ELECON TRANSMISSION INTERNATIONAL LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2014

ELECON TRANSMISSION INTERNATIONAL LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

CONTENTS PAGES

		Date of appointment
DIRECTORS	: Mr Christian Li	29 September 2010
	Ms Kathleen Lai	29 September 2010
	Mr Prayasvin B. Patel	29 September 2010
	Mr Prashant C. Amin	29 September 2010
	Mr Pradip M. Patel	29 September 2010

SECRETARY : CKLB International Management Ltd
1st Floor, Felix House
24 Dr. Joseph Riviere Street
Port Louis
Mauritius

REGISTERED OFFICE : 1st Floor, Felix House
24 Dr. Joseph Riviere Street
Port Louis
Mauritius

AUDITOR : Deloitte
7th Floor, Raffles Tower
19 Cybercity
Ebene
Mauritius

BANKERS : Bank of Baroda
4th Floor, Bank of Baroda Building
Sir William Newton Street
Port-Louis
Mauritius

Bank of Baroda
32, City Road
London EC1Y 2BD
United Kingdom

The directors present their commentary and the audited financial statements of **Elecon Transmission International Ltd** for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 March 2014 is GBP 58,606 (31 March 2013: GBP (1,353,046)).

The directors do not recommend the payment of a dividend for the year ended 31 March 2014 (31 March 2013: Nil).

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare the financial statements, comprising the Company's Statement of Financial Position at 31 March 2014, Statement of profit or loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, 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 or error.

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

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

AUDITORS

The auditor, Deloitte, have expressed their willingness to continue in office and will be automatically re-appointed at the next annual meeting.

By Order of the Board

CKLB International Management Ltd
SECRETARY

Date: 01 OCT 2014

ELECON TRANSMISSION INTERNATIONAL LTD
SECRETARY'S CERTIFICATE
UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify that to the best of our knowledge and belief, we have filed with the Registrar of Companies all such returns as are required of Elecon Transmission International Ltd under the Mauritius Companies Act 2001 for the financial year ended 31 March 2014.

CKLB International Management Ltd
CORPORATE SECRETARY,
1st Floor, Felix House
24 Dr Joseph Riviere Street
Port Louis, Mauritius

Date: 01 OCT 2014

Deloitte.

7th floor, Raffles Tower
19 Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the shareholder of Elecon Transmission International Ltd

This report is made solely to the Company's shareholder, 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 shareholder those matters we are required to state to the shareholder in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **Elecon Transmission International Ltd** on pages 5 to 26 which comprise the statement of financial position at 31 March 2014 and the statement of profit or loss and other 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 and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards (IFRS) 10 Consolidated Financial Statements

IFRS 10 requires the company to present group financial statements in which it consolidates its investments in subsidiaries in order to present information about the group as that of a single economic entity. As explained in note 20, group financial statements have not been prepared in accordance with the requirements of IFRS 10.

Opinion

In our opinion, because of the effects of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements on pages 5 to 26 do not give a true and fair view of the financial position of **Elecon Transmission International Ltd** at 31 March 2014, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal requirements

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

- we have no relationship with, or interests in, the Company other than in our capacity as auditor and tax advisor;
- in our opinion, except as indicated in the basis for adverse opinion above, proper accounting records have been kept by the Company as far as appears from our examination of those records.
- we have not obtained all information and explanations that we have required in so far as explained in the paragraph on non-compliance with IFRS 10; and
- except for the non-compliance with IFRS 10, the financial statements of the company comply with the Mauritius Companies Act 2001, in so far as applicable to companies holding Category 1 Global Business Licence.

