

RELIANCE DEFENCE SYSTEMS PRIVATE LIMITED
ANNUAL ACCOUNTS FOR
THE FY 2014-15

INDEPENDENT AUDITORS' REPORT

To the Members of Reliance Defence Systems Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Reliance Defence Systems Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provision of the Act, the accounting and auditing standards and the matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's 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 on the financial statements.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, and its losses and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

7. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. There were no pending litigations which would impact the financial position of the Company.
 - ii. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.

For Pathak H. D. & Associates
Firm Registration No: 107783V
Chartered Accountants

Vishal D. Shah
Partner
Membership No. 119303

Place: Mumbai

Date: May 26, 2015

Annexure to Auditors' Report

Referred to in our Auditors' Report of even date to the members of Reliance Defence Systems Private Limited on the financial statements for the year ended March 31, 2015

- (i) The Company does not have fixed assets; hence the question of maintenance of fixed asset register does not arise.
- (ii) As explained to us, there is no physical inventory in existence and hence the question of physical verification and its comparison with the inventory records does not arise.
- (iii) The Company has not granted any loan, secured or unsecured, to any company, firm or other party covered in the register maintained under Section 189 of the Act. Accordingly, provisions of clause 3 (iii)(a) and (b) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct any major weaknesses in the aforesaid internal control system. During the financial year the Company did not undertake any activities of purchase of inventory, fixed assets, sale of services and sale of goods.
- (v) The Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under.
- (vi) In our opinion and according to the information given to us, no cost records have been prescribed by the Central Government of India under sub-section (1) of Section 148 of the Act.
- (vii)(a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, value added tax and cess as at March 31, 2015 which have not been deposited on account of a dispute.
- (d) There are no amounts required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under within the time limit prescribed.

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Pathak H.D. & Associates

Chartered Accountants

- (viii) Since the Company has been registered for less than five years and hence reporting requirements under clause 4 (viii) of paragraph 3 of this order does not apply in relation to incurrence of cash losses either during the current financial year or immediately preceding financial year.
- (ix) During the year the Company has not availed loan from any financial institution or bank or debenture holders hence the reporting requirements under clause 4(ix) of paragraph 3 of the Order is not applicable to the Company.
- (x) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xi) During the year the Company has not availed any term loan hence the reporting requirements under of clause 4(xi) of paragraph 3 of the order is not applicable to the Company.
- (xii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Pathak H. D. & Associates
Firm Registration No: 107783W
Chartered Accountants

Vishal D. Shah
Partner
Membership No. 119303

Place: Mumbai

Date: May 26, 2015

Reliance Defence Systems Private Limited

Balance Sheet as at March 31, 2015

(Rupees)

Particulars	Note No.	As at March 31, 2015
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	2	1,00,000
Reserves and Surplus	3	(5,48,15,825)
		(5,47,15,825)
Current Liabilities		
Short Term Borrowings	4	18,11,27,000
Trade Payables		15,000
Total		12,64,26,175
ASSETS		
Current assets		
Cash and Bank Balances	5	12,64,26,175
Total.		12,64,26,175

Significant Accounting Policies and Notes on Financial Statements

1 to 13

As per our attached Report of even date

For and on behalf of the Board of Directors

For Pathak H.D. & Associates
Chartered Accountants
Firm Registration No.107783W

A

Vishal D. Shah
Partner
Membership No.119303

Sateesh Seth
Director
DIN:00004631

Lalit Jalan
Director
DIN:00270338

Place: Mumbai
Date: |

Place: Mumbai
Date: **May 26, 2015**

Reliance Defence Systems Private Limited

Statement of Profit and Loss for the period from December 20,2014 to March 31, 2015

(Rupees)

Particulars	Note No.	Period ended March 31, 2015
Revenue:		
Revenue from Operations		-
Total		-
Expenses:		
Other Expenses	6	5,48,15,825
Total		5,48,15,825
Profit / (Loss) Before Tax		(5,48,15,825)
Tax Expenses :		
Current tax		-
Deferred tax		-
Profit / (Loss) for the Period		(5,48,15,825)
Earnings per equity share (Face Value of Rs 10 per share)		
Basic & Diluted		(5,481.58)

Significant Accounting Policies and Notes on Financial Statements

1 to 12

As per our attached Report of even date

For and on behalf of the Board of Directors

For Pathak H.D. & Associates
Chartered Accountants
Firm Registration No.107783W

Vishal D. Shah
Partner
Membership No.119303

Sateesh Seth
Director
DIN:00004631

Lalit Jalan
Director
DIN:00270338

Place: Mumbai
Date:

