ANNUAL REPORT 2007-08

DYNAMATIC TECHNOLOGIES LIMITED

Dexterous Businessman

Man with Vision.

A Man Of Great Potential

(DENZIL)

ANNADATA

RAMANNA

Pragmatic

Had tremendous memory and foresight

Charismatic

Unassuming

Dedicated leader

Eternal Entrepreneur

BENEVOLENT

Distinguished

(RAY CHAU)

Quick Witted

True Businessman

Aggressive

Great Personality

ELOQUENT

Sharp mind and Soft Heart.

Versatile

Steadfast

(P.S.RAMESH)

Bold, Caring, Magnanimous

Nationalist

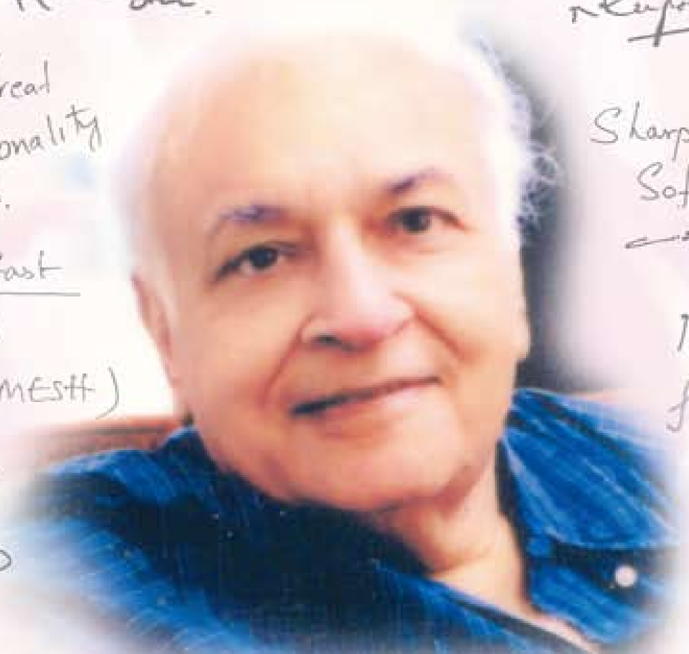
Excellent Leader

(K.D. RAI)

A great Financial wizard!

'Futuristic'

KR SRINIVASAN



Have no fear.
Everything possible is achievable.
Sometimes, even the impossible
is achievable.

Jayant K Malhoutra (1936 - 2008)
Founder, JKM Group

brave and down-to-earth person

Agnes

A man who never gave up

'Strong... Incisive'

Rekha Nair

Sublime in mind & majestic in life.

'INSPIRATIONAL'

You gentle giant with your mighty heart

Your friend and lifelong companion,

Barot

MY BEST FRIEND
A GREAT MENTOR
& A DOTING FATHER
...HE TAUGHT ME TO BE FEARLESS

'I salute the Great JKM'

SURESH NAIDU

A True Visionary

He touched all our lives in a powerful way

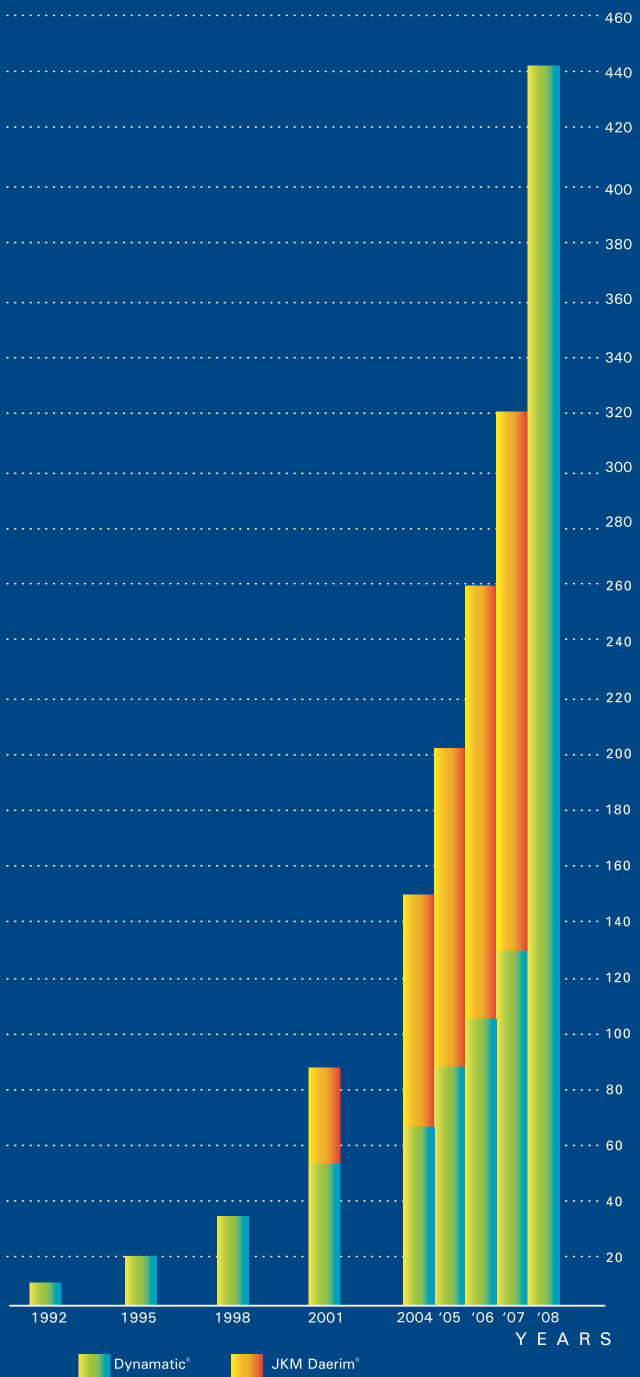
P. Malhoutra

"Your work is to discover your world and then with all your heart give yourself to it. "

- The Buddha

Dear Fellow Shareholder,

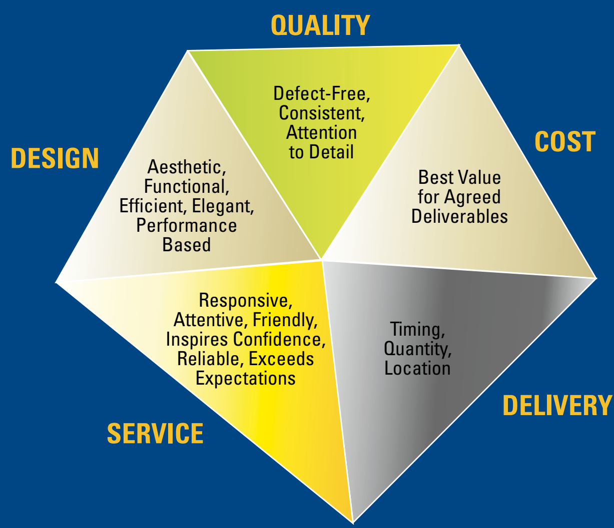
On behalf of the Board of Directors of Dynamatic Technologies Limited and its Subsidiaries, I take pleasure in presenting you with the audited financial statements for the year 2007-2008.



In earlier years, JKM Daerim® has been identified separately on the bar chart above. During 2007-08, the merged entity is shown as a single bar.
The Aggregated Sales for 2007-08 also includes the turnover of Rs. 81.77 crores, recorded by your Company's wholly owned Subsidiary, Dynamatic Limited, UK, over a period of 10 months.
**Rs. 10 million = Rs. 1 crore.*

During the year under review, your Company along with its Subsidiaries has recorded a growth rate of 38.41% in aggregated sales. Gross Sales of Rs. 4,417.23 Million* (aggregated with Subsidiaries) was the highest ever recorded.

The graph on the left shows your Company's growth over the past 15 years. This growth has been the result of an undiluted focus on developing skillsets required in an increasingly volatile economic environment.



DYNAMATIC® HYDRAULICS

With severe food price inflation across the world, the tractor industry has witnessed buoyant conditions which have been very positive for your Company's Hydraulic division. In addition, the rapid growth of India's infrastructure sector has provided exciting new opportunities for sale of Hydraulic products.

During the year under review, your Company acquired the manufacturing facilities of Sauer Danfoss Limited, UK, at Swindon through its

subsidiary Dynamatic Limited, UK. This acquisition has provided your Company with three major advantages:

i. A global delivery chain.
ii. A vastly broadened product offering.
iii. A world-class design laboratory and technical skills.

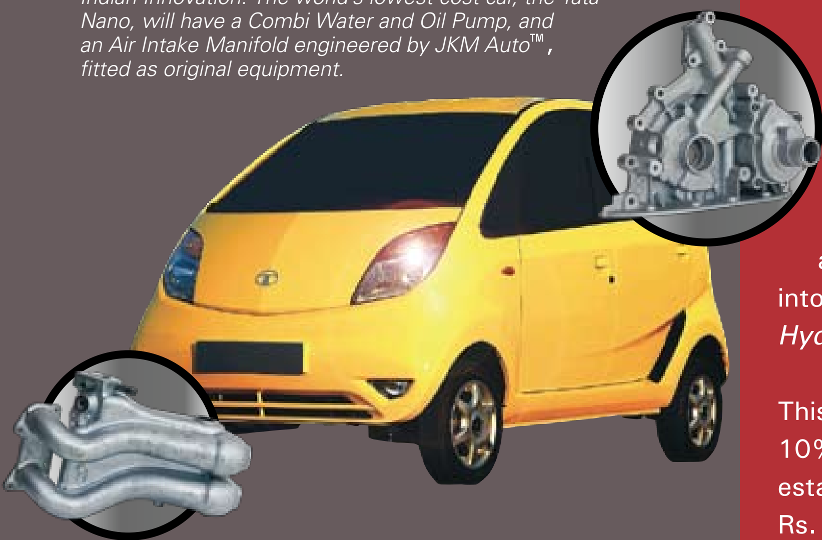
Dynamatic® Hydraulics is one of the world's largest Hydraulic Gear Pump makers, and will now focus on being number one.

JKM AUTOMOTIVE™

Your Company's 73% owned Subsidiary, JKM Daerim Automotive Limited, was merged into Dynamatic Technologies Limited during the year. *JKM Automotive™* is now the largest division of Dynamatic Technologies, having benefited from the growth of India's automotive industry during the past decade.

India is fast developing into the world's small-car manufacturing hub, and, as your Company globalises its Automotive division, it enjoys unique advantages with people across the world shifting to smaller cars in an era of high oil prices.

Indian Innovation: The world's lowest-cost car, the Tata Nano, will have a Combi Water and Oil Pump, and an Air Intake Manifold engineered by JKM Auto™, fitted as original equipment.



JKM Automotive™ has also made a successful foray into the manufacture of precision-engineered turbo-charger components for the world's leading

JKM Automotive's new plant was inaugurated at Irrungattukottai on September 17, 2007.

manufacturer, Honeywell Turbo Technologies. This business has great potential given rising global standards for emission control.

Additionally, *JKM Automotive™* has developed a number of products for Cummins heavy engines, which is a completely new product segment with different cyclical trends from the passenger car industry.

The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.

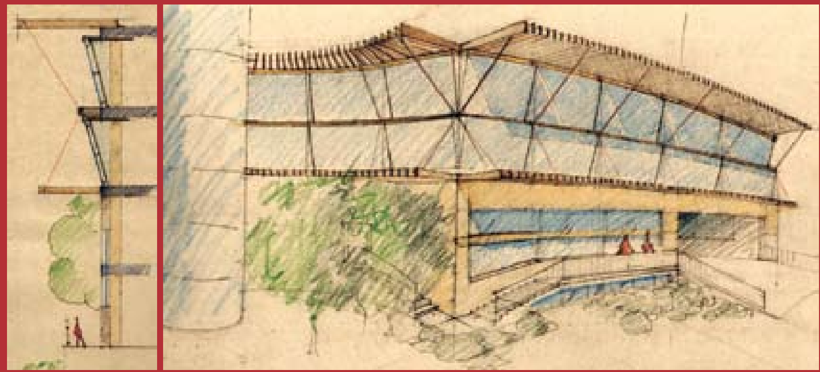
\- Winston Churchill

DYNAMETAL®

Dynametal® exists as a strategic foundation for your Company's Hydraulic and Automotive businesses. At the Foundry located in Chennai, commercial grades of aluminium are melted, alloyed and then moulded into complex castings required by *Dynamatic® Hydraulics* and *JKM Automotive™*.

This division which accounts for approximately 10% of Dynamatic Technologies' annual sales was established in 1995 with a modest investment of Rs. 1.2 million. *(Shareholder note: The annualised sales of this division is responsible for the difference between the aggregated sales and consolidated sales of the Company, as it is accounted for as intra-company sales.)*

With robust growth in both Hydraulic and Automotive businesses, ***Dynametal®*** is projected to be a significant contributor in the future. Keeping this in mind, a sophisticated Material Sciences Laboratory has been established within the JKM Science Center to focus on technological innovation. Additionally, your Company's leadership team is planning to establish a second foundry in Thailand in the near future.



Artist's rendition of the new Aerospace facility to manufacture Airbus A-320 Flap-Track Beams

DYNAMATIC AEROSPACE®

Over the last few years, your Company has worked closely with Hindustan Aeronautics Ltd., India's National Aerospace company, and the Defence Research and Development Organisation, to develop and manufacture exacting aerospace products.

This activity was incubated using the resources of ***Dynamatic® Hydraulics***, and its income and expenditure is being reported under the 'Hydraulics & Precision Engineering' segment. Going forward, this business will be a large contributor to your Company's growth and profitability.

The Airbus 320 Flap-Track Beam that will be assembled by Dynamatic Aerospace®, Bangalore

Dynamatic Aerospace® is working closely with EADS and Spirit AeroSystems to assemble Flap-Track Beams at Bangalore for the Airbus A-320 family of aircrafts. This is the first time ever that a functional aero-structure of a major commercial jet is being manufactured in India.

A state-of-the-art facility is being built at Dynamatic Park Peenya, Bangalore, and will be completed during November 2008. First Article Inspection of the Flap-Track Beams is expected to be completed by Airbus during January 2009. In the meanwhile, ***Dynamatic Aerospace®*** has received NADCAP approval for its Non-Destructive-Test facilities, another first in India. ***Dynamatic Aerospace®*** has signed agreements and MoUs with Boeing, Northrop Grumman Corporation, Lockheed Martin and Cobham PLC to explore opportunities in the Indian Defence sector. This business is complex, and therefore very specialised. Given India's large Defence expenditure, there are very significant growth opportunities for your Company to address.

Your Company is engaged in advanced negotiations to acquire a reputable Aeronautics facility in Western Europe. This acquisition will give both scale and reach to ***Dynamatic Aerospace®***.

The Outstanding Vendor Award received during the year 2008.

POWERMETRIC® DESIGN

Design is the very soul of your Company. It has enabled us to continuously explore new business horizons through the introduction of new product offerings.

The ***Powermetric® Design*** Center pools together the diverse experiences of aeronautical, automotive, hydraulic engineers and scientists, working across the various ***Dynamatic®*** divisions, and is capable of delivering advanced thermal, dynamic and structural engineering services. It is a Government of India (Department of Scientific and Industrial Research) recognized in-house R & D Unit. Over the years, ***Dynamatic®*** products have delighted customers with their design features. During the year under review, ***Powermetric®*** established a Virtual Design Lab for National Super Suction (NSS), USA, the world leader in industrial-cleaning technologies with applications in office, domestic, airports, commercial places, shopping malls, factories and hospitals.

The Virtual Design Lab established for NSS, USA by Powermetric® Design

In this laboratory, products are remotely designed, developed and prototyped for the customer. NSS has expressed deep satisfaction at the quality of work and has expanded both the scope and scale of activity. ***Powermetric®*** considers the NSS experience to be a pilot experiment in creating a larger virtual design business with other customers in future.

CURRENT OUTLOOK

The world is ridden with risk. Terrorism, war and environmental challenges have been joined with economic volatility in 2008.

Unprecedented monetary expansion over the last few years has resulted in acute price inflation worldwide. The large rise in price of materials and energy has affected both corporate profitability and consumer demand. At the same time, asset bubbles which were created earlier, are now correcting and creating localised credit contraction.

The JKM Science Center harmonises ecological design with cutting-edge research

> In the Kanji characters used in both Chinese and Japanese, "crisis" is written with two symbols, the first meaning "danger," the second "opportunity."
>
> \- Al Gore

India continues to enjoy robust growth, but cannot remain immune to global economic influences.

This is an environment which calls for agility, resilience and discipline. At ***Dynamatic®***, we have always taken care to design our industrial infrastructure to be mutable in order to swiftly react to circumstances.

As described earlier, global challenges have always been seen as opportunities, and your Company has responded to take advantage of the same. The leadership team at ***Dynamatic®*** remains confident in its abilities to continue on its existing high growth curves.

On behalf of our Board of Directors and Senior Management, I thank you for your continued support.

Udayant Malhoutra
Chief Executive Officer and Managing Director

DYNAMATIC TECHNOLOGIES LIMITED

Chairman
Mr. Vijai Kapur
Management Consultant: During an illustrious career, he was heading GKW Limited as Dy. Managing Director, and was also past President – AIEI (now called CII)

Director
Dr. K. Aprameyan
Distinguished Technocrat: He is credited with the growth of Bharat Earth Movers Limited where he retired as Chairman and Managing Director. He was also a Member of the National Council, Confederation of Indian Industries (CII) and the Governing Council, Institute of Robotics and Intelligence Systems (IRIS)

Director
Air Chief Marshal S. Krishnaswamy (Retd.)
Former Head of the Indian Air Force & Chairman, Chiefs of Staff Committee: He is credited with bringing focus towards indigenous capabilities as an additional strategic dimension of National Security Policy.

