

Mahindra Gears International Ltd

IFS Court, TwentyEight, Cybercity, Ebene, Mauritius

Tel: (230) 467 3000 Fax: (230) 467 4000

ANNEXURE I

The financial details and capital evolution of the transferee/resulting and transferor/demerged companies for the previous 3 years as per the audited statement of Accounts:

Name of the Company: Mahindra Gears International Limited.

(All numbers in Euro)

	As per Limited Review	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	YTD September 2013	2012-13	2011-12	2010-11
Equity Paid up Capital * (Note 1)	23,000,001	20,700,001	20,700,001	20,700,001
Reserves and surplus	-	-	-	-
Carry forward losses	-87,143	-77,429	-62,269	-46,383
Net Worth	22,912	20,622,572	20,637,732	20,653,618
Miscellaneous Expenditure	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	5,500,000	5,500,000	5,576,284	-
Fixed Assets	-	-	-	-
Income from Operations	202,150	346,500	76,927	-
Total Income	202,150	346,500	76,927	-
Total Expenditure	211,864	361,660	92,813	13,611
Profit before Tax	-9,714	-15,160	-15,886	-13,611
Profit after Tax	-9,714	-15,160	-15,886	-13,611
Cash profit	-9,714	-15,160	-15,886	-13,611
EPS	0	0	0	0
Book value	0.996	0.996	0.997	0.998

Note 1:-Equity Capital state above excludes-

Redeemable Preference Shares	-	2,300,000	2,300,000	2,300,000
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Note: The financials should not be more than 6 months old. In such cases additional column may be added to provide the latest financials.

For Mahindra Gears International Limited,



Director/ Authorised signatory




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

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**INDEPENDENT AUDITORS' REPORT ON
REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE MEMBER OF MAHINDRA GEARS INTERNATIONAL LTD**

Introduction

We have reviewed the accompanying 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-months period then ended and other condensed explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards, as appropriate. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and excludes procedures in respect of consolidation. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Without qualifying our conclusion, we draw attention to the fact that the accompanying interim financial information is not presented in accordance with and does not include all the information required to be disclosed by International Financial Reporting Standards.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards, as appropriate.

Grant Thornton
Chartered Accountants

K RAMCHURUN, FCCA
Licensed by FRC

Date: 25 OCT 2013

Ebene, Republic of Mauritius

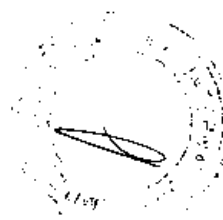


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	Notes	6 months ended 30 September 2013	3 months ended 30 September 2013	3 months ended 30 September 2012	3 months ended 30 June 2013 Unaudited EUR	3 months ended 30 June 2012 Unaudited EUR	12 months ended 31 March 2013 Audited EUR
Income							
Interest income on loan	3	202,150	112,351	87,337	89,799	86,388	346,500
Expenses							
Interest expense on loan	7	200,599	111,506	86,644	89,093	85,702	343,750
Professional fees	9	7,319	3,314	3,615	4,005	3,746	13,136
Audit fees		1,572	786	755	786	755	3,021
Licence fees		2,094	1,698	311	396	311	1,498
Realised foreign exchange loss		123	-	-	123	184	184
Bank charges		157	114	-	43	71	71
		211,864	117,418	91,325	94,446	90,769	361,660
Loss before tax		(9,714)	(5,067)	(3,988)	(4,647)	(4,381)	(15,160)
Tax expense		-	-	-	-	-	-
Loss for the period/year		(9,714)	(5,067)	(3,988)	(4,647)	(4,381)	(15,160)
Other comprehensive income for the period/year net of tax		-	-	-	-	-	-
Total comprehensive loss for the period/year		(9,714)	(5,067)	(3,988)	(4,647)	(4,381)	(15,160)



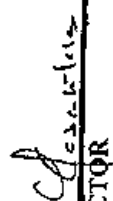
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MAHINDRA GEARS INTERNATIONAL LTD
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

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	Notes	30 September 2013 Limited review EUR	30 September 2012 Unaudited EUR	30 June 2013 Unaudited EUR	30 June 2012 Unaudited EUR	31 March 2013 Audited EUR
ASSETS						
Non-current						
Investments in subsidiary	2	22,935,949	22,935,949	22,935,949	22,935,949	22,935,949
Loan receivable	3	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Non-current assets		<u>28,435,949</u>	<u>28,435,949</u>	<u>28,435,949</u>	<u>28,435,949</u>	<u>28,435,949</u>
Current						
Loan receivable	3	202,150	250,619	3,013,193	163,282	423,395
Prepayments	4	179	1,177	1,426	1,486	1,573
Cash and cash equivalents		3,475	1,793	229	1,793	1,601
Current assets		<u>205,804</u>	<u>253,589</u>	<u>3,014,848</u>	<u>166,561</u>	<u>426,569</u>
TOTAL ASSETS		<u>28,641,753</u>	<u>28,689,538</u>	<u>31,450,797</u>	<u>28,602,510</u>	<u>28,862,518</u>
EQUITY AND LIABILITIES						
Equity						
Stated capital	5	23,000,001	20,700,001	23,000,001	20,700,001	20,700,001
Accumulated losses		(87,143)	(70,638)	(82,076)	(66,650)	(77,429)
Total equity		<u>22,912,858</u>	<u>20,629,363</u>	<u>22,917,925</u>	<u>20,633,351</u>	<u>20,622,572</u>
Liabilities						
Non-current						
Redeemable preference shares	6	-	2,300,000	-	2,300,000	2,300,000
Borrowings	7	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Non-current liabilities		<u>5,500,000</u>	<u>7,800,000</u>	<u>5,500,000</u>	<u>7,800,000</u>	<u>7,800,000</u>
Current						
Borrowings	7	200,599	248,629	3,009,126	161,986	420,034
Other payable and accruals	8	28,296	11,546	23,746	7,173	19,912
Current liabilities		<u>228,895</u>	<u>260,175</u>	<u>3,032,872</u>	<u>169,159</u>	<u>439,946</u>
Total liabilities		<u>5,728,895</u>	<u>8,060,175</u>	<u>8,532,872</u>	<u>7,989,159</u>	<u>8,239,946</u>
TOTAL EQUITY AND LIABILITIES		<u>28,641,753</u>	<u>28,689,538</u>	<u>31,450,797</u>	<u>28,602,510</u>	<u>28,862,518</u>

Approved by the Board of Directors on 25 October 2013 and signed on its behalf by:


DIRECTOR



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MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 01 APRIL 2013 TO 30 SEPTEMBER 2013

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	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

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



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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	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
	22,935,949	22,935,949	22,935,949	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.

(ii) The director's 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

Non-current
Principal amountCurrent
Principal amount
Interest receivable

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
	202,150	250,619	2,500,000	-	-
	<u>202,150</u>	<u>250,619</u>	<u>513,193</u>	<u>163,282</u>	<u>423,395</u>
	5,702,150	5,750,619	8,513,193	5,663,282	5,923,395
Total					



3 Loan receivable (Contd)

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

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
At start of period/year	5,923,395	5,663,282	5,923,395	5,576,895	5,576,895
Loan given during the period/year	2,500,000	-	2,500,000	-	-
Loan repaid during the period/year	(2,500,000)	-	-	-	-
Interest income for the period/year	202,150	87,337	89,793	86,387	346,500
Interest received during the period/year	(423,395)	-	-	-	-
At end of period/year	5,702,150	5,750,619	8,513,193	5,663,282	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 Metalcastello 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	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
Directors fees prepaid	-	-	-	-	474
Licence fees prepaid	179	1,177	1,426	1,486	492
Professional fees for tax filing purposes	-	-	-	-	322
Secretarial fees prepaid	179	1,177	1,426	1,486	285
					1,573

5 Stated Capital

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
Issued and fully paid:					
23,000,001 ordinary shares of EUR 1	23,000,001	20,700,001	23,000,001	20,700,001	20,700,001
(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	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
At start of period/year	20,700,001	20,700,001	20,700,001	20,700,001	20,700,001
Conversion of 2,300,000 redeemable preference shares	2,300,000	-	2,300,000	-	-
At end of period/year	23,000,001	20,700,001	23,000,001	20,700,001	20,700,001



Redeemable Preference shares

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
At start of period/year	-	2,300,000	2,300,000	2,300,000	2,300,000
Conversion into 2,300,000 ordinary shares	-	-	(2,300,000)	-	-
At end of period/year	-	2,300,000	-	2,300,000	2,300,000

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.

Borrowings

Loan from shareholder

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
Non-current					
Principal amount	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Current					
Principal amount	200,599	248,629	2,500,000	-	-
Interest payable	200,599	248,629	509,126	161,986	420,034
			3,009,126	161,986	420,034
Total	5,700,599	5,748,629	8,509,126	5,661,986	5,920,034

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

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
At start of period/year	5,920,034	5,661,986	5,920,034	5,576,284	5,576,284
Loan received during the period/year	2,500,000	-	2,500,000	-	-
Loan repaid during the period/year	(2,500,000)	-	-	-	-
Interest expense for the period/year	200,599	86,643	89,092	85,702	343,750
Interest paid during the period/year	(420,034)	-	-	-	-
At end of period/year	5,700,599	5,748,629	8,509,126	5,661,986	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 6.25% per annum which has been repaid during the period ended 30 September 2013.



8 Other payable and accruals

	30-Sep-13 EUR	30-Sep-12 EUR	30-Jun-13 EUR	30-Jun-12 EUR	31-Mar-13 EUR
Payable to Mahindra Forgings International Ltd					
Administration fees	17,458	-	17,458	-	14,314
Audit fees	7,757	9,035	5,502	6,420	2,577
Director fees	1,572	1,511	786	753	3,021
Professional fees for tax filings	464	438	-	-	-
Secretarial fees	315	299	-	-	-
TRC Service fee	278	263	-	-	-
	452	-	-	-	-
	<u>28,296</u>	<u>11,546</u>	<u>23,746</u>	<u>7,173</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.



MAHINDRA GEARS INTERNATIONAL LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

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MAHINDRA GEARS INTERNATIONAL LTD**CORPORATE DATA**

		Appointed on
DIRECTORS	:	
	Couldiplali Basanta Lala	22 May 2008
	Rubina Anver Toorawa	22 May 2008
	Sanjay Vasant Joglekar	22 May 2008
ADMINISTRATOR, SECRETARY & MAURITIAN TAX AGENT	:	
	International Financial Services Limited	
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
REGISTERED OFFICE	:	
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
AUDITORS	:	
	Grant Thornton	
	Ebene Tower	
	52 Cybercity	
	Ebene	
	Republic of Mauritius	
BANKER	:	
	HSBC Bank (Mauritius) Limited	
	6 th Floor, HSBC Centre	
	18 Cybercity	
	Ebene	
	Republic of Mauritius	



MAHINDRA GEARS INTERNATIONAL LTD

COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2013

The directors present the audited financial statements of **Mahindra Gears International Ltd** (the "Company") for the year ended 31 March 2013.

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in Mahindra Gears Global Limited.

RESULTS

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

DIRECTORS

The present membership of the Board is set out on page 2. All directors remained in office for the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, **Grant Thornton**, have indicated their willingness to continue in office until the next Annual Meeting.