Deloitte

Deloitte
Chartered Accountants
1 October 2014

LLK Ah Hee, FCCA
Licensed by FRC

	Notes	2014 GBP	2013 GBP
ASSETS			
Non-current assets			
Intangible assets	6	2,384,250	2,528,750
Investment in subsidiaries	7	10,162,820	9,942,820
		12,547,070	12,471,570
Current assets			
Loans receivable	8	7,359,577	6,112,657
Other receivables and prepaid expenses	9	523,020	296,954
Cash and cash equivalents		468,576	495,719
		8,351,173	6,905,330
Total assets		20,898,243	19,376,900
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	4,209,035	4,209,035
Accumulated losses		(2,757,001)	(2,698,395)
Total equity		1,452,034	1,510,640
Non-current liabilities			
Interest bearing borrowings	11	6,353,903	9,165,479
Current liabilities			
Interest bearing borrowings	11	9,235,532	6,277,365
Loan from shareholder	12	3,498,807	2,104,285
Other payables and accrued expenses	13	357,967	319,131
		13,092,306	8,700,781
Total liabilities		19,446,209	17,866,260
Total equity and liabilities		20,898,243	19,376,900

These financial statements have been approved by the Board of Directors on 01 OCT 2014 and signed on its behalf by:

NAME OF DIRECTORS

Christian Li

Kathleen Lai

SIGNATURE

The notes on pages 9 to 26 form an integral part of these financial statements.

ELECON TRANSMISSION INTERNATIONAL LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 GBP	2013 GBP
OTHER INCOME			
Interest receivable		353,396	375,891
Licence fees		1,436	-
Exchange difference		808,664	96,790
Management fees receivable		-	80,155
		1,163,496	552,836
EXPENSES			
Commission and bank charges		170,080	204,331
Annual domiciliary fees		2,478	2,106
Professional fees		112,900	176,389
Audit fees		6,891	13,738
Licence fees		1,367	1,132
Amortisation cost	6	144,500	144,500
Travelling expenses		-	39,169
Exchange difference		53,353	564,816
Administration and accounting fees		13,613	5,506
Disbursements		-	38
Finance cost	14	716,920	754,157
		1,222,102	1,905,882
Loss before tax		(58,606)	(1,353,046)
Income tax expense	15	-	-
Loss for the year		(58,606)	(1,353,046)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(58,606)	(1,353,046)

The notes on pages 9 to 26 form an integral part of these financial statements.

	Stated capital	Accumulated losses	Total equity
	GBP	GBP	GBP
At 1 April 2012	**4,209,035**	**(1,345,349)**	**2,863,686**
Loss and total comprehensive loss for the year	-	(1,353,046)	(1,353,046)
At 31 March 2013	4,209,035	(2,698,395)	1,510,640
At 1 April 2013	**4,209,035**	**(2,698,395)**	**1,510,640**
Loss and total comprehensive loss for the year	-	(58,606)	(58,606)
At 31 March 2014	**4,209,035**	**(2,757,001)**	**1,452,034**

The notes on pages 9 to 26 form an integral part of these financial statements.

	2014	2013
	GBP	GBP
Cash flow from operating activities		
Loss before tax	(58,606)	(1,353,046)
Adjustment for:		
Expenses paid on behalf	13,421	30,625
Foreign exchange difference	(864,718)	452,363
Interest receivable	(353,396)	(375,891)
Amortisation cost	144,500	144,500
Finance cost	716,920	754,157
Operating (loss)/profit before working capital changes	(401,879)	(347,292)
Working capital adjustments:		
Increase in other receivables and prepaid expenses	(3,593)	138,932
Decrease in other payables and accrued expenses	32,419	(545,105)
	(373,053)	(753,465)
Interest received	130,923	86,418
Finance cost paid	(710,503)	(527,292)
Net cash flow (used in)/generated from operating activities	(952,633)	(1,194,339)
Investing activities		
Investment in subsidiary	(220,000)	-
Loan to subsidiary	(3,000,000)	(310,000)
Net cash used in investing activities	(3,220,000)	(310,000)
Financing activities		
Proceeds from borrowings	3,222,407	1,959,000
Receipt from repayment of loans receivable	1,753,080	1,061,447
Repayment of borrowings BOB DUBAI	(2,379,043)	(2,598,892)
Repayment of loan from related party	(40,138)	-
Proceeds from shareholder's loan	1,589,184	1,100,020
Net cash generated from financing activities	4,145,490	1,521,575
Net (decrease)/ increase in cash and cash equivalents	(27,143)	17,236
Cash and cash equivalents at beginning of year	495,719	478,483
Cash and cash equivalents at end of year	468,576	495,719

The notes on pages 9 to 26 form an integral part of these financial statements.