Director
Ms. Shanti Ekambaram
Senior Banking Professional: She has been at the center of the growth of India's private sector Banking industry in the last 5 years. Prior to that, she has led many path-breaking deals in the investment banking industry. She is currently the Group Head-Wholesale Banking, Kotak Mahindra Bank Ltd. and was formerly the Executive Director and CEO, Kotak Mahindra Capital Company Ltd.

Director
Mr. Govind Mirchandani
Management Consultant: He has vast experience in developing and building leading brands in India. He has had a distinguished career which includes the positions of Executive Director & CEO, Reid & Taylor, Director, Brandhouse Retails Ltd., CEO & Director, Arvind Brands Ltd., President, Denim Division, Arvind Mills Ltd., and President & CEO, Personality Ltd.

Director
Ms. Malavika Jayaram
Lawyer: An expert on Intellectual Property and International Business Transactions, she is **a** partner of Jayaram & Jayaram, Advocates. She has spent almost a decade practising law in Europe with Allen & Overy, London and Citigroup, London where she was Vice President & Technology Law Counsel, before returning to India.

Director
Mr. Raymond Keith Lawton
Company Executive: Formerly the Executive Chairman, Sauer Danfoss (Swindon Unit), he is credited with the transformation of the Swindon unit into a state-of-the-art facility. He is the Executive Director & Chief Operating Officer, Dynamatic Limited, UK.

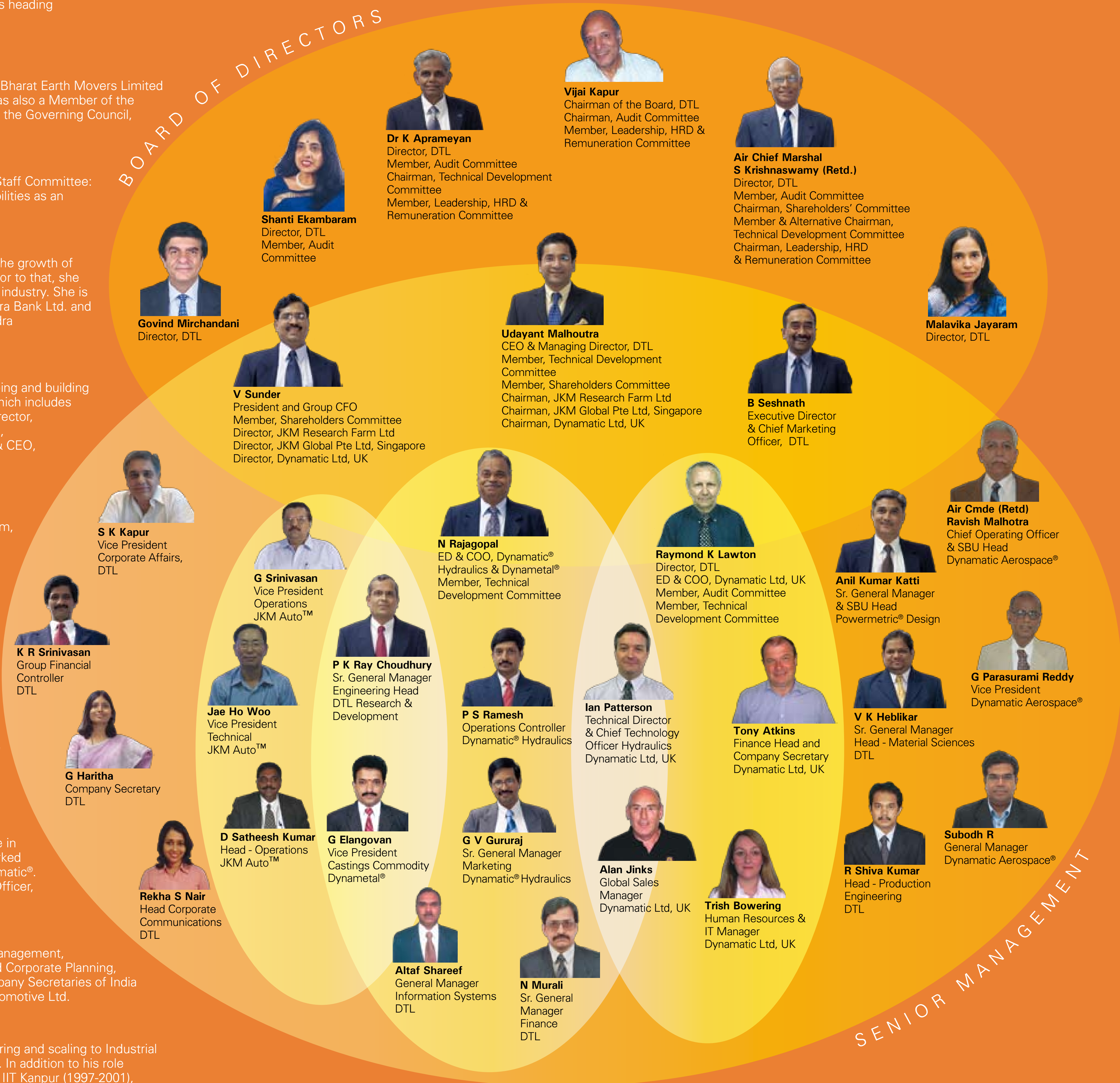
Executive Director & Chief Operating Officer
Mr. N. Rajagopal
Company Executive: He has over three decades' experience in production, design and engineering operations, having held positions of seniority in Dynamatic®. He was formerly Director Operations, Dynamatic Technologies.

Executive Director & Chief Marketing Officer
Mr. B. Seshnath
Company Executive: He has extensive marketing experience in Automotive, Pneumatic and Hydraulic industries, having worked with the TVS Group, Mahindra & Mahindra, Festo and Dynamatic®. He was formerly the Executive Director & Chief Operating Officer, JKM Daerim® Automotive Ltd.

President & Group Chief Financial Officer
Mr. V. Sunder
Company Executive: He has rich experience in Corporate Management, Law & Finance, having been the Company Secretary & Head Corporate Planning, Dynamatic®. He is a fellow member of the Institute of Company Secretaries of India and formerly CEO and Executive Director, JKM Daerim® Automotive Ltd.

Chief Executive Officer & Managing Director
Mr. Udayant Malhoutra
Industrialist: He is credited with successfully initiating, nurturing and scaling to Industrial size, various technologies associated with all three sciences. In addition to his role at Dynamatic®, he has been a Member, Board of Governors, IIT Kanpur (1997-2001), Chairman, CII National Technology Committee and Member, CII National Council (2001-2002). He is the President of the Fluid Power Society of India (2004-08).

C O R P O R A T E   S T R U C T U R E



Your Company's Organisational Structure is based on a network of highly talented people who have been empowered to deliver results. A concerted effort has been made to remove hierarchy in everything we do.

JKM Research Farm Limited

Chairman
Mr. Udayant Malhoutra
Director
Mrs. Pramilla Malhoutra
Director
Mr. V. Sunder
Auditors
M/s. Prasad and Kumar
Chartered Accountants, Bangalore

JKM Global Pte Limited (Singapore)

Chairman
Mr. Udayant Malhoutra
Director
Mr. V. Sunder
Director
Mr. Lim Tiong Beng
Auditors
RSM Chio Lim., Singapore,
Certified Public Accountants

Dynamatic Limited, UK

Chairman
Mr. Udayant Malhoutra
Director
Mr. Michael John Handley
Director
Mr. V. Sunder
Executive Director & Chief Operating Officer
Mr. Raymond Keith Lawton
Technical Director & Chief Technology Officer, Hydraulics
Mr. Ian Patterson
Auditors
PricewaterhouseCoopers LLP., Bristol

REGISTERED OFFICE

Dynamatic Park Peenya
Bangalore 560 058

KEY FACILITIES

Dynamatic Park Peenya
Bangalore 560 058. India

JKM Park SIPCOT Irrungattukottai
Sriperumbudur Tamil Nadu 602105 India

Cheney Manor, Swindon, Wiltshire
SN2 2PZ, England

AUDITORS

Price Waterhouse & Co.,
Chartered Accountants, Bangalore

COMPANY SECRETARY

Ms. G. Haritha

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Pvt. Ltd
Plot No. 17-24
Vittal Rao Nagar, Madhapur,
Hyderabad 500 081

BANKERS

Kotak Mahindra Bank Ltd.
Axis Bank Ltd.
Punjab National Bank
Standard Chartered Bank
Citibank
State Bank of India
ICICI Bank
HDFC Bank

FINANCIAL INSTITUTIONS

Infrastructure Leasing & Financial Services Ltd
GE Capital Services India

CONTENTS

PLEASE LIFT FOLDOUT FOR CORPORATE STRUCTURE

AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF DYNAMATIC TECHNOLOGIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of Dynamatic Technologies Limited (the Company) and its Subsidiaries (herein after referred to as the 'Group') as at March 31, 2008, the related Consolidated Profit and Loss Account for the year ended on that date, and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. 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 the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the Financial Statements of certain Subsidiaries, whose Financial Statements reflect total assets of Rs.987,420,473 as at March 31, 2008, total revenues of Rs.853,275,755 and net cash inflow amounting to Rs.200,707,090 for the year ended on that date. The Financial Statements and other information of these Subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these Subsidiaries, is based solely on the report of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, as notified in the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of the reports of other auditors on separate Financial Statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;

   ii) in the case of the Consolidated Profit and Loss Account, of the Consolidated results of operations of the Group for the year ended on that date; and

   iii) in the case of the Consolidated Cash Flow Statement, of the Consolidated cash flows of the Group for the year ended on that date.

S. Dutta
Partner
Membership No. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 27th JUNE, 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	2008 Rs.	2007 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**48,107,030**	41,935,600
Reserves and Surplus	2	**599,629,115**	404,886,798
Minority Interest [Schedule 21 Note 4(b)]		**700**	63,134,291
Loan Funds			
Secured Loans	3	**1,575,777,609**	765,937,585
Unsecured Loans	4	**67,589,136**	73,566,799
Deferred Tax Liabilities (Schedule 21 Note 10)		**154,067,633**	110,150,476
		2,445,171,223	1,459,611,549
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	**2,337,641,840**	1,500,856,167
Less: Depreciation		**722,416,343**	596,899,000
Net Block		**1,615,225,497**	903,957,167
Capital Work-In-Progress		**173,394,130**	252,657,842
Incidental Expenditure During Construction Period	6	**-**	34,101,682
		1,788,619,627	1,190,716,691
Investments	7	**1**	15,001
Current Assets, Loans and Advances			
Inventories	8	**471,885,145**	310,245,944
Sundry Debtors	9	**791,682,563**	529,341,305
Cash and Bank Balances	10	**253,870,753**	26,590,985
Other Current Assets	11	**41,281,951**	22,025,511
Loans and Advances	12	**110,918,845**	91,853,181
		1,669,639,257	980,056,926
Less: Current Liabilities and Provisions			
Liabilities	13	**956,942,378**	660,011,596
Provisions	14	**56,145,284**	51,207,948
		1,013,087,662	711,219,544
Net Current Assets		**656,551,595**	268,837,382
Miscellaneous Expenditure (To the extent not written off or adjusted)		**-**	42,475
		2,445,171,223	1,459,611,549
Notes on Accounts	21		

The schedules referred to above and the notes thereon form an integral part of the accounts.

This is the Consolidated Balance Sheet referred to in our report of even date.

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule		2008		2007
INCOME			**Rs.**		Rs.
Sales and Services	**15**		**4,053,888,046**		2,922,892,351
Less: Excise Duty included therein			**494,281,213**		520,002,788
Sales (Net)			**3,559,606,833**		2,402,889,563
Other Income	**16**		**103,526,521**		49,735,463
			3,663,133,354		2,452,625,026
EXPENDITURE					
Cost of Materials	**17**		**1,846,326,630**		1,477,807,683
Employee Cost	**18**		**603,775,367**		219,328,994
Other Operating Expenses	**19**		**643,358,575**		336,305,467
			3,093,460,572		2,033,442,144
Operating Profit Before Depreciation and Interest (EBITDA)			**569,672,782**		419,182,882
Depreciation		**131,953,353**		99,922,822	
(Less): Transfer from Revaluation Reserve		**(341,996)**	**131,611,357**	(341,996)	99,580,826
Interest	**20**		**107,821,334**		67,308,241
Profit Before Taxation and Extraordinary/ Exceptional Items			**330,240,091**		252,293,815
Extraordinary/ Exceptional items: (Schedule 21 Note 13)					
Merger Expenses [Schedule 21 Note 4(c)]		**2,602,227**		-	
Formation Expenses [Schedule 21 Note 17(c)]		**26,189,916**		-	
Others		-	**28,792,143**	19,318,174	19,318,174
Profit Before Taxation			**301,447,948**		232,975,641
Provision for Taxation (Schedule 21 Note 10)					
- Income Tax					
- Current			**72,133,896**		56,306,424
- Deferred			**43,917,157**		23,888,888
- Fringe Benefit Tax			**4,700,053**		3,259,000
- Wealth Tax			**211,458**		211,335
Profit After Taxation Before Minority Interest			**180,485,384**		149,309,994
Minority Interest in Profits			-		17,412,570
Profit After Taxation			**180,485,384**		131,897,424
Profit Brought Forward From Previous Year			**99,896,168**		76,810,587
Profit Available for Appropriation			**280,381,552**		208,708,011
Appropriations					
Dividend:					
- Interim			**10,483,900**		8,387,120
- Proposed Final			**24,053,515**		12,580,680
- Tax thereon			**5,188,525**		6,044,429
Transferred to General Reserve			**18,576,733**		81,799,614
Balance			**222,078,879**		99,896,168
Add: Transfer of Minority Share in Profit and Loss Account [Schedule 21 Note 4(b)]			**30,838,185**		-
Profit Carried to Balance Sheet			**252,917,064**		99,896,168
Earning Per Share - Basic and Diluted [Schedule 21 Note 9]					
- Before Extraordinary/ Exceptional Items			**49.78**		34.93
- After Extraordinary/ Exceptional Items			**42.94**		31.45
Notes on Accounts	**21**				

The schedules referred to above and the notes thereon form an integral part of the accounts.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

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Director

RAYMOND K LAWTON
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GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

		2008 Rs.	2007 Rs.
A.	**Cash Flow from Operating Activities:**		
	Profit Before Taxation and Before Extraordinary/Exceptional Items	**330,240,091**	252,293,815
	Adjustments for:		
	Depreciation	**131,611,357**	99,580,826
	Interest Expense	**107,821,334**	67,308,241
	Interest Income	**(10,442,653)**	(3,247,592)
	(Profit)/Loss on Fixed Assets Sold	**1,460,428**	1,943,061
	Miscellaneous Expenditure Written Off	**42,475**	28,313
	Debts/Advances Written Off	**1,612,203**	1,756,481
	Provision for Bad and Doubtful Debts/Advances	**5,034,391**	3,433,443
	Liability no Longer Required Written Back	**(630,940)**	(568,694)
	Provision for Gratuity and Leave Encashment	**1,250,822**	4,616,866
	Unrealised Foreign Exchange (Gain)/Loss	**(4,872,452)**	(3,488,102)
	Provision for Warranty	**5,915,037**	1,985,687
	Operating Profit Before Working Capital Changes	**569,042,093**	425,642,345
	Adjustments for Changes in Working Capital :		
	- (INCREASE)/DECREASE in Sundry Debtors	**(113,378,546)**	(109,013,917)
	- (INCREASE)/DECREASE in Other Receivables	**(28,984,786)**	(20,145,126)
	- (INCREASE)/DECREASE in Inventories	**(31,602,143)**	(34,978,360)
	- INCREASE/(DECREASE) in Trade and Other Payables	**84,094,836**	129,314,038
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**(3,168,123)**	3,488,102
	Cash Generated From Operations	**476,003,331**	394,307,082
	- Direct Tax Paid	**(70,545,503)**	(66,277,033)
	- Fringe Benefit Tax Paid	**(4,145,000)**	(3,295,513)
	Net Cash From Operating Activities Before Extraordinary/Exceptional Items	**401,312,828**	324,734,536
	Extraordinary/Exceptional Items	**(28,792,143)**	(19,318,174)
	Net Cash From Operating Activities After Extraordinary/Exceptional Items	**372,520,685**	305,416,362
B.	**Cash Flow From Investing Activities:**		
	Purchase of Fixed Assets	**(452,101,766)**	(447,828,421)
	Proceeds From Sale of Fixed Assets	**5,442,005**	4,676,316
	Proceeds From Sale of Investments	**15,000**	100,000
	Loans/ICDs (Net)	**216,222**	-
	Interest Received (Revenue)	**6,090,818**	2,102,960
	Business Purchase Dynamatic Ltd, U.K.	**(363,672,681)**	-
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**354,571**	-
	Net Cash Used in Investing Activities	**(803,655,831)**	(440,949,145)

	2008 Rs.	2007 Rs.
C. Cash Flow from Financing Activities:		
Proceeds from Long Term Borrowings	**485,906,519**	174,637,101
Repayment of Long Term Borrowings	**(149,392,564)**	-
Proceeds from Short Term Borrowings (NET)	-	(10,000,000)
Repayment of Inter Corporate Deposits (NET)	**(5,000,000)**	-
Repayment of Loan from Directors (NET)	**(800,000)**	-
Repayment of Public Deposits (NET)	**(177,000)**	1,929,000
Proceeds from Cash Credits (NET)	**472,081,498**	46,481,813
Interest Paid	**(106,293,468)**	(66,628,496)
Dividend Paid	**(36,851,700)**	(14,740,680)
Dividend Tax Paid	**(8,744,375)**	(2,886,440)
Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**7,686,004**	-
Net Cash Used in Financing Activities	**658,414,914**	128,792,298
Net Increase/(Decrease) in Cash and Cash Equivalents	**227,279,768**	(6,740,485)
Cash and Cash Equivalents as at 31.03.2007	**26,590,985**	33,331,470
Cash and Cash Equivalents as at 31.03.2008	**253,870,753**	26,590,985
	227,279,768	(6,740,485)

Notes :

1 The above Consolidated Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2008, and the relative Consolidated Profit and Loss Account for the year ended on that date.