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

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of **Mahindra Gears International Ltd** under the Mauritius Companies Act 2001 during the financial year ended 31 March 2013.



**For International Financial Services Limited
Secretary**

Registered Office:

IFS Court
TwentyEight
Cybercity
Ebene
Republic of Mauritius

Date: 20 May 2013



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

Report on the Financial Statements

We have audited the accompanying financial statements of Mahindra Gears International Ltd, the "Company", which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements on pages 7 to 27 give a true and fair view of the financial position of the Company as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and the requirements of the Mauritius Companies Act 2001.



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

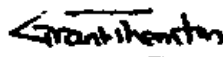
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

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

Other Matters

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's 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



KRAMCHURUN, FCCA
Licensed by FRC

Date: 20 MAY 2013

Ebene, Republic of Mauritius



MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
INCOME					
Interest income on loan	9	346,500	24,078,285	76,895	5,343,434
Foreign exchange gain		-	-	32	2,224
		<u>346,500</u>	<u>24,078,285</u>	<u>76,927</u>	<u>5,345,658</u>
EXPENSES					
Interest expense on loan	12	343,750	23,887,188	76,284	5,300,975
Professional fees		13,136	912,820	12,182	846,527
Audit fees		3,021	209,929	3,021	209,929
Licence fees		1,498	104,096	1,291	89,712
Realised foreign exchange loss		184	12,786	-	-
Bank charges		71	4,935	35	2,433
		<u>361,660</u>	<u>25,131,754</u>	<u>92,813</u>	<u>6,449,576</u>
LOSS BEFORE TAX		(15,160)	(1,053,469)	(15,886)	(1,103,918)
Tax expense	7	-	-	-	-
LOSS FOR THE YEAR		(15,160)	(1,053,469)	(15,886)	(1,103,918)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(15,160)	(1,053,469)	(15,886)	(1,103,918)

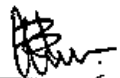


The notes on pages 12 to 27 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

	Notes	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
ASSETS					
Non-current					
Investments in subsidiary	8	22,935,949	1,593,819,096	22,935,949	1,593,819,096
Loan receivable	9	5,500,000	382,195,000	5,576,895	387,538,434
Non-current assets		28,435,949	1,976,014,096	28,512,844	1,981,357,530
Current					
Loan receivable	9	423,395	29,421,719	-	-
Prepayments		1,573	109,308	1,406	97,703
Cash and cash equivalents		1,601	111,253	6,459	448,836
Current assets		426,569	29,642,280	7,865	546,539
Total assets		28,862,518	2,005,656,376	28,520,709	1,981,904,069
EQUITY AND LIABILITIES					
Equity					
Stated capital	10	20,700,001	1,438,443,069	20,700,001	1,438,443,069
Accumulated losses		(77,429)	(5,380,541)	(62,269)	(4,327,072)
Total equity		20,622,572	1,433,062,528	20,637,732	1,434,115,997
Liabilities					
Non-current					
Redeemable Preference Shares	11	2,300,000	159,827,000	2,300,000	159,827,000
Borrowings	12	5,500,000	382,195,000	5,576,284	387,495,975
Non-current liabilities		7,800,000	542,022,000	7,876,284	547,322,975
Current					
Borrowings	12	420,034	29,188,163	-	-
Other payable and accruals	13	19,912	1,383,685	6,693	465,097
		439,946	30,571,848	6,693	465,097
Total liabilities		8,239,946	572,593,848	7,882,977	547,788,072
Total equity and liabilities		28,862,518	2,005,656,376	28,520,709	1,981,904,069

Approved by the Board of Directors on 20 May 2013 and signed on its behalf by:



 DIRECTOR



 DIRECTOR

The notes on pages 12 to 27 form an integral part of these financial statements.



MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013**

	<u>Stated capital EUR</u>	<u>Accumulated losses EUR</u>	<u>Total EUR</u>
At 01 April 2011	20,700,001	(46,383)	20,653,618
Loss for the year	-	(15,886)	(15,886)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(15,886)	(15,886)
At 31 March 2012	20,700,001	(62,269)	20,637,732
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



The notes on pages 12 to 27 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013**

	Stated capital	Accumulated losses	Total
	INR	INR	INR
	(Note 1)	(Note 1)	(Note 1)
At 01 April 2011	<u>1,438,443,069</u>	<u>(3,223,154)</u>	<u>1,435,219,915</u>
Loss for the year	-	(1,103,918)	(1,103,918)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,103,918)	(1,103,918)
At 31 March 2012	<u>1,438,443,069</u>	<u>(4,327,072)</u>	<u>1,434,115,997</u>
At 01 April 2012	<u>1,438,443,069</u>	<u>(4,327,072)</u>	<u>1,434,115,997</u>
Loss for the year	-	(1,053,469)	(1,053,469)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,053,469)	(1,053,469)
At 31 March 2013	<u>1,438,443,069</u>	<u>(5,380,541)</u>	<u>1,433,062,528</u>



The notes on pages 12 to 27 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**

	2013	2013	2012	2012
	EUR	INR	EUR	INR
		(Note 1)		(Note 1)
Operating activities				
Loss before tax	(15,160)	(1,053,469)	(15,886)	(1,103,918)
Adjustments for:				
Interest expense on borrowings	343,750	23,887,188	76,284	5,300,975
Interest income on loan	(346,500)	(24,078,285)	(76,895)	(5,343,434)
Operating loss before working capital changes	(17,910)	(1,244,566)	(16,497)	(1,146,377)
Changes in working capital:				
(Increase)/decrease in prepayments	(167)	(11,605)	235	16,330
Increase in other payable and accruals	13,219	918,588	1,852	128,695
Net cash used in operating activities	(4,858)	(337,583)	(14,410)	1,001,352
Financing activities				
Loan to subsidiary	-	-	(5,500,000)	(382,195,000)
Loan from shareholder	-	-	5,500,000	382,195,000
Net cash from financing activities	-	-	-	-
Net change in cash and cash equivalents	(4,858)	(337,583)	(14,410)	(1,001,352)
Cash and cash equivalents, beginning of year	6,459	448,836	20,869	1,450,188
Cash and cash equivalents, end of year	1,601	111,253	6,459	448,836
Cash and cash equivalents made up of:				
Cash at bank	1,601	111,253	6,459	448,836



The notes on pages 12 to 27 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

Mahindra Gears International Ltd (the "Company") was incorporated in the Republic of Mauritius under the Mauritius Companies Act 2001 on 22 May 2008 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Republic of Mauritius.

The principal activity of the Company is to act as an investment holding company.

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding Category 1 Global Business Licence ("IFRS as modified by Mauritius Companies Act 2001").

Indian Rupee ("INR") amounts are presented solely for convenience. These transactions should not be construed as representations that the EUR amounts actually represent, or have been or could be converted into INR. As the amounts shown in INR are for convenience only, the rate of 69.49 has been used for the purpose of presentation of the INR amounts in the accompanying financial statements for the two years ended 31 March 2012 and 2013.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**(a) New and amended standards and interpretations adopted by the Company**

There are no new standards, amendments or interpretations to existing standards that are effective for the first time for the financial year beginning on 01 April 2012 that would be expected to have a material impact on the Company.

(b) New and amended standards and interpretations not yet adopted by the Company

A number of new standards, amendments and interpretations to existing standards are effective for annual periods beginning after 01 April 2012, and have not been adopted early by the Company in preparing these financial statements.

The Company is yet to assess the full impact of these new standards, amendments and interpretations to existing standards on the financial statements but anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period after the effective date of the pronouncements. Information on the new standards, amendments and interpretations is provided below:

IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
IAS 19	Employee Benefits (Revised 2011)
IAS 27	Separate Financial Statements (Revised 2011)
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)
IFRS 1	Government Loans (Amendments to IFRS 1)
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
IFRS 10	Consolidated Financial Statements



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Contd)**

IFRS 11	Joint arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRSs 10,11 & 12	Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
IFRS 10,12 & IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRS 9	Financial Instruments
Various	Annual improvements to IFRSs 2009-2011 Cycle

3. SUMMARY OF ACCOUNTING POLICIES**(a) Overall considerations**

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Revenue

Interest income is recognised on the accrual basis unless collectibility is in doubt.

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

(c) Expenses

All expenses are reported for in the statement of comprehensive income on the accrual basis.

(d) Income taxes

Tax expense recognised in profit or loss comprises of the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise of those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(e) Financial instruments****Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified as loans and receivables.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's loan receivable and cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, redeemable preference shares and other payable and accruals.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(f) Consolidated financial statements**

The financial statements are separate financial statements which contain information about Mahindra Gears International Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part I of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of a quoted company incorporated in the Republic of India, Mahindra & Mahindra Limited.

(g) Investment in subsidiary

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investment in subsidiary is initially shown at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

(h) Cash and cash equivalents

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

(i) Equity

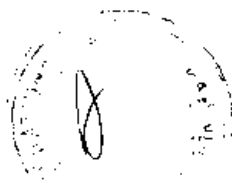
Stated capital is determined using the value of shares that have been issued.

Accumulated losses include current and prior years' results as disclosed in the statement of comprehensive income.

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses.

All known risks at reporting date are reviewed in detail and provision is made where necessary.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(k) Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions.

(l) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in EUR which is the Company's functional and presentation currency. The Company has also presented the financial statements in Indian Rupee (INR) for the convenience of users of accounts.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(m) Impairment of assets

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

(n) Comparatives

Where necessary, comparatives figures have been adjusted to conform with changes in the current year.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following is the significant management judgement in applying the accounting policies of the Company that has the most significant effect on the financial statements is set out below.



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
**4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES
AND ESTIMATION UNCERTAINTY (Contd)**
Significant management judgement (Contd)
Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the EUR.

Estimation uncertainty

In assessing impairment of investments in subsidiary, management estimates the recoverable amount based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

5. FINANCIAL INSTRUMENT RISK
Risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's financial assets and financial liabilities by category are summarised below:

	<u>2013</u> <u>EUR</u>	<u>2013</u> <u>INR</u> (Note 1)	<u>2012</u> <u>EUR</u>	<u>2012</u> <u>INR</u> (Note 1)
Financial assets				
<i>Loans and receivables:</i>				
<i>Non-current</i>				
Loan receivable	<u>5,500,000</u>	<u>382,195,000</u>	<u>5,576,895</u>	<u>387,538,434</u>
<i>Current</i>				
Loan receivable	<u>423,395</u>	<u>29,421,719</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>1,601</u>	<u>111,253</u>	<u>6,459</u>	<u>448,836</u>
	<u>424,996</u>	<u>29,532,972</u>	<u>6,459</u>	<u>448,836</u>
Total financial assets	<u>5,924,996</u>	<u>411,727,972</u>	<u>5,583,354</u>	<u>387,987,270</u>



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
5. FINANCIAL INSTRUMENT RISK (Contd)
Risk management objectives and policies (Contd)

	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
Financial liabilities				
<i>Financial liabilities measured at amortised cost:</i>				
<i>Non-current</i>				
Redeemable Preference shares	2,300,000	159,827,000	2,300,000	159,827,000
Borrowings	5,500,000	382,195,000	5,576,284	387,495,975
	<u>7,800,000</u>	<u>542,022,000</u>	<u>7,876,284</u>	<u>547,322,975</u>
<i>Current</i>				
Borrowings	420,034	29,188,163	-	-
Other payable and accruals	19,912	1,383,685	6,693	465,097
	<u>439,946</u>	<u>30,571,848</u>	<u>6,693</u>	<u>465,097</u>
Total financial liabilities	<u>8,239,946</u>	<u>572,593,848</u>	<u>7,882,977</u>	<u>547,788,072</u>

The Company's risks are managed by the Board of Directors and focus on securing the Company's short to medium term cash flows by minimising the exposure to financial risks. The Company's investment is managed to generate lasting returns. The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the company is exposed to are described below.