Place: Mumbai
Date:

2. Share Capital

Particulars	As at March 31, 2015	
	Number	Rupees
Authorised : Equity shares of Rs. 10 each	50,000	5,00,000
Issued, Subscribed & Paid up Equity shares of Rs. 10 each fully paid up	10,000	1,00,000
Total	10,000	1,00,000

(a) Terms / Rights of equity shares :

The Company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if proposed by the board of directors, will be subject to approval by the shareholders in the ensuing annual general meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(b) Reconciliation of the Shares outstanding at the beginning and at the end of the period:

Particulars	As at March 31, 2015	
	No of Shares	Rupees
Shares issued during the period	10,000	1,00,000
Shares bought back during the period	-	-
Shares outstanding at the end of the period	10,000	1,00,000

(c) Shares held by the Holding Company/ Associates Company and Shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2015	
	No. of shares held	% of holding
Reliance Infrastructure Limited & its Nominees	10,000	100

3. Reserves and Surplus (Rupees)

Particulars	As at March 31, 2015
Balance as at the beginning of the period	-
Add:- Profit / (Loss) for the period	(5,48,15,825)
Balance as at the end of the period	(5,48,15,825)

4. Short Term Borrowings (Rupees)

Particulars	As at March 31, 2015
Unsecured:	
Inter Corporate Deposits from Related Party	18,11,27,000
Total	18,11,27,000

5. Cash and Bank Balances (Rupees)

Particulars	As at March 31, 2015
Cash and Cash equivalents	
Balances with Banks in Current Account	91,175
Other Bank balances	
Fixed Deposit with Original Maturity with more than 3 months but less than 12 months *	12,63,35,000
Total	12,63,35,000

* Lien of Fixed Deposit with JM Financial Institutions Securities Limited (Merchant Banker) in connection with acquisition of Pipavav Defence and Offshore Engineering Limited

6. Other Expenses (Rupees)

Particulars	Period ended March 31, 2015
Filing Fees	5,47,91,624
Audit Fees	15,000
Miscellaneous Expenses	9,201
Total	5,48,15,825

Reliance Defence *Systems* Private Limited

Cash Flow Statement for the period ended March 31, 2015

(Rupees)

Particulars	Period ended March 31, 2015
A. Cash Flow from Operating Activities	
Profit Before Taxation	(5,48,15,825)
Operating profits before working capital changes	(5,48,15,825)
Adjustments for	
Trade Payables	15,000
Cash Generated from / (Used In) Operating Activities	(5,48,00,825)
Taxes Paid	-
Net Cash Generated from / (used in) Operating Activities	(5,48,00,825)
B. Cash Flow from Investing Activities	
Net Cash Generated from / (Used In) Investing Activities	-
C. Cash Flow from Financing Activities	
Inter Corporate Deposits	18,11,27,000
Issue of Equity Shares	1,00,000
Net Cash Generated from / (Used In) Financing Activities	18,12,27,000
Net Increase/ (Decrease) in Cash and Cash equivalents (A+B+C)	12,64,26,175
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	91,175
Fixed Deposit with Original Maturity with more than 3 months but less than 12 months	12,63,35,000
Cash and Bank balances (as per Note No. 5)	12,64,26,175

As per attached report of even date

For and on behalf of the Board of Directors

For Pathak H.D. & Associates

Chartered Accountants

Firm Registration No. 107783W

Vishal D. Shah

Partner

Membership No. 119303

Sateesh Seth

Director

DIN:0004631

Lalit Jalan

Director

DIN:00270338

Place: Mumbai

Date: |

Place: Mumbai

Date:

Significant Accounting Policies and Notes to Accounts

1. Significant Accounting Policies:

(a) Basis of preparation of financial statements

The financial statements are prepared on an accrual basis of accounting and in accordance with the generally accepted accounting principles in India (Indian GAAP), and comply in material aspects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (read with Rule 7 of the Companies (Accounts) Rule, 2014).

(b) Presentation and disclosure of financial statements

The Preparation and presentation of financial statements is made in accordance with the requirements of Schedule III under the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. The Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

(c) Use of Estimate

The preparation and presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as on date of the financial statements and reported amount of revenue and expenses during the reporting year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods. Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

(d) Revenue Recognition Policy

All the items of Income and expenses are recognized on accrual basis of accounting.

(e) Accounting for Taxes on Income

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future. However, in respect of unabsorbed depreciation or carry forward loss, the deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in future.

