

Auditors' Report

To the Members of Skanska Cementation India Limited

We have audited the attached Balance Sheet of Skanska Cementation India Limited ('the Company') as at 31 December 2003, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. In terms of paragraph 3 of General Circular No. 32/2003 dated 10 November 2003 issued by the Department of Company Affairs and as required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of the 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) on the basis of written representations received from the directors as on 31 December 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2003 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2003;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Bharat S Raut & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Membership No. 40780

Mumbai
27 February 2004

Annexure to the Auditors' Report — 31 December 2003

With reference to the Annexure referred to in paragraph 1 of the Auditors' Report to the members of Skanska Cementation India Limited ('the Company') on the financial statements for the year ended 31 December 2003, we report that:

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and location. The Company has a programme of physical verification of fixed assets, which, over a period of two years, covers all its fixed assets. Accordingly, certain fixed assets have been physically verified by the management during the year and no material discrepancies were noted on their verification. In our opinion the periodicity of physical verification of fixed assets is reasonable.
2. None of the fixed assets of the Company have been revalued during the year.
3. The stocks of stores, spare parts and construction materials have been physically verified by management during the year. In our opinion, the frequency of such physical verification is reasonable.
4. In our opinion, the procedures for the physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion, and according to the information and explanations given to us, the discrepancies identified on physical verification of stocks between physical stocks and book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stocks, in our opinion, the valuation of such stocks is fair and proper in accordance with generally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion, and according to the information and the explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956 other than an unsecured loan granted to a director, the terms and conditions of which are prima facie not prejudicial to the interest of the Company.
9. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, construction materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion, and according to the information and explanations given to us, the transactions of purchase of materials in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices as available with the Company for such materials or the prices at which transactions for similar materials have been made with other parties. We are informed that there are no transactions of purchase of goods and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
12. In our opinion, the Company has a regular procedure for determination of unserviceable or damaged stores and construction materials and adequate provision has been made in the accounts for the loss arising on the items so determined by management.

13. The Company has not accepted any deposits from the public to which the directives of the Reserve Bank of India and provisions of section 58A of the Companies Act, 1956, and the rules framed thereunder, apply.
14. In our opinion, reasonable records are maintained by the Company for the sale and disposal of realisable scrap. As explained to us, the Company's operations do not generate any realisable by-products.
15. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
16. We are informed by the Company's management, that the Central Government has not prescribed the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities during the year.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which are outstanding at 31 December 2003 for a period of more than six months from the dates that they became payable.
19. On the basis of the examination of the books of account carried out by us, and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to the profit and loss account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The provisions of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 do not apply to the Company.
21. With respect to the Company's service activities, in our opinion, and according to the information and explanations given to us, the Company has a reasonable system for the following areas which are commensurate with its size and the nature of its business:
 - a) recording receipts, issues and consumption of material and stores and allocating materials consumed to the relative jobs;
 - b) for allocation of man hours utilised to relative jobs; and
 - c) of authorization at proper levels and adequate system of internal control on issue of stores and allocation of stores and labour to jobs.
22. The provisions of paragraphs 4 (C) and 4 (D) of the said Order are not applicable to the Company.

For Bharat S Raut & Co.
Chartered Accountants

Sanjay Aggarwal
Partner

Membership No. 40780

Mumbai
27 February 2004

Skanska Cementation India Limited

Balance Sheet

as at 31 December 2003

(Currency: Indian Rupee in lakhs)

	Notes	2003	2002
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	460.66	460.65
Reserves and surplus	3	8,306.44	7,994.75
		8,767.10	8,455.40
Loan funds			
Secured loans	4	1,587.05	785.78
Unsecured loans	5	2,000.00	500.00
		3,587.05	1,285.78
Deferred tax liabilities (net)	6	389.00	407.00
		12,743.15	10,148.18
APPLICATION OF FUNDS			
Fixed assets			
	1.3 & 7		
Gross block		10,597.49	9,322.14
Less: Accumulated depreciation		5,059.44	4,241.32
Net block		5,538.05	5,080.82
Capital work-in-progress (including capital advances)		6.44	293.77
		5,544.49	5,374.59
Current assets, loans and advances			
Inventories	1.5 & 8	6,518.42	4,036.60
Unbilled work-in-progress	1.6	5,267.63	4,752.15
Sundry debtors	1.7 & 9	17,162.41	16,061.99
Cash and bank balances	10	356.71	365.71
Loans and advances	11	3,696.98	2,779.03
		33,002.15	27,995.48
Current liabilities and provisions			
Current liabilities	1.7 & 12	25,499.21	22,583.37
Provisions	13	304.28	638.52
		25,803.49	23,221.89
Net current assets		7,198.66	4,773.59
		12,743.15	10,148.18

The notes referred to above form an integral part of the balance sheet.

As per our report attached.

For Bharat S Raut & Co.

Chartered Accountants

Sanjay Aggarwal

Partner

Membership No. 40780

Mumbai

27 February 2004.

For and on behalf of the Board of Directors

Sunil Shah Singh

A.K.Chatterjee

K.M.Thatte

S.Mukundan

Managing Director

Director - General Manager

Finance Director & Secretary

Commercial Director

Mumbai

27 February 2004.

Profit and Loss Account

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	Notes	2003	2002
INCOME			
Turnover	1.6	56,421.18	30,500.79
Increase in work-in-progress	1.6	515.48	2,471.94
		<u>56,936.66</u>	<u>32,972.73</u>
Other income	14	494.56	555.03
		<u>57,431.22</u>	<u>33,527.76</u>
EXPENDITURE			
Site and administrative costs	15	55,115.27	31,174.55
Interest	16	518.04	166.77
Depreciation	1.3 & 7	913.35	729.31
Bad debts provided for and written off (net)	17	282.00	165.00
		<u>56,828.66</u>	<u>32,235.63</u>
Profit before tax		602.56	1,292.13
Provision for taxation	1.10 & 18		
Current tax		(231.00)	(493.00)
Deferred tax	6	18.00	20.00
Net profit after tax		<u>389.56</u>	<u>819.13</u>
Profit and loss account, beginning of year		3,063.68	2,476.36
Corporate dividend tax written back		—	14.10
Amount available for appropriation		<u>3,453.24</u>	<u>3,309.59</u>
APPROPRIATIONS			
Transfer to general reserve		20.00	90.00
Proposed dividend		69.10	138.20
Dividend distribution tax on proposed dividend		8.85	17.71
Balance carried forward to balance sheet	3	3,355.29	3,063.68
		<u>3,453.24</u>	<u>3,309.59</u>
Basic and diluted earnings per share (in Rs.)	24	<u>8.46</u>	<u>17.78</u>

The notes referred to above form an integral part of the profit and loss account.