2 The above Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956.

3 Current year figures are after giving effect to the operations of the new ultimate subsidiary (namely Dynamatic Ltd., U.K.) and accordingly the current year figures are not comparable with those of the previous year.

4 Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board of Directors

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

SCHEDULES TO CONSOLIDATED ACCOUNTS

			2008 Rs.		2007 Rs.
1.	**CAPITAL**				
	Authorised:				
	20,000,000 (2007 - 20,000,000) Equity Shares of Rs. 10 each		**200,000,000**		200,000,000
	500,000 (2007 - 500,000) Redeemable Cumulative Preference Shares of Rs. 100 each		**50,000,000**		50,000,000
			250,000,000		250,000,000
	Issued, Subscribed and Paid-Up:				
	4,810,703 (2007 - 4,193,560) Equity Shares of Rs.10 each fully Paid-Up		**48,107,030**		41,935,600
			48,107,030		41,935,600
2.	**RESERVES AND SURPLUS**				
	Securities Premium Account		**600,000**		600,000
	Capital Reserve [Note below]		**4,000,000**		4,000,000
	Capital Redemption Reserve		**24,000,000**		24,000,000
	Reserve on Amalgamation [Schedule 21 Note 4(b)]		**15,429,270**		-
	Revaluation Reserve:				
	As per Last Balance Sheet	**17,765,091**		18,107,087	
	(Less):				
	- Additional Depreciation Charge on Revalued Fixed Assets Transferred to				
	Profit and Loss Account [Schedule 21 Note 1(d)]	**(341,996)**	**17,423,095**	(341,996)	17,765,091
	General Reserve:				
	As per Last Balance Sheet	**258,624,470**		176,824,856	
	Add:				
	- Transfer of Minority Share of General Reserve [Schedule 21 Note 4(b)]	**10,694,706**		-	
	- Transferred from Profit and Loss Account	**18,576,733**	**287,895,909**	81,799,614	258,624,470
	Foreign Currency Translation Reserve		**(2,636,223)**		1,069
	Profit and Loss Account		**252,917,064**		99,896,168
			599,629,115		404,886,798

Note:

Represents:

(i) Backward Area Subsidy received during 2004-05 amounting to Rs.1,500,000

(ii) Back Ended Subsidy received by JKM Research Farm Limited amounting to Rs.2,500,000

		2008 Rs.	2007 Rs.
3.	**SECURED LOANS** (Schedule 21 Note 22)		
	Term Loan:		
	- From Financial Institutions		
	- In Rupees	**16,954,986**	58,362,490
	- From Banks		
	- In Rupees	**300,870,917**	309,500,145
	- In Foreign Currency	**485,689,068**	99,154,800
	Hire Purchase Loan:		
	- From Financial Institutions		
	- In Rupees	**13,937,243**	13,920,824
	Cash Credit and Working Capital Loan:		
	- From Banks		
	- In Rupees	**531,833,712**	284,603,709
	- In Foreign Currency	**224,851,495**	-
	Interest Accrued and Due	**1,640,188**	395,617
		1,575,777,609	765,937,585
4.	**UNSECURED LOANS**		
	Short Term Loans:		
	Loan from a Director	-	800,000
	Inter Corporate Deposits	**5,050,000**	10,050,000
	Public Deposits	**17,767,500**	17,944,500
	[Repayable within one year Rs.13,548,000 (2007: Rs.10,776,000)]		
	Others		
	Interest Free Sales Tax Loan (Schedule 21 Note 15)	**44,373,219**	44,373,219
	[Repayable within one year Rs. Nil (2007: Rs. Nil)]		
	Interest Accrued and Due	**398,417**	399,080
		67,589,136	73,566,799

5. FIXED ASSETS

[Schedule 21 Note 1(d)]

Rupees

	GROSS BLOCK- AT COST OR REVALUATION					DEPRECIATION				NET BLOCK	
	2007	Assets acquired on Business Acquisition [Refer Schedule 21 Note 17]	Other Additions	Deletions	2008	2007	Additions	Deletions	2008	2008	2007
Tangible Assets											
Land and Development (Notes 2 and 4)	29,764,132	-	-	-	29,764,132	-	-	-	-	29,764,132	29,764,132
Buildings (Note 2)	202,994,577	2,054,734	138,650,460	-	343,699,771	29,898,717	6,913,907	-	36,812,624	306,887,147	173,095,860
Plant And Machinery (Notes 1, 3 and 5 below)	1,042,564,850	141,944,015	448,050,582	4,946,456	1,627,612,991	466,690,086	99,150,295	2,161,428	563,678,953	1,063,934,038	575,874,764
Measuring Instruments	16,284,034	-	1,449,129	-	17,733,163	8,953,655	635,083	-	9,588,738	8,144,425	7,330,379
Electrical Installations (Note 2)	34,005,090	-	25,907,779	109,737	59,803,132	9,639,195	1,931,857	35,246	11,535,806	48,267,326	24,365,895
Data Processing Equipment	42,049,817	2,170,800	17,174,456	-	61,395,073	27,990,821	10,142,634	-	38,133,455	23,261,618	14,058,996
Office Equipment	18,527,435	-	3,774,456	-	22,301,891	7,285,879	949,407	-	8,235,286	14,066,605	11,241,556
Furniture And Fixtures	21,027,841	2,620,225	10,503,098	948,167	33,202,997	8,971,974	1,342,524	407,382	9,907,116	23,295,881	12,055,867
Tools, Dies And Moulds	34,177,800	2,335,867	32,197,092	494,083	68,216,676	12,687,247	5,735,008	453,779	17,968,476	50,248,200	21,490,553
Vehicles	39,838,177	-	15,921,423	6,088,531	49,671,069	10,239,466	4,506,284	3,378,175	11,367,575	38,303,494	29,598,711
Intangible Assets											
Application Software	19,622,414	-	4,618,531	-	24,240,945	14,541,960	646,354	-	15,188,314	9,052,631	5,080,454
	1,500,856,167	**151,125,641**	**698,247,006**	**12,586,974**	**2,337,641,840**	**596,899,000**	**131,953,353**	**6,436,010**	**722,416,343**	**1,615,225,497**	**903,957,167**
2007	1,236,425,794	-	293,612,687	29,182,314	1,500,856,167	518,913,810	99,922,822	21,937,632	596,899,000		
Capital Work-In-Progress [Including Capital Advances Rs. 22,245,589 (2007 : Rs. 23,380,474)] [Note 4 below and Schedule 21 Note 18(a)]										173,394,130	252,657,842
										1,788,619,627	**1,156,615,009**

Notes:

1. Includes Machinery leased to third parties Rs.21,332,759 (2007: Rs.22,199,039) [Schedule 21 Note 8 (b)]
2. (i) Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs. 17,522,765 (2007: Rs. 17,654,029) (Schedule 21 Note 24)

   (ii) Depreciation for the year on revalued amount comprise the following:-

	2008	2007
Buildings	312,699	312,699
Electrical Installations	29,297	29,297
	341,996	**341,996**

3. Plant and Machinery and Capital Work-In-Progress includes borrowing costs capitalised during the year Rs.14,598,283 (2007: Rs. 6,171,145) [Schedule 21 Note 1 (f)]
4. Land and Development includes Leasehold Land Rs.11,133,621 (2007: Rs.11,133,621)
5. Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs.1,877,000 (2007: Rs.1,877,000)

		2007 Rs.	Additions Rs.	2008 Rs.
6	**INCIDENTAL EXPENDITURE DURING CONSTRUCTION PERIOD (IEDC)**			
	Employee Cost:			
	Salaries, Wages and Bonus	24,458,787	23,099,100	**47,557,887**
	Other Expenses:			
	Cost of Materials	2,941,444	-	**2,941,444**
	Consumables and Tools	3,630,041	3,482,659	**7,112,700**
	Power and Fuel	2,803,805	1,800,000	**4,603,805**
	Travelling Expenses	4,125,681	1,578,162	**5,703,843**
	Miscellaneous Expenses	291,956	1,276,122	**1,568,078**
		38,251,714	31,236,043	**69,487,757**
	(Less): i) Sale out of Trial Production	(4,150,032)	(11,896,700)	**(16,046,732)**
	ii) Allocated to Plant and Machinery	-	-	**(53,441,025)**
		34,101,682	19,339,343	-

		2008 Rs.	2007 Rs.
7.	**INVESTMENTS**		
	[Schedule 21 Note 1 (g)]		
	Long Term-Other Than Trade- Unquoted		
	Fully Paid Up Shares at Cost:		
	921,530 (2007: 921,530) Equity Shares of Rs.10 each of Murablack (India) Ltd.	**9,215,300**	9,215,300
	Other Investments at Cost:		
	Nil (2007: 3) Deep Discount Bonds of Rs 5,000 each of Krishna Bhagya Jala Nigam Ltd. (Sold during the year)	**-**	15,000
		9,215,300	9,230,300
	Less: Provision for Diminution in Value of Investments	**9,215,299**	9,215,299
		1	15,001
8.	**INVENTORIES**		
	[Schedule 21 Note 1 (h)]		
	Stores and Spares	**46,146,018**	39,243,535
	Raw Materials Including Components	**249,115,899**	166,017,003
	Rose Plants	**12,463,453**	12,463,453
	Work-In-Progress	**87,675,476**	44,370,085
	Finished Goods	**76,484,299**	48,151,868
		471,885,145*	310,245,944*

* Includes:-

1) Includes In-Transit Rs. 9,962,559 (2007: Rs.21,752,301)
2) Includes lying with Third Parties Rs. 34,911,391 (2007: Rs. 20,691,130)

		2008 Rs.	2007 Rs.
9.	**SUNDRY DEBTORS**		
	(Unsecured)		
	Exceeding Six Months		
	Considered Good	**43,729,640**	40,042,137
	Considered Doubtful	**12,453,637**	7,468,246
	Other Debts		
	Considered Good	**747,952,923**	489,299,168
		804,136,200	536,809,551
	Less: Provision for Doubtful Debts	**12,453,637**	7,468,246
		791,682,563	529,341,305

		2008 Rs.	2007 Rs.
10.	**CASH AND BANK BALANCES**		
	Cash on Hand	**690,204**	917,463
	Balance with Scheduled Banks:		
	in Fixed Deposits (Note 1)	**1,999,973**	3,690,471
	in Current Accounts	**215,651,152**	11,200,544
	Unpaid Dividend Accounts	**1,477,712**	1,212,733
	Margin Money Account (Note 2)	**34,051,712**	9,569,774
		253,870,753	26,590,985

Notes:

1) Held under Section 3A of Companies (Acceptance of Deposit) Rules,1975

2) Under lien against Bank Guarantee

11.	**OTHER CURRENT ASSETS**		
	(Unsecured, Considered Good)		
	Balance with Excise Authority	**1,177,574**	1,616,893
	Interest Accrued	**5,496,467**	1,144,632
	Other Deposits	**34,607,910**	19,263,986
		41,281,951	22,025,511
12.	**LOANS AND ADVANCES**		
	(Unsecured, Considered Good Except as Otherwise Stated)		
	Inter-Corporate Loans	**23,283,778**	23,500,000
	Loans to Employees	**1,575,752**	2,267,902
	Prepaid Expenses	**5,274,145**	2,187,666
	Advances Recoverable in Cash or in Kind or for Value to be Received	**81,738,295**	64,536,738
	[Including Rs.953,125 (2007: Rs.904,125) Considered Doubtful]		
	Advance Fringe Benefit Tax (Net)	**-**	265,000
		111,871,970	92,757,306
	Less: Provision for Doubtful Advances	**953,125**	904,125
		110,918,845	91,853,181
13.	**CURRENT LIABILITIES**		
	Acceptances	**314,285,196**	258,870,492
	Sundry Creditors	**602,748,170**	363,086,362
	Advance from Customers	**2,731,331**	6,105,612
	Interest Accrued but Not Due	**3,040,615**	2,756,657
	Unclaimed Dividend	**1,476,585**	1,213,497
	Other Liabilities (Schedule 21 Note 16)	**32,660,481**	27,978,976
		956,942,378	660,011,596
14.	**PROVISIONS**		
	Gratuity	**6,812,215**	4,891,017
	Leave Encashment (Note)	**11,506,785**	7,280,953
	Product Warranty (Schedule 21 Note 12)	**4,225,454**	1,654,917
	Current Taxation (Net)	**5,639,225**	3,903,806
	Fringe Benefit Tax (Net)	**290,053**	-
	Wealth Tax (Net)	**211,458**	147,026
	Proposed Final Dividend	**24,053,515**	26,367,800
	Dividend Tax Thereon	**3,406,579**	6,962,429
		56,145,284	51,207,948

Note:

Includes Provisions Acquired Consequent to Acquisition (Schedule 21 Note 17)

		2008 Rs.		2007 Rs.
15. SALES AND SERVICES				
[Schedule 21 Note 1 (i)]				
Sales:				
- Manufactured Goods		**3,994,549,340**		2,901,295,595
- Traded Goods		**36,244,159**		2,576,898
Services:				
- Sub Contract Charges		**15,853,011**		6,899,616
- Service Charges		**5,766,311**		10,866,489
- Handling Charges		**1,475,225**		1,253,753
		4,053,888,046		2,922,892,351
16. OTHER INCOME				
Interest				
- Banks (Gross) [Tax Deducted at Source Rs.102,164 (2007: Rs. 204,112)]		**2,893,148**		1,454,742
- Others (Gross) [Tax Deducted at Source Rs. 1,127,648 (2007: Rs.392,830)]		**7,549,505**		1,792,850
Lease Rent [Schedule 21 Note 8 (b)]		**819,130**		823,840
Sale of Scraps [Net of excise duty Rs.6,841,830 (2007: Rs.7,293,904)]		**61,674,354**		42,893,186
Liabilities no Longer Required Written Back		**630,940**		568,694
Exchange Gain (Net)		**29,042,315**		2,164,956
Miscellaneous Income		**917,129**		37,195
		103,526,521		49,735,463
17. COST OF MATERIALS				
(Note below)				
Raw Materials and Components Consumed		**1,857,869,658**		1,502,123,091
Purchase of Traded Items		**5,223,661**		636,136
		1,863,093,319		1,502,759,227
Movements in Stocks:				
Opening Stock				
- Work-In-Progress	**44,370,085**		22,821,253	
- Finished Goods	**48,151,868**		45,396,887	
Opening Stock on Acquisition [Schedule 21 Note 17(a)]				
- Work-In-Progress	**30,833,449**		-	
- Finished Goods	**18,894,977**		-	
	142,250,379		68,218,140	
Closing Stock:				
- Work-In-Progress	**87,675,476**		44,370,085	
- Finished Goods	**76,484,299**		48,151,868	
	164,159,775		92,521,953	
(Increase)/ Decrease		**(21,909,396)**		(24,303,813)
Excise Duty on Opening Stock of Finished Goods	**9,641,354**		10,289,085	
Excise Duty on Closing Stock of Finished Goods	**14,784,061**		9,641,354	
Increase/ (Decrease)		**5,142,707**		(647,731)
		1,846,326,630		1,477,807,683

Note: Includes Value of Stock Written Down Rs.3,670,715 (2007: Rs.9,146,416), and is after Adjustment of Shortages/Excess, Defectives, etc.