1. GENERAL INFORMATION

Elecon Transmission International Ltd (the "Company") is a private company incorporated on 29 September 2010 with limited liability by shares under the Mauritius Companies Act 2001 in the Republic of Mauritius. It holds a Category 1 Global Business License and is regulated by the Financial Services Commission. The Company's registered office is 1st Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Mauritius.

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

The financial statements of the Company for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on the date stamped on page 5.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and are presented in Great Britain Pounds ("GBP").

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the accounting policies, which have been applied consistently, is set out below.

Investment in subsidiaries

Subsidiaries are enterprises which the Company controls. Control is achieved when the Company has power over more than one half of the voting rights or the power to govern the financial and operating policies of an investee company so as to obtain benefits from its activities.

Investment in subsidiaries are shown at cost. Any impairment in the value of investment is recognised by reducing the cost of the investment to its recoverable amount and charging the difference to profit or loss. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Consolidated financial statements

The Company owns 100% of the issued share capital of Benzler Systems AB and Radicon Transmission UK Limited. The Company, being itself an intermediate parent is required to prepare consolidated financial statements under IFRS 10 Consolidated Financial Statements.

No consolidated financial statements under IFRS have been prepared given that Elecon Engineering Company Ltd, the holding company, prepares consolidated financial statements in accordance with Indian GAAP.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements of the Company are presented in GBP which is the functional currency of the Company.

Management determines the functional currency of the Company to be the GBP. In making this judgement, management evaluates among other factors, the regulatory and competitive environment and the fee and performance reporting structures of the Company and in particular, the economic environment of its investors.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Cash and cash equivalents

Cash comprises of cash at bank. Cash and 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.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include borrowings, loan from shareholder, other payables and accrued expenses.

Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Other payables

Other payables are stated at their nominal value which is a reasonable approximation of amortised cost.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Stated capital

Ordinary shares are classified as equity.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Revenue earned by the Company is recognised on the following bases:

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Management fees and Royalty income

Management fees and royalty income are calculated as a percentage of sale from the subsidiaries arising from use of patent rights.

Expense recognition

All expenses are accounted for in profit or loss on the accrual basis.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax

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.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Related parties

Related parties are individuals and companies where the related party or the 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 decisions.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS adopted in the year commencing 1 January 2013:

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

The Standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities' or structured entities' as they are now referred to in the new standards or 'variable interest entities'). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent which may imply changes in entities within a Company. Management has adopted the applicable standard, but no impact is noted as the Company meets all the exemption criteria from preparing consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The Standard combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structures entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously in IAS 27, 28 and 31, while others are new. The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate (i) the nature of, and risks associated with, its interests in other entities and (ii) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement

The Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that will never be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that could be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Company's financial position or performance.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards if applicable, when they become effective.

The Company has assessed the new and amended standards on its interim financial statements and have no impact on the accounts.

IFRS 9 Financial Instruments

The Standard covers the classification and measurement of financial assets, as the first part of its project to replace IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 01 January 2014.

IAS 36 Impairment of Assets - Amendments

The IASB has issued narrow-scope amendments to IAS 36 on 29 May 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. These amendments are not expected to impact the Company's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The application guidance to IFRS 10 clarifies that an entity must consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. An entity must meet all three elements of the definition to be an investment entity to obtain exemption from preparing consolidated financial statements. In other words, it does not consolidate its subsidiaries and does not apply IFRS 3 Business Combinations when it obtains control of an entity. Instead, an investment entity is required to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9. However, if an investment entity has a subsidiary that provides investment-related services, such as investment management services, to the entity or other parties, then the investment entity must consolidate its subsidiary. The amendment applies for annual periods beginning on or after 1 January 2014, with earlier application permitted.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.