As per our report attached.

For Bharat S Raut & Co.

Chartered Accountants

Sanjay Aggarwal

Partner

Membership No. 40780

Mumbai

27 February 2004.

For and on behalf of the Board of Directors

Sunil Shah Singh

A.K.Chatterjee

K.M.Thatte

S.Mukundan

Mumbai

27 February 2004.

Managing Director

Director - General Manager

Finance Director & Secretary

Commercial Director

Skanska Cementation India Limited

Cash Flow Statement

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	2003	2002
Cash flow from operating activities		
Net profit before taxation	602.56	1,292.13
Adjustments for:		
Depreciation	913.35	729.31
Interest expenses	518.04	166.77
Interest income	(2.04)	(186.94)
Provision for doubtful debts & debts written off (net)	282.00	165.00
Provision for leave encashment	15.18	25.11
Provision for doubtful advances	105.73	9.05
Profit on sale of fixed assets (net)	(73.07)	(103.73)
Assets charged to contract	128.30	50.16
Sundry balances written back	(44.19)	—
Prior years provision written back	(143.92)	(161.00)
(Profit) on foreign exchange (net)	(4.84)	—
Operating profit before working capital changes	2,297.10	1,985.86
Adjusted for (Increase)/Decrease in working capital		
Inventories	(2,481.82)	(1,390.48)
Trade and other debtors	(1,382.42)	(4,031.98)
Unbilled work in progress	(643.78)	(2,522.10)
Loans and advances	(639.27)	(1,923.66)
Advances from customers	(2,706.03)	4,062.67
Trade creditors and other liabilities	6,143.43	2,049.05
Cash generated from / (used in) operation	587.21	(1,770.64)
Direct taxes (paid) / refunds received	(865.17)	111.37
Net cash used in operating activities	(277.96)	(1,659.27)
Cash flow from investing activities		
Purchase of fixed assets	(1,461.62)	(1,797.27)
Proceeds from sale of fixed assets	82.34	165.93
Net cash used in investing activities	(1,379.28)	(1,631.34)
Cash flow from financing activities		
Proceeds from issue of share capital	0.01	—
Receipt of share premium on issue of share capital	0.08	—
Interest received	2.08	191.32
Net proceeds from short term borrowings	2,301.27	1,285.78
Interest paid	(499.37)	(166.77)
Dividend paid (including tax thereon)	(155.82)	(136.88)
Net cash inflow from financing activities	1,648.25	1,173.45
Net (decrease) in cash and cash equivalents	(9.00)	(2,117.16)
Cash and cash equivalents, at beginning of year	365.71	2,482.87
Cash and cash equivalents, at end of year	356.71	365.71

As per our report attached.
For Bharat S Raut & Co.
Chartered Accountants
Sanjay Aggarwal
Partner
 Membership No. 40780

Mumbai
 27 February 2004.

For and on behalf of the Board of Directors
Sunil Shah Singh *Managing Director*
A.K.Chatterjee *Director - General Manager*
K.M.Thatte *Finance Director & Secretary*
S.Mukundan *Commercial Director*

Mumbai
 27 February 2004.

Notes to the Financial Statements

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, going concern and on the accrual basis of accounting and in accordance with the generally accepted accounting principles, adopted consistently by the Company and in compliance with the accounting standards and interpretations to accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') and referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.

1.2 Accounting estimates

The preparation of financial statements in conformity with the generally accepted accounting principles often requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amount of revenues and expenses during the reporting period. Any difference between the actual results and estimates are recognised in the period in which the results are known / materialise.

1.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

Depreciation is provided on the written-down value method for assets acquired after April 1, 1993, and on the straight-line method for assets acquired up to March 31, 1993. On additions and disposals, depreciation is provided for the period of use during the year. The rates of depreciation are determined on the basis of useful lives of the assets estimated by the management, which are at rates specified in schedule XIV to the Companies Act, 1956.

Leasehold improvements are amortised over the lower of the period of the lease or their estimated useful lives as determined by management.

1.4 Investments

Long term investments are stated at cost less permanent diminution in value, if any.

1.5 Inventories

Construction materials are valued at the lower of cost and net realisable value. Identified direct materials remaining on completion of contract are valued at their estimated scrap value. Cost is determined on a first-in, first-out method.

Tools and equipment are stated at cost less the amount amortised. Tools and equipment are amortised over their estimated useful lives ranging from 3 to 10 years. Reusable items are charged to the contracts when first consumed. Cost is determined by the weighted average method.

In case of spares cost is determined by the weighted average method.

1.6 Revenue recognition on contracts

Contract prices are either fixed or subject to price escalation clauses. Revenue from contracts is recognised on the basis of percentage completion method, and the level of completion depends on the nature and type of each contract including:

- Unbilled work-in-progress valued at lower of cost and net realisable value upto the stage of completion. Cost includes direct material, labour cost and appropriate overheads; and
- Amounts due in respect of the price and other escalation, bonus claims and/or variation in contract work approved by the customer/third parties etc. where the contract allows for such claims or variations and there is evidence that the customer/third party has accepted it.

Skanska Cementation India Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

In addition, if it is expected that the contract will make a loss, the estimated loss is provided for in the books of account.

Contractual liquidated damages, payable for delays in completion of contract work or for other causes, are accounted for as costs when such delays and causes are attributable to the Company or when deducted by the client.

1.7 Advances from customers, progress payments and retention

Advances received from customers in respect of contracts are treated as liabilities and adjusted against progress billing as per terms of the contract.