		2008 Rs.	2007 Rs.
18.	**EMPLOYEE COST**		
	Salaries, Wages and Bonus	**504,823,652**	173,043,755
	Contribution to Provident and Other Funds (Schedule 21 Note 5)	**32,660,531**	20,841,180
	Staff Welfare Expenses	**66,291,184**	25,444,059
		603,775,367	219,328,994
19.	**OTHER OPERATING EXPENSES**		
	Rent [Schedule 21 Note 8 (a)]	**30,630,925**	6,327,615
	Rates and Taxes	**15,337,550**	10,099,418
	Power, Fuel and Utilities	**107,773,882**	57,096,161
	Stores and Spares [Includes write down Rs.118,423 (2007: Rs.346,765)]	**154,364,298**	103,243,442
	Insurance	**20,520,231**	4,767,068
	Repairs and Maintenance		
	- Plant and Machinery	**43,943,965**	15,200,585
	- Buildings	**12,928,559**	1,978,168
	- Others	**32,713,605**	18,026,593
	Carriage Outward	**49,310,013**	15,480,518
	Travelling and Conveyance	**49,127,708**	23,690,097
	Security Charges	**6,022,051**	1,517,560
	Printing and Stationery	**7,858,733**	4,928,960
	Communication	**10,764,844**	7,964,201
	Professional and Consultancy Charges	**33,338,047**	16,037,290
	Exchange Loss (Net)	-	1,536,942
	Product Warranty (Schedule 21 Note 12)	**5,915,037**	1,985,687
	Technical Assistance Charges	**1,019,349**	3,476,600
	Advertisement and Sales Promotion	**4,124,152**	5,739,276
	Packing Expenses (Net)	**171,985**	6,818,310
	Discount on Sales	**3,104,104**	2,607,464
	Commission on Sales	-	309,895
	Bank Charges	**16,102,490**	8,552,135
	Donations	**507,000**	197,500
	Directors Sitting Fees	**1,420,000**	920,000
	Loss on Sale/Scrapping of Fixed Assets	**1,460,428**	1,943,061
	Bad Debts/Advances Written Off	**1,612,203**	1,756,481
	Provision for Bad and Doubtful Debts/Advances	**5,034,391**	3,433,443
	Miscellaneous Expenses Written Off	**42,475**	28,313
	Miscellaneous Expenses	**28,210,550**	10,642,684
		643,358,575	336,305,467
20.	**INTEREST**		
	On Fixed Loans	**59,446,826**	31,356,528
	On Others	**48,374,508**	35,951,713
		107,821,334	67,308,241

NOTES ON ACCOUNTS

SCHEDULE -21

1 **Significant Accounting Policies**

a **Basis of Preparation of Consolidated Financial Statements:**

The Consolidated Financial Statements relate to Dynamatic Technologies Limited (the Company) and its Subsidiaries (hereinafter referred to as 'the Group') which have been prepared:

i) Under historical cost concept and accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

ii) In accordance with Accounting Standard (AS 21) on Consolidated Financial Statements. The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statement.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b **Principles of Consolidation:**

These Consolidated Financial Statements have been prepared by Consolidation of Financial Statements of the Company and its Subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions.

c **Subsidiaries Considered in the Consolidated Financial Statements**

Sl. No	Name of the Company	Country of Incorporation	Proportion of Ownership interest (%)	
			2008	2007
1	JKM Daerim Automotive Limited (Refer Note 4 below)	India	-	73
2	JKM Research Farm Limited	India	99.99	99.99
3	JKM Global Pte Limited (JGPL)	Singapore	100	100
4	Dynamatic Limited (Subsidiary of JGPL)	United Kingdom	100	-

d **Fixed Assets and Depreciation:**

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight, borrowing costs, where applicable and other incidental expenses related to the acquisition and installation of the assets concerned and is net of subsidy. Incidental expenditure incurred during construction period is also capitalised where appropriate.

Certain Land, Buildings, Plant and Machineries and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value. (Note 24 below)

Operating software is capitalised with the related fixed assets, while application software is charged off to revenue except for major application software which is capitalised as intangible assets and amortised over the useful life as estimated by the management.

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on the management's estimate of the useful lives of the assets concerned. (Note 20 below)

Particulars of Fixed Assets	Rate of depreciation
Data Processing Equipment	25%
Office Equipment	
Mobile Phones	50%

Depreciation on revalued items of fixed assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve. (Note 24 below)

e **Impairment of Assets:**

At each Balance Sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount (Note 21 below).

f Interest on Borrowings:

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

g Investments:

Long term investments are stated at cost, except in the case of a permanent diminution in value, where cost is written down.

h Inventories:

Inventories are valued at lower of cost and market price/ net realisable value. Cost is generally determined under First-In-First-Out method. Consumable stores and spares are treated as consumed on issue to production.

i Revenue Recognition and Product Warranty:

Revenue from the sale of goods is recognised in accordance with terms of sales. Gross Sales are inclusive of Excise Duty and net of Value Added Tax or Sales Tax.

Revenue from services is recognised as the services are provided.

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contracts with the customers, are provided for based on estimates made by the Group [Note 12 below].

Dividend Income is recognized when the Group's right to receive dividend is established.

j Research and Development (R&D): (Note 11 below)

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised.

Income from R&D activities is included under Income from Services.

The Revenue expenditure incurred on Research and Development is charged off in the year in which such expenditure is incurred.

k Foreign Currency Transactions:

Transactions in Foreign Currency are recognised at the rate of exchange prevailing on the date of the transaction.

Liabilities/Assets in Foreign Currencies are reckoned in the accounts as per the following principles:

All monetary Assets and Liabilities denominated in Foreign Currency are restated at the rates ruling at the year-end and all the exchange gains/ losses arising therefrom are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

In respect of overseas Subsidiary Companies, Income and Expenses are translated at average exchange rate for the year. Assets and liabilities, both monetary and non-monetary, are translated at the year-end exchange rates and Share Capital is translated at the exchange rate at the date of the transaction. The differences arising out of translation are included in the foreign currency translation reserve under Reserves and Surplus.

Any profit or loss arising on settlement or cancellation of derivative contracts is recognised as income or expense for the period.

The effect of derivative contracts outstanding as at the year-end, in the form of unrealised losses arising on mark-to-market valuation is provided for keeping in view the principle of prudence as enunciated in AS 1, Disclosure of Accounting Policies. Unrealised gain arising on such valuation is not recognised. Disclosures are made in terms of the requirements set out in the announcements issued by the ICAI on December 2, 2005 and March 29, 2008.

l Provisions:

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

Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when the same is virtually certain.

m Leases:

Assets acquired under leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases.

Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership, are retained by the lessor, are classified as operating leases, Lease rentals are charged to the Profit and Loss Account on accrual/Straight Line Basis.

n Employee Benefits:
(Note 5 below)

i) Defined Contribution Plan
Contributions to the Employees' Provident Fund, Employees' Pension Scheme and Employees' State Insurance are as per statute and are recognised as expenses during the period in which the employees perform the services.

ii) Defined Benefit Scheme
Liability towards Gratuity is determined on actuarial valuation using projected unit credit method at the Balance Sheet Date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

iii) Other Long Term Employee Benefits
Liability towards compensated absences, which are not expected to occur within twelve months after the end of the period in which the employees rendered the related services, are recognised at the present value of the obligation based on actuarial valuation at each Balance Sheet date.

iv) Short Term Employee Benefits
Liability towards short term employee benefits like, compensated absences, which are expected to occur within twelve months after the end of the period in which the employees render the related services, and performance incentives etc., is recognised, during the period when the employee renders the services.

o Accounting for Subsidies:

Subsidy receivable against an expense is deducted from such expense and subsidy/ grant receivable against a specific fixed asset is deducted from the cost of the relevant fixed asset.

Investment subsidy not specifically related to a specific fixed asset is credited to Capital Reserve and retained till the requisite conditions are fulfilled.

p Taxation:

Current tax is recognised in accordance with the applicable laws of the country.

Fringe benefit tax is recognised in accordance with the applicable laws of the country.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable /virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except for unabsorbed depreciation and carry forward of losses under tax laws where deferred tax assets are recognized 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 can be realized.

q Segment Reporting:

Identification of Segments
The Group's operating business are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

Inter-Segment Transfers
The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of Common Costs
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated Items
The Corporate and Other segment includes general corporate expenses items which are not allocated to any business segment.

r Earnings Per Share:

Earnings/(loss) (basic and diluted) per equity share are arrived at based on Net Profit After Taxation to the basic/weighted average number of equity shares.

s Miscellaneous Expenditure:

Deferred Revenue Expenditure incurred prior to March 31, 2003 is amortised over a period of three to five years.

			2008 Rs.	2007 Rs.
2	a)	**Capital Commitments**		
		Estimated amount of contracts remaining to be executed on Capital Account (net of advances) and not provided	119,889,399	130,554,016
	b)	**Contingent Liabilities**		
		Corporate Guarantee given on behalf of Subsidiary Companies	356,000,000	90,000,000
		Income Tax matters under dispute	1,518,507	-
3	**Auditors' Remuneration**			
	(included in Professional and Consultancy Charges in Schedule - 19)			
	-	Audit Fees	6,923,735	2,628,090
	-	Others	1,932,921	758,928
	-	Reimbursement of out of pocket expenses	1,189	49,382
			8,857,845	3,436,400

4 **Merger of JKM Daerim Automotive Limited**

a) The Honorable High Court of Karnataka, vide its order dated January 4, 2008, approved the scheme of amalgamation ("the Scheme") of JKM Daerim Automotive Limited (JDAL), the transferor Company engaged in manufacture of Automotive Components with the Company with effect from April 1, 2007 ('transfer date').

The salient features of the said scheme are:

i) The Assets and Liabilities of the Transferor Company with effect from the transfer date shall stand transferred to and vested in the Company as a going concern without further action, deed, matter or thing, at the respective book value (except to ensure uniformity of accounting policies and standards, permanent diminution in assets or on account of tax liabilities if any), subject to all charges and encumbrances then affecting the same, shall not relate to or be available as security in relation to the assets of the Company.

ii) The excess of cost (book value) of Investments held by the Company in the Share Capital of the Transferor Company over the book value of net assets of the Transferor Company transferred in pursuance of this Scheme shall be adjusted against the balance carried forward in the Profit and Loss Account or General Reserve in the books of account of the Company.

iii) As the Transferor Company is a Subsidiary, 5,840,000 fully paid Equity Shares held by the Company in the Transferor Company shall be cancelled and extinguished and in respect of the balance of 2,160,000 fully paid up Equity Shares of Rs.10/- each of the Transferor Company held by another shareholder, two Equity Shares of Rs.10/- each of the Company is to be allotted for every seven equity shares of Rs.10/- each held by it in the Transferor Company, in terms of Board Meeting held on March 25, 2008. On the allotment of these shares the Paid up Share Capital of the Company has increased by 617,143 Shares of Rs.10/- each.

		2008 Rs.
b)	Pursuant to the Merger the adjustment to minority interest is as follows:	
	Opening Balance of Minority Interest	**63,134,291**
	(Less):	
	Shares of the Company issued in respect of 2,160,000 fully paid up Equity Shares of Rs.10/- each to the minority shareholder of JDAL	(6,171,430)
	Reserve on amalgamation	(15,429,270)
	Adjusted in General Reserve	(10,694,706)
	Adjusted in Profit and Loss Account	(30,838,185)
	Balance in Minority Interest (Note 26 below)	**700**

c) The expenses relating to merger amounting to Rs.2,602,227 have been treated as an Extraordinary/ Exceptional Item in the Profit and Loss Account.

5 **Employee Benefits**

(i) The Group has adopted Accounting Standard 15 (revised 15) (AS 15R) on Employee Benefits with effect from April 1, 2007

(ii) Gratuity:
The Company provides for Gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to eligible employees at retirement or termination of employment, being an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has Employee's Gratuity Funds managed by an Insurance Company.

		2008 Rs.
A)	**Reconciliation of Opening and Closing Balances of the Present Value of the Defined Benefit Obligation**	
	Obligations at the beginning of the year	30,374,389
	Add: Transitional Obligation	-
	Add: Current Service cost	9,552,304
	Add: Interest Cost	2,632,178
	(Less): Actuarial Losses due to Change in Assumptions	(326,325)
	(Less): Benefits Paid during the Year	(3,214,254)
	Obligations at the End of the Year	**39,018,292**
B)	**Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets**	
	Fair Value of Plan Assets at the beginning of the year	25,568,645
	Add: Expected Return on Plan Assets	2,200,013
	Add: Actuarial Gain	454,065
	Add: Contributions	7,197,608
	(Less): Benefits Paid	(3,214,254)
	Fair Value of Plan Assets at the End of the Year	**32,206,077**
C)	**Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Plan Assets to the Assets and Liabilities recognised in the Balance Sheet:**	
	Present Value of Obligation as at March 31, 2008	39,018,292
	(Less): Fair Value of Plan Assets as at March 31, 2008	32,206,077
	Amount recognised in the Balance Sheet	**6,812,215**
D)	**Expenses Recognised in Profit and Loss Account under "Employee Cost" in Schedule 18:**	
	Current Service Cost	9,552,304
	Add: Interest Cost	2,632,178
	(Less): Expected Return on Plan Assets	(2,200,013)
	Add/ (Less): Actuarial Losses due to Change in Assumptions	(780,390)
		9,204,079
E)	**Investment Details of Plan Assets**	
	Fund Balance with Insurance Company	100%

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

F)	**Actual Return on Plan Assets**	
		8%
G)	**Assumptions**	
	Discount Rate Per Annum	8%
	Interest Rate Per Annum	8%
	Expected Return on Plan Assets	8%
	Expected Salary Increase Per Annum	6%
	Average Past Services of Employees	
	- Hydraulics Division	12.29
	- JKM Automotive and Foundry Division	5.39
	Mortality Rate	LIC 1994-96 published table of mortality rate

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per management estimate, contribution of Rs. 8,400,000 is expected to be paid to the plan during the year ending March 31, 2009.

(iii) Defined Contribution Plans

Contribution to Provident and Other Funds under Employee's Cost (Schedule 18) includes Rs.23,430,419 being expenses debited under the following defined contribution plans:

Provident Fund and Pension Scheme	13,983,903
Employee State Insurance	1,858,825
Scottish Equitable	7,587,691
Total	**23,430,419**

(iv) As AS 15R is implemented only with effect from April 1, 2007, the corresponding figures for the previous year have not been furnished for the aforesaid details.

	2008	2007
(v) Directors' Remuneration (Notes below)	**18,117,557**	5,872,194

Notes:

1) Including Perquisites Evaluated as per Tax Laws
2) Excluding Contribution to Group Gratuity Fund and Provision for Leave Encashment

6 Segment Information

A Information about Primary Business Segments

The business segment has been considered as the primary segment namely:

- Hydraulic and Precision Engineering - comprising of Hydraulic Pumps, Hand Pumps, Lift Assemblies, Valves, Powerpacks etc
- Aluminium Castings - manufacture of castings
- Automotive Components - comprising of Case Front, Water Pump, Intake Manifold, Exhaust manifold etc
- Research Farm

Segment revenue, assets and liabilities have been accounted for on the basis of their relationship to the operating activities of the segment and amounts allocated on a reasonable basis.

Particulars	Hydraulic and Precision Engineering		Aluminium Castings		Automotive Components		Research Farm		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(i) Revenue												
External - Sales and Services	1,912,785,127	952,038,329	365,541,632	330,317,941	2,138,910,282	1,909,140,999	-	-	-	-	4,417,237,041	3,191,497,269
Less: Excise Duty	(140,750,021)	(122,411,752)	-	(45,515,855)	(353,531,192)	(352,075,181)	-	-	-	-	(494,281,213)	(520,002,788)
Inter-Segment Sales and Services	(1,586,008)	-	(361,762,987)	(268,604,918)	-	-	-	-	-	-	(363,348,995)	(268,604,918)
Other Income	46,049,166	36,648,935	12,374,177	8,690,129	22,509,509	20,781,162	4,200,000	4,200,000	34,281,410	-	119,414,262	70,320,226
Inter-Segment Income	-	(14,600,000)	-	-	-	(1,784,763)	(4,200,000)	(4,200,000)	(11,687,741)	-	(15,887,741)	(20,584,763)
Total Revenue	1,816,498,264	851,675,512	16,152,822	24,887,297	1,807,888,599	1,576,062,217	-	-	22,593,669	-	3,663,133,354	2,452,625,026
(ii) Result												
Segment Result - EBITDA - Profit/(Loss)	247,829,768	141,498,881	53,099,532	43,097,395	234,600,586	186,694,364	(3,385,513)	(1,455,015)	37,528,409	49,347,257	569,672,782	419,182,882
(Less): Depreciation	(44,059,271)	(30,150,518)	(16,826,416)	(11,053,370)	(69,985,757)	(57,637,026)	(739,913)	(739,912)	-	-	(131,611,357)	(99,580,826)
Segment Result - Profit/(Loss)	203,770,497	111,348,363	36,273,116	32,044,025	164,614,829	129,057,338	(4,125,426)	(2,194,927)	37,528,409	49,347,257	438,061,425	319,602,056
(Less): Interest Expense	-	-	-	-	-	-	-	-	(107,821,334)	(67,308,241)	(107,821,334)	(67,308,241)
(Less): Extraordinary/ Exceptional Item	(28,541,069)	-	-	-	(251,074)	(19,318,174)	-	-	-	-	(28,792,143)	(19,318,174)
Profit/(Loss) Before Taxation	175,229,428	111,348,363	36,273,116	32,044,025	164,363,755	109,739,164	(4,125,426)	(2,194,927)	(70,292,925)	(17,960,984)	301,447,948	232,975,641
(Less): Provision For Taxation	-	-	-	-	-	-	-	-	(120,962,564)	(83,665,647)	(120,962,564)	(83,665,647)
Net Profit/(Loss)	175,229,428	111,348,363	36,273,116	32,044,025	164,363,755	109,739,164	(4,125,426)	(2,194,927)	(191,255,489)	(101,626,631)	180,485,384	149,309,994
(iii) Reconciliation of Segment Revenue with the Financial Statements												
Total Revenue - Sales and Services											3,559,606,833	2,402,889,563
Other Income											103,526,521	49,735,463
As per Financial Statements											3,663,133,354	2,452,625,026
(iv) Other Information												
Segment Assets	1,508,318,035	827,797,246	340,467,435	278,274,699	1,304,782,745	992,579,309	35,817,118	37,672,821	268,873,552	34,507,018	3,458,258,885	2,170,831,093
Segment Liabilities	906,376,296	642,718,219	134,134,879	201,231,275	732,569,558	687,243,257	987,877	2,683,857	1,036,453,430	190,132,088	2,810,522,040	1,724,008,696
Capital Expenditure	311,031,451	156,732,003	74,464,496	122,629,425	350,511,306	154,365,010	-	-	-	(1,113,145)	736,007,253	432,613,293
Depreciation	44,059,271	30,150,516	16,826,416	11,053,370	69,985,758	57,637,026	739,912	739,912	-	-	131,611,357	99,580,824
Other Non-Cash Expenses	6,899,300	9,429,045	1,507,517	65,274	3,064,616	1,766,251	-	-	-	-	11,471,433	11,260,570

B Secondary Segment Reporting

The Group operates in India and United Kingdom markets and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic segment basis.

Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following segments and allocated on a reasonable basis.

	In India		Outside India		Total	
	2008	2007	2008	2007	2008	2007
Revenue by Geographical Markets	2,599,191,484	2,254,561,859	1,063,941,870	198,063,167	3,663,133,354	2,452,625,026
Carrying amount of Segment Assets	2,786,909,125	2,170,831,083	671,349,760	-	3,458,258,885	2,170,831,083
Capital Expenditure	571,059,289	432,613,293	164,947,964	-	736,007,253	432,613,293

7 Related Party Disclosure

A Names of Related Parties and Description of Relationship

(a) Companies over which key management personnel or relatives of such personnel are able to exercise significant influence (Other Related Entities)

Greenearth Biotechnologies Limited (GBL)
Vita Private Limited (VPL)
JKM Human Resources Private Limited (JHRPL)
JKM Holding Private Limited (JHPL)
Primella Sanitary Products Private Limited (PSPPL)
Wavell Investments Private Limited (WIPL)
Christine Hoden (India) Private Limited (CHIPL)
JKM Offshore (India) Private Limited (JOIPL)
Udayant Malhoutra and Co Private Limited (UMCPL)

(b) Key Management Personnel

(i) Executive Directors

Udayant Malhoutra - Chief Executive Director and Managing Director
N Rajagopal - Executive Director and Chief Operating Officer
V Sunder - President and Group Chief Financial Officer
B Seshnath - Executive Director and Chief Marketing Officer
Raymond Keith Lawton - Executive Director and Chief Operating Officer, DL U.K.
Ian Patterson - Group Technical Director, DL U.K.

(ii) Non Executive Directors

J K Malhoutra, Chairman (Cessation March 17,2008)
Air Chief Marshal S Krishnaswamy (Retd.)
Dr. K Aprameyan
Vijai Kapur
Shanti Ekambaram
Hyo Kyon Lee - JKM Daerim Automotive Limited (Currently known as JKM Automotive)

(c) Relatives of Key Management Personnel (Relatives)

Pramilla Malhoutra
Udita Malhoutra
Barota Malhoutra

B Summary of Transactions with Related Parties is as follows:

	Description of Relationship	2008			2007		
	Related Party	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)
i	**Other Income**						
	Interest						
	- GBL	2,035,000	-	-	1,480,000	-	-
ii	**Expenses**						
	Rent						
	- VPL	300,000	-	-	300,000	-	-
	- JHPL	84,000	-	-	84,000	-	-
	- N Rajagopal	-	356,129	-	-	240,000	-
	- Pramilla Malhoutra	-	-	1,128,871	-	-	963,099
	- Udita Malhoutra	-	-	285,000	-	-	120,000
	Salaries and Wages						
	- JHRPL	18,160,074	-	-	8,856,801	-	-
	Interest						
	- J K Malhoutra	-	99,667	-	-	94,112	-
	Managerial Remuneration						
	- Udayant Malhoutra	-	1,683,383	-	-	1,303,752	-
	- N Rajagopal	-	1,773,630	-	-	1,314,019	-
	- V Sunder	-	2,626,932	-	-	2,069,652	-
	- B Seshnath	-	1,523,536	-	-	1,184,771	-
	- Raymond Keith Lawton	-	5,644,298	-	-	-	-
	- Ian Patterson	-	4,865,777	-	-	-	-
	Directors Sitting Fees						
	- J K Malhoutra	-	110,000	-	-	100,000	-
	- Udayant Malhoutra	-	30,000	-	-	35,000	-
	- Air Chief Marshal S Krishnaswamy (Retd.)	-	360,000	-	-	250,000	-
	- Dr. K Aprameyan	-	320,000	-	-	185,000	-
	- Vijai Kapur	-	255,000	-	-	150,000	-
	- V Sunder	-	-	-	-	50,000	-
	- B Seshnath	-	150,000	-	-	75,000	-
	- N R Mohanty	-	-	-	-	95,000	-
	- Shanti Ekambaram	-	150,000	-	-	45,000	-
	- Raymond Keith Lawton	-	45,000	-	-	-	-
	- Hyo Kyon Lee	-	-	-	-	5,000	-

Related Party Disclosures (cont'd.)

	Description of Relationship	2008			2007		
	Related Party	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)	Other Related Entities A(a)	Key Management Personnel A(b)	Relatives A(c)
iii	**Dividend**						
	Interim Dividend						
	- JHPL	2,007,838	-	-	1,606,270	-	-
	- UMCPL	250	-	-	200	-	-
	- Udayant Malhoutra	-	2,627,135	-	-	2,101,708	-
	- Others	1,337,148	250	12,345	1,069,718	200	9,876
	Final Dividend						
	- JHPL	4,015,676	-	-	2,409,406	-	-
	- UMCPL	3,086,215	-	-	5,400,300	-	-
	- Udayant Malhoutra	-	5,254,270	-	-	3,152,562	-
	- Others	2,674,296	500	24,690	1,604,578	300	14,814
iv	**Loans Repaid by the Company during the year**						
	- J K Malhoutra	-	800,000	-	-	-	-
v	**Shares Issued during the year Pursuant to Merger** (Note 17)						
	- UMCPL	6,171,430	-	-	-	-	-
vi	**Balances as on March 31, 2008**						
	Outstanding Payables						
	- JHRPL	1,757,076	-	-	611,797	-	-
	- UMCPL	3,086,215	-	-	5,400,300	-	-
	- JHPL	4,015,676	-	-	4,015,676	-	-
	- Udayant Malhoutra	-	5,254,270	-	-	5,254,270	-
	- Others	2,679,446	500	24,690	2,678,880	500	24,690
	Outstanding Receivables						
	- GBL	2,718,499	-	-	1,144,632	-	-
	- VPL	3,500,000	-	-	3,500,000	-	-
	- Pramilla Malhoutra	-	-	800,000	-	-	800,000
	- N Rajagopal	-	200,000	-	-	200,000	-
	- Udita Malhoutra	-	-	1,545	-	-	-
	Outstanding Loans Receivables						
	- GBL	18,500,000	-	-	18,500,000	-	-

	2008 Rs.	2007 Rs.

8 Leasing Arrangements:

a) Premises, vehicles and other facilities (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months. The particulars of those leases are as follows:

	2008 Rs.	2007 Rs.
Lease rentals [including minimum lease payment Rs.23,946,574 (2007: Rs. Nil)]		
- Included in Rent (Schedule 19)	**30,630,925**	6,327,615
There are no contingent rents.		
Obligations on non-cancellable lease		
Not later than one year	**32,022,154**	-
Later than one year and not later than five years	**48,105,770**	-
Later than five years	**-**	-

b) Rental Income includes lease rental received by leasing out machines. These operating leases are for a period of 1 year with option of renewal with mutual consent and right of lessor to permanently terminate the lease if lessee violates the terms of lease.

	2008 Rs.	2007 Rs.
Lease payments received		
- Included in Other Income (Schedule 16)	**819,130**	823,840
Details of Assets given on Operating Lease:		
Plant and Machinery		
- Gross Value	**21,332,759**	22,199,039
- Accumulated Depreciation	**16,864,136**	16,516,912
- Depreciation for the year	**819,130**	879,340

9 Earnings Per Share

	2008 Rs.	2007 Rs.
a) Before Extraordinary/Exceptional item:		
Net Profit After Tax Available for Equity Shares	**209,277,527**	146,468,773
Basic/Weighted Average Number of Equity Shares of Rs. 10 each	**4,203,677**	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	**49.78**	34.93
b) After Extraordinary/Exceptional Item:		
Net Profit After Tax Available for Equity Shares	**180,485,384**	131,897,424
Basic/Weighted Average Number of Equity Shares of Rs. 10 each	**4,203,677**	4,193,560
Basic and Diluted Earnings Per Share (Rs.)	**42.94**	31.45

10 Taxation:

Deferred Taxation

The Net Deferred Tax Liability has been arrived at as follows:

	2008 Rs.	2007 Rs.
(A) Deferred Tax Assets arising from:		
(i) Expenses charged in the Financial Statements but allowable as deductions in future years		
- Expenses allowable for tax purposes when paid	**4,621,547**	4,287,346
- Provision towards warranty	**1,352,231**	222,606
- Provision towards doubtful debts and advances	**4,452,685**	2,845,769
- Others	**2,192,892**	3,132,280
	12,619,355	10,488,001
(B) (Less): Deferred Tax Liabilities arising from:		
(i) Difference between carrying amount of fixed assets in the Financial Statements and the Income Tax Return.	**(166,686,988)**	(120,624,038)
(ii) Difference between carrying amount of Miscellaneous Expenditure in the Financial Statements and the Income Tax Return.	**-**	(14,439)
	(166,686,988)	(120,638,477)
Net Deferred Tax Liability (A-B)	**(154,067,633)**	(110,150,476)
Net Deferred Tax (Charge)/Credit for the year	**(43,917,157)**	(23,888,888)

			2008 Rs.	2007 Rs.
11	**Research and Development (R&D):**			
	a)	Fixed Assets used for R&D activities (Gross Block)		
		Building	**92,615,191**	53,738,886
		Plant and Machinery	**76,098,857**	76,322,125
		Measuring Instruments	**3,260,664**	3,260,664
		Electrical Installations	**11,764,017**	8,010,222
		Data Processing Equipments	**35,555,048**	33,173,634
		Office Equipments	**4,105,159**	2,121,083
		Furniture And Fixtures	**7,481,918**	6,129,541
			230,880,854	182,756,155
	b)	The following Income and Expenditure, of R&D Centres, has been included under respective heads of accounts in the Profit and Loss Account.		
		Income:		
		Income From Services	**5,414,941**	10,873,305
		Expenditure:		
		Material Consumed	**919,946**	589,775
		Employee Cost	**18,477,616**	1,537,019
		Interest	**540,000**	540,000
		Other Expenses	**12,998,066**	8,229,980
			32,935,628	10,896,774
12	**Provisions**			
	Product Warranty [Note 1(i) above] At beginning of the year		**1,654,917**	1,000,000
	Add: Provisions made during the year		**5,915,037**	1,985,687
	(Less): Utilised during the year		**3,344,500**	1,330,770
	At the end of the year		**4,225,454**	1,654,917
13	**Extraordinary/ Exceptional Items:**			
	(i)	Capital Work-In-Progress written off	-	2,677,395
	(ii)	Non Compete Fee and Related Expenses	-	16,640,779
	(iii)	Merger Expenses [Schedule 21 Note 4(c)]	**2,602,227**	-
	(iv)	Formation Expenses [Schedule 21 Note 17(c)]	**26,189,916**	-
			28,792,143	19,318,174

14 The Company has imported certain machinery under the 'Export Promotion Capital Goods' (EPCG) scheme. According to the said scheme, the Company is entitled to import machinery at concessional customs duty with an obligation to export Rs.349,719,449 (2007:Rs.435,935,796) within a period of eight years.

The details of Export Obligation are as under:

	2008 Rs.	2007 Rs.
EPCG		
Export Obligation at the beginning of the year	**435,935,796**	373,243,656
Add: Export Obligation accrued during the year	**105,108,552**	120,026,040
(Less): Exports made during the year	**(191,324,899)**	(57,333,900)
Export Obligation as at the end of the year	**349,719,449**	435,935,796

15 The Company was allowed to defer the payment of sales taxes in respect of its divisions for a period of nine years in each case. The sales taxes so deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis (the first repayment falls due in September 2010) . Accordingly, the sales tax loan aggregating to Rs. 44,373,219 (Rs.16,259,288 in respect of the JKM Automotive Division and Rs.28,113,931 in respect of the Foundry Division) (2007: Rs. 44,373,219) so deferred has been disclosed as Unsecured Loan.

16 Motor cars purchased under Hire Purchase Agreements have been given to certain employees for their use under the terms the said cars will be transferred to the related employees at Rs.180,000 per car after 5 years. The aforesaid amount is deductible in 60 monthly equal instalments from their salary. The deduction at the year end Rs. 1,939,483 (2007: Rs.1,417,817) has been considered as deposits received from employees and included under Current Liabilities.

17 **Acquisition of Business:**

a) In terms of the Business Purchase Agreement dated May 31, 2007, between Dynamatic Limited, U.K. (DL) and Sauer Danfoss Ltd, DL has acquired, as on June 15, 2007 the following assets and liabilities relating to the Hydraulics business of Sauer Danfoss Ltd as a going concern on slump sale basis for a consideration of Rs.363,672,681, the details of which are as follows:

		2008
Fixed Asset		151,125,641
Current Assets, Loans and Advances		
Inventories	130,037,058	
Sundry Debtors	154,836,795	
Loans and Advances	14,881,500	299,755,353
(Less): Current Liabilities and Provisions		
Sundry Creditors - Others	(82,312,105)	
Provisions - Leave Encashment	(4,896,208)	(87,208,313)
Net Current Assets		212,547,040
Net Assets/ Purchase consideration		363,672,681

b) Fixed Assets, Current Assets and Liabilities have been recognised in these accounts on the basis of their fair values at the date of acquisition, as determined by Management.

c) The expenses related to the acquisition of the Business amounting to Rs.26,189,916 has been treated as Extraordinary/ Exceptional item in the Profit and Loss Account

18 **In Respect of JKM Research Farm Limited (JRFL), a Subsidiary Company:**

a) Advances on capital account include Rs.7,890,872 (2007: Rs.7,888,872) towards land and its development cost pending tranfer of ownership in favour of JRFL. In respect of a portion of land measuring 49 acres and 4 guntas, a suit has been filed with the Civil Judge (Senior division), Doddaballapur Court by JRFL against the transferor for specific performance of the contract. JRFL has obtained an ad-interim injunction against the transferor from alienating the property.

b) Based on management's plans, Inventory of Rs.12,463,453 (2007 : Rs.12,463,453) and Debtor balances of Rs.4,733,640 (2007 : Rs. 4,733,640) are considered as good and fully recoverable.

19 Arising from the adoption of the Company (Accounting Standards) Rules, 2006, exchange differences of Rs.7,345,790 in respect of liabilities towards imported fixed assets have been charged off in the Profit and Loss Account which hitherto was capitalized having consequential effect on the profits for the year and on the net worth of the Group.

20 Depreciation on Data Processing Equipment which hitherto were depreciated at 16.21% p.a are from current year depreciated at the rate of 25% p.a, resulting in additional depreciation charge of Rs.7,584,039 for the current year having consequential effect on the profit for the year and on the net worth of the Group.

21 The Group has re-evaluated the recoverable amount of its Assets as at the year end and there were no indications that the assets are impaired.

22 **Secured Loan:**

i) Term Loans taken from financial institutions (in Rupees) are secured against certain movable fixed assets of JKM Automotive division.

ii) (a) Foreign currency term loans from banks amounting to Rs.280,781,560 (2007: Rs.99,154,800) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (v) below] of JKM Automotive division.

(b) Rupee term loans from banks amounting to Rs.107,234,055 (2007: Rs. 133,306,493) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (v) below] and has been secured by way of second charge on current assets of JKM Automotive division.

iii) Foreign Currency term loans from banks amounting to Rs.76,000,000 (2007: Rs.Nil) and Rupee term loans from Banks amounting to Rs.193,636,862 (2007: Rs.176,193,652) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets of Hydraulic Division.

iv) Foreign currency term loans from banks amounting to Rs.128,907,508 (2007: Rs.Nil) and Foreign currency Working Capital Loans from banks amounting to Rs. 224,851,495 (2007: Nil) taken by Subsidiaries is secured by pledge of Equity Shares of the Foreign Subsidiaries (namely JKM Global Pte Ltd and Dynamatic Limited, U.K.) and is also guaranteed by the Holding Company (DTL).

v) Hire Purchase loans are secured against vehicles purchased from such loans.

vi) Rupee Working Capital Loans from Banks amounting to Rs.246,780,754 (2007: Rs.112,104,796) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets [other than those referred in (i) and (v) above] of JKM Automotive division.

vii) Rupee Working Capital Loans from Banks amounting to Rs.285,052,958 (2007: Rs.172,498,913) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets of Hydraulic Division.

23 Derivative Transactions:

I (a) External Commercial Borrowings (ECB) by the Company in Japanese Yen (JPY) has been swapped into US Dollar (USD) both towards principal repayments and interest liabilities. The Company has entered into an embedded USD/INR option for hedging the intermediate exchange of principal and interest for part of the swapped value. The swap and the embedded option are co-terminus with the loan agreement and it is the intention of the management not to foreclose the above arrangement during the tenure of the loan and hence no loss is anticipated in this regard from fluctuations in JPY.

