss	123	184
Bank charges	157	71
	<u>211,864</u>	<u>361,660</u>
Loss before tax	(9,714)	(15,160)
Tax expense	-	-
Loss for the period/year	<u>(9,714)</u>	<u>(15,160)</u>
Other comprehensive income for the period/year net of tax	-	-
Total comprehensive loss for the period/year	<u><u>(9,714)</u></u>	<u><u>(15,160)</u></u>

MAHINDRA GEARS INTERNATIONAL LTD
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

4

	Notes	30 September 2013	31 March 2013
		Non Statutory audit EUR	Audited EUR
ASSETS			
Non-current			
Investments in subsidiary	2	22,935,949	22,935,949
Loan receivable	3	5,500,000	5,500,000
		<u>28,435,949</u>	<u>28,435,949</u>
Non-current assets			
Current			
Loan receivable	3	202,150	423,395
Prepayments	4	179	1,573
Cash and cash equivalents		<u>3,475</u>	<u>1,601</u>
		<u>205,804</u>	<u>426,569</u>
Current assets			
		<u>28,641,753</u>	<u>28,862,518</u>
TOTAL ASSETS			
		<u>28,641,753</u>	<u>28,862,518</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	5	23,000,001	20,700,001
Accumulated losses		(87,143)	(77,429)
		<u>22,912,858</u>	<u>20,622,572</u>
Total equity			
		<u>22,912,858</u>	<u>20,622,572</u>
Liabilities			
Non-current			
Redeemable preference shares	6	-	2,300,000
Borrowings	7	5,500,000	5,500,000
		<u>5,500,000</u>	<u>7,800,000</u>
Non-current liabilities			
Current			
Borrowings	7	200,599	420,034
Other payable and accruals	8	28,296	19,912
		<u>228,895</u>	<u>439,946</u>
Current liabilities			
		<u>5,728,895</u>	<u>8,239,946</u>
Total liabilities			
		<u>5,728,895</u>	<u>8,239,946</u>
TOTAL EQUITY AND LIABILITIES			
		<u>28,641,753</u>	<u>28,862,518</u>

Approved by the Board of Directors on 16 January 2014 and signed on its behalf by:



DIRECTOR

MAHINDRA GEARS INTERNATIONAL LTD
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01 APRIL 2013 TO 30 SEPTEMBER 2013

	Stated capital EUR	Accumulated losses EUR	Total EUR
At 01 April 2012	20,700,001	(62,269)	20,637,732
Loss for the year	-	(15,160)	(15,160)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(15,160)	(15,160)
At 31 March 2013	20,700,001	(77,429)	20,622,572
At 01 April 2013	20,700,001	(77,429)	20,622,572
Conversion of 2,300,000 redeemable preference shares into ordinary shares	2,300,000	-	2,300,000
Transaction with the owner	2,300,000	-	2,300,000
Loss for the period	-	(9,714)	(9,714)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(9,714)	(9,714)
As at 30 September 2013	23,000,001	(87,143)	22,912,858

MAHINDRA GEARS INTERNATIONAL LTD
STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 01 APRIL 2013 TO 30 SEPTEMBER 2013

6

	30 September 2013 Non Statutory audit EUR	31 March 2013 Audited EUR
Operating activities		
Loss before tax	(9,714)	(15,160)
<i>Adjustments for:</i>		
Interest expense on borrowings	200,599	343,750
Interest income on loan	(202,150)	(346,500)
Operating loss before working capital changes	(11,265)	(17,910)
<i>Changes in working capital:</i>		
Decrease/(increase) in prepayments	1,394	(167)
Increase in other payable and accruals	8,384	13,219
Net cash from operations	(1,487)	(4,858)
Interest received	423,395	-
Interest paid	(420,034)	-
Net cash from/(used in) operating activities	1,874	(4,858)
Financing activities		
Loan to subsidiary	(2,500,000)	-
Loan from shareholder	2,500,000	-
Loan repaid by subsidiary	2,500,000	-
Loan repaid to shareholder	(2,500,000)	-
Net cash from financing activities	-	-
Net change in cash and cash equivalents	1,874	(4,858)
Cash and cash equivalents, beginning of period/year	1,601	6,459
Cash and cash equivalents, end of period/year	3,475	1,601
Cash and cash equivalents made up of:		
Cash at bank	3,475	1,601

1 General information

The Company was incorporated in the Republic of Mauritius under the Companies Act 2001 on 22 May 2008 as a private company with liability limited by shares and held a Category 1 Global Business Licence issued by the Financial Services Commission. On 14 August 2013, the legal regime of the Company was changed from a Category 1 Global Business Licence (GBL) company to a Category 2 GBL company and a new licence was issued to that effect by the Financial Services Commission. The address of the Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Republic of Mauritius. The objective of the Company is to act as investment holding company.

The interim financial information has been prepared using the same significant accounting policies and measurement bases as the most recent financial statements pertaining to 31 March 2013.