Progress payments received are adjusted against amount receivable from customers in respect of the contract work performed.

Amounts retained by the customers until the satisfactory completion of the contracts are recognised as receivables. Where such retention has been released by customers against submission of bank guarantees, the amount so released is adjusted against receivable from customers and the value of bank guarantees is disclosed as a contingent liability.

1.8 Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing as on the date of the transaction.

Foreign currency current assets and current liabilities outstanding at year-end are translated at the year end exchange rate and the unrealised exchange gain or loss is recognised in the profit and loss account. Realised gains and losses on foreign exchange transactions during the year are recognised in the profit and loss account.

Exchange differences arising on payment of liabilities for purchase of fixed assets and year end conversion of such liabilities is adjusted to the carrying cost of the respective fixed assets.

1.9 Retirement Benefits

The Company has a group gratuity and life assurance scheme and superannuation scheme for eligible employees with the Life Insurance Corporation of India ('LIC'). The group gratuity and life assurance scheme and superannuation scheme are defined benefit schemes and are funded in line with LIC's actuarial valuation carried out at 31 March every year. The contribution in connection with the superannuation scheme is made with respect to the annual renewal date.

Provision for leave encashment, which is a defined benefit, is made based on an actuarial valuation carried out by an independent actuary at 31 December every year.

Contributions to the provident fund, a defined contribution scheme, are charged to the profit and loss account.

1.10 Taxation

Current tax provision is made annually based on the tax liability computed after considering tax allowances and exemptions using current tax rates in accordance with the provisions of the Income Tax Act, 1961.

The Company recognises deferred tax assets and liabilities based on the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities using enacted or substantively enacted tax rates expected to apply to taxable income in the year temporary differences are expected to be recovered or settled.

Deferred tax assets are recognised only to the extent there is reasonable certainty that they will be realised in future; however, where there is unabsorbed depreciation and carry forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Notes to the Financial Statements (continued)
for the year ended 31 December 2003
(Currency: Indian Rupee in lakhs)

	2003	2002
2. SHARE CAPITAL		
Authorised		
1,10,00,000 (2002 - 1,10,00,000) equity shares of Rs.10 each	<u>1,100.00</u>	<u>1,100.00</u>
Issued, subscribed, called and fully paid-up		
46,06,561 (2002 - 46,06,521) equity shares of Rs.10 each	<u>460.66</u>	<u>460.65</u>
Of these shares:		
37,02,171 (2002 - 37,02,171) equity shares of Rs.10 each are held by The Cementation Company Limited, UK, the holding Company. The Company's ultimate parent company is Skanska AB, a company registered in Sweden.		
4,08,000 equity shares of Rs.10 each have been allotted as fully paid-up pursuant to the Scheme of Amalgamation of the undertaking in India of The Cementation Company Limited, UK, with the Company, for consideration other than cash.		
17,60,220 equity shares of Rs.10 each have been allotted as fully paid-up Bonus shares by way of capitalisation of the General reserve.		
Notes: 2,015 (2002 - 2,055) equity shares of Rs. 10 each have been kept in abeyance pending final settlement of rights issue.		
3. RESERVES AND SURPLUS		
Share premium account		
Balance brought forward	3,887.78	3,887.78
Add: Additions during the year	0.08	—
	<u>3,887.86</u>	<u>3,887.78</u>
General reserve		
Balance brought forward	1,043.29	953.29
Add: Transfer from profit and loss account	20.00	90.00
	<u>1,063.29</u>	<u>1,043.29</u>
Profit and loss account	<u>3,355.29</u>	<u>3,063.68</u>
	<u>8,306.44</u>	<u>7,994.75</u>
4. SECURED LOANS		
From Banks – (overdraft repayable on demand)	<u>1,587.05</u>	<u>785.78</u>
Bank over drafts are secured by hypothecation of book debts, inventory, and plant and machinery, both present and future.		
5. UNSECURED LOANS		
Commercial papers – From Banks	<u>2,000.00</u>	<u>500.00</u>

Skanska Cementation India Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

										2003	2002
6. DEFERRED TAX LIABILITIES (net)											
Deferred tax liabilities											
Difference between book and tax depreciation										546.00	509.00
Deferred tax assets											
Provision for doubtful debts										(120.00)	(31.00)
Provision for doubtful loans and advances										(38.00)	(9.00)
Provision for expenses										1.00	(62.00)
										(157.00)	(102.00)
Deferred tax liabilities (net)										389.00	407.00
7. FIXED ASSETS											
	Freehold Land	Buildings	Plant and Machinery	Earth-moving Machinery	Office Equipment & Furniture	Vehicles	Leasehold Improvements	Total	Previous Year		
Gross block											
As at January 1, 2003	32.45	223.55	6,750.05	1,354.01	766.04	70.78	125.26	9,322.14	7,286.83		
Additions during the year	—	—	1,312.46	2.48	84.13	29.10	—	1,428.17	2,287.53		
Disposals during the year	—	—	(126.17)	(24.96)	(1.37)	(0.32)	—	(152.82)	(252.22)		
As at December 31, 2003	32.45	223.55	7,936.34	1,331.53	848.80	99.56	125.26	10,597.49	9,322.14		
Accumulated depreciation											
As at January 1, 2003	—	49.14	2,592.22	1,007.07	500.53	45.31	47.05	4,241.32	3,678.03		
Charge for the year	—	7.64	683.47	104.77	83.35	10.06	24.06	913.35	729.31		
Disposals during the year	—	—	(69.51)	(24.89)	(0.56)	(0.27)	—	(95.23)	(166.02)		
As at December 31, 2003	—	56.78	3,206.18	1,086.95	583.32	55.10	71.11	5,059.44	4,241.32		
Net block											
As at December 31, 2003	32.45	166.77	4,730.16	244.58	265.48	44.46	54.15	5,538.05	5,080.82		
As at December 31, 2002	32.45	174.41	4,157.83	346.94	265.51	25.47	78.21	5,080.82			
Notes : Buildings include Rs. 0.09 (2002: Rs. 0.09) being the cost of shares in co-operative housing societies. Gross block of plant and machinery has been adjusted by Rs.19.98 (2002 - Rs.8.17) for foreign exchange gain.											
										2003	2002
8. INVENTORIES											
Construction materials										4,729.57	2,465.96
Tools and equipment										926.10	935.07
Machinery spares										862.75	635.57
										6,518.42	4,036.60
9. SUNDRY DEBTORS											
(unsecured)											
Debts outstanding for a period exceeding six months											
Considered good										5,367.88	9,339.45
Considered doubtful										334.40	100.41
										5,702.28	9,439.86
Less: Provision for doubtful debts										(334.40)	(100.41)
										5,367.88	9,339.45
Other debts, considered good										11,794.53	6,722.54
										17,162.41	16,061.99