(b) Due to expected increase in the Company's export receivables, the Company has hedged a part of its future USD receivables amounting to USD 9,000,000 to mitigate its foreign exchange fluctuation risks.

II Derivative instruments outstanding as at the year end:

	2008	2007
a) Contract for Swap of JPY to USD		
2 (2007: 1) outstanding swap contracts to hedge the foreign currency exposure arising on ECB:		
Currency		
JPY	**823,000,000**	543,000,000
Equivalent USD	**7,019,539**	4,592,355
Equivalent Rs.	**280,779,948**	200,777,761
b) Embedded Option for Intermediate Exchange of Principal		
1 (2007: 1) outstanding embedded option contract for intermediate exchange of principal and interest arising from (a) above:		
Currency		
USD	**2,296,178**	2,296,178
Equivalent Rs.	**91,847,091**	91,847,091
c) Cash Flow Hedge		
1 (2007: Nil) outstanding contract for hedging future cashflow (in USD)		
Currency		
USD	**9,000,000**	-
Equivalent Rs.	**360,000,000**	-

II The above derivative contracts have been marked to market based on the bankers certificate resulting in a net gain at the Balance Sheet date. In view of the principle of prudence as enunciated in AS 1 - Disclosure of Accounting Policies, and the Announcement of the ICAI (dated March 29, 2008) on 'Accounting for Derivatives', the net gain of Rs.17,410,210 (2007:Rs. Nil) has not been accounted for in the books.

III Foreign currency exposures not hedged by a derivative instrument or otherwise:

As of the Balance Sheet date, the foreign currency exposure arising out of operations in India and not hedged by a derivative instrument or otherwise represents:

Receivables	**94,552,827**	77,664,475
Payables	**356,508,541**	209,612,343

24 Fixed assets includes certain assets, which were revalued during the year ended March 31, 1992. The details of such revaluations are as under:

Particulars of Fixed Assets	"Value added on Revaluation included under Gross Block"		"Value added on Revaluation included under Net Block"	
	2008	2007	2008	2007
Land and Development	13,014,093	13,014,093	12,903,031	12,903,031
Buildings	9,509,673	9,509,673	4,457,253	4,559,220
Electrical Installation	616,781	616,781	162,481	191,778
	23,140,547	23,140,547	17,522,765	17,654,029

25 **Subsequent Events:**

Shareholders' approval is proposed to be obtained in the ensuing Extraordinary General Meeting for raising of funds from domestic/ foreign investors by way of issuance of securities, as may be permitted under applicable laws which however, has been approved by the Board of Directors.

26 Profit / Loss allocable to minority shareholders interest (comprising 70 equity shares of Rs.10 each of JKM Research Farm Limited held by the nominees of the Company) has not been considered on account of materiality.

27 (i) Current year figures in the accounts are after giving effect to the operations of the new ultimate Subsidiary (namely Dynamatic Limited, U.K.) and accordingly the current year figures are not comparable with those of the previous year.

(ii) Figures for the previous year have been regrouped / rearranged, wherever necessary.

For and on behalf of the Board of Directors

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in presenting the Thirty Third Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2008, were as follows:

(Rs. In Lacs)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
Gross Profit (Before Interest, Depreciation & Taxation) (EBITDA)	**5,109.29**	2,257.11
Interest	**879.92**	385.15
Depreciation	**1,207.03**	412.04
Net Profit Before Taxation & Extraordinary items	**3,022.34**	1,459.92
Extraordinary items	**26.02**	-
Net profit Before Taxation and after Extraordinary items	**2,996.32**	1,459.92
Provision for Current Year Taxation	**686.35**	260.00
Provision for Deferred Tax	**403.31**	181.01
Provision for Fringe Benefit Tax	**46.88**	19.20
Provision for Wealth Tax	**2.11**	0.90
Net Profit after Tax	**1,857.67**	998.81
Amount available for appropriation	**1,857.67**	998.81
Appropriations		
Dividend on Equity Shares–Interim	**104.84**	83.87
Proposed Final Dividend on Equity Shares	**240.53**	125.81
Tax on Dividend	**51.89**	35.63
Transfer to General Reserve	**185.77**	753.50
Profit & Loss Account Balance acquired on Merger	**1366.82**	-
Balance carried to Balance sheet	**2641.46**	-

Notes: Previous year figures have been recast wherever necessary.

DIVIDEND

An Interim Dividend of 25% has already been declared and paid on 4,193,560 Equity Shares, absorbing Rs.10,483,900/-. Your Directors recommend a Final Dividend of 50% on 4,810,703 Equity Shares of Rs.10/- each, absorbing Rs.24,053,515/- for the year under report. Hence the total Dividend payout for the year under review is Rs.34,537,415/- (exclusive of tax).

TRANSFER TO RESERVES

Your Directors propose to transfer Rs.185.77 lacs to General Reserve, during the year under report.

PERFORMANCE OF YOUR COMPANY

During the year, JKM Daerim Automotive Limited merged with your Company consequent to the order of the Hon'ble High Court of Karnataka vide its order dated 4th January, 2008 effective from 1st April, 2007.

The Hydraulics business grew from Rs.9,520 lacs to **Rs.19,128 lacs** showing a growth of 101% and Net Profit from Rs.1,113 lacs to **Rs.1,752 lacs** showing a growth of 57%. This includes the turnover from Dynamatic Limited, UK, a subsidiary of your Company to the extent of Rs.8,177 lacs and Net Profit of Rs.33 lacs. The Aluminium Castings business grew from Rs.3,303 lacs to **Rs.3,655 lacs** showing a growth of 11% and Net Profit from Rs.320 lacs to **Rs.363 lacs** showing a growth of 13%. The JKM Automotive™ (Formerly JKM Daerim Automotive Limited) business grew from Rs.19,091 lacs to **Rs.21,389 lacs,** showing a growth of 12% and Net Profit from Rs.1,097 lacs to **Rs.1,644 lacs** showing a growth of 50%. The consolidated business grew from Rs.29,229 lacs to **Rs.40,539 lacs** after eliminating inter company sales of Rs.3,633 lacs. This has been made possible by the continuous implementation of cost optimisation measures and value engineering initiatives which offset the unprecedented cost increases resulting from rising Aluminium and Steel prices that were only partially compensated by our customers. Further the acquisition of Dynamatic Limited, UK, has also contributed to the sales growth of Rs.8,177 lacs.

Exports have grown at 24% with sales of **Rs.2,462 lacs** against the previous year's Rs.1,981 lacs (including Automotive Division).

RESEARCH & DEVELOPMENT

Your Company continues to design, develop and supply variants of the existing range of hydraulic gear pumps and now possess one of the largest portfolios of variants in the World.

Your Directors are pleased to inform you of a host of high precision hydraulic and engineering products that were successfully productionized during the year under review. The products developed and supplied to various customers include:

- Hydraulic Motors: The production of Hydraulic Motors entered an advanced phase with your Company obtaining an export order for the manufacture and supply of different types of Hydraulic Motors for a range of lawn movers for Jacobsen, a division of Textron, USA.
- Regular export supplies of Pumps and other Hydraulic Aggregates which are made worldwide to the various divisions of John Deere & to Claas Agriculture, France. This represents an important step in your Company's ongoing efforts to expand its global market.
- Supplies to GIMA, France, an important manufacturer of Transmission & Rear Axles in Europe
- Export of Gear Pumps to Muncie, a key customer in North America, which is the outcome of thorough and meticulous development and validation test cycles.
- A broad range of Compressor Housing Castings developed for Honeywell Garrett, which constitutes a significant share of their Global requirements.
- Lubricating Oil Pump: Your Company is partnering with Cummins in the design, development, manufacture & supply of Lubricating Oil Pumps for a wide range of Cummins Engines. Eleven different types of Lube Oil pumps of varied sizes & complexity are at various stages of project execution - from the design & product validation phase to regular supplies.

The JKM Science Center at Dynamatic Park Peenya, Bangalore, which is spread over a built-up area of 40,000 Sq. Ft, includes two design laboratories, a material science laboratory, a prototype manufacturing unit & a training center. It houses 500 Engineers, Technicians and Scientists. This state-of-the-art facility, which brings together Engineering Design, Development, Prototyping, Metallurgical and Manufacturing Infrastructure under one roof, will enable your Company to comprehensively address the needs of its customers in Automotive, Aerospace and Precision Engineering Industries across the group.

Your Company has evolved a stringent Information Security Management System to protect and safeguard key information and data from unauthorized access. The system has been designed to ensure confidentiality, integrity and availability of critical data within the organization. New tools are used to upgrade existing systems from time to time to the size and needs of the Company.

Dynamatic Limited, UK, a subsidiary of your Company, has better technologies to support the overall business, having access to European and US markets and new OEM customers. It also provides your Company with an excellent engineering laboratory and a large amount of Intellectual property. Your Company is presently validating two designs of cast iron gear pumps applications in which has the construction and earthmoving segments, at Dynamatic Limited's facilities in Swindon. Your Company will be very shortly launching these new products in the Indian markets and European markets.

QUALITY MANAGEMENT SYSTEM

Your Company has successfully completed the fourth surveillance audit for ISO 9001 (QMS) and fifth surveillance audit for ISO 14001-The Environment Management System (EMS), during the year under report. These management systems have matured and are self driven. This is a significant achievement and is in keeping with the Company's vision of building high quality systems and environmental friendly economic activity.

During the year under report, JKM Automotive™ has been certified to the Environmental Management System ISO 14001: 2004 and the Occupational Health and Safety Management System OHSAS 18001:1999. These Quality certifications are in line with your Company's vision of building an environment friendly economic activity while enhancing safety at work.

Further more, JKM Automotive™ was certified by Ford Motor Company to FORD Q1 level, which is considered worldwide as a mark of qualitative excellence in manufacturing processes, systems, performance and customer management.

The Aerospace Division which is certified for AS 9100, Rev B, is now approved by Airbus, UK, as an approved supplier. We are also qualified by the NADCAP for the NDT tests. These are very significant steps. We are the only private sector company in the country to hold such certificates for "the Manufacture of Structural Assemblies, Precision Machined Components and Sheet Metal pressed parts". During the year, HAL has awarded your Company the Best Vendor of the year.

To inculcate quality concepts amongst the workers, various steps have been taken at the operations level. Employee Participation Programme has been launched to involve all employees in the process of innovation. They have been empowered to participate in cross functional teams and contribute, improve processes and implement their suggestions. The lean concepts are being driven from the top. Reduction of waste and non value added activities has been given special focus.

The Technical Specification (TS-16949) tools are given special emphasis and documentation has been made systematic. All important documents and records are now available in electronic system.

The sustained focus on 5S concepts in material handling on the shop floor has resulted in enhanced product quality, innovation and cost effectiveness, despite the fact that space has always remained a constraint for production activities.

Vendors who are part of our system have been under constant surveillance and your Company is providing them all support and guidance to enhance their quality systems.

DEPOSITS

Deposits accepted under the provisions of Section 58A of The Companies Act, 1956, of Rs.100,000/- from the public remained unclaimed as on 31st March, 2008. Deposit holders have been informed of the same so that claims can be made.

SUBSIDIARY COMPANIES

JKM Dae Rim Automotive Limited, India, a Subsidiary of your Company, was involved in the production of high quality ferrous and non-ferrous automotive engine and transmission components. During the year under review, the Hon'ble High Court of Karnataka approved the merger of JKM Daerim Automotive Limited with Dynamatic Technologies Limited vide its order dated 4th January, 2008. The merger was effective from 1st April, 2007. As such the Directors' Report, the Audited Statement of Accounts, the Auditors' Report thereon and the Statement pursuant to Section 212 of the Companies Act, 1956, for the year ended 31st March, 2008, for this division will not be applicable. Further, as required under the Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement of Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the Consolidated Statement of Accounts together with the Auditors' Report thereon will not be applicable. Currently, this division is known as JKM Automotive™.

JKM Research Farm Limited, India, is a wholly owned Subsidiary of your Company. The Directors' Report, Audited Statement of Accounts, Auditors' Report thereon and the Statement pursuant to Section 212 of the Companies Act, 1956, for the year ended 31st March, 2008, of this Subsidiary are annexed. Further, as required under the Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement/s of Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the Consolidated Statement of Accounts together with the Auditors' report thereon are annexed.

JKM Global Pte. Limited, Singapore, is a wholly owned Subsidiary of your Company. The Director's Report, Audited Statement of Accounts, Auditors' Report thereon and the Statement pursuant to Section 212 of the Companies Act, 1956, for the year ended 31^{st} March, 2008, of this Subsidiary are annexed. Further, as required under the Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement/s of the Consolidated Statement of Accounts together with the Auditors' Report thereon are annexed.

Dynamatic Limited, UK, is a wholly owned Subsidiary of JKM Global Pte Limited. The Director's Report, Audited Statement of Accounts, Auditor's Report thereon and the Statement pursuant to Section 212 of the Companies Act, 1956, for the year ended 31^{st} March, 2008, of this Subsidiary are annexed. Further, as required under the Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, in compliance with the Listing Agreement/s of Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the Consolidated Statement of Accounts together with the Auditors' Report thereon are annexed.

DIRECTORS

J.K. Malhoutra, the Chairman of the Company ceased to be a Director consequent to his demise on 17^{th} March, 2008. Vijai Kapur, the senior-most member of the Board was unanimously elected as the Chairman, in place of late J.K. Malhoutra.

Under Section 256 of the Companies Act, 1956, Shanti Ekambaram, Vijai Kapur and Raymond Keith Lawton retire by rotation and being eligible, offer themselves for re-election.

Govind Mirchandani, who has been appointed as an Additional Director of the Company at the Board meeting held on 27^{th} June, 2008, is being proposed to be appointed as a Director of the Company as set out in the Notice.

Malavika Jayaram, who has been appointed as an Additional Director of the Company at the Board meeting held on 27^{th} June, 2008, is being proposed to be appointed as a Director of the Company as set out in the Notice.

B. Seshnath, who has been a Director of your Company since 2002 has been appointed as ED & CMO of the Company with effect from 21^{st} February, 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies (Amendment) Act, 2000, in respect of the Financial Statements is annexed to this report.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements in accordance with the Accounting Standard AS-21, issued by The Chartered Accountants of India, which forms part of the Annual Report and Accounts.

AUDITORS

M/s. Price Waterhouse & Co., Chartered Accountants, Bangalore, retire at this Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYMENT

During the year under review, relations between the employees and management remained cordial.

Information required to be furnished under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is forming part of this Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to energy conservation, technology absorption, foreign exchange earnings and outgo required to be disclosed under The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in **Annexure – I** forming part of this report.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Practising Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchange/s together with the Management Discussion and Analysis of the financial position of the Company, form part of this Report.

ACKNOWLEDGMENT

Your Directors would like to express their grateful appreciation for the co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors, Shareholders and Investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of Executives, Managers, Staff and Workers of the Company and look forward their continued support in the future.

By order of the Board of Directors

PLACE : BANGALORE
DATE : 27^{th} JUNE, 2008

VIJAI KAPUR
Chairman

ANNEXURE – I

Statement under Section 217(1)(e) read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2008.

Disclosure of particulars with respect to absorption, adoption and innovation

Research and Development (R & D)

1. **Specific areas in which R & D is carried out by your Company**

   Major thrust areas for R & D activities are outlined below:

   a) Development of new design for robust hydraulic gear pumps for Earthmoving Sectors.
   b) Development of Fixed Clearance Gear Pump catering to specific requirement of Low Pressure High Flow capability.
   c) Development of various types of Hydraulic Gear Motors.
   d) Development of new Machine Tools, Machine Tools Structures including CNC machines upgrade.
   e) Factory Automation.
   f) New projects for Defence sector.
   g) Mechatronics application in Tractor Hydraulics.
   h) Development of total Tractor Hydraulic aggregates including Hitch Control Valve.
   i) Value engineering for existing products and processes.
   j) Analysis coupled with experimentation towards product design optimization, product performance enhancement and application, understanding and problem solving.
   k) Introduction of Product Life Cycle Management Tools viz. Windchill.

      Windchill is extensively practiced across various functional units of the Company at plant level imparting fast and accurate engineering data transfer & management capability.

   l) Design and Development of customized consumer products for NSS, USA.
   m) Design and Development of Combi Pump for Nano Car at Automotive Unit.

2. **Benefits derived as a result of the above R & D**

   All the following efforts have led to innovative product and process developments leading to new market creation and higher value addition:

   Few of the key mile-stones achieved are mentioned below:

   a) New product development with new customer base both at domestic and export market.
   b) Capitalising on new business opportunities viz. Machine Tool Development Program.
   c) Participating in India's Defence indigenisation and technological upgradation program.
   d) New process improvements through value engineering towards cost reduction and import substitution.

3. **Future plan of action**

   The Company plans to increase its efforts in developing new and cost-effective applications in the above sectors, through continuous innovation.

4. **Expenditure on R & D**

		Rs. in Lacs
a)	Capital	494.34
b)	Recurring	148.52
	Total	**642.86**

5. **Total expenditure as a percentage of turnover (Net): 2.34%**

6. **Technology absorption, adoption and innovation**

   Efforts, in brief, made towards technology absorption, adoption and innovation.