5.1 Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk which result from both its operating and investing activities.

(i) Foreign currency sensitivity

The Company is not exposed to any currency risk as most of its financial assets and financial liabilities are denominated in Euro, the functional currency of the Company.

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

	Financial assets 2013 EUR	Financial liabilities 2013 EUR	Financial assets 2012 EUR	Financial Liabilities 2012 EUR
Long-term exposure				
Euro (EUR)	<u>5,500,000</u>	<u>7,800,000</u>	<u>5,576,895</u>	<u>7,876,284</u>
Short-term exposure				
Euro (EUR)	424,996	434,348	6,459	-
United States Dollar (USD)	-	5,598	-	6,693
	<u>424,996</u>	<u>439,946</u>	<u>6,459</u>	<u>6,693</u>
Total exposure	<u>5,924,996</u>	<u>8,239,946</u>	<u>5,583,354</u>	<u>7,882,977</u>



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****5. FINANCIAL INSTRUMENT RISK (Contd)****Risk management objectives and policies (Contd)****5.1 Market risk analysis (Contd)****(i) Foreign exchange sensitivity (Contd)**

	Financial assets 2013 INR (Note 1)	Financial liabilities 2013 INR (Note 1)	Financial assets 2012 INR (Note 1)	Financial Liabilities 2012 INR (Note 1)
Long-term exposure				
Euro (EUR)	382,195,000	542,022,000	387,538,434	547,322,975
Short-term exposure				
Euro (EUR)	29,532,972	30,182,843	448,836	-
United States Dollar (USD)	-	389,005	-	465,097
	29,532,972	30,571,848	448,836	465,097
Total exposure	411,727,972	572,593,848	387,987,270	547,788,072

Prepayments amounting to EUR 1,573 (2012: EUR 1,406) have been excluded from the financial assets.

(ii) Interest rate sensitivity

The Company is not exposed to changes in market interest rates as its interest bearing financial assets and financial liabilities have fixed interest rates.

5.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
ASSETS				
Non-current				
Loan receivable	5,500,000	382,195,000	5,576,895	387,538,434
Current				
Loan receivable	423,395	29,421,719	-	-
Cash and cash equivalents	1,601	111,253	6,459	448,836
	424,996	29,532,972	6,459	448,836
Total assets	5,924,996	411,727,972	5,583,354	387,987,270

The loan to a subsidiary is unsecured, bears interest at 6.30% per annum and repayable under agreed contractual terms. Accordingly, the directors are of opinion that the loan is fully recoverable.

The credit risk for the bank balance is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.



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MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****5. FINANCIAL INSTRUMENT RISK (Contd)****Risk management objectives and policies (Contd)****5.3 Liquidity risk analysis**

Liquidity risk is the risk that the Company might be unable to meet its obligations as and when they fall due.

The Company manages its liquidity needs by carefully monitoring all its cash inflows and outflows. The Company maintains sufficient cash to meet its liquidity requirements and the financial support of its related companies is sought where necessary.

At 31 March 2013, the Company's financial liabilities have contractual maturities which are summarised below:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	159,827,000
Borrowings	420,034	29,188,163	5,500,000	382,195,000
Other payable and accruals	19,912	1,383,685	-	-
	<u>439,946</u>	<u>30,571,848</u>	<u>7,800,000</u>	<u>542,022,000</u>

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	159,827,000
Borrowings	-	-	5,576,284	387,495,975
Trade payable and accruals	6,693	465,097	-	-
	<u>6,693</u>	<u>465,097</u>	<u>7,876,284</u>	<u>547,322,975</u>

5.4 Financial instruments measured at fair value

The Company's financial assets and financial liabilities are measured at their carrying amounts which approximate their fair values.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to its shareholder.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its member, buy back shares or issue new shares.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (Contd)**

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The details of the gearing ratio are disclosed as follows:

	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
Total borrowings (including redeemable preference shares)	8,220,034	571,210,163	7,876,284	547,322,975
Less: cash and cash equivalents	(1,601)	(111,253)	(6,459)	(448,836)
Net debt	8,218,433	571,098,910	7,869,825	546,874,139
Total equity	20,622,573	1,433,062,528	20,637,732	1,434,115,997
Total capital	28,841,006	2,004,161,438	28,507,557	1,980,990,136
Gearing ratio (%)	28.50%	28.50%	27.61%	27.61%

The Company gearing ratio has increased from 27.61% in 2012 to 28.50% for the year under review. The directors consider that this level of gearing is reasonable taking into account the Company's business activities.

7. TAX EXPENSE

Under current laws and regulations, the Company is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of Mauritius tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%. Capital gains from sales of units and securities are exempt from income tax in the Republic of Mauritius.

The Company has received tax residence certificates from the Mauritian authorities, which is renewable on an annual basis subject to meeting certain conditions, that it is a tax resident in the Republic of Mauritius and is eligible to obtain benefits under the double tax treaties between the Republic of Mauritius and the Republic of India, the Republic of Mauritius and the Republic of Cyprus and the Republic of Mauritius and Italy.

At 31 March 2013, the Company has accumulated tax losses which will be carried forward and available for set off against taxable profits as follows:

	EUR	INR
Up to the year ending 31 March 2014	3,367	233,973
Up to the year ending 31 March 2015	15,588	1,083,210
Up to the year ending 31 March 2016	13,611	945,828
Up to the year ending 31 March 2017	15,886	1,103,918
Up to the year ending 31 March 2018	15,160	1,053,469
	<u>63,612</u>	<u>4,420,398</u>



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****7. TAX EXPENSE (Contd)**

The foregoing is based on current interpretation and practice and is subject to any future changes in tax laws and in the double tax treaties between the Republic of India and the Republic of Mauritius, the Republic of Cyprus and the Republic of Mauritius and Italy and the Republic of Mauritius.

(ii) Deferred tax

Deferred income tax is calculated on all temporary differences under the liability method at the rate of 3%. At 31 March 2013, no deferred tax asset has been recognised in respect of the tax loss carried forward as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

(iii) Income tax reconciliation

The income tax on the Company's loss before tax differs from the theoretical amount that would arise using the effective tax rate of the Company as follows:

	<u>2013</u> <u>EUR</u>	<u>2013</u> <u>INR</u> <u>(Note 1)</u>	<u>2012</u> <u>EUR</u>	<u>2012</u> <u>INR</u> <u>(Note 1)</u>
Loss before tax	<u>(15,160)</u>	<u>(1,053,469)</u>	<u>(15,886)</u>	<u>(1,103,918)</u>
Tax calculated at the rate of 3%	(455)	(31,618)	(477)	(33,147)
Deferred tax asset not recognised	455	31,618	477	33,147
Tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

8. INVESTMENTS IN SUBSIDIARY

	<u>2013 & 2012</u> <u>EUR</u>	<u>2013 & 2012</u> <u>INR</u> <u>(Note 1)</u>
(i) Unquoted investments at cost:		
At 01 April and 31 March	<u>22,935,949</u>	<u>1,593,819,096</u>

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

<u>Name of investee company</u>	<u>Class of shares</u>	<u>Country of incorporation</u>	<u>% holding</u>	<u>Cost</u> <u>2013 & 2012</u> <u>EUR</u>	<u>Cost</u> <u>2013 & 2012</u> <u>INR</u> <u>(Note 1)</u>
Mahindra Gears Global Limited	Equity	Republic of Mauritius	53.34%	20,642,354	1,434,437,179
Mahindra Gears Global Limited	Preference	Republic of Mauritius	53.34%	2,293,595	159,381,917
				<u>22,935,949</u>	<u>1,593,819,096</u>



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**
8. INVESTMENTS IN SUBSIDIARY (Contd)

- (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 date.
- (iv) The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part I of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary Mahindra and Mahindra Limited, a quoted company incorporated in the Republic of India. The registered office of Mahindra & Mahindra Limited is Mahindra Towers, Worli, Mumbai 400018, the Republic of India.
- (v) The disposal, of the investments described in Note (ii) above, is subject to the provisions of Section 18 of the Subscription and Shareholders' Agreement entered into between the Company, Mahindra & Mahindra Limited, Mahindra Gears Global Limited, Western India Trustee and Executor Company Limited and Blue Sky International Mauritius.

9. LOAN RECEIVABLE

	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
<i>Loan to subsidiary:</i>				
Non-current				
Principal amount	5,500,000	382,195,000	5,500,000	382,195,000
Interest receivable	-	-	76,895	5,343,434
	<u>5,500,000</u>	<u>382,195,000</u>	<u>5,576,895</u>	<u>387,538,434</u>
Current				
Interest receivable	423,395	29,421,719	-	-
Total	<u>5,923,395</u>	<u>411,616,719</u>	<u>5,576,895</u>	<u>387,538,434</u>

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

	2013 EUR	2013 INR (Note 1)	2012 EUR	2012 INR (Note 1)
Balance at 01 April	5,576,895	387,538,434	-	-
Loan given during the year	-	-	5,500,000	382,195,000
Interest income for the year	346,500	24,078,285	76,895	5,343,434
Balance at 31 March	<u>5,923,395</u>	<u>411,616,719</u>	<u>5,576,895</u>	<u>387,538,434</u>

- (ii) The loan to the 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.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****10. STATED CAPITAL**

	<u>2013</u> EUR	<u>2013</u> INR (Note 1)	<u>2012</u> EUR	<u>2012</u> INR (Note 1)
<i>Issued and fully paid:</i>				
20,700,001 ordinary shares of EUR1 each	<u>20,700,001</u>	<u>1,438,443,069</u>	<u>20,700,001</u>	<u>1,438,443,069</u>

In accordance with the Company's Constitution, the main rights and obligations attached to the ordinary shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the ordinary shares;
- not have any right of redemption;
- have a right to receive any dividend or distribution; and
- be entitled, on a winding up, to share in the assets of the Company available for distribution in priority of the preference shareholders.

11. REDEEMABLE PREFERENCE SHARES

	<u>2013</u> EUR	<u>2013</u> INR (Note 1)	<u>2012</u> EUR	<u>2012</u> INR (Note 1)
2,300,000 (6.5%) non-cumulative preference shares of EUR1 each	<u>2,300,000</u>	<u>159,827,000</u>	<u>2,300,000</u>	<u>159,827,000</u>

The preference shares would be redeemed at the option of the holder and have therefore been accounted for as a financial liability instead of equity, in accordance with IAS 32, *Financial Instruments: Presentation*.

The directors have also considered the requirements of the Amendment to IAS 32 and IAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation* and concluded that the redeemable preference shares should continue to be classified as a financial liability.