Notes to the Financial Statements (continued)
for the year ended 31 December 2003
(Currency: Indian Rupee in lakhs)

	2003	2002
9. SUNDRY DEBTORS (Contd)		
Sundry debtors include:		
— Retention monies of Rs.4,088.17 (2002 - Rs.4,105.91), which are due on completion of the contract.		
— Tax deducted at source of Rs.865.13 (2002 - Rs.545.48), for which the certificates are yet to be received from the customers		
— Unbilled revenue of Rs.6,391 (2002 - Rs.6,692)		
— Debts outstanding for a period exceeding six months, considered good include receivable from Skanska Cementation International Ltd., UK. Rs.2,232.75 (2002 - Rs.2,426.75), a company under the same management. Maximum amount due during the year Rs.2,426.75 (2002 - Rs.4,154.75)		
10. CASH AND BANK BALANCES		
Cash in hand	57.15	40.22
Balance with scheduled banks		
on current accounts	299.56	324.37
on deposit account as collateral for bank guarantees	—	1.12
	356.71	365.71
11. LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	3,065.46	2,481.19
Deposits	305.35	297.80
Taxes paid (net of provision for taxation - Rs.524.26)	326.17	—
Interest accrued but not due	—	0.04
	3,696.98	2,779.03
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	105.73	9.05
	3,802.71	2,788.08
Less: Provision for doubtful loans and advances	105.73	9.05
	3,696.98	2,779.03
Advances recoverable in cash or in kind or for value to be received include an amount of Rs. Nil (2002 - Rs.0.28) due from a director. The Maximum amount due from such director during the year was Rs.0.28 (2002 - Rs.0.68)		
12. CURRENT LIABILITIES		
Acceptances	3,123.04	1,577.17
Sundry creditors	5,857.89	3,462.77
Advances from customers	7,816.60	12,031.46
Maintenance provision	1,654.12	145.27
Unclaimed dividends	8.07	7.98
Payable to directors	2.83	36.18
Other liabilities	7,036.66	5,322.54
	25,499.21	22,583.37
Dues to Small Scale Industrial Undertakings Rs. Nil (2002 - Rs.Nil) as identified by management.		

Skanska Cementation India Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	2003	2002
13. PROVISIONS		
Provision for taxation (net of taxes paid - 2002 - Rs.457.30)	—	308.00
Proposed dividend	69.10	138.20
Dividend distribution tax on proposed dividend	8.85	17.71
Gratuity	111.43	80.02
Leave encashment	82.79	67.61
Provision for provident fund	32.11	26.98
	304.28	638.52
14. OTHER INCOME		
Prior years provision written back	143.92	161.00
Refurbishing charges	141.25	—
Profit on sale of assets (net)	73.07	103.73
Sundry balances written back	44.19	—
Bad debts recovered	36.35	25.21
Foreign exchange gain (net)	2.04	—
Interest		
— on bank deposits (including tax deducted at source of Rs.Nil (2002 - Rs.3.70)	—	14.24
— other interest (including tax and on employee advances)	2.04	172.70
Miscellaneous income	51.70	78.15
	494.56	555.03
15. SITE AND ADMINISTRATIVE COSTS		
Personnel costs		
Salaries, wages and bonus	2,730.71	2,629.41
Contribution to provident, gratuity and other funds	255.05	244.07
Staff welfare expenses	71.78	71.45
Commission to Directors	2.83	36.18
	3,060.37	2,981.11
Construction materials	21,900.61	10,544.17
Sub-contract costs	15,267.44	8,899.65
Plant hire expenses	4,312.98	1,555.68
Power and fuel	3,293.64	1,507.38
Travel	942.46	747.26
Tools and equipment	691.43	407.95
Sales tax on works contracts	689.21	358.58
Repairs to machinery	684.49	447.70
Site transport and conveyance	589.86	482.33
Bank charges and guarantee commission	429.71	316.17
Temporary site installations	380.62	612.17
Insurance	340.58	394.85
Professional fees	299.22	197.78
Rent (net)	280.18	223.23
Spares	271.49	261.43
Postage, telephone and telegram	202.93	193.44
Security charges	197.10	133.76
Provision for doubtful advances	105.73	9.05
Printing and stationery	97.49	77.13
Royalty	90.00	63.00
Water charges	82.10	65.98
Lease rentals	24.00	67.53
Auditors' remuneration	25.45	17.03
Rates and taxes	3.18	4.33
Directors' sitting fees	1.55	0.80
Miscellaneous expenses	851.45	605.06
	55,115.27	31,174.55

Notes to the Financial Statements (continued)
for the year ended 31 December 2003
(Currency: Indian Rupee in lakhs)

	2003	2002
16. INTEREST		
Interest on bank borrowings		
— on overdraft	146.31	67.40
— on commercial papers	77.50	36.99
Interest on advances from customers and others	294.23	62.38
	<u>518.04</u>	<u>166.77</u>
17. BAD DEBTS PROVIDED FOR AND WRITTEN OFF		
Bad debts written off during the year	48.01	95.95
Add: Provision for bad debts, end of year	334.40	100.41
Less: Provision for bad debts, beginning of year	(100.41)	(31.36)
Net bad debts provided for and written off	<u>282.00</u>	<u>165.00</u>
18. TAXATION		
Provision for Income-tax	229.00	491.00
Provision for Wealth-tax	2.00	2.00
	<u>231.00</u>	<u>493.00</u>
19. COMMITMENTS		
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	7.48	40.28
Future commitments towards non-cancellable operating leases		
Lease payments not later than one year	60.29	76.02
Lease payments after one year and not later than five years	64.42	127.12
	<u>124.71</u>	<u>203.14</u>
	<u>132.19</u>	<u>243.42</u>
20. CONTINGENT LIABILITIES		
a) Guarantees given by banks in respect of performance bonds and other contracting commitments given in the normal course of business	36,884.07	29,597.30
b) Open letters of credit	1,586.46	1,625.81
c) The Company has a number of claims on customers for price escalation and / or variation in contract work. In certain cases which are currently under arbitration, the customers have raised counter-claims. The Company has received legal advice that none of the counter-claims are legally tenable. Accordingly no provision considered necessary in respect of these counter claims.	12,791.68	12,790.67
d) Sales tax matters pending in appeals	<u>78.85</u>	<u>78.85</u>