   The Dynamatic® Knowledge Center has enabled your Company to gain expertise in developing high precision engineering products. Consequently, your Company has been recognized by the Department of Scientific and Industrial Research (DSIR), Government of India, as a **`Recognized In-house R & D Unit'**. This is a prestigious honor conferred upon the Company.

   JKM Research Farm, the first of its kind in the Indian private sector, facilitates testing and validation of the products developed by the Company's customers. This is a unique facility, which aids in relationship building with the Company's customers.

   The above facilities have enabled the Company to develop the following:

   a) Heavy Duty New Generation Cast Iron Gear Pumps with very high pressure operational capability built with patented interlocking concepts.
   b) Electro–Hydraulic Aggregates for Defence application.
   c) New optimized Die–Casting Machine Tools for Foundry application.
   d) Total Tractor Hydraulic Aggregates for MNC's including Gear Pump, Control Valve and Rock Shaft Assembly.
   e) New types of Gear Pumps and Motors built with special configuration for various applications, for both domestic and export markets.
   f) Development of Lubricating Oil Pump suitable for Heavy Duty Engine for export market.
   g) ANSYS and CFD analysis towards product design optimization and product performance & application analysis.
   h) Rapid proto-typing.

7. **In case of imported technology (imported during last 5 years – reckoned from the beginning of the financial year), following information may be furnished:**

a)	Technology imported:	NIL
b)	Year of import:	NA
c)	Has technology been fully absorbed?	NA
d)	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	NA

Foreign Exchange Earnings and Outgo: During the year under report, the foreign exchange outgo has been to the extent of **Rs.549,175,720/-** (which includes import of raw materials, components, stores and spares to the extent of **Rs.425,551,552/-,** Foreign Travel expense of **Rs.5,685,252/-,** Subscription fees of **Rs.101,750/-,** Technical fee of **Rs.1,019,349/-,** Interest **Rs.15,201,645/-** and Capital Expenditure to the extent of **Rs.101,616,172/-)** and the foreign exchange earned is **Rs.246,239,856/-**.

ANNEXURE – II

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2008.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANIES.

	Particulars	JKM Research Farm Limited	JKM Global Pte.Limited	Dynamatic Limited (a subsidiary of JKM Global Pte. Limited)
1.	Financial Year ended on	31.03.2008	31.03.2008	31.03.2008
2.	Shares of the Subsidiary held by the Company on the above date:			
a)	Number and face value	1,999,930 fully paid Equity shares of Rs.10/- each	2,432,765 fully paid Equity shares of Singapore $1/- each	1,250,000 fully paid Equity shares of Pound 1 /- each
b)	Extent of holding	100%	100%	100%
		Rs. in lacs	Rs. in lacs	Rs. In lacs
3.	The net aggregate of Profit / (Loss) of the Subsidiaries so far as they concern the members of the Company:			
a)	Dealt within the account of the Company for the year ended 31st March, 2008.	0.75	(18.06)	32.90
b)	Not dealt within the account of the Company for the year ended 31st March, 2008.	–	–	–
4.	The net aggregate of Profit / (Loss of the Subsidiaries for previous years, since it became subsidiary so far as they concern members of the Company:			
a)	Dealt within the account of the company for the year ended 31st March, 2007.	8.30	(3.89)	–
b)	Not dealt within the account of the Company for the year ended 31st March, 2007.	–	–	–

ANNEXURE - III

The Directors' Responsibility Statement as required under Section 217(2AA) of The Companies (Amendment) Act, 2000.

The Board of Directors hereby confirm that:

That in the preparation of accounts for the financial year ended 31st March, 2008, the applicable Accounting Standards have been followed with proper explanation relating to material departures.

That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss account of the Company for the year under review.

That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a `going concern' basis.

By order of the Board of Directors

PLACE : BANGALORE
DATE : 27TH JUNE, 2008

VIJAI KAPUR
Chairman

CERTIFICATION BY CEO & MANAGING DIRECTOR AND PRESIDENT & GROUP CFO OF THE COMPANY

We, Udayant Malhoutra, CEO & Managing Director, and V. Sunder, President & Group CFO, of Dynamatic Technologies Limited, to the best of our knowledge and belief, certify that:

a. We have reviewed the Balance Sheet and Profit and Loss Account (Dynamatic®), and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Directors' Report;

   Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   To the best of our knowledge and belief, the financial statements and other information included in this report, present a true and fair view of the Company's affairs and are in compliance with existing accounting standards as issued by the Institute of Chartered Accountants of India, and /or applicable laws and regulations;

b. To the best of our knowledge and belief, no transactions have been entered into by the Company during the year which is fraudulent, illegal or violative of the Company's Code of Conduct.

c. We are responsible for establishing and maintaining the internal controls for the financial reporting of the Company, regularly evaluating the effectiveness of the internal control systems of the Company pertaining to financial reporting and disclosure to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any.

d. The Company's respective functional heads and we have disclosed all relevant information wherever applicable, to the Company's Auditors and the Board of Directors of the Company :

- We have eliminated all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data and have evaluated the effectiveness of the internal control systems of the Company in consultation with the Statutory and Internal Auditors of the Company;

- We have indicated to the Auditors and the Audit Committee, changes in internal control over financial reporting during the year, changes in accounting policies during the year and the same have been disclosed in notes to financial statements;

We further confirm that the Company has framed a specific Code of Conduct for the members of the Board of Directors and senior management personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

All the members of the Board and Senior management personnel of the Company have affirmed due observance of the said Code in so far as it is applicable to them and there is no non-compliance thereof for the year ended 31st March, 2008.

UDAYANT MALHOUTRA	**V. SUNDER**
C E O & Managing Director	President & Group CFO

PLACE : BANGALORE
DATE : 27TH JUNE, 2008

SAFE HARBOUR STATEMENT

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. When used in this discussion, 'anticipate', 'believe', 'estimate', 'intend', 'will', 'expect' and other similar expressions which relate to the Company or its business are intended to identify such forward looking statements. The Company undertakes no obligations to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Therefore as a matter of caution, undue reliance on forward looking statements should not be made. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and notes thereto.

A ECONOMY, INDUSTRY STRUCTURE AND DEVELOPMENTS

During 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some moderation in the growth momentum during the course of the year. According to the advance estimates released by the Central Statistical Organization (CSO), the real GDP growth rate moderated to 8% in 2007-08 from 9.6% in 2006-07. The moderation in growth occurred in all the three sectors viz., agriculture and allied activities, industry and services.

The recent financial developments in USA and its ramifications on the other parts of the world are bound to have its effect on our economy, since we are now more closely integrated with the Global economy. However, the impact may not be sufficiently significant to stall the momentum of growth, as we have a sound savings ratio and our economy is largely dependent on domestic consumption.

India continued to be one of the fastest growing economies in the world. Without doubt, formidable challenges lie in the areas of fiscal consolidation, infrastructure, education and in ensuring that the growth story remains inclusive.

The Indian automobile industry is a stark contrast to the Global industry in many respects. The Indian automobile industry is small in comparison to the global industry and except for the two wheeler and tractor segments, the Indian industry cannot boast of large volumes vis-a-vis global numbers.

The automotive industry in India is now responding to the dynamics of an open market as indicated by the large number of collaborative ventures being jointly set up by leading Indian and Global Automotive Manufacturers. The industry has also witnessed an increase in the number of joint ventures in the Auto Components sector, and it is expected that this trend will continue as more and more global OEMs look to India to meet their manufacturing requirements.

The Government of India is keen to provide an economic and business environment conducive to the success of established and prospective foreign partnership ventures. The investment envisaged in new vehicle projects is $ 5.7 billion.

Your Company's automotive division, JKM Automotive™ is located in Chennai, the Automotive Hub of India, and is uniquely positioned to leverage on its geographical advantages.

The Ministry of Defence estimates that offsets will generate about Rs.400 bn. (USD 10 bn.) worth of business for the Indian defence industry over the next 5 years. The Indian Defence Offset Policy, which mandates 30% offsets from foreign vendors for purchases valued above Rs. 3 bn., has set the stage for the establishment of strategic partnerships between competent Indian players and international Aerospace majors.

Your Company, a pioneer and a recognized leader in the Indian Private Sector for the development of complex aero structures, is uniquely placed to benefit from the Offset Policy. It has the largest infrastructure in the Indian Private sector for the manufacture of exacting Air Frame Structures and Precision Aerospace Components and is well supported by its AS9100 quality certification. Your Company has already signed a teaming agreement with Northrop Grumman Corporation, USA, and a production agreement with Cobham PLC, UK. During the year, your Company entered into a strategic partnership with Spirit AeroSystems for a significant complex metallic precision assembly for the Airbus Single Aisle (A320 family) Aircraft.

B OPPORTUNITIES AND THREATS

Your Company is Asia's leading manufacturer of Hydraulic Gear Pumps and one of the Top Five worldwide. Your Company also manufactures a wide range of sophisticated Hydraulic Valves and custom tailored solutions extending from simple Pumping Units to sophisticated Marine Power Packs, complex Aircraft Ground Support Systems to Turnkey Industrial Installations. Your Company has been a dominant player in the fixed displacement Hydraulic Gear Pumps segment, catering to the agricultural and the construction industries. Your Company caters to the requirements of two leading global players in the tractor segment, John Deere and Case New Holland.

Your Company has commenced supplies of Total Tractor Hydraulics Systems (Hitch Lifts) to new generation tractor manufacturers like Same Deutz-Fahr. Your Company is also tapping the growing infrastructure sector by developing cast iron pumps for JCB, Caterpillar, Cummins etc. Such high value businesses will broadbase the product mix and result in an expansion of margins in the Hydraulics business.

The Company produces the Hydraulic Transmission System for India's T-72 Battle Tanks including Hydraulic Pumps, Hydraulic Transmission, Couplings and the Distribution Mechanism. Additionally, the Company has designed the Steering Control System, the Turret Control System and the Braking System for the ARJUN Main Battle Tank.

All these products are produced at its state-of-the-art manufacturing facility located in Bangalore, with the assembly being done in a clean-room environment to avoid contamination.

Your Company took its first step towards inorganic growth through the acquisition of the Hydraulic division (Swindon unit) of Sauer Danfoss, UK, in June 2007. This facility supplies Gear Pumps, Gear Motors and Associated Products to the off-highway and special purpose on-highway mobile equipment markets. This unit caters to the European and US markets, and was an integral part of Sauer Danfoss's global supply chain. Your Company, through its established competency in the hydraulics space, has already become a key supplier to most of the existing clients of this unit like Case New Holland (CNH).

Sound organic growth combined with this acquisition in the high margin Hydraulic business is expected to lead to incremental revenues in the Company's business.

Dynametal® produces high quality Non-Ferrous Alloys and Castings for Industrial, Automotive and Aerospace applications. Your Company's foundry is located at Chennai, and incorporates use of the latest metallurgical technologies.

JKM Automotive™, your Company's automotive division, has recently set up a Greenfield facility in Chennai to cater to the increasing demand expected from Hyundai. In the export market, the Company caters to Ford, Nissan and Renault in the highway segment and Cummins and John Deere in the off-highway segment. Your Company currently has a capacity of 600,000 units which is dedicated to Hyundai and has enhanced capacity by an additional 450,000 units in the new plant, which is expected to operate at full capacity by FY 2009.

JKM Automotive™ has been operating across various market segments, each of which is unique in terms of volume and value. The highway segment is characterised by large volumes and stiff business margins whereas the off-highway segment is driven by value rather than volume. Straddling the two, lies the technology segment which is a high value and large volume business, though it poses technical challenges.

Your Company manufactures compressor housings for the world's leading producer of Turbochargers, Honeywell Turbo Technologies. Currently, JKM Automotive™ supplies one million compressor housings to Honeywell Turbo Technologies and the business has the potential to scale-up to four million.

Powermetric® Design is a world class Design Center capable of total product and system design, with advanced capabilities in structural, thermal and dynamic engineering for design validation, analysis and optimization. The Powermetric® team of engineers and scientists draw upon their collective domain expertise in the Hydraulics, Aerospace and Automotive segments, to offer design support to the strategic business units of your Company.

Dynamatic Aerospace® produces exacting Airframe Structures and Precision Aerospace components, and has closely partnered agencies of national importance like the Ministry of Defence, Hindustan Aeronautics Ltd. and other defence establishments on key projects including Lakshya – India's Pilotless Target Aircraft, HJT-36 Intermediate Trainer and the Sukhoi 30 MKI Fighter Bomber. This is the first time such capabilities have been developed in the Indian Private Sector.

During the year under review, your Company signed an MoU with Spirit AeroSystems, the world's largest supplier of commercial aircraft assemblies and components, for the assembly of 'Flap Track Beam' for the Airbus Single Aisle (A320 family) aircraft. This is the first instance of a functional Aero-Structure of a Commercial Jet being manufactured in India.

Your Company is currently looking at an overseas acquisition for the aerospace business, which will open new business opportunities and enhance its capabilities.

Understanding the opportunities for growth as well as the barriers in each segment, your Company has consciously moved towards creating the optimal mix of products across various market segments, which will deliver sustainable margins in the face of competition.

Competition from low-cost manufacturers and pressures on margins due to the increase in raw material costs has been countered by pursuing value engineering and by entering into price indexed contracts for raw material procurement.

To overcome the relentless pricing pressures from its OE Customers, the Company has diversified its customer base to pursue business from the non-automotive segment, which is characterized by low volumes and high margins.

Over 85% of all agricultural tractors and construction equipment produced in India are powered by pumps produced by Dynamatic® Hydraulics. 45% of all passenger cars made in India are built using critical engine & transmission products manufactured by JKM Automotive™. The Nation's borders are secured by products and technologies developed by your Company.

C. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The sales revenues from each of the major business segments that the Company is involved in, are as follows :

Segment	Amount (Rs. In Lacs)	Percentage (%)
Hydraulics & Precision Engineering	10,950.83	30.42
Aluminium Castings	3,655.41	10.16
Automotive Components	21,389.10	59.42
TOTAL	**35,995.34**	**100.00**

D. OUTLOOK

Your Company's reputation for developing innovative, cost competitive and high quality products continues to grow, both in India and in the Overseas markets. In the medium-term, the Company is expected to maintain a compounded annual growth rate of 45-50%.

Having witnessed strong organic growth in all its business segments over the years, the Company is now moving towards inorganic growth through acquisitions that offer greater opportunities in the export market. Through these acquisitions, your Company is expected to double its revenues and scale up its margins on a consolidated basis.

The key growth drivers of the business during the year has been the acquisition of the Hydraulics unit in Swindon, the strategic partnerships arising from the Government's Offset Policy in the Aerospace Segment and the setting up of the Green Field Project in the Automotive Segment.

Your Company enjoys a high level of technical competence and has developed strong relationships with its customers. Your Company's key strengths are its design capabilities and the powerful partnerships it has forged with its customers, both of which enable it to either become the supplier of choice or a single source supplier to its customers.

The continuous thrust on R&D activities will result in the development of innovative and cost-effective products. Your Company's design capabilities has transformed it into an enabler of technology from a mere supplier of parts, which has in-turn created entry barriers for competition.

E. RISKS AND CONCERNS

Continued cost-push inflation is a cause for concern. However, your Company is offsetting this by not just seeking appropriate price increases from its customers, but also by adopting various cost-optimization measures and value engineering solutions.

Possible risks like Product Liability, Warranty, etc that your Company is exposed to, consequent to its entry into the Global markets, are being mitigated through commensurate insurance policies and other de-risking strategies.

Over 50% of the raw materials used by your Company - Extrusions, Alloys & Castings - comprise of Aluminium. As input costs rise year on year, it has been heartening to note that the price outlook for Aluminium is expected to remain steady, due to the growing demand from the power and construction sectors.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Strategic Business Units of your Company are headed by highly experienced Chief Operating Officers, who in turn are supported by cohesive teams comprising of capable personnel.

The Company has well-structured internal control systems for running its operations. The implementation of ERP at its Bangalore complex is in its final stages, and its completion will streamline the enterprise-wide flow of information. ERP has already been implemented at your Company's facilities in Chennai and Swindon.

Your Company has deployed a comprehensive Internal Audit System, which is commensurate with its scale of operations. Competent and qualified professionals, who are external to the Company's business, conduct regular and detailed Internal Audits, both at the manufacturing locations and at branch offices. During the year, the Internal Auditors submitted Management Reports along with their Internal Audit Reports, which highlighted areas of concern and suggested improvements in systems and procedures.

The Board level Audit Committee of the Company meets every quarter to review the Internal Audit Reports as well as the Management's Feedback on Internal Audit Reports and suggests improvements in the control systems from time to time. A detailed report on the same forms part of the Corporate Governance report.

G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your Company's Net Profit has grown by 105%, against the Sales Turnover growth of 152%. This includes Net Profit of Rs.1,637 lacs in its Hydraulics business, Net Profit of Rs.363 lacs in its Aluminium Castings business and Net Profit of Rs.1,644 lacs in its Automotive business.

This has been possible due to your Company's relentless drive to eliminate operational inefficiencies, introduction of more value-added products and innovative value engineering initiatives.

Your Company's investments in its automotive and foundry divisions at Chennai has continued to pay-off handsomely, as is evidenced by the rapid growth in turnover of both units and their increasing contributions to overall profitability.

The improved overall performance has been leveraged by your Company to negotiate substantial reductions in financial costs. Your Company has also been able to make fresh and necessary capital investments in capacity, research & development and product development.