The Company is yet to assess the impact of the above standards and intends to adopt the standards no later than the effective date.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements in applying the Company's accounting policies

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, which are described in Note 2.2, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Judgements

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. As described in Note 2.2, the directors have considered those factors described therein and have determined that the functional currency of the Company is the Great Britain Pound.

Key sources of estimation uncertainty

Useful life of intellectual property

Management has assessed the useful life of the Intellectual Property Rights to be 20 years based on their industry knowledge. Management has estimated that the net cash inflow generated by the use of the trademark will be for a period of 20 years.

The company will review the estimated useful life of Intellectual Property Rights at the end of each annual reporting period.

6. INTANGIBLE ASSETS

	2014	2013
	GBP	GBP
COST		
At 1 April and 31 March	2,890,000	2,890,000
ACCUMULATED AMORTISATION		
At 1 April	(361,250)	(216,750)
Amortisation cost	(144,500)	(144,500)
At 31 March	(505,750)	(361,250)
CARRYING AMOUNTS	2,384,250	2,528,750

The Intellectual Property Rights consist of trademarks in respect of all the goods for which the Trade Marks are registered as DAVID BROWN.

7. INVESTMENT IN SUBSIDIARIES

	2014	2013
Unquoted	GBP	GBP
At 1 April	9,942,820	9,942,820
Acquisition during the year	220,000	-
At 31 March	10,162,820	9,942,820

Details of the investments held are as follows:

Name of companies	Country of incorporation	Class of shares held	% Holding	Number of shares	Cost	Cost
					GBP	GBP
			2014 and 2013		2014	2013
Radicon Transmission UK Limited (formerly known as Elecon Transmission UK Limited)	United Kingdom	Ordinary shares	100	2,156,020	2,156,020	2,156,020
Benzler Systems AB (formerly known as David Brown Systems Sweden AB)	Sweden	Ordinary shares	100	1,000	8,006,800	7,786,800
					10,162,820	9,942,820

The directors have assessed the carrying values of the investment in the subsidiaries and are of the opinion that the investment are not impaired at reporting date. The shares in the subsidiaries have been pledged in favour of Bank of Baroda.

8. LOANS RECEIVABLE

	2014	2013
	GBP	GBP
At 1 April	6,112,657	6,864,104
Loan given to subsidiary during year	3,000,000	310,000
Repayment during the year	(1,753,080)	(1,061,447)
At 31 March	7,359,577	6,112,657

The Company granted two loans amounting to GBP 6,112,657 which were issued partly in GBP and partly in USD. The loan in GBP carries interest rate at GBP Libor rate 1.02875%+5% whereas the loan issued in USD bears interest at the rate of USD Libor rate 0.44688%+5%. The loans are unsecured and repayable on demand.

During the year ended 31 March 2014, the subsidiaries repaid an amount of GBP 994,420 of the GBP loan and GBP 758,660 of the USD loan. An additional loan of GBP 310,000 was granted during the year.

9. OTHER RECEIVABLES AND PREPAID EXPENSES

	2014	2013
	GBP	GBP
Prepayments	1,047	957
Other receivable	10,027	6,524
Interest receivable	511,946	289,473
	523,020	296,954

10. STATED CAPITAL

	Number of shares	2014	2013
		GBP	GBP
Stated capital			
Ordinary shares of GBP 1 each	4,209,035	4,209,035	4,209,035

Rights attached to the shares:

- the shareholders have the right to vote at a meeting on any resolution;
- the right to an equal share in dividends by the Board;
- the right to an equal share in the distribution of the surplus assets of the Company.

The shares of the Company are pledged for bank borrowings as disclosed in Note 11.

11. INTEREST BEARING BORROWINGS

	2014	2013
	GBP	GBP
Current		
Loan from Bank of Baroda, Dubai (Note 1)	5,955,469	6,186,888
Loan from Power Build Transmission International Ltd (Note 2)	45,926	78,164
Loan from Benzler Systems AB (Note 3)	11,730	12,313
Loan from State Bank of India, Paris (Note 4)	3,000,000	-
Loan from Radicon Transmission (Thailand) Ltd (Note 5)	222,407	-
	9,235,532	6,277,365
Non-current		
Loan from Bank of Baroda, Dubai (Note 1)	6,353,903	9,165,479

Note 1:

The terms and conditions of the loans are as follows :

The loans carry interest at the rate of 355 basis points (bps)+ USD Libor (6 months) per annum and 355 basis points (bps) + GBP Libor (6 months) per annum.