(f) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Reliance Defence Systems Private Limited

Notes annexed to and forming part of the Financial Statements

(g) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and demand deposits with banks and short-term investments with an original maturity of three months or less.

(h) Contingent liability and contingent assets

A contingent liability is a possible obligation that arise from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is probable that an outflow of resources will not be required to settle the obligation. However, if the possibility of outflow of resources, arising out of present obligation, is remote, it is not even disclosed as contingent liability. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

(i) Earning Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the reporting period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

Reliance Defence Systems Private Limited**Notes annexed to and forming part of the Financial Statements****7 Segment wise Revenue, Results and Capital Employed**

The Company has not commenced its commercial operation hence; there are no separate reportable segments as required under Accounting Standard 17 "Segment Reporting" as prescribed under Section 133 of the Companies Act, 2013.

8 Related Party Disclosure

As per Accounting Standard – 18 as prescribed under Section 133 of the Companies Act, 2013, the Company's related parties and transactions are disclosed below:

(a) Parties where control exists:

(i) Holding Company - Reliance Infrastructure Limited

(b) Other related parties with whom transactions have taken place during the period: None

(c) Details of transactions during the period and closing balances at the period end:

(Amount in Rupees)	
Particulars	Holding Company 2014-15
Transactions during the period:	
Issue of Equity Shares	1,00,000
Inter Corporate Deposits received	18,11,27,000
Expenses incurred by Holding Company and were reimbursed	6,000
Closing Balance:	
Share Capital (Including Securities Premium)	1,00,000
Inter Corporate Deposits	18,11,27,000

9 Earnings per Share

(Amount in Rupees)

Sr. No.	Particulars	Period ended March 31, 2015
(i)	Profit / (Loss) after tax available for Equity Share holders (Rs.)	(5,48,15,825)
(ii)	Weighted Average Number of Equity Shares (Nos.)	10,000
(iii)	Nominal Value per Share (Rs.)	10
(iv)	Earnings per Equity Share- Basic	(5,481.58)
(v)	Earnings per Equity Share- Diluted	(5,481.58)

10 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2015. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Reliance Defence Systems Private Limited

Notes annexed to and forming part of the Financial Statements

- 11 Since there is no timing difference between the taxable income and accounting income, the question of recognizing deferred tax assets / (liability) does not arise.
- 12 The Company (The Acquirer) has entered into Purchase Agreement with the promoters of Pipavav Defence and Offshore Engineering Company Limited (Target Company) to purchase 13,00,00,000 equity shares constituting 17.66% of the paid-up equity share capital of the Target Company from its promoters at a price of Rs. 63.00 per equity share in cash. In terms of the Purchase Agreement and subject to the conditions therein, the promoters of Target Company shall sell such number of additional equity shares of the Target Company, not exceeding 5,47,87,774 equity shares, to the Acquirer at a price of Rs. 63.00 per equity share that would result in the Acquirer acquiring not less than 25.10% of the paid-up equity share capital in the Target Company after taking into account the acquisitions made under the Offer.

The Acquirer and Reliance Infrastructure Limited (Person Acting in Concert) will make the open offer to the public equity shareholders of the Target Company to acquire up to 19,14,13,630 fully paid-up equity shares of Face Value of Rs 10 each of the Target Company, constituting 26% of the total fully diluted equity share capital of the Target Company at an offer price of Rs. 66 per share aggregating to total consideration of Rs. 1263,33,00,000 in cash.

Since the Acquirer has entered into an agreement to acquire voting rights in excess of 25% of the total voting rights of the Target Company, the Company has to make Open Offer to the shareholders of the Target Company under Regulation 3(1) of the SEBI (SAST) Regulations. The open offer is subject to approval from Competition Commission of India (CCI) and Gujarat Maritime Board. The Company has received approval of CCI and the approval from Gujarat Maritime Board is awaited.

- 13 Information to the extent not disclosed, with regards to Matters specified in 5 of the Schedule III of the Companies Act, 2013 is either Nil or not applicable to the Company for the period ended March 31,2015.
- 14 The Company was incorporated on December 20, 2014 and this being the first financial year from the said date of incorporation up to March 31, 2015, comparative figures for the previous year are not available and hence not given in the financial statements.

As per our attached report of even date

For and on behalf of the Board

For Pathak H. D. & Associates
Chartered Accountants
Firm Registration No.: 107783W

Vishal D. Shah
Partner
Membership No.: 119303

Sateesh Seth
Director

Lalit Jalan
Director

Place: Mumbai
Date: *May 26, 2015*

Place: Mumbai
Date: {