2 Investments in subsidiary

(i) **Unquoted and at cost:**
At 01 April and 31 March

	30-Sep-13 EUR	31-Mar-13 EUR
	22,935,949	22,935,949

(ii) **Details pertaining to the unquoted investments are as follows:**

Name of investee company	Class of shares	Country of incorporation	% holding	Cost at 30 September 2013 EUR	Cost at 31 March 2013 EUR
Mahindra Gears Global Limited	Equity	Republic of Mauritius	53.34%	22,935,949	20,642,354
Mahindra Gears Global Limited	Preference	Republic of Mauritius	-	22,935,949	2,293,595
				<u>22,935,949</u>	<u>22,935,949</u>

On 14 June 2013, the 2,293,595 Preference shares of EUR 1 were converted into fully paid equity shares.

(iii) The directors have assessed the recoverable amount of the investments and confirmed that the carrying amount of these investments has not suffered any impairment in value at the reporting period.

3 Loan receivable

Loan to subsidiary

	30-Sep-13 EUR	31-Mar-13 EUR
Non-current		
Principal amount	5,500,000	5,500,000
Current		
Principal amount	202,150	423,395
Interest receivable	202,150	423,395
	<u>5,702,150</u>	<u>5,923,395</u>
Total		

3 Loan receivable (Contd)

(i) The movement during the period/year on the loan receivable is as follows:

	30-Sep-13 EUR	31-Mar-13 EUR
At start of period/year	5,923,395	5,576,895
Loan given during the period/year	2,500,000	-
Loan repaid during the period/year	(2,500,000)	-
Interest income for the period/year	202,150	346,500
Interest received during the period/year	(423,395)	-
At end of period/year	5,702,150	5,923,395

(ii) The loan to subsidiary is unsecured, bears interest at 6.30% per annum and is repayable upon receipt of proceeds from an equivalent amount of loan given by the subsidiary to Metacastello S.p.A., an unquoted company incorporated in Italy. In case of non-payment beforehand, the maximum tenure of the loan is 31 December 2017.

On 26 June 2013, the Company has granted an additional loan of EUR 2,500,000 bearing interest of 8.30% per annum to the subsidiary which has been repaid during the period under review.

4 Prepayments

	30-Sep-13 EUR	31-Mar-13 EUR
Directors fees prepaid	-	474
Licence fees prepaid	179	492
Professional fees for tax filing purposes	-	322
Secretarial fees prepaid	-	285
	179	1,573

5 Stated Capital

Issued and fully paid:
23,000,001 ordinary shares of EUR 1
(31 March 2013: 20,700,001 ordinary shares)

(i) The movement on the stated capital during the period/year under review is as follows:

	30-Sep-13 EUR	31-Mar-13 EUR
At start of period/year	20,700,001	20,700,001
Conversion of 2,300,000 redeemable preference shares (Note 6)	2,300,000	-
At end of period/year	23,000,001	20,700,001

6 Redeemable Preference shares

At start of period/year
Conversion into 2,300,000 ordinary shares
At end of period/year

The 2,300,000 (6.5%) non-cumulative preference shares of EUR 1, have been converted into ordinary shares on 14 June 2013 in the ratio of 1:1.

	30-Sep-13 EUR	31-Mar-13 EUR
	2,300,000	2,300,000
	(2,300,000)	-
	-	2,300,000

7 Borrowings

Loan from shareholder

Non-current
Principal amount

Current
Interest payable

Total

	30-Sep-13 EUR	31-Mar-13 EUR
	5,500,000	5,500,000
	200,599	420,034
	200,599	420,034
	5,700,599	5,920,034

(i) The movement during the period/year on the borrowings is as follows:

	30-Sep-13 EUR	31-Mar-13 EUR
At start of period/year	5,920,034	5,576,284
Loan received during the period/year	2,500,000	-
Loan repaid during the period/year	(2,500,000)	-
Interest expense for the period/year	200,599	343,750
Interest paid during the period/year	(420,034)	-
At end of period/year	5,700,599	5,920,034

(ii) The loan from the shareholder is unsecured, bears interest at 6.25% per annum and is repayable upon receipt of proceeds from an equivalent amount of loan given by the Company to the subsidiary. In case of non-payment beforehand, the maximum tenure of the loan is 31 December 2017.

On 25 June 2013, the Company had received an additional loan of EUR 2,500,000 from the shareholder bearing interest at 8.25% per annum which has been repaid during the period ended 30 September 2013.

8 Other payable and accruals

Payable to Mahindra Forgings International Ltd
Administration fees
Audit fees
Director fees
Professional fees for tax filings
Secretarial fees
TRC Service fee

	30-Sep-13 EUR	31-Mar-13 EUR
	17,458	14,314
	7,757	2,577
	1,572	3,021
	464	-
	315	-
	278	-
	452	-
	<u>28,296</u>	<u>19,912</u>

9 Professional fees

The professional fees comprise of administration fees, disbursements, directors fees, secretarial fees and fees for tax filing.

10 Events after the reporting period

The Company has resolved, through a special meeting dated 26 June 2013, to merge with Mahindra Forgings Limited, a listed company incorporated in the Republic of India, such that the latter would be the surviving entity. The proposed merger has not yet been effected as at 30 September 2013 and shall take effect once all necessary approvals are in place.