H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

During the year, your Company negotiated and finalized a Long Term Settlement with workers at its facility in Bangalore. This is a major accomplishment as it redefines the production norms and has laid down enhanced productivity norms required to meet the growing market demand. The additional resources required viz. manpower and space for assembly, etc have been identified.

Your Company has increased its operational productivity by reducing set-up time and adding machines in the critical path. Where possible, the cycle time has been reduced based on time studies conducted on the shop floor. New cutting tools have been introduced to hasten the manufacturing process.

The quality of human resources available within your Company and the manner in which it has been deployed has contributed significantly to its success. Continuous efforts are made to ensure that all employees are well trained and motivated. These efforts have ensured a peaceful industrial environment, which is supportive of your Company's long term growth strategies.

For the execution of new projects, your Company focuses on creating teams that blend youthful energy with rich experience, by ensuring an even balance between young blood and senior professionals.

The training and development programs conducted by your Company aim at aligning individual aspirations and capabilities with the organisation's goals, thereby ensuring that the employees remain motivated and committed to the Company's vision and long term growth.

Your Company conducts regular Town Hall meetings, which facilitate interactions between employees at all levels and the senior management. These meetings have ensured a 'two-way' vertical flow of communication within the Organization and serves as an effective feedback mechanism as well.

Your Company has introduced a workflow management software in the HR department, which reduces administrative paperwork and increases transparency in employee related policies.

The introduction of the new **DATA MANAGEMENT SYSTEM** (DMS) at the operational level enables the effective capture of data in electronic form and makes it available to interested parties. This instills confidence in customers as the data is readily available and can be viewed instantly without being tampered with in any way.

Your Company has appropriate mechanisms in place to record data on individuals' contributions, creative ideas, skill levels, motivational activities, group efficiency and individuals' efficiency. Data pertaining to sociological and cultural issues that impede productivity and quality of work are captured and studied.

Your Company encourages all its employees to participate in the Employee Participation Program (EPP), where they can actively participate in improvement programs and take pride in the implementation of their suggestions. Employees are regularly rewarded for their ideas and efforts. The achievements made by the employees are presented to the various committees of the Board.

The Leadership, Human Resource Development and Remuneration Committee, a board level committee, meets every quarter to review HR Processes, Mentorship Programming, Appraisal Capsules, Management Structure, Development of Leaders within the Organization, Up-gradation of the Human Resource Department, Increased Employment of Women, Definition of Career Paths for Employees, Harmonizing quality systems across the group, Review of HR Manual and to recommend and help implement best Industry practices. A detailed report on the same forms part of the Corporate Governance report.

The strategies adopted by your Company to develop and retain talent are:

- Special training through technical, behavioral and relationship based programs.
- Creation of a congenial, safe and secular work environment.
- Participative Management in the Company's business processes, which instills a sense of ownership in the employees.
- Definition of clear career paths.
- Exposure to your Company's global business streams.

Your Company continues to look at enhancing the quality of life of all its employees and to further this objective during the current year, has geared itself to implement organizational health and safety training initiatives along with a 5S training program.

Your Company continues to impart on the job training opportunities to all its employees. Apart from this, your Company has brought in specialists to train its employees in areas such as special processes, project management, soft-skill development programs (such as personal productivity enhancement, effective teaming, business etiquette, etc) especially for new recruits.

The number of people employed during the year under review is 1,019 as on 31st March, 2008.

Corporate Governance involves value system of a Company including moral, ethical and legal value frame work under which business decisions are taken.

Securities Exchange Board of India (SEBI), with an objective to improve standards of Corporate Governance in India in line with the needs of a dynamic market, issued/issues circular/s directing all stock exchanges to amend Clause 49 of the Listing Agreement from time to time with Corporate Governance norms which increases the responsibility of listed companies to bring in transparency and accountability, and report the same in the Annual Report. Clause 49 of the Listing Agreement provides for the mandatory and non-mandatory requirements.

We believe that Corporate Governance is vital for enhancing and retaining stakeholders' trust. Guiding principles of Corporate Governance are becoming an integral part of business. Our Board exercises its fiduciary responsibility in a broad sense in every facet of its operations. Dynamatic® long standing commitment to the high standards of Corporate Governance and ethical business practices is a fundamental shared value of its Board of Directors, Management and Employees.

Dynamatic® philosophy on Corporate Governance envisages enhancing overall Shareholder value on a sustained basis by way of :

- Constitution of a highly independent Board of appropriate composition, size, varied expertise and commitment to discharge its responsibilities and duties.
- Ensuring timely disclosures, transparent accounting policies and a strong, independent Board to help preserve shareholders' trust while maximizing long-term shareholder value and respecting minority rights.
- Best practices founded upon core values of transparency, professionalism, empowerment, equity and accountability.
- Fulfilling its obligations to other stakeholders such as customers, suppliers, financiers, employees, government and to society at large.
- Upholding, sustaining and nurturing core values in all facets of its operations through growth and innovation.
- Maximizing national wealth and adhering to transparent actions in business.

This philosophy of Dynamatic® has helped transform itself into a higher plane of leadership.

The forward-looking approach of Dynamatic® has always helped it in achieving the desired results. This approach has transformed the Company's culture to one that is relentlessly focused on the speedy translation of technological discoveries into innovative products. Your Company's commitment towards Corporate Governance started well before the law mandated such practices.

Corporate Governance Monitoring and Review process at Dynamatic® :

Dynamatic® continuously reviews its policies and practices of Corporate Governance with the clear goal of not merely to complying with statutory requirements in letter and spirit, but also to constantly endeavor to implement the best international practices of Corporate Governance in the overall interest of all stakeholders.

Some of the initiatives taken by the Company towards strengthening its Corporate Governance system and practices include the following:

- The Company has constituted the Leadership, HRD & Remuneration Committee to oversee the Corporate Governance practices, to build leadership, to review polices from time to time based on the size and need of the Company and recommend the same to the Board for adoption.
- The Corporate Governance manual of the Company sets out the policies for effective functioning of the Board and its Committees. It lays down various policies viz. code of business conduct and ethics for Directors and Management personnel, code of ethics for employees, code of conduct for prohibition of Insider Trading, code of conduct for SEBI (Substantial Acquisition of Share and Takeover) Regulations, 1997, key accounting policies, Interaction with investors/shareholders/analysts through analyst meets, Conference call on quarterly results etc.
- These policies are constantly monitored and reviewed by the said Committee from time to time.
- The Company has appointed an independent practising Company Secretary to conduct Secretarial Audits. The Annual Audit Report of Corporate Governance is placed before the Board.
- The Company is moving towards adherence to the Secretarial Standards issued by the Institute of Company Secretaries of India. These standards are recommendatory in nature.

A. BOARD COMPOSITION

Your Company's policy is to have an appropriate mix of Executive, Non Executive and Independent Directors to maintain the independence of the Board. The Board consists of 11 members, of whom seven are Non Executive Directors and four are Executive Directors. One of the Executive Directors is a promoter. The Board periodically reviews the need for change in composition or its size.

J.K. Malhoutra, the Chairman of the Company passed away on 17th March, 2008. Consequently, the Board unanimously elected Vijai Kapur, Senior Independent Director, as the Chairman of the Board.

Composition of the Board and Directorship/Membership held by Directors

Name of the Director	Age	Indian *Companies (Public* Companies)*	*Committee* Membership**	*Chairman of the* Committee ***
Founder & Non Executive Director				
J.K. Malhoutra #	72	2	1	-
Non Executive, Independent Directors				
Vijai Kapur	77	1	1	1
Dr. K. Aprameyan	65	1	1	1
Air Chief Marshal S. Krishnaswamy (Retd.)	65	1	2	2
Shanti Ekambaram	45	5	2	-
Govind Mirchandani @	58	1	-	-
Malavika Jayaram @	36	1	-	-
Non Executive, Non Independent Director				
Raymond Keith Lawton ##	55	1	1	-
Executive Directors				
V. Sunder	46	2	1	-
N. Rajagopal	59	1	-	-
B. Seshnath ###	50	1	-	-
Executive Director & Promoter				
Udayant Malhoutra	42	4	1	-

Notes:

None of the Directors are relatives within the provisions of Section 2(41) and Section 6 read with Schedule IA of the Companies Act, 1956 except Udayant Malhoutra and late J.K. Malhoutra.

None of the Directors are nominees of any bank/financial institution during the year 2008.

* Includes Directorship in Dynamatic Technologies Limited.

** As required by Clause 49 of the Listing Agreement, the disclosure refers to memberships/chairmanship of Audit Committee and Investor Grievance Committee of public companies (listed and unlisted).

*** The Chairmanship include Audit Committee, Investor Grievance Committee, Leadership, HRD & Remuneration Committee and Technical Development Committee.

\# J. K. Malhoutra ceased as a Director with effect from 17th March, 2008 consequent to his demise.

\## Raymond Keith Lawton was appointed as an Additional Director with effect from 20th July, 2007.

\### B. Seshnath was appointed as Executive Director of the Company with effect from 21st February, 2008, consequent to the merger of JKM Daerim Automotive Limited with the Company.

@ Govind Mirchandani and Malavika Jayaram were appointed as Additional Directors of the Company with effect from 27th June, 2008.

Independent Directors

Independent Director means a person other than an officer or employee of the Company or its Subsidiaries or any other individual having a material pecuniary relationship or transactions with the Company which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director within the meaning of Clause 49 of the Listing Agreement with Stock Exchanges.

Responsibilities of the Chairman and Executive Directors

Our present policy is to have a Non Executive Chairman – Vijai Kapur.

Our Executive Directors are Udayant Malhoutra – CEO & Managing Director; V. Sunder – President & Group CFO; N. Rajagopal – Executive Director & COO, Dynamatic® Hydraulics and Dynametal®; B. Seshnath – Executive Director and Chief Marketing Officer.

There are clear demarcation of responsibilities and authority among these officials. The Executive Directors of the Subsidiary companies incorporated either in India or abroad will be part of the Board as Non Executive Directors of the Company.

The Executive Directors and senior management make periodic presentations to the Board on the Company performance and business growth in the units.

Directors' Profile

Brief profile of all the Directors, including their expertise and experience is given below

Vijai Kapur, Chairman

Vijai Kapur, aged 77 years, was formerly the Dy. Managing Director, GKW Limited, and past President of – AIEI (now called CII). He has been the Director of the Company since 1992 and possesses rich business and managerial experience.

As the Chairman of the Board, he is responsible for all Board level matters of the Company.

He is the Chairman of the Audit Committee and also a member of Leadership, HRD & Remuneration Committee of the Company.

Air Chief Marshal S. Krishnaswamy (Retd.), Director

Air Chief Marshal S. Krishnaswamy (Retd.), aged 65 years, joined the Indian Air Force as an under graduate. He has also obtained a post graduate degree in Military Science. He had a very distinguished career in the Indian Air Force and has held several senior positions, culminating in his appointment as the Chief of the Air Staff of the IAF from 2001 upto his retirement on 31st December 2004. At the time of retirement, he was the Chairman of the Chiefs' of Staff Committee.

During his service, he received various medals such as the AVSM, PVSM, VM, a bar to VM for his outstanding contribution.

In August 1999, he received the Agni Award for Excellence in Self Reliance-1998 from the Prime Minister for having made outstanding technical and operational contributions to the design, development and evaluation of indigenous combat aircraft, armament and EW systems while working closely with DRDO for many years.

Air Chief Marshal S. Krishnaswamy (Retd.) has been a Director of the Company since 2005.

He is the Chairman of the Leadership, HRD & Remuneration and Shareholders Committees. He is a member of Technical Development Committee and Audit Committee of the Company.

Dr. K. Aprameyan, Director

Dr. Aprameyan is 65 years old and has been a Director of the Company since 2003.

Dr. Aprameyan is a Post Graduate in Automobile Engineering from The Indian Institute of Science (IISc), Bangalore, and has obtained his Doctorate in the field of Internal Combustion Engines from Paris University, France. He has held various senior positions and was the Chairman and Managing Director of Bharat Earth Movers Limited (BEML) from 1995 till his retirement in December 2002.

Dr. Aprameyan was instrumental in BEML emerging as a major player in diverse areas ranging from earth moving equipment to railways to defence, robotics and automation. He has served as the Vice President of the Fluid Power Society of India and the Chairman of the Indian Earth Moving and Construction Industries Association (IECIAL). He was a former member of the Governing Council of Institute of Robotics and Intelligence Systems (IRIS) and National Council, Confederation of Indian Industries (CII). At present a member of selection committees of Indian Institute of Technology (IIT), Kanpur.

Dr. Aprameyan is the Chairman of the Technical Development Committee and a member of Leadership, HRD & Remuneration Committee and Audit Committee of the Company.

Shanti Ekambaram, Director

Shanti Ekambaram, a commerce graduate from Sydenham College, Mumbai, is 45 years old. She is a member of The Institute of Chartered Accountants of India (ICAI) and The Cost and Works Accountants of India (ICWAI). Prior to her tenure at Kotak, she worked with The Bank of Nova Scotia and The Canadian International Bank where she handled corporate banking and treasury products.

Shanti Ekambaram has been with the Kotak group for more than a decade. She has rich and varied experience in Capital Markets, Corporate Banking and Treasury Management. She has spent over 17 years servicing the Indian wholesale customers and enjoys strong relationships with India's leading Corporates and Institutions.

Shanti Ekambaram currently heads the Wholesale Banking business for the Kotak Group and is responsible for ensuring delivery of comprehensive financial solutions to leading Indian Corporations, Banks, Institutions, Public Sector Undertakings, Multinationals and to the Government of India. Shanti Ekambaram took over her current responsibilities in September 2002, prior to which she was the Executive Director and CEO of Kotak Mahindra Capital Company Limited, the Investment Banking arm of the Kotak Mahindra Group and one of the leading investment banks in the country. She was responsible for the Company's business and operations especially in the Equities market (IPO's, Private/ Strategic equity), mergers and acquisitions, fixed income schemes, project syndication & advisory & the proprietary fixed Income Government securities business.

She joined the Board of Directors of the Company on 30th October, 2006. She is a member of Audit Committee of the Company.

Raymond Keith Lawton, Director

Raymond Lawton, aged 55 years old, graduated in Higher National Diploma in both Mechanical and Production Engineering in 1973. He was awarded Management Fellowship in 1981.

During the year 2006-07, the Company acquired the Hydraulic Business unit of Sauer Danfoss Ltd., UK at Swindon. Raymond Lawton was the Chairman and Managing Director of Sauer Danfoss Ltd, Swindon, since 2004. He started his career during 1969 as a Mechanical Engineering apprentice in Plessey Hydraulics Limited and became a Jr. Planning Engineer in 1973. He has held various positions in his career, which spans over three decades and progressed steadily to become the Plant manager of Sauer Danfoss in 2003. Raymond Lawton became the Executive Chairman of Sauer Danfoss, Swindon in 2004. He is currently Executive Director & Chief Operating Officer, Dynamatic Limited, UK, a 100% Subsidiary of the Company.

Raymond Lawton has been instrumental in transforming the facility in Swindon from a conventional manufacturing plant into a modern high quality manufacturing company by introducing modern manufacturing methods and techniques. During his career in Sauer Danfoss he was responsible for the setting up and installation of two Greenfield manufacturing plants, both of which are running successfully.

He is a member of Audit Committee and Technical Development Committee of the Company.

Govind Mirchandani, Director

Govind Mirchandani, aged 58, has completed his Degree in Bachelor of Technology from the Indian Institute of Technology, Mumbai and his PGDM from the Indian Institute of Management, Kolkata, having specialized in the areas of Leadership, Building High Performance Organizations, Brands and Retail Management. He had a very distinguished career and has held positions of seniority in various industries for over three decades. He has worked as the Executive Director & CEO of Reid and Taylor, Director of Brand House Retails Limited, CEO & Director of Arvind Brands Limited, President of the Denim division of Arvind Mills Limited, President & CEO of Personality Limited, General Manager in Shalimar Paints Limited, and Business Head of the Interlinings division of Madura Coats Limited. He was also responsible for launching Arvind Denim in India in 1987 and also several other international and domestic brands in India viz. Arrow, Lee, Wrangler, Excalibur, Newport, Reid & Taylor, Belmonte, Stephens Brothers etc. Govind has won several IMAGES Awards, and is a recipient of the Indira Super Achiever Award as well as the coveted Bharat Vikas Award for outstanding contribution to the field of management. Govind has been the past Chairman of the Young Presidents' Organization, Bangalore Chapter, and the National Vice President, Indo – American Chamber of Commerce.

Malavika Jayaram, Director

Malavika Jayaram, aged 36, is a lawyer and has completed her integrated BA-LLB degree in 1994 from the National

Law School of India, Bangalore. She pursued her Masters Degree of Law from Northwestern University, Chicago, and specialized in the fields of Computer Law, Intellectual Property Rights, International Business Transactions and EU Law. She is a qualified UK solicitor. Malavika is a partner in Jayaram & Jayaram, Advocates, from August 2006 and has experience in various fields of law including drafting of software and e-commerce contracts, outsourcing, intellectual property aspects of joint ventures, mergers and disposals, trading and banking related contracts. Prior to joining as a partner in Jayaram & Jayaram, she worked with the in-house technology law team of Barclays Capital having assisted them with certain special issues related to investment banking and technology. Malavika has also worked with Citigroup in the Investment Banking division as a Vice President in the Technology Legal Team as well as a Senior Business Analyst within the project office of the Operations.

B. Seshnath, ED & Chief