Skanska Cementation India Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	2003	2002
21. SUPPLEMENTARY PROFIT AND LOSS INFORMATION		
a) Managerial remuneration for Directors included in the profit and loss account comprises:		
Remuneration to Directors:		
Salaries	44.33	37.98
Commission	2.83	36.18
Perquisites (at monetary value)	44.33	42.13
Others	0.14	0.14
Contribution to provident fund, superannuation fund	11.97	10.25
	103.60	126.68
Note: The above figures do not include gratuity and leave encashment, as separate figures for the directors are not available		
Computation of net profits in accordance with Section 349 of the Companies Act, 1956		
Profit before taxation per Profit and loss account	602.56	1,292.13
Add: Directors' remuneration (including Managing Director)	103.60	126.68
Directors' fees	1.55	0.80
Provision for doubtful debts	233.98	94.26
Provision for doubtful loans and advances	105.73	—
Depreciation provided in the books	913.35	729.31
	1,960.77	2,243.18
Less: Depreciation under Section 349 of the Companies Act, 1956	913.35	729.31
Profit on sale of fixed assets in excess of original cost	12.37	15.21
	925.72	744.52
Net Profit under Section 349 of the Companies Act, 1956	1,035.05	1,498.66
Managerial Remuneration at 10% thereof	103.50	149.87
Restricted by the Board of Directors of the Company to	100.77	124.68
Commission to Non-executive directors at 1% thereof	10.35	14.98
Restricted by the Board of Directors of the Company to	2.83	2.00
b) Expenditure in foreign currency:(on cash basis)		
Foreign travel	16.46	16.92
Royalty (TDS deducted on payment)	63.56	124.45
Professional and consultancy fees (TDS deducted on payment)	196.58	147.25
	276.60	288.62

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	2003	2002
c) Auditors' remuneration comprises of		
Audit fees	12.50	11.50
Tax audit fees	4.00	4.00
Other matters	7.00	—
Service tax	1.20	0.78
Reimbursement of expenses	0.75	0.75
	<u>25.45</u>	<u>17.03</u>
d) Amount remitted in foreign currency for dividend:		
Number of non-resident shareholders	1	1
Number of shares held	3,702,171	3,702,171
(Equity shares of Rs.10 each)		
Dividend remitted (Rs. Lakhs)	111.07	94.40
Year to which dividend relates	2002	2001
e) Value of imports on CIF basis:		
Construction material	413.73	25.58
Tools and spare parts	58.33	1.97
Capital goods	487.33	1,533.15
	<u>959.39</u>	<u>1,560.70</u>
f) Consumption of spare parts and construction material:		
	% Value	% Value
Spare parts		
Imported	1.90 5.15	0.26 0.68
Indigenous	98.10 266.34	99.74 260.75
	<u>100.00 271.49</u>	<u>100.00 261.43</u>
Construction material		
Imported	2.74 600.26	0.25 25.58
Indigenous	97.26 21,300.35	99.75 10,518.59
	<u>100.00 21,900.61</u>	<u>100.00 10,544.17</u>
22. SEGMENT REPORTING		
The Company is engaged in the business of construction. Accordingly, these financial statements are reflective of the information required by Accounting Standard - 17 for the Construction Segment.		
23. RELATED PARTY DISCLOSURE		
(a) Names of parent companies where control exists but with whom no transactions have taken place during the year		
— The Cementation Company Limited U.K.		
— Skanska Construction Group Limited U.K.		
— Skanska Construction Holding Limited U.K.		
— Skanska Europe AB Sweden		
(b) Names of fellow subsidiaries with whom transaction have taken place during the year:		
— Cementation Foundation Skanska Limited U.K.		
— Skanska Construction U.K. Limited		
— Skanska Cementation International Limited U.K.		
— Gammon Skanska Limited		

Skanska Cementation India Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2003

(Currency: Indian Rupee in lakhs)

	2003	2002
23. RELATED PARTY DISCLOSURE (Continued)		
Nature of Transactions with fellow subsidiaries:		
Purchases:		
Capital goods	55.25	—
Safety material	—	0.58
Services :		
Royalty	90.00	63.00
Outstandings :		
Payable for Royalty	90.00	63.00
Receivables for contract execution	2,232.75	2,426.75
Names of the Directors of the Company with whom transactions have taken place during the year		
<i>Whole-time directors</i>		
1) Mr. S.S. Singh – Managing Director		
2) Mr. A.K.Chatterjee – Director - General Manager		
3) Mr. S. Mukundan – Commercial Director		
4) Mr. K.M. Thatte – Finance Director and Secretary		
<i>Non-executive directors</i>		
1) Mr.D.E.Udwadia		
2) Mr.N.M.Munjee		
Remuneration to Managing Director and other Directors as salaries, commission and other emoluments Rs.103.60 (2002: Rs.126.68). The figures exclude gratuity and leave encashment provision which are actually determined on over all basis.		
Amount due from a director Rs.Nil (2002: Rs.0.28) is disclosed under note 11 to the Balance sheet		
Related parties defined under clause 3 of AS - 18 "Related Party Disclosure" have been identified on the basis of representation made by managerial personnel and information available with the Company.		
24. EARNINGS PER SHARE		
a) Net profit after taxation for the year (A)	389.56	819.13
b) Calculation of weighted average number of equity shares of Rs.10 each		
Number of equity shares at the beginning of the year	4,606,521	4,606,521
Equity shares issued during the year on 6 March 2003	40	—
Number of equity shares outstanding at the end of the year	4,606,561	4,606,521
Weighted average number of equity shares outstanding during the year (based on date of issue of shares) (B)	4,606,554	4,606,521
c) Basic and diluted earnings per share (in rupees) (A / B)	8.46	17.78
25. Prior year figures have been reclassified wherever necessary to conform to the current year's presentation.		