The security against the loans are as follows:

- First Charge by way of Mortgage Charge on the assets of Benzler TBA BV.
- First Charge on the Movable Assets of the Radicon Transmission UK Limited, Benzler TBA BV and Elecon USA Transmission Limited.

11. INTEREST BEARING BORROWINGS (CONTINUED)

The security against the loans are as follows (continued):

- Pledge of the shareholding of the Company held by Elecon Engineering Company Limited (the Parent), Pledge of shares of Elecon Engineering Company Limited
- Pledge of Shares held by the Company in Radicon Transmission (UK) LTD, David Brown System Sweden AB, and Pledge of shares held by Radicon Transmission (UK) Ltd in Elecon USA Transmission Ltd
- Negative Pledge over the entire target assets of the Company including Target IPRs.
- Corporate Guarantee of Elecon Engineering Company Limited, India (Elecon).
- Escrow over all receivables of the entire shareholding of the Company in Benzlers System AB, Radicon Transmission UK Limited and Elecon Transmission US Ltd.
- Pledge of shares of Eimco Elecon (India) Ltd held by EECL, or any other security of equivalent value.
- The Repayment terms are as follows:

Facility A1 and A2 are repayable in 25 equal quarterly instalments with the first repayment instalment due the date that is 12 months after the Utilization Date whereas facility B1 and B2 is repayable upon demand.

During the year ended 31 March 2013, part repayment of GBP 908,800 of the GBP loan and GBP 1,690,092 of the USD loan were made as mentioned in the Credit Facility Agreement. An additional loan of GBP 1,959,000 was also granted to the Company.

Note 2:

The terms and conditions of the loans are as follows :

The Company has several loans with Power Build Transmission International Ltd. The loans carry interest at a rate per annum equal to 375 basis points above the effective six-month USD and GBP Libor rate as charged by Bank of Baroda, Dubai from time to time. The loans are repayable on demand.

Note 3:

The loan bears interest at a rate per annum equal to 500 basis points above the effective six-month USD Libor rate (0.75%+5.00%) and is repayable on demand.

Note 4:

During the year ended 31 March 2014, the Company was granted a loan of GBP 3,000,000. The loan carries interest at a rate per annum of 1.6% above the effective six-month GBP Libor rate as charged by the State Bank of India, Paris. The loan is secured over lien on debt securities held in name of Eimco Elecon (India) Ltd and on its corporate guarantee.

Note 5:

During the year ended 31 March 2014, the Company was granted a loan of USD 370,000 from Radicon Transmission (Thailand) Ltd. The loan bears interest at a rate per annum equal to 700 basis points above the effective six-month USD libor rate.

12. LOAN FROM SHAREHOLDER

	2014	2013
	GBP	GBP
Loan from Elecon Engineering Company Ltd	3,498,807	2,104,285

The loan from shareholder carries interest at a rate per annum equal to 375 basis points above the effective six-months GBP and USD Libor rates as charged by Bank of Baroda, Dubai from time to time and is repayable on demand.

13. OTHER PAYABLES AND ACCRUED EXPENSES

	2014	2013
	GBP	GBP
Interest payable	233,282	226,865
Other payables	124,685	92,266
	357,967	319,131

Other payables are repayable on demand.

14. FINANCE COST

	2014	2013
	GBP	GBP
Interest paid on bank borrowings	602,271	665,812
Interest paid on loan from related parties	114,649	88,345
	716,920	754,157

15. INCOME TAX

The Company is a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Act 2007. The profit of the Company, as adjusted for income tax purposes, is subject to income tax at 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius tax on its foreign source income.

Interest income from call and deposit accounts from banks licenced under Banking Act 2004 are exempt from tax and there is no tax on capital gains in Mauritius. Gains or profits derived from the sale of units or of securities by a Company holding a Category 1 Global Business Licence under the Financial Services Act 2007 are not subject to income tax in Mauritius.