In accordance with the Company's Constitution, the main rights and obligations attached to the preference shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the preference shares;
- have a right of redemption at the option of the holder and the redemption price would be determined by the Board of Directors;
- be entitled to a non-cumulative coupon rate of such percentage as determined by the Board of Directors;
- be converted into such number of shares with other rights or restrictions as determined by the Board of Directors; and



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****11. REDEEMABLE PREFERENCE SHARES (Contd)**

- be entitled, on a winding up, to a return of the amount paid-up on the preference shares in priority of the ordinary shares and shall also be entitled to share in the assets of the Company available for distribution.

Pursuant to a Board meeting of 05 January 2009, the directors have decided to assign an annual 6.5% non-cumulative coupon rate to the preference shares subject to any surplus income available for distribution by the Company.

12. BORROWINGS

	<u>2013</u> EUR	<u>2013</u> INR (Note 1)	<u>2012</u> EUR	<u>2012</u> INR (Note 1)
<i>Loan from shareholder:</i>				
Non-current				
Principal amount	5,500,000	382,195,000	5,500,000	382,195,000
Interest payable	-	-	76,284	5,300,975
	<u>5,500,000</u>	<u>382,195,000</u>	<u>5,576,284</u>	<u>387,495,975</u>
Current				
Interest payable	420,034	29,188,163	-	-
Total	<u>5,920,034</u>	<u>411,383,163</u>	<u>5,576,284</u>	<u>387,495,975</u>

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

	<u>2013</u> EUR	<u>2013</u> INR (Note 1)	<u>2012</u> EUR	<u>2012</u> INR (Note 1)
Balance at 01 April	5,576,284	387,495,975	-	-
Loan taken during the year	-	-	5,500,000	382,195,000
Interest expense for the year	343,750	23,887,188	76,284	5,300,975
Balance at 31 March	<u>5,920,034</u>	<u>411,383,163</u>	<u>5,576,284</u>	<u>387,495,975</u>

- (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.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****13. OTHER PAYABLE AND ACCRUALS**

	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
	EUR	INR	EUR	INR
		(Note 1)		(Note 1)
Advance from a related company (Note (i) below)	14,314	994,680	-	-
Accruals	5,598	389,005	6,693	465,097
	<u>19,912</u>	<u>1,383,685</u>	<u>6,693</u>	<u>465,097</u>

- (i) The advance of USD 14,314 was received from Mahindra Forgings International Ltd, a related and unquoted company incorporated in the Republic of Mauritius, and is unsecured, interest free and repayable within one year.

14. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2013, the Company had transactions with related parties. The nature, volume of transactions and balances with the related parties are as follows:

<u>Name of related parties</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Volume of Transactions</u>	<u>Debit/(credit) balances at 31 March 2013</u>	<u>Debit/(credit) balances at 31 March 2012</u>
			EUR	EUR	EUR
International Financial Services Limited	Administrator, Secretary and Mauritian Tax Agent	Professional fees	4,241	1,081	999
International Financial Services Limited	Administrator, Secretary and Mauritian Tax Agent	Professional fees	8,895	(2,577)	(3,672)
Mahindra Gears Global Limited	Subsidiary company	Loan	346,500	5,923,395	5,576,895
Mahindra & Mahindra Limited	Holding company	Borrowings	343,750	(5,920,034)	(5,576,284)
Mahindra Forgings International Ltd	Related company	Other payable	<u>14,314</u>	<u>(14,314)</u>	<u>-</u>



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013****14. RELATED PARTY TRANSACTIONS (Contd)**

<u>Name of related parties</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Volume of Transactions</u> <u>INR</u> <u>(Note 1)</u>	<u>Debit/(credit) balances at 31 March 2013</u> <u>INR</u> <u>(Note 1)</u>	<u>Debit/(credit) balances at 31 March 2012</u> <u>INR</u> <u>(Note 1)</u>
International Financial Services Limited	Administrator, Secretary and Mauritian Tax Agent	Professional fees	294,707	75,119	69,421
International Financial Services Limited	Administrator, Secretary and Mauritian Tax Agent	Professional fees	618,114	(179,076)	(255,167)
Mahindra Gears Global Limited	Subsidiary company	Loan	24,078,285	411,616,719	387,538,434
Mahindra & Mahindra Limited	Holding company	Borrowings	23,887,188	(411,383,163)	(387,495,975)
Mahindra Forgings International Ltd	Related company	Other payable	994,680	(994,680)	-

The terms and conditions of the loan, borrowings and payable are as stated in Notes 9, 12 and 13 respectively to these financial statements.

15. CONTINGENT LIABILITIES

The Company has no litigation claims outstanding, pending or threatened against it, which could have a material adverse effect on the Company's financial position or results.

16. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting date which requires disclosure or adjustment to the 31 March 2013 financial statements.

17. HOLDING COMPANY

The directors consider Mahindra & Mahindra Limited, a quoted company incorporated in the Republic of India, as the Company's holding company.



MAHINDRA GEARS INTERNATIONAL LTD**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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MAHINDRA GEARS INTERNATIONAL LTD**CORPORATE DATA**

		Appointed on
DIRECTORS	:	
	Couldiplall Basanta Lala	22 May 2008
	Rubina Anver Toorawa	22 May 2008
	Sanjay Vasant Joglekar	22 May 2008
ADMINISTRATOR & SECRETARY	:	
	International Financial Services Limited	
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
REGISTERED OFFICE	:	
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
AUDITORS	:	
	Grant Thornton	
	Ebene Tower	
	52 Cybercity	
	Ebene	
	Republic of Mauritius	
BANKER	:	
	HSBC Bank (Mauritius) Limited	
	6 th Floor, HSBC Centre	
	18 Cybercity	
	Ebene	
	Republic of Mauritius	



MAHINDRA GEARS INTERNATIONAL LTD

COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

The directors present the audited financial statements of **Mahindra Gears International Ltd** (the "Company"), for the year ended 31 March 2012.

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold investments in Mahindra Gears Global Limited.

RESULTS

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

DIRECTORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, **Grant Thornton**, have indicated their willingness to continue in office until the next Annual Meeting.



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

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

DBlela
For **International Financial Services Limited**
Secretary

Registered Office:

IFS Court
TwentyEight
Cybercity
Ebene
Republic of Mauritius

Date: 22 May 2012





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

Report on the Financial Statements

We have audited the accompanying financial statements of Mahindra Gears International Ltd, the "Company", which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

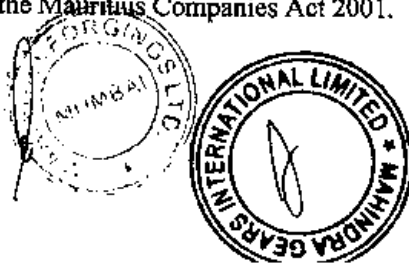
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements on pages 7 to 25 give a true and fair view of the financial position of the Company as at 31 March 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding a Category 1 Global Business Licence and comply with the Mauritius Companies Act 2001.





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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

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

Other Matters

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's 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: 22 MAY 2012

Ebene, Republic of Mauritius



MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
INCOME					
Interest on loan	8	76,895	5,248,084	-	-
Foreign exchange gain		32	2,184	-	-
		<u>76,927</u>	<u>5,250,268</u>	<u>-</u>	<u>-</u>
EXPENSES					
Interest on loan	11	76,284	5,206,383	-	-
Administration fees and disbursements		8,000	546,000	4,643	316,884
Audit fees		3,021	206,183	2,962	202,157
Directors fees		1,834	125,171	2,011	137,251
Licence fees		1,291	88,111	1,383	94,390
Professional fees		1,247	85,108	1,368	93,366
Secretarial fees		1,101	75,143	1,207	82,378
Bank charges		35	2,389	37	2,525
		<u>92,813</u>	<u>6,334,488</u>	<u>13,611</u>	<u>928,951</u>
LOSS BEFORE TAX		(15,886)	(1,084,220)	(13,611)	(928,951)
Tax expense	6	-	-	-	-
LOSS FOR THE YEAR		(15,886)	(1,084,220)	(13,611)	(928,951)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(15,886)	(1,084,220)	(13,611)	(928,951)

The notes on pages 12 to 25 form an integral part of these financial statements.



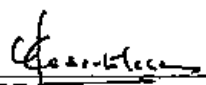
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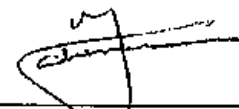
MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

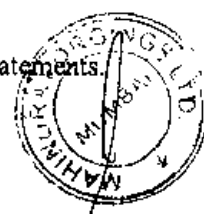
	Notes	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
ASSETS					
Non-current					
Investments in subsidiary	7	22,935,949	1,565,378,519	22,935,949	1,565,378,519
Loan receivable	8	5,576,895	380,623,084	-	-
Non-current assets		28,512,844	1,946,001,603	22,935,949	1,565,378,519
Current					
Prepayments		1,406	95,960	1,641	111,998
Cash and cash equivalents		6,459	440,826	20,869	1,424,309
Current assets		7,865	536,786	22,510	1,536,307
Total assets		28,520,709	1,946,538,389	22,958,459	1,566,914,826
EQUITY AND LIABILITIES					
Equity					
Stated capital	9	20,700,001	1,412,775,068	20,700,001	1,412,775,068
Accumulated losses		(62,269)	(4,249,860)	(46,383)	(3,165,640)
Total equity		20,637,732	1,408,525,208	20,653,618	1,409,609,428
Liabilities					
Non-current					
Redeemable Preference Shares	10	2,300,000	156,975,000	2,300,000	156,975,000
Borrowings	11	5,576,284	380,581,383	-	-
Non-current liabilities		7,876,284	537,556,383	2,300,000	156,975,000
Current					
Accruals		6,693	456,798	4,841	330,398
Total liabilities		7,882,977	538,013,181	2,304,841	157,305,398
Total equity and liabilities		28,520,709	1,946,583,389	22,958,459	1,566,914,826

Approved by the Board of Directors on 22 May 2012 and signed on its behalf by:


 DIRECTOR


 DIRECTOR

The notes on pages 12 to 25 form an integral part of these financial statements.



MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012**

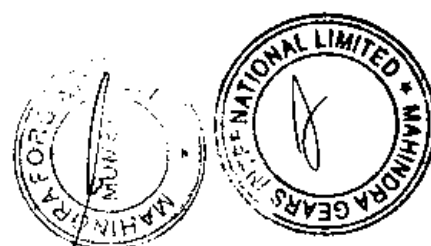
	Stated capital EUR	Accumulated losses EUR	Total EUR
At 01 April 2010	20,700,001	(32,772)	20,667,229
Loss for the year	-	(13,611)	(13,611)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(13,611)	(13,611)
At 31 March 2011	20,700,001	(46,383)	20,653,618
At 01 April 2011	20,700,001	(46,383)	20,653,618
Loss for the year	-	(15,886)	(15,886)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(15,886)	(15,886)
At 31 March 2012	20,700,001	(62,269)	20,637,732



The notes on pages 12 to 25 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012**

	Stated capital	Accumulated losses	Total
	INR	INR	INR
	(Note 1)	(Note 1)	(Note 1)
At 01 April 2010	<u>1,412,775,068</u>	<u>(2,236,689)</u>	<u>1,410,538,379</u>
Loss for the year	-	(928,951)	(928,951)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(928,951)	(928,951)
At 31 March 2011	<u>1,412,775,068</u>	<u>(3,165,640)</u>	<u>1,409,609,428</u>
At 01 April 2011	<u>1,412,775,068</u>	<u>(3,165,640)</u>	<u>1,409,609,428</u>
Loss for the year	-	(1,084,220)	(1,084,220)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,084,220)	(1,084,220)
At 31 March 2012	<u>1,412,775,068</u>	<u>(4,249,860)</u>	<u>1,408,525,208</u>



The notes on pages 12 to 25 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
<i>Cash flows from operating activities</i>				
Loss before tax	(15,886)	(1,084,220)	(13,611)	(928,951)
<i>Adjustments for:</i>				
Interest expense on borrowings	76,284	5,206,383	-	-
Interest income on loan	(76,895)	(5,248,084)	-	-
Operating loss before working capital changes	(16,497)	(1,125,921)	(13,611)	(928,951)
<i>Changes in working capital:</i>				
Increase in prepayments	235	16,039	(215)	(14,674)
Increase/(decrease) in accruals	1,852	126,399	(6,882)	(469,697)
Net cash flows used in operating activities	(14,410)	(983,483)	(20,708)	(1,413,322)
<i>Cash flows from financing activities</i>				
Loan to subsidiary	(5,500,000)	(375,375,000)	-	-
Loan from shareholder	5,500,000	375,375,000	-	-
Net cash from financing activities	-	-	-	-
Net decrease in cash and cash equivalents	(14,410)	(983,483)	(20,708)	(1,413,322)
Cash and cash equivalents, beginning of year	20,869	1,424,309	41,577	2,837,631
Cash and cash equivalents, end of year	6,459	440,826	20,869	1,424,309
Cash and cash equivalents made up of:				
Cash at bank	6,459	440,826	20,869	1,424,309



The notes on pages 12 to 25 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

Mahindra Gears International Ltd, (the "Company") was incorporated in the Republic of Mauritius under the Mauritius Companies Act 2001 on 03 June 2008 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Republic of Mauritius.

The principal activity of the Company is to act as an investment holding company.

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as modified by the exemption from consolidation in the Mauritius Companies Act 2001 for companies holding Category 1 Global Business Licence ("IFRS as modified by Mauritius Companies Act 2001").

Indian Rupee ("INR") amounts are presented solely for convenience. These transactions should not be construed as representations that the EUR amounts actually represent, or have been or could be converted into INR. As the amounts shown in INR are for convenience only, that rate of 1 EUR = INR 68.25 has been used for the purpose of presentation of the INR amounts in the accompanying financial statements for the year ended 31 March 2012.

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

The following new and amended Standards and Interpretations are mandatory for the first time for the financial year beginning 01 April 2011 but are currently not relevant to the Company (although they may affect the accounting for future transactions and events):

IFRIC 19	Extinguishing financial liabilities with equity instruments
LAS 24	Related Party Disclosures (Revised 2009)
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14
Various	Annual Improvements 2010

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but not yet effective, and have not been adopted by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

IFRS 1	Government Loans (Amendments to IFRS 1)
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)
IFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
IFRS 7	Disclosures-Transfers of Financial Assets (Amendments to IFRS 7)
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Contd)**

IFRS 13	Fair Value Measurement
IAS 12	Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
IAS 19	Employee Benefits (Revised 2011)
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

3. SUMMARY OF ACCOUNTING POLICIES**(a) Overall considerations**

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Revenue recognition

Interest income is recognised on the accrual basis unless collectibility is in doubt.

Dividend income is recognised when the right to receive payment is established ex-date.

(c) Expense recognition

All expenses are reported for in the statement of comprehensive income on the accrual basis.

(d) Financial instruments**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, where appropriate.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified as loans and receivables.

The category determines subsequent measurement and whether any resulting income and expense is recognised in the statement of comprehensive income.



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

3. SUMMARY OF ACCOUNTING POLICIES (Contd)

(d) Financial instruments (Contd)

Classification and subsequent measurement of financial assets (Contd)

Financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's loan receivable and cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, redeemable preference shares and accruals.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(e) Consolidated financial statements

The financial statements are separate financial statements which contain information about Mahindra Gears International Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of a quoted company incorporated in India, Mahindra & Mahindra Limited.

(f) Investment in subsidiary

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(f) Investment in subsidiary (Contd)**

Investment in subsidiary is initially shown at cost. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

(g) Cash and cash equivalents

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

(h) Equity

Stated capital is determined using the value of shares that have been issued.

Accumulated losses include current and prior years' results as disclosed in the statement of comprehensive income.

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

(j) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

(k) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(l) Foreign currencies****(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in EUR which is the Company's functional and presentation currency. The Company has also presented the financial statements in Indian Rupee (INR) for the convenience of users of accounts.

(ii) Transactions and balances

Transactions denominated in foreign currencies are recorded in EUR at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the reporting date which are expressed in foreign currencies are translated into EUR at the rates of exchange ruling at the reporting date. Exchange gains and losses are included in profit or loss. Exchange gains and losses on non-monetary items are recognised in other comprehensive income.

(m) Impairment of assets

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

(n) Comparatives

Where necessary, comparatives figures have been adjusted to conform with changes in the current year.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Significant management judgement in applying the accounting policies of the Company that has the most significant effect on the financial statements is set out below.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the EUR.

Impairment of investment in subsidiary

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.



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

5. FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk, and concentration risk.

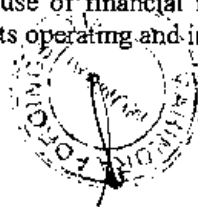
The Company's financial assets and financial liabilities by category are summarised below:

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
Financial assets				
<i>Loans and receivables:</i>				
Non-current				
Loan receivable	5,576,895	380,623,084	-	-
Current				
Cash and cash equivalents	6,459	440,826	20,869	1,424,309
	<u>5,583,354</u>	<u>381,063,910</u>	<u>20,869</u>	<u>1,424,309</u>
Financial liabilities				
<i>Financial liabilities measured at amortised cost:</i>				
Non-current				
Redeemable Preference shares	2,300,000	156,975,000	2,300,000	156,975,000
Borrowings	5,576,284	380,581,383	-	-
Current				
Accruals	6,693	456,798	4,841	330,398
	<u>7,882,977</u>	<u>538,013,181</u>	<u>2,304,841</u>	<u>157,305,398</u>

The Company's risk is managed by the Board of Directors and focuses on securing the Company's short to medium term cash flows by minimising the exposure to financial risks. The Company's investment is managed to generate lasting returns. The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the company is exposed to are described below.

5.1 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk which result from both its operating and investing activities.



MAHINDRA GEARS INTERNATIONAL LTD

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

5. FINANCIAL INSTRUMENT RISK (Contd)

Risk management objectives and policies (Contd)

5.1 Market risk (Contd)

(i) Foreign exchange risk

The Company is not exposed to any currency risk as most of its financial assets and financial liabilities are denominated in Euro, the functional currency of the Company.

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

	Financial assets 2012 EUR	Financial liabilities 2012 EUR	Financial assets 2011 EUR	Financial liabilities 2011 EUR
Euro (EUR)	5,583,354	7,876,284	20,869	2,300,000
United States Dollar (USD)	-	6,693	-	4,841
	<u>5,583,354</u>	<u>7,882,977</u>	<u>20,869</u>	<u>2,304,841</u>

	Financial assets 2012 INR (Note 1)	Financial liabilities 2012 INR (Note 1)	Financial assets 2011 INR (Note 1)	Financial liabilities 2011 INR (Note 1)
Euro (EUR)	381,063,910	537,556,383	1,424,309	156,975,000
United States Dollar (USD)	-	456,798	-	330,398
	<u>381,063,910</u>	<u>538,013,181</u>	<u>1,424,309</u>	<u>157,305,398</u>

(ii) Interest rate risk

The Company is not exposed to changes in market interest rates as its interest bearing financial assets and financial liabilities have fixed interest rates.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**
5. FINANCIAL INSTRUMENT RISK (Contd)
Risk management objectives and policies (Contd)
5.2 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
ASSETS				
Non-current				
Loan receivable	5,576,895	380,623,084	-	-
Current				
Cash and cash equivalents	6,459	440,826	20,869	1,424,309
	<u>5,583,354</u>	<u>381,063,910</u>	<u>20,869</u>	<u>1,424,309</u>

The loan to a subsidiary is unsecured, bears interest at 6.30% per annum and repayable under agreed contractual terms. Accordingly, the directors are of opinion that the loan is fully recoverable.

The credit risk for the bank balance is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.

5.3 Liquidity risk

Liquidity risk is the risk that the Company might be unable to meet its obligations as and when they fall due.

The Company manages its liquidity needs by carefully monitoring all its cash inflows and outflows. The Company maintains sufficient cash to meet its liquidity requirements and the financial support of its related companies is sought where necessary.

At 31 March 2012, the Company's financial liabilities have contractual maturities which are summarised below:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	156,975,000
Borrowings	-	-	5,576,284	380,581,383
Accruals	6,693	456,798	-	-
	<u>6,693</u>	<u>456,798</u>	<u>7,876,284</u>	<u>537,556,383</u>



MAHINDRA GEARS INTERNATIONAL LTD

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

5. FINANCIAL INSTRUMENT RISK (Contd)

5.3 Liquidity risk (Contd)

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	156,975,000
Accruals	4,841	330,398	-	-
	<u>4,841</u>	<u>330,398</u>	<u>2,300,000</u>	<u>156,975,000</u>

5.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to its shareholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its member, buy back shares or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The details of the gearing ratio are disclosed as follows:

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
Total borrowings	7,876,284	537,556,383	2,300,000	156,975,000
Less: cash at bank	(6,459)	(440,826)	(20,869)	(1,424,309)
Net debt	<u>7,869,825</u>	<u>537,115,557</u>	<u>2,279,131</u>	<u>155,550,691</u>
Total equity	20,637,732	1,408,525,208	20,653,618	1,409,609,428
Total capital	<u>28,507,557</u>	<u>1,945,640,765</u>	<u>22,932,749</u>	<u>1,565,160,119</u>
Gearing ratio (%)	<u>27.61%</u>	<u>27.61%</u>	<u>9.94%</u>	<u>9.94%</u>

The Company gearing ratio has increased from 9.94% in 2011 to 27.61% for the year under review. The directors consider that this level of gearing is reasonable taking into account the Company's business activities.

5.5 Fair value of financial instruments

The Company's financial assets and financial liabilities are measured at their carrying amounts which approximate their fair values.



MAHINDRA GEARS INTERNATIONAL LTD

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

6. TAX EXPENSE

(i) Income tax

Under current laws and regulations, the Company is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%. Capital gains from sales of units and securities are exempt from income tax in Mauritius.

The Company has received tax residence certificates from the Mauritian authorities, which is renewable on an annual basis subject to meeting certain conditions, that it is a tax resident of Mauritius and is eligible to obtain benefits under the double tax treaties between Mauritius and India, Mauritius and Cyprus and Mauritius and Italy.

At 31 March 2012, the Company had no income tax liability due to a tax loss of EUR 48,452 (2011: EUR 32,566) carried forward and available for set off against taxable profits arising in the forthcoming five years.