Notes to the Financial Statements (continued)
for the year ended 31 December 2003
(Currency: Indian Rupee in lakhs)

26. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(a) Registration Details

Registration No.	20435	State Code	11
Balance sheet date	31 12 2003		
	date month year		

(b) Capital raised during the year

public issue	Nil	Right issue	0.01
Bonus issue	Nil	Private placement	Nil

(c) Position of mobilisation and deployment of funds

Sources of funds	Total liabilities and shareholders funds	12,743.15	Total assets	12,743.15
	Paid-up capital	460.66	Reserves and surplus	8,306.44
	Secured loans	1,587.05	Unsecured loans	2,000.00
	Deferred tax liability	389.00		
Application of funds	Net fixed assets	5,544.49	Investments	Nil
	Net current assets	7,198.66	Miscellaneous expenditure	Nil
	Accumulated losses	Nil		

(d) Performance of the Company

Turnover/(including other income)	57,431.22	Total expenditure	56,828.66
Profit before tax	602.56	Profit after tax	389.56
Basic & diluted earnings per share in Rs.	8.46	Dividend rate %	15%

(e) Generic names of three principal products/Services of the Company

Item code No. (ITC code)	Nil
Product Description	Civil, Mining, Marine and Specialist engineering construction
Item code No.(ITC code)	Nil
Product Description	Foundation engineering and construction
Item code No.(ITC code)	Nil
Product Description	Roads and Bridges construction

For and on behalf of the Board of Directors
Sunil Shah Singh Managing Director
A.K.Chatterjee Director - General Manager
K.M.Thatte Finance Director & Secretary
S.Mukundan Commercial Director
Mumbai
27 February 2004.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IAS/IFRS

The non-reformatted financial statements included in this document have been prepared in accordance with the accounting principles generally accepted in India and the requirements of India's Companies Act (collectively "Indian GAAP "), which differ in certain material respects from International Accounting Standards ('IAS')/ International Financial Reporting Standards ('IFRS').

The following is a summary of the significant differences between "Indian GAAP" and "IAS/IFRS" in so far as they are relevant to the financial statements of Skanska Cementation India Limited ('Skanska').