At 31 March 2014, the Company has a tax loss of **GBP 2,962,617** (2013: GBP 2,154,776) to be offset against future taxable income. Tax loss eligible to carry forward is as follows:-

	Tax losses	Expiry Date
	GBP	
Thursday, March 31, 2011	1,003,762	31-Mar-16
Saturday, March 31, 2012	356,509	31-Mar-17
Sunday, March 31, 2013	794,505	31-Mar-18
Monday, March 31, 2014	807,841	31-Mar-19

No deferred tax asset has been provided as at 31 March 2013 and 31 March 2014.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair values

The carrying value of all the Company's financial instruments approximate their fair values.

Associated risk

The main risks arising from the Company's financial instruments are market risk, (which includes currency risk and interest rate risk), credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss.

Financial assets, which potentially expose the Company to credit risk consist primarily of cash and cash equivalents and loans and other receivables. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Company's Statement of Financial Position.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount for each class of financial assets recognised in the Statement of Financial Position.

The maximum exposure to the credit risk is attributable to cash balance, loans and interest receivable and is disclosed below:

31 March 2014

	Carrying Amount	Neither impaired or past due
	GBP	GBP
Loans receivable	7,359,577	7,359,577
Cash and cash equivalents	468,576	468,576
Interest receivable	511,946	511,946
	8,340,099	8,340,099

31 March 2013

	Carrying Amount	Neither impaired or past due
	GBP	GBP
Loans receivable	6,112,657	6,112,657
Cash and cash equivalents	495,719	495,719
Interest receivable	289,473	289,473
	6,897,849	6,897,849

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company invests in shares and has assets and liabilities denominated in United States Dollar ("USD"). Consequently, the Company is exposed to the risk that the exchange rate of the GBP relative to the USD may change in a manner which has a material effect on the reported values of the Company's assets and liabilities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in fair value of monetary assets and liabilities).

	Increase / decrease in basis points	Effect on net assets and profit before tax
		GBP
2014	+100	86,571
	- 100	(86,571)

	Increase / decrease in basis points	Effect on net assets and profit before tax
		GBP
2013	+100	88,243
	- 100	(88,243)

Currency profile

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

	Financial assets 2014	Financial liabilities 2014	Financial assets 2013	Financial liabilities 2013
	GBP	GBP	GBP	GBP
Great Britain Pound	7,920,247	10,346,468	5,684,522	7,822,138
United States Dollar	429,879	9,099,741	1,219,851	10,044,122
	8,350,126	19,446,209	6,904,373	17,866,260

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company's income and operating cash flows are substantially independent of changes in interest rates. The Company's only significant interest earning financial assets are cash and cash equivalents and loans receivable. Interest income from cash at bank and loans receivable may fluctuate in amount, in particular due to changes in market interest rates.

The table below analyses the Company's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The floating rate column represents the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Floating	Non-interest sensitive
	GBP	GBP
As at 31 March 2014		
Financial assets	7,359,577	990,548
Financial liabilities	19,082,446	363,763

	Floating	Non-interest sensitive
	GBP	GBP
As at 31 March 2013		
Financial assets	6,112,657	791,716
Financial liabilities	17,547,129	319,131

The impact of changes in interest rates on the Company's financial assets and liabilities is minimal. As such, the effect of a sensitivity analysis on the Company's profit before and net assets would be negligible.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. In the management of liquidity risk, the Company monitors and maintains a level of cash deemed adequate to meet its cash flow obligations.

The following are the Company's contractual maturities of financial liabilities at undiscounted values:-

	Within 1 year and on demand	Due 1 - 5 years	Due > 5 years	Total
	GBP	GBP	GBP	GBP
2014				
Other payables and accrued expenses	357,967	-	-	357,967
Loan from shareholder	3,498,807	-	-	3,498,807
Interest bearing borrowings	9,235,532	6,353,903	-	15,589,435
	13,092,306	6,353,903	-	19,446,209

	Within 1 year and on demand	Due 1 - 5 years	Due > 5 years	Total
	GBP	GBP	GBP	GBP
2013				
Other payables and accrued expenses	319,131	-	-	319,131
Loan from shareholder	2,104,285	-	-	2,104,285
Interest bearing borrowings	6,277,365	9,165,479	-	15,442,844
	8,700,781	9,165,479	-	17,866,260

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt, which includes interest bearing borrowings net of cash and equity comprising stated capital and accumulated losses.