Hence, the tax losses of EUR 3,367 would be offset against future taxable profits till the year ending 31 March 2014, EUR 15,588 would be used to be offset against future taxable profits till the year ending 31 March 2015, EUR 13,611 would be used to be offset against future taxable profits till the year ending 31 March 2016 and EUR 15,886 would be offset against future taxable profits till the year ending 31 March 2017.

The foregoing is based on current interpretation and practice and is subject to any future changes in tax laws and in the double tax treaties between India and Mauritius, Cyprus and Mauritius and Italy and Mauritius.

(ii) Deferred taxation

Deferred income tax is calculated on all temporary differences under the liability method at the rate of 3%. At 31 March 2012, no deferred tax asset has been recognised in respect of the tax loss carried forward as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

(iii) Income tax reconciliation

The income tax on the Company's loss before tax differs from the theoretical amount that would arise using the effective tax rate of the Company as follows:

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
Loss before tax	(15,886)	(1,084,220)	(13,611)	(928,951)
Tax calculated at the rate of 3%	(477)	(32,555)	(408)	(27,846)
Deferred tax asset not recognised	477	408	408	27,846
Tax expense	-	-	-	-



MAHINDRA GEARS INTERNATIONAL LTD

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

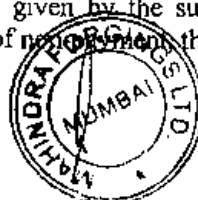
7. INVESTMENTS IN SUBSIDIARY

				2012 & 2011 EUR	2012 & 2011 INR (Note 1)	
(i)	Unquoted investments at cost:					
	At 01 April and 31 March			22,935,949	1,565,378,519	
(ii)	Details pertaining to the unquoted investments are as follows:					
	Name of investee company	Class of shares	Country of incorporation	% holding	Cost 2012 & 2011 EUR	Cost 2012 & 2011 INR (Note 1)
	Mahindra Gears Global Limited	Equity	Republic of Mauritius	53.34%	20,642,354	1,408,840,661
	Mahindra Gears Global Limited	Preference	Republic of Mauritius	53.34%	2,293,595	156,537,858
					22,935,949	1,565,378,519
(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 date.					
(iv)	The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has taken advantage of the exemption given in Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary Mahindra and Mahindra Limited, a quoted company incorporated in India. The registered office of Mahindra & Mahindra Limited is Mahindra Towers, Worli, Mumbai 400018, India.					
(v)	The disposal, of the investments described in Note (ii) above, is subject to the provisions of Section 18 of the Subscription and Shareholders' Agreement entered into between the Company, Mahindra & Mahindra Limited, Mahindra Gears Global Limited, Western India Trustee and Executor Company Limited and Blue Sky International Mauritius.					

8. LOAN RECEIVABLE

	2012 EUR	2012 INR (Note 1)	2011 EUR	2011 INR (Note 1)
Non-current				
Loan to subsidiary (Note (ii) below)	5,576,895	380,623,084	-	-
	5,576,895	380,623,084	-	-

- (i) The loan to the 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 Metalcastello S.p.A., an unquoted company incorporated in Italy. In case of non-receipt, the maximum validity of the loan is 31 December 2017.



MAHINDRA GEARS INTERNATIONAL LTD

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

8. LOAN RECEIVABLE (Contd)

(ii) The movement during the year on the loan receivable is as follows:

	<u>2012</u> EUR	<u>2012</u> INR (Note 1)	<u>2011</u> EUR	<u>2011</u> INR (Note 1)
Loan given during the year	5,500,000	375,375,000	-	-
Interest income	76,895	5,248,084	-	-
At 31 March	<u>5,576,895</u>	<u>380,623,084</u>	-	-

9. STATED CAPITAL

	<u>2012</u> EUR	<u>2012</u> INR (Note 1)	<u>2011</u> EUR	<u>2011</u> INR (Note 1)
<i>Issued and fully paid:</i>				
20,700,001 ordinary shares of EUR1 each	<u>20,700,001</u>	<u>1,412,775,068</u>	<u>20,700,001</u>	<u>1,412,775,068</u>

In accordance with the Company's Constitution, the main rights and obligations attached to the ordinary shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the ordinary shares;
- not have any right of redemption;
- have a right to receive any dividend or distribution; and
- be entitled, on a winding up, to share in the assets of the Company available for distribution in priority of the preference shareholders.

10. REDEEMABLE PREFERENCE SHARES

	<u>2012</u> EUR	<u>2012</u> INR (Note 1)	<u>2011</u> EUR	<u>2011</u> INR (Note 1)
2,300,000 (6.5%) non-cumulative preference shares of EUR1 each	<u>2,300,000</u>	<u>156,975,000</u>	<u>2,300,000</u>	<u>156,975,000</u>

The preference shares would be redeemed at the option of the holders and have therefore been accounted for as a financial liability instead of equity, in accordance with IAS 32, *Financial Instruments: Presentation*.

The directors have also considered the requirements of the Amendment to IAS 32 and IAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation* and concluded that the redeemable preference shares should continue to be classified as a financial liability.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****10. REDEEMABLE PREFERENCE SHARES (Contd)**

In accordance with the Company's Constitution, the main rights and obligations attached to the preference shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the preference shares;
- have a right of redemption at the option of the holder and the redemption price would be determined by the Board of Directors;
- be entitled to a non-cumulative coupon rate of such percentage as determined by the Board of Directors;
- be converted into such number of shares with other rights or restrictions as determined by the Board of Directors; and
- be entitled, on a winding up, to a return of the amount paid-up on the preference shares in priority of the ordinary shares and shall also be entitled to share in the assets of the Company available for distribution.

Pursuant to a Board meeting of 05 January 2009, the directors have decided to assign an annual 6.5% non-cumulative coupon rate to the preference shares subject to any surplus income available for distribution by the Company.

11. BORROWINGS

	<u>2012</u> EUR	<u>2012</u> INR (Note 1)	<u>2011</u> EUR	<u>2011</u> INR (Note 1)
Non-current				
Loan from shareholder	<u>5,576,284</u>	<u>380,581,383</u>	<u>-</u>	<u>-</u>

- (i) 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, the maximum validity of the loan is 31 December 2017.
- (ii) The movement during the year on the borrowings is as follows:

	<u>2012</u> EUR	<u>2012</u> INR (Note 1)	<u>2011</u> EUR	<u>2011</u> INR (Note 1)
Loan taken during the year	5,500,000	375,375,000	-	-
Interest expense	76,284	5,206,383	-	-
At 31 March	<u>5,576,284</u>	<u>380,581,383</u>	<u>-</u>	<u>-</u>



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****12. RELATED PARTY TRANSACTIONS**

Two directors of the Company, Mr Couldiplall Basanta Lala and Ms Rubina Anver Toorawa, are deemed to have beneficial interests in the Service Agreement and Tax Engagement Letter between the Company and International Financial Services Limited, the Administrator and Secretary.

The directors fees paid to the resident directors amount to EUR 1,834 (2011: EUR 2,011) and administration, secretarial fees and other professional fees paid for the year amounted to EUR 10,348 (2011: EUR 7,218). At the reporting date, administration fees and disbursements payable to the Administrator and Secretary was EUR 3,672 (2011: EUR 2,130).

During the year, the Company has extended a loan of EUR 5,500,000 to Mahindra Gears Global Limited and has taken a loan of an equivalent amount from its shareholder. Interest income receivable from Mahindra Gears Global Limited of EUR 76,895 and interest expense payable to the shareholder of EUR 76,284 have been accrued at the reporting date.

13. CONTINGENT LIABILITIES

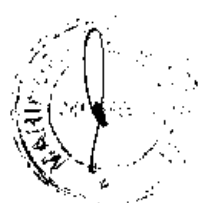
The Company has no material litigation claims outstanding, pending or threatened against it, which could have a material adverse effect on the Company's financial position or results.

14. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date which requires disclosure or adjustment to the 31 March 2012 financial statements.

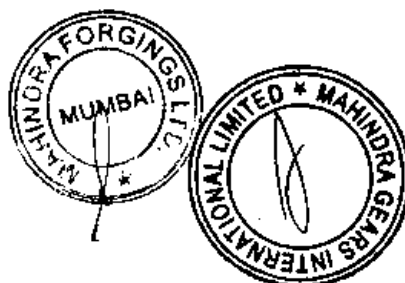
15. HOLDING COMPANY

The directors consider Mahindra and Mahindra Limited, a quoted company incorporated in India, as the Company's holding company.



MAHINDRA GEARS INTERNATIONAL LTD**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

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MAHINDRA GEARS INTERNATIONAL LTD
FOR THE YEAR ENDED 31 MARCH 2011

CORPORATE DATA

		Appointed on
DIRECTORS	:	
	Couldip Basanta Lala	22 May 2008
	Rubina Toorawa	22 May 2008
	Sanjay Vasant Joglekar	22 May 2008
ADMINISTRATOR & SECRETARY	:	
	International Financial Services Limited	
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
REGISTERED OFFICE:		
	IFS Court	
	TwentyEight	
	Cybercity	
	Ebene	
	Republic of Mauritius	
AUDITORS	:	
(with effect from	Grant Thornton	
28 March 2011)	Ebene Tower	
	52, Cybercity	
	Ebene	
	Republic of Mauritius	
(up to 27 March 2011)		
	2 nd Floor, Fairfax House	
	21, Mgr Gonin Street	
	Port Louis	
	Republic of Mauritius	
BANKER	:	
	HSBC Bank (Mauritius) Limited	
	6 th Floor, HSBC Centre	
	18, CyberCity	
	Ebene	
	Republic of Mauritius	



MAHINDRA GEARS INTERNATIONAL LTD**COMMENTARY OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2011****PRINCIPAL ACTIVITY**

The principal activity of the Company is to hold investments in Mahindra Gears Global Limited.

RESULTS

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

DIRECTORS

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

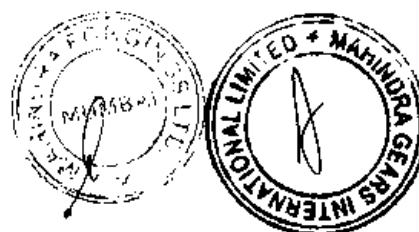
Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

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

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

AUDITORS

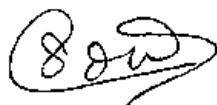
The auditors, Grant Thornton, have indicated their willingness to continue in office until the next Annual General Meeting.



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

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of **Mahindra Gears International Ltd** under the Mauritius Companies Act 2001 during the financial year ended 31 March 2011.



**For International Financial Services Limited
Secretary**

Registered Office:

IFS Court
TwentyEight
Cybercity
Ebene
Republic of Mauritius

Date: 6 May 2011



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

Report on the Financial Statements

We have audited the accompanying financial statements of Mahindra Gears International Ltd (the "Company"), which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified (Note 7 to the Financial Statements) and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements on pages 7 to 24 give a true and fair view of the financial position of the Company as at 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified (Note 7 to the Financial Statements) and the requirements of the Mauritius Companies Act 2001.



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

Opinion (Contd)

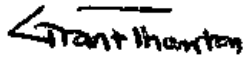
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

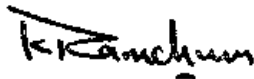
- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those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

Other Matters

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's 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
Signing Partner

Date: 06 MAY 2011

Ebène, Republic of Mauritius



MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	<u>Notes</u>	<u>2011</u> <u>EUR</u>	<u>2011</u> <u>INR</u> <u>(Note 1)</u>	<u>2010</u> <u>EUR</u>	<u>2010</u> <u>INR</u> <u>(Note 1)</u>
INCOME					
Interest income		-	-	-	-
EXPENDITURE					
Administration fees and disbursements	10	4,643	293,345	8,682	548,529
Audit fees		2,962	187,140	1,824	115,240
Directors' fees	10	2,011	127,055	1,819	114,924
Licence fees		1,383	87,378	1,230	77,711
Professional fees	10	1,368	86,430	919	58,062
Secretarial fees	10	1,207	76,258	1,091	68,929
Bank charges		37	2,338	23	1,453
		<u>13,611</u>	<u>859,944</u>	<u>15,588</u>	<u>984,848</u>
LOSS BEFORE TAXATION		(13,611)	(859,944)	(15,588)	(984,848)
Taxation	6	-	-	-	-
LOSS FOR THE YEAR		(13,611)	(859,944)	(15,588)	(984,848)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(13,611)	(859,944)	(15,588)	(984,848)

The notes on pages 12 to 24 form an integral part of these financial statements.




MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	2011 EUR	2011 INR (Note 1)	2010 EUR	2010 INR (Note 1)
ASSETS					
Non-current assets					
Investment in subsidiary	7	22,935,949	1,449,093,258	22,935,949	1,449,093,258
Current assets					
Prepayments		1,641	103,678	1,426	90,095
Cash and cash equivalents		20,869	1,318,503	41,577	2,626,835
		22,510	1,422,181	43,003	2,716,930
Total assets		22,958,459	1,450,515,439	22,978,952	1,451,810,188
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	8	20,700,001	1,307,826,063	20,700,001	1,307,826,063
Accumulated losses		(46,383)	(2,930,478)	(32,772)	(2,070,534)
		20,653,618	1,304,895,585	20,667,229	1,305,755,529
Non-current liabilities					
Redeemable preference shares	9	2,300,000	145,314,000	2,300,000	145,314,000
Current liabilities					
Accruals		4,841	305,854	11,723	740,659
Total equity and liabilities		22,958,459	1,450,515,439	22,978,952	1,451,810,188

Approved by the Board of Directors on 6 May 2011 and signed on its behalf by:


DIRECTOR


DIRECTOR



The notes on pages 12 to 24 form an integral part of these financial statements.

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MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**

	Stated capital EUR	Accumulated losses EUR	Total EUR
At 01 April 2009	20,700,001	(17,184)	20,682,817
Loss for the year	-	(15,588)	(15,588)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(15,558)	(15,558)
At 31 March 2010	20,700,001	(32,772)	20,667,229
At 01 April 2010	20,700,001	(32,772)	20,667,229
Loss for the year	-	(13,611)	(13,611)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(13,611)	(13,611)
At 31 March 2011	20,700,001	(46,383)	20,653,618



The notes on pages 12 to 24 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**STATEMENT OF CHANGES IN EQUITY (Contd)
FOR THE YEAR ENDED 31 MARCH 2011**

	Stated capital	Accumulated losses	Total
	INR	INR	INR
	(Note 1)	(Note 1)	(Note 1)
At 01 April 2009	<u>1,307,826,063</u>	<u>(1,085,686)</u>	<u>1,306,740,377</u>
Loss for the year	-	(984,848)	(984,848)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(984,848)	(984,848)
At 31 March 2010	<u>1,307,826,063</u>	<u>(2,070,534)</u>	<u>1,305,755,529</u>
At 01 April 2010	<u>1,307,826,063</u>	<u>(2,070,534)</u>	<u>1,305,755,529</u>
Loss for the year	-	(859,944)	(859,944)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(859,944)	(859,944)
At 31 March 2011	<u>1,307,826,063</u>	<u>(2,930,478)</u>	<u>1,304,895,585</u>



The notes on pages 12 to 24 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011 EUR	2011 INR (Note 1)	2010 EUR	2010 INR (Note 1)
Cash flows from operating activities				
Loss before taxation	(13,611)	(859,944)	(15,588)	(984,848)
<i>Changes in working capital:</i>				
Increase in prepayments	(215)	(13,583)	(301)	(19,017)
(Decrease)/increase in accruals	(6,882)	(434,805)	5,075	320,638
Net cash flows used in operating activities	(20,708)	(1,308,332)	(10,814)	(683,227)
Net decrease in cash and cash equivalents	(20,708)	(1,308,332)	(10,814)	(683,227)
Movement in cash and cash equivalents				
At 01 April	41,577	2,626,835	52,391	3,310,062
Net decrease in cash and cash equivalents	(20,708)	(1,308,332)	(10,814)	(683,227)
At 31 March	20,869	1,318,503	41,577	2,626,835
Cash and cash equivalents made up of:				
Bank balances	20,869	1,318,503	41,577	2,626,835



The notes on pages 12 to 24 form an integral part of these financial statements.

MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011****1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

Mahindra Gears International Ltd (the "Company") was incorporated in the Republic of Mauritius under the Mauritius Companies Act 2001 on 22 May 2008 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company's registered office is IFS Court, TwentyEight, Cybercity, Ebene, Republic of Mauritius.

The principal activity of the Company is to act as an investment holding company.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as modified by the Mauritius Companies Act 2001 (Note 7 to the financial statements).

The financial statements of the Company are expressed in Euro ("EUR"). The Company's functional currency is the EUR, the currency of the primary economic environment in which it operates.

Indian Rupee ("INR") amounts are presented solely for convenience. These transactions should not be construed as representations that the EUR amounts actually represent, or have been or could be converted into INR. As the amounts shown in INR are for convenience only, that rate of 1 EUR = INR63.18 has been used for the purpose of presentation of the INR amounts in the accompanying financial statements for the year ended 31 March 2011.

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

The following new and amended Standards, and Interpretations are mandatory for the first time for the financial year beginning 01 April 2010 but are currently not relevant to the Company (although they may affect the accounting for future transactions and events):

IFRS 3	Business Combinations (Revised 2008)
IAS 27	Consolidated and Separate Financial Statements
IFRIC 17	Distributions of Non-cash Assets to Owners
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised 2008)
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)
IFRS 1	Additional Exemptions for First-time Adopters (Amendments to IFRS 1)
IAS 32	Classification of Rights Issues (Amendment to IAS 32)
Various	Annual Improvements 2009

At the date of authorisation of these financial statements, certain new Standards, Amendments and Interpretations to existing Standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new Standards, Amendments and Interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new Standards and Interpretations have been issued but are not expected to have a material impact on the Company's financial statements.



MAHINDRA GEARS INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

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

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Company's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39, Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

3. SUMMARY OF ACCOUNTING POLICIES

(a) Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Presentation of financial statements

The financial statements have been prepared in accordance with IAS 1, *Presentation of Financial Statements* (Revised 2007). The Company has elected to present a single statement of comprehensive income.

(c) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(c) Financial Instruments (Contd)**

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

At 31 March 2011, the Company's financial assets comprise of cash and cash equivalents.

Financial liabilities

The Company's financial liabilities consist of preference shares and accruals.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

(d) Investment in subsidiary company

Subsidiary undertakings are those entities over which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Consolidated financial statements have not been presented and the equity investment is measured at cost less any impairment charges in these separate financial statements since the fair value cannot be reliably measured. Impairment charges are recognised in the profit or loss. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited in the statement of comprehensive income.

(e) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

(f) Cash and cash equivalents

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

(g) Equity

Stated capital is determined using the nominal values of shares that have been issued.

Accumulated losses include all current year and prior year results as disclosed in the statement of comprehensive income.

(h) Revenue recognition

Interest income is recognised on the accrual basis unless collectibility is in doubt.



MAHINDRA GEARS INTERNATIONAL LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

3. SUMMARY OF ACCOUNTING POLICIES (Contd)

(i) Expense recognition

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

(j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in EUR which is the Company's functional and presentation currency. The Company has also presented the financial statements in Indian Rupee ("INR") for convenience of users of accounts.

(ii) Transactions and balances

Transactions denominated in foreign currencies are recorded in EUR at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the reporting date which are expressed in foreign currencies are translated into EUR at the rates of exchange ruling at the reporting date. Exchange gains and losses are included in profit or loss. Exchange gains and losses are dealt with through the statement of comprehensive income.

(k) Taxation

(i) Current tax

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable nor deductible. The Company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

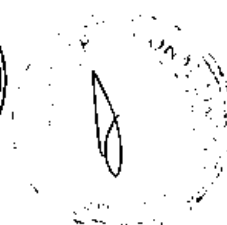
(ii) Deferred taxation

Deferred tax is provided, using the liability 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.

The principal temporary differences arise mainly from tax losses carried forward. A deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(l) Provisions

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



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MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011****3. SUMMARY OF ACCOUNTING POLICIES (Contd)****(m) Related parties**

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions.

(n) Impairment of assets

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

(o) Comparatives

Where necessary, comparatives figures have been adjusted to conform with changes in the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

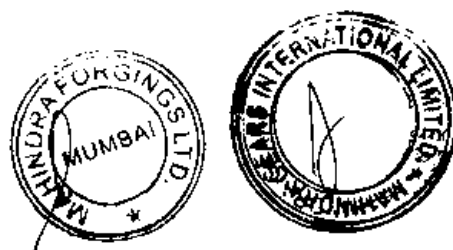
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the EUR.



MAHINDRA GEARS INTERNATIONAL LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Company's financial assets and financial liabilities by category are summarised below.

	2011 EUR	2011 INR (Note 1)	2010 EUR	2010 INR (Note 1)
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	20,869	1,318,503	41,557	2,626,835
Financial liabilities				
<i>Financial liabilities measured at amortised cost:</i>				
<i>Non-current</i>				
Redeemable preference shares	2,300,000	145,314,000	2,300,000	145,314,000
<i>Current</i>				
Accruals	4,841	305,854	11,723	740,659

(a) Market risk

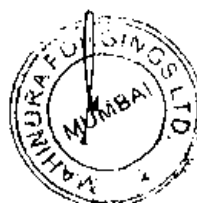
(i) Foreign exchange risk

The Company's risks are managed by the Board of Directors and focuses on securing the Company's short to medium term cash flows by minimising the exposure to financial risks. The Company's investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets and derivatives for speculative purposes. The most significant financial risks to which the Company is exposed to are described below.

The Company is not exposed to any currency risk as most of its financial assets and financial liabilities are denominated in Euro, the functional currency of the Company.

The currency profile of its financial assets and financial liabilities is as follows:

	Financial assets 2011 EUR	Financial assets 2011 INR (Note1)	Financial liabilities 2011 EUR	Financial liabilities 2011 INR (Note1)
United States Dollar (USD)	-	-	4,841	305,854
Euro (EUR)	20,869	1,318,503	2,300,000	145,314,000
	20,869	1,318,503	2,304,841	145,619,854



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
5. FINANCIAL RISK MANAGEMENT (Contd)
5.1 Financial risk factors (Contd)
(a) Market risk (Contd)
(i) Foreign exchange risk (Contd)

	Financial assets 2010 EUR	Financial assets 2010 INR (Note 1)	Financial liabilities 2010 EUR	Financial liabilities 2010 INR (Note 1)
United States Dollar (USD)	-	-	11,723	740,659
Euro (EUR)	41,557	2,626,835	2,300,000	145,314,000
	<u>41,557</u>	<u>2,626,835</u>	<u>2,311,723</u>	<u>146,054,659</u>

The prepayments amounting to EUR1,641 (2010: EUR1,426) does not fall within the scope of IFRS 7 and have therefore not been included in the above currency profile.

(ii) Interest rate risk

The Company does not have interest bearing financial assets and financial liabilities and it is therefore not exposed to interest rate risk on these financial instruments.

(b) Credit risk

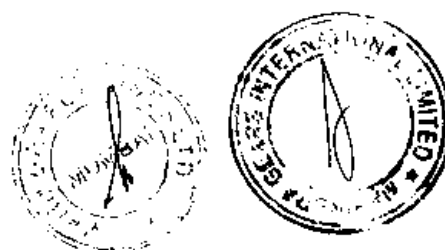
Credit risk is the risk that a counterparty fails to discharge an obligation to the Company.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2011 EUR	2011 INR (Note 1)	2010 EUR	2010 INR (Note 1)
ASSETS				
Current assets				
Cash and cash equivalents	20,869	1,318,503	41,577	2,626,835
	<u>20,869</u>	<u>1,318,503</u>	<u>41,577</u>	<u>2,626,835</u>

The credit risk for the bank balance is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

None of the Company's financial assets are secured by collateral or other credit enhancements.



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
5. FINANCIAL RISK MANAGEMENT (CONTD)
5.1 Financial risk factors (Contd)
(c) Liquidity risk

Liquidity risk is the risk that the Company might be unable to meet its obligations.

The Company manages its liquidity needs by carefully monitoring all its cash inflows and outflows. The Company maintains sufficient cash to meet its liquidity requirements and the financial support of its related companies is sought where necessary.

At 31 March 2011, the Company has contractual maturities on financial liabilities as summarised below:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	145,314,000
Accruals	4,841	305,854	-	-
	<u>4,841</u>	<u>305,854</u>	<u>2,300,000</u>	<u>145,314,000</u>

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Within 1 year EUR	Within 1 year INR (Note 1)	More than 1 year EUR	More than 1 year INR (Note 1)
Redeemable preference shares	-	-	2,300,000	145,314,000
Accruals	11,723	740,659	-	-
	<u>11,723</u>	<u>740,659</u>	<u>2,300,000</u>	<u>145,314,000</u>

(d) Concentration risk

The Company has invested in an unlisted company whose securities are considered to be illiquid. Such illiquidity may adversely affect the ability of the Company to acquire or dispose of such investment. This investment may be difficult to value and to sell or otherwise liquidate and the risk of investing in such company is much greater than the risk of investing in publicly traded securities. On account of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would be used had a ready market for the investment existed.



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011****5. FINANCIAL RISK MANAGEMENT (Contd)****5.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to its member.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its member, buy back shares or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The details of the gearing ratio are disclosed as follows:

	2011	2011	2010	2010
	EUR	INR	EUR	INR
		(Note 1)		(Note 1)
Total borrowings	2,300,000	145,314,000	2,300,000	145,314,000
Less: cash at bank	(20,869)	(1,318,503)	(41,577)	(2,626,835)
Net debt	2,279,131	143,995,497	2,258,423	142,687,165
Total equity	20,653,618	1,304,895,585	20,667,229	1,305,755,529
Total capital	22,932,749	1,448,891,082	22,925,652	1,448,442,694
Gearing ratio (%)	9.94%	9.94%	9.85%	9.85%

The Company has maintained a gearing ratio of approximately 10% during the two years ended 31 March 2011, and the directors consider that this level of gearing is reasonable taking into account the Company's business activities.

5.3 Financial instruments measured at fair value

The Company's financial instruments are measured at their carrying amounts, which approximate their fair values.

6. TAXATION**(i) Income tax**

The Company has received tax residence certificates from the Mauritian authorities, which is renewable on an annual basis subject to meeting certain conditions, that it is a tax resident of Mauritius and is eligible to obtain benefits under the double tax treaties between Mauritius and India, Mauritius and Cyprus and Mauritius and Italy.

Under current laws and regulations, the Company is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income, thus reducing its maximum effective tax rate to 3%. Capital gains from sales of units and securities are exempt from income tax in Mauritius.



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
6. TAXATION (Contd)
(i) Income tax (Contd)

At 31 March 2011, the Company had no income tax liability due to a tax loss of EUR32,566 (2010: EUR18,955) carried forward and available for set off against taxable profits arising in the forthcoming five years.

Hence, the tax losses of EUR3,367 would be offset against future taxable profits till the year ending 31 March 2014, EUR15,588 would be used to be offset against future taxable profits till the year ending 31 March 2015 and EUR13,611 would be used to be offset against future taxable profits till the year ending 31 March 2016.

The foregoing is based on current interpretation and practice and is subject to any future changes in tax laws and in the double tax treaties between India and Mauritius, Cyprus and Mauritius and Italy and Mauritius.

(ii) Deferred taxation

Deferred income tax is calculated on all temporary differences under the liability method at the rate of 3%. At 31 March 2011, no deferred tax asset has been recognised in respect of the tax loss carried forward as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

(iii) Income tax reconciliation

The income tax on the Company's loss before taxation differs from the theoretical amount that would arise using the effective tax rate of the Company as follows:

	<u>2011</u> <u>EUR</u>	<u>2011</u> <u>INR</u> (Note 1)	<u>2010</u> <u>EUR</u>	<u>2010</u> <u>INR</u> (Note 1)
Loss before taxation	<u>(13,611)</u>	<u>(859,944)</u>	<u>(15,588)</u>	<u>(984,848)</u>
Tax calculated at the rate of 3%	(408)	(25,798)	(468)	(29,545)
Exempt income not subject to tax	-	-	-	-
Deferred tax asset not recognised	<u>408</u>	<u>25,798</u>	<u>468</u>	<u>29,545</u>
Tax charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. INVESTMENT IN SUBSIDIARY

	<u>2011</u> <u>EUR</u>	<u>2011</u> <u>INR</u> (Note 1)	<u>2010</u> <u>EUR</u>	<u>2010</u> <u>INR</u> (Note 1)
(i) Unquoted investment at cost:				
At 01 April and 31 March	<u>22,935,949</u>	<u>1,449,093,258</u>	<u>22,935,949</u>	<u>1,449,093,258</u>



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
7. INVESTMENT IN SUBSIDIARY (Contd)

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

<u>Name of investee company</u>	<u>Class of shares</u>	<u>Country of incorporation</u>	<u>% holding</u>	<u>Cost 2010 & 2011 EUR</u>	<u>Cost 2010 & 2011 INR (Note 1)</u>
Mahindra Gears Global Limited	Equity	Mauritius	53.34%	20,642,354	1,304,183,926
Mahindra Gears Global Limited	Preference	Mauritius	53.34%	<u>2,293,595</u> <u>22,935,949</u>	<u>144,909,332</u> <u>1,449,093,258</u>

- (iii) The directors consider that the cost of the investment in Mahindra Gears Global Limited has not impaired given its future potential.
- (iv) The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission and has therefore taken advantage of Section 12 of Part 1 of the Fourteenth Schedule of the Mauritius Companies Act 2001 which dispenses it from presenting consolidated financial statements as it is a wholly-owned subsidiary Mahindra and Mahindra Limited, a quoted company incorporated in India. The registered office of Mahindra & Mahindra Limited, which presents consolidated financial statements prepared under Generally Accepted Accounting Principles applicable in India, is Mahindra Towers, Worli, Mumbai 400018, India.
- (v) The disposal, of the investments described in Note (ii) above, is subject to the provisions of Section 18 of the Subscription and Shareholders' Agreement entered into between the Company, Mahindra & Mahindra Limited, Mahindra Gears Global Limited, Western India Trustee and Executor Company Limited and Blue Sky International Mauritius.

8. STATED CAPITAL

	<u>2011 EUR</u>	<u>2011 INR (Note 1)</u>	<u>2010 EUR</u>	<u>2010 INR (Note 1)</u>
<i>Issued and paid:</i>				
20,700,001 ordinary shares of EUR1 each	<u>20,700,001</u>	<u>1,307,826,063</u>	<u>20,700,001</u>	<u>1,307,826,063</u>

In accordance with the Company's Constitution, the main rights and obligations attached to the ordinary shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the ordinary shares;
- not have any right of redemption;
- have a right to receive any dividend or distribution; and
- be entitled, on a winding up, to share in the assets of the Company available for distribution in priority of the preference shareholders.



MAHINDRA GEARS INTERNATIONAL LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**
9. REDEEMABLE PREFERENCE SHARES

	<u>2011</u> EUR	<u>2011</u> INR (Note 1)	<u>2010</u> EUR	<u>2010</u> INR (Note 1)
2,300,000 (6.5%) non-cumulative preference shares of EUR1 each	<u>2,300,000</u>	<u>145,314,000</u>	<u>2,300,000</u>	<u>145,314,000</u>

The preference shares would be redeemed at the option of the holders and have therefore been accounted for as a financial liability instead of equity, in accordance with IAS 32, *Financial Instruments: Presentation*.

The directors have also considered the requirements of the Amendment to IAS 32 and IAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation* and concluded that the redeemable preference shares should continue to be classified as a financial liability.

In accordance with the Company's Constitution, the main rights and obligations attached to the preference shares are as follows:

- confer to its holder the rights to attend and exercise one vote at meetings of members generally and class meetings of the preference shares;
- have a right of redemption at the option of the holder and the redemption price would be determined by the Board of Directors;
- be entitled to a non-cumulative coupon rate of such percentage as determined by the Board of Directors;
- be converted into such number of shares with other rights or restrictions as determined by the Board of Directors; and
- be entitled, on a winding up, to a return of the amount paid-up on the preference shares in priority of the ordinary shares and shall also be entitled to share in the assets of the Company available for distribution.

Pursuant to a Board meeting of 05 January 2009, the directors have decided to assign an annual 6.5% non-cumulative coupon rate to the preference shares subject to any surplus income available for distribution by the Company.

10. RELATED PARTY TRANSACTIONS

Two directors of the Company, Mr Couldip Basanta Lala and Ms Rubina Toorawa, are deemed to have beneficial interests in the Service Agreement and Tax Engagement Letter between the Company and International Financial Services Limited, the Administrator and Secretary.

The directors fees paid to the resident directors amount to EUR2,011 (2010: EUR1,819) and administration, secretarial fees and other professional fees paid for the year amounted to EUR7,218 (2010: EUR10,692).

At the reporting date, administration fees and disbursements payable to the Administrator and Secretary was EUR2,130 (2010: EUR8,872).



MAHINDRA GEARS INTERNATIONAL LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011****11. CONTINGENT LIABILITIES**

The Company has no material litigation claims outstanding, pending or threatened against it, which could have a material adverse effect on the Company's financial position or results.

12. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after the reporting date which requires disclosure or adjustment to the 31 March 2011 financial statements.

13. HOLDING COMPANY

The directors consider Mahindra and Mahindra Limited, a quoted company incorporated in India, as the Company's holding company.