SUBJECT	INDIAN GAAP	IAS/IFRS
Contents of Financial Statements	Balance sheets, profit and loss account, accounting policies and notes for two years. Only companies listed on Indian stock exchanges and non-listed enterprises whose turnover exceeds Rs 500 million are required to furnish cash flow statements.	Balance sheets, income, recognised gains and losses and cash flow statements, changes in equity, accounting policies and notes for two years.
True and fair view override	No override of standards permitted.	In rare cases, override standards to give "true and fair view".
Changes in accounting policies	Include effect in the profit and loss account of the period in which the change is made. Disclosure: • impact of and adjustments resulting from the change, if material is to be shown in the financial statements of the period in which the change is made; • if the effect of the change cannot be estimated, that fact is to be disclosed; and • a change that has no material effect in the current period but is reasonably expected to have material effect in future periods is to be appropriately disclosed in the period in which change is adopted.	Either restate comparatives and prior year opening retained earnings or include effects (net of taxes) in current year income statement and provide pro-forma comparatives in the notes. Disclosure: Disclosure is required of the reasons for and the effect of the change.
Balance sheet format	Company law has specified some formats.	Does not prescribe a particular format, however certain items must be presented on the face of the balance sheet.
Income statement format	Does not prescribe a particular format for the profit and loss account, however prescribes certain disclosure norms for income and expenditure.	Does not prescribe a particular format, however expenditure must be presented in one of two formats; (function or nature). Certain items must be presented on the face of the income statement.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
Translation differences	Foreign exchange transactions are recorded using the average of the opening and closing spot rates on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year, except exchange differences related to acquisition of fixed assets, which are adjusted in the carrying amount of the related fixed assets. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except those related to acquisition of fixed assets, which are adjusted in the carrying amount of the related fixed assets. As per the revised Accounting Standard ('AS') 11 - Accounting for the Effects of Changes in Foreign Exchange Rates , with effect from 1 April 2004, exchange differences related to acquisition of only imported fixed assets can be adjusted in the carrying amount of the related fixed assets.	Same as Indian GAAP, except that no different treatment is prescribed for exchange differences arising in respect of liabilities for acquisition of fixed assets. Exchange differences are not included in the carrying amount of an asset when the enterprise is able to settle or hedge the foreign currency liability arising on the acquisition of the asset. However, an alternative treatment is allowed in case of exchange differences which may result from a severe devaluation or depreciation of a currency against which there is no practical means of hedging and that affects liabilities which cannot be settled and which arise directly on the recent acquisition of an asset invoiced in a foreign currency. Such exchange differences can be adjusted in the carrying amount of the related asset, provided that the adjusted carrying amount does not exceed the lower of the replacement cost and the amount recoverable from the sale or use of the asset. This alternative treatment has been discontinued with effect from 1 January 2005.
Inventories	Inventory valuation method is similar to IAS/IFRS, except that there are additional disclosures under IAS/IFRS.	IAS/IFRS 2 requires certain additional disclosures: • carrying amount of inventories carried at NRV; • reversals of write-downs; and circumstances that led to write down; and • inventories pledged as security for liabilities.
Events after the balance sheet date	Adjustments in the financial statements for the events occurring after the balance sheet date and its corresponding disclosure are similar to the IAS, except that dividends proposed or declared after the balance sheet date but before approval of the financial statements are treated as an adjusting event and recognized as a liability.	Dividends proposed or declared after the balance sheet date but before approval of the financial statements and stated to be in respect of the period covered by the financial statements are non-adjusting events under IAS 10, disclosed but not accrued.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
Correction of fundamental errors	Under AS 5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies, all errors are reported by recognising the entire effect in current year profit and loss account and the effect of the error on the profit and loss account is also disclosed.	Under IAS 8, corrections of fundamental errors may be reported either by restating prior periods' information and adjusting the opening balance of retained earnings (benchmark) or by recognising the entire effect of the error in net profit or loss for the current period (allowed alternative). Non-fundamental errors must be recognised in net profit or loss for the current period.
Revenue recognition (construction contracts)	<i>In respect of contracts entered into prior to 1 April 2003</i> AS 7 – Accounting for construction contracts applies to fixed price and cost plus construction contracts of contractors, for the construction of a single asset or combination of assets. Requires the percentage of completion method to recognise revenue and expenses if the outcome can be measured reliably. The criteria necessary for a cost plus contract to satisfy reliable measurement is less restrictive than for a fixed price contract. The Standard provides limited guidance on the use of estimates. Use of zero profit method is not permitted. When the outcome of the contract can be estimated reliably, revenue and costs must be recognised by reference to the stage of completion of the contract activity at the balance sheet date. When current estimates of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done and the method of accounting followed. In some circumstances, the foreseeable losses may exceed the costs of work done to date. Provision is nevertheless made for the entire loss on the contract Use of completed contract method permitted. Under this method revenue on a contract is recognized only when the contract is complete or substantially complete rather than on estimates which may require subsequent adjustment as a result of unforeseen costs and possible losses	IAS / IFRS 11 applies to fixed price and cost plus construction contracts of contractors, for the construction of a single asset or combination of assets Requires the percentage of completion method to recognise revenue and expenses if the outcome can be measured reliably. The criteria necessary for a cost plus contract to satisfy reliable measurement is less restrictive than for a fixed price contract. In limited circumstances, IAS/IFRS 11 permits the use of the zero profit method, which recognises revenue only to the extent of contract costs incurred that are expected to be recovered. The Standard provides limited guidance on the use of estimates. When the outcome of the contract can be estimated reliably, revenue and costs must be recognised by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss must be recognised as an expense immediately. Use of completed contract method is not permitted. Claims are only included in contract revenue when (a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and (b) the amount that it is probable will be accepted by the customer can be measured reliably.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
	Amounts due in respect of claims made by the contractor and of variations in contract work approved by the customer are recognised as revenue in the financial statements only in circumstances when, and only to the extent that, the contractor has evidence of the final acceptability of the amount of the claim or variation. <i>In respect of contracts entered into on or after 1 April 2003(revised standard)</i> Use of completed contract method is not permitted. A variation is included in contract revenue when: • it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and • the amount of revenue can be reliably measured. Claims are only included in contract revenue when: • negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and • the amount that it is probable will be accepted by the customer can be measured reliably.	
Depreciation accounting	Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset, however, rates are prescribed in the Companies Act, 1956 for the minimum depreciation provision. Where applicable, higher depreciation based on useful life of the asset should be provided. Asset lives are not prescribed by the Companies Act, 1956 but can be derived from the depreciation rates. If the rates applied are different from the rates specified in the governing statute then the rates and useful life to also be disclosed. Under AS 6 – Depreciation Accounting, the cumulative prior period effect of a change in depreciation method is recognised in the net profit or loss in the period of change.	Allocated on a Systematic basis to each accounting period during the useful life of the asset. However, IAS 8 treats changes in depreciation method resulting from a revised useful life or pattern of benefits as a "change in estimate", recognised prospectively.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
Investments in securities/ Derivative financial instruments	Investments are classified as long-term or current. Long-term investments are carried at cost with provision for permanent diminution in value. Current investments are carried at lower of cost or fair value determined on individual basis or by category of investment but not on global basis. Derivatives are off-balance sheet items with limited disclosures.	As per the IAS 39, long-term debt investments, which are Held to Maturity may be carried at cost only if the investor has a positive intent and ability to hold them to maturity, with strict tests and penalties in this regard. These intent and ability tests do not apply to originated loans and receivables. Such assets are measured at amortised cost less reductions for impairment or uncollectability. Financial assets and liabilities held for trading and available for sale financial assets must be carried at fair value, whether above or below cost, in the balance sheet. The changes in fair value are reported in the income statement for each period. Each enterprise must make a one-time entity-wide accounting policy choice of whether the; changes in fair value are reported in net profit or losses or in equity. If they are reported in equity, the gains and losses are "recycled" through net profit or loss when the investment is disposed off. Comprehensive disclosures for all financial instruments, on and off-balance sheet, including terms and conditions, fair values, exposure to interest rate risk and credit risk.
Employee benefits /retirement benefits	The scope of AS 15 - Accounting for Retirement Benefits in the Financial statements of Employers, is limited to retirement benefits (including pensions and health and welfare schemes). For measuring retirement benefit obligations and expense, AS 15 requires only an actuarially accepted method. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used. No specification on discount rate to be used. Past service costs are recognized immediately in the profit and loss account. In respect of cumulative unrecognised actuarial gains or losses, no corresponding amortisation required. Vacation accrual or leave encashment, is viewed as a retirement benefit and is generally reported at the actuarially determined present value of future benefits.	IAS 19 covers retirement benefits and also short-term employee benefits (such as, compensated absences, profit sharing and bonus plans); long-term employee benefits (such as, long-service benefits, disability benefits, and deferred compensation); termination benefits; and equity compensation benefits (for disclosure only). For measuring retirement benefit obligations and expense, IAS 19 requires use of a uniform actuarial method by all companies using the Projected Unit Credit Method. The discount rate used is to be determined by reference to market yields on the balance sheet date on high quality corporate bonds. Past service costs on new plans or awarded benefits are spread on a straight line basis over the average period until awarded benefits become vested or immediately if the plans are already vested. If cumulative unrecognised actuarial gains or losses exceed 10% of the greater of plan assets or the plan obligation, that excess must be amortised through net profit or loss.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
Borrowing cost and interest capitalised	Borrowing costs directly attributable to the acquisition, construction or production, of a qualifying asset are capitalised as a cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. The capitalisation period ends when the asset is ready for use. The capitalised interest is expensed over the estimated useful life of the asset as part of the depreciation charge.	The benchmark treatment is to expense all borrowing costs in the period in which they are incurred. Allowed alternative treatment is that borrowing cost in relation to the acquisition construction and production of a qualifying asset should be treated as part of the cost of the relevant asset. Where the allowed alternative is adopted that treatment should be applied consistently to all borrowing costs incurred for the acquisition, construction and production of qualifying asset. Similar treatment as in Indian GAAP for charging off the capitalised interest costs Borrowing costs include foreign exchange differences that are regarded as an adjustment to interest costs.
Issuance and redemption costs for borrowings	Debt issuance costs and Redemption premiums payable on the redemption of debt may be amortised, charged as an expense or charged to the Securities Premium Account.	Debt issuance costs and Redemption premiums payable on the redemption of debt are treated as a deferred charge and amortised using the effective interest rate method over the life of the debt.
Deferred taxation	Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets should be recognised and carried forward only to the extent that there is a "reasonable certainty" that sufficient future taxable income will be available against which such deferred tax assets can be realised. Under the transitional adjustment, the impact on profit and loss of the opening deferred tax asset or liability arising on first implementation of the accounting standard is to be set off against the opening balance lying to the credit of general reserve.	Deferred tax assets, however should be recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is "probable" that taxable profit will be available against which temporary timing differences case be utilised. IAS 12 requires that taxes should be charged or credited directly to equity if they relate to items that are credited or charged directly to equity.
Interim financial reporting	AS 25 - Interim Financial Reporting, requires that in case a regulator requires an enterprise to prepare and present certain information at an interim date which may be different in form and/or content as required by AS 25, the recognition and measurement principles as laid down in AS 25 apply.	IAS 34 does not mandate • which enterprise should publish interim financial reports; • how frequently; or • how soon after the end of an interim period. Such matters are left to local regulators.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
	The listing agreements of stock exchanges mandate presentation requirements for quarterly publication of financial information.	
Deferred Revenue Expenditure/ Intangible assets	Deferred revenue expenditure includes revenue expenses that benefit more than one period. Such expenses are deferred and amortised over the expected period of benefit. AS 26 - Intangible Assets, becomes effective in respect of expenditure incurred on intangible items during accounting periods commencing on or after 1 April 2003 in respect of listed public companies. The definition of an intangible asset and recognition criteria set out in this statement for intangible assets are similar to that given in IAS 38. The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. Amortisation should commence when the asset is available for use. Amortisation should be based on the consumption pattern of the asset or on straight line basis if a pattern is not determinable. The amortisation period should be reviewed at each year-end and changed if significantly different from previous estimates. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Intangible items, and internally generated intangible assets in the research phase are to be expensed when incurred. Intangible assets arising from development should be recognised if the enterprise can clearly demonstrate technical feasibility, intention to complete, ability to use or sell the asset and to measure expenditure incurred and future economic benefits. Internally generated goodwill is not recognised as an asset.	IAS 38 does not have a concept of deferred revenue expenditure, unless the expenditure qualifies as an Intangible Asset. If an intangible item does not meet both the definition and the criteria for the recognition of an intangible asset, IAS 38 requires the expenditure on this item to be recognised as an expense when it is incurred. IAS 38 generally does not allow recognition of expenditure on internally generated assets as intangible assets, except in case of development costs, where there are several additional and strict criteria's to be complied with, before it qualifies for deferral. IAS 38 includes a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use.