Gearing ratio

The gearing ratio at the year end was as follows:

	2014	2013
	GBP	GBP
Debt (i)	19,088,242	17,547,129
Cash and cash equivalents	(468,576)	(495,719)
Net debt	18,619,666	17,051,410
Equity	1,452,034	1,510,640
Net debt to equity ratio	12.82	11.29

(i) Debt is defined as long and short term borrowings.
(ii) Equity includes all capital and reserves of the Company.

No changes were made in the objectives, policies or processes during the year ended 31 March 2014.

Categories of financial instruments

	2014	2013
Financial assets	GBP	GBP
Loans and receivables (including cash and cash equivalents)	8,350,126	6,904,373
Financial liabilities		
Interest bearing borrowings	15,589,435	15,442,844
Loan from shareholder	3,498,807	2,104,285
Other payables and accrued expenses	357,967	319,131
	19,446,209	17,866,260

17. HOLDING COMPANY

The directors consider Elecon Engineering Company Ltd, a Company incorporated in India with its registered office at Sojitra Road, Vallabh Vidyanagar - 388120, Gujrat as the holding company.

18. RELATED PARTY DISCLOSURES

During the year ended 31 March 2014, the Company transacted with related parties. The nature, volume and type of transactions with the parties, as shown below:

Year ended 31 March 2014	Type of relationship	Nature of transactions	Volume of transactions	Balance
				GBP
Elecon Engineering Company Ltd	Holding Company	Loan received	1,394,522	3,498,807
Radicon Transmission UK Limited	Subsidiary	Loan granted	3,000,000	
		Loan repayment received	1,753,080	
		Interest received	130,923	
		Interest receivable	351,231	7,824,386
Benzler Systems AB	Subsidiary	Loan receivable	-	42,000
Benzler Systems AB	Subsidiary	Interest receivable	2,165	5,137
Benzler Systems AB	Subsidiary	Loan repaid	-	11,730
Benzler Systems AB	Subsidiary	Interest expenses	714	798
Power Build Transmission International Ltd	Common management	Loan received	9,292	41,798
Power Build Transmission International Ltd	Common management	Interest payable	4,218	7,122

Year ended 31 March 2013	Type of relationship	Nature of transactions	Volume of transactions	Balance
				GBP
Elecon Engineering Company Ltd	Holding Company	Loan received	1,100,020	2,104,285
Radicon Transmission UK Limited	Subsidiary	Loan granted	310,000	
		Loan repayment received	1,061,447	
		Interest receivable	373,714	6,357,158

18. RELATED PARTY DISCLOSURES (CONTINUED)

Year ended 31 March 2013	Type of relationship	Nature of transactions	Volume of transactions	Balance
Benzler Systems AB	Subsidiary	Loan receivable	-	42,000
Benzler Systems AB	Subsidiary	Interest receivable	2,177	2,972
Benzler Systems AB	Subsidiary	Loan repaid	199,694	12,313
Benzler Systems AB	Subsidiary	Interest expenses	11,110	84
Power Build Transmission International Ltd	Common management	Loan received	30,092	78,164
Power Build Transmission International Ltd	Common management	Interest payable	3,565	3,565

Compensation to Key Management Personnel

No compensation was paid to key management personnel for the years ended 31 March 2014 and 2013.

19. EVENT AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2014.

20. NON-COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 10 - Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements, require a parent company with subsidiaries to present consolidated financial statements unless it is exempted from this requirement.

Although the company does not satisfy the exemption criteria available under IFRS 10, consolidated financial statements have not been prepared as the directors believe the benefits of resenting consolidated financial statements to be minimal.