Summary of significant differences between INDIAN GAAP and IAS/IFRS

SUBJECT	INDIAN GAAP	IAS/IFRS
Impairment of assets	AS 28 - Impairment of Assets, becomes effective for periods commencing 1 April 2004 and is mandatory for certain enterprises including listed public companies. The standard requires an enterprise to assess on each balance sheet date; whether there is any indication that an asset is impaired. If such an indication exists, then company is required to estimate the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying amount, that carrying amount of the asset should be reduced to its recoverable amount. This reduction is an impairment loss. The AS provides a list of external and internal indicators of impairment. If there are such indicators, then the recoverable amount needs to be computed. For assets to be disposed off the recoverable amount is the net selling, price. If the net selling price cannot be determined, then the recoverable amount is value in use. Measuring value in use involves; • estimating future cash inflows and outflows relating to continuing use of that asset at net proceeds from its ultimate disposal. • discounting those cash flows using an appropriate discount rate. Impairment losses are recognized in the income statement unless it relates to a revalued asset where the value changes are adjusted to the revaluation reserves, if any. Recoverable amount should be determined for individual assets. If it is not possible to determine recoverable amounts for individual assets, then recoverable amount for the asset's cash generating unit needs to be determined. If goodwill relates to a cash generating unit, the entity must consider impairment of goodwill in the financial statements relating to that cash generating unit. Reversal of impairment loss is allowed where there is an indication that the impairment loss has decreased. However, the reversal should not be more than what the depreciated historical cost would have been had the impairment not been considered.	The standard seeks to ensure that assets are carried at no more than their recoverable amount and to define how the recoverable amount is calculated. At each balance sheet date, an enterprise is required to review all assets for indications that an asset may be impaired. The IAS provides a list of external and internal indicators of impairment. If there are such indicators, then the recoverable amount needs to be computed. For assets to be disposed off the recoverable amount is the net selling price. If the net selling price cannot be determined, then the recoverable amount is value in use. Measuring value in use involves; • estimating future cash inflows and outflows relating to continuing use of that asset at net proceeds from its ultimate disposal. • discounting those cash flows using an appropriate discount rate. Impairment losses are recognized in the income statement unless it relates to a revalued asset where the value changes are recognized directly in equity. Recoverable amount should be determined for individual assets. If it is not possible to determine recoverable amounts for individual assets, then recoverable amount for the asset's cash generating unit needs to be determined. If goodwill relates to a cash generating unit, the entity must consider impairment of goodwill in the financial statements relating to that cash generating unit. Reversal of impairment loss is allowed where there is an indication that the impairment loss has decreased. However, the reversal should not be more than what the depreciated historical cost would have been had the impairment not been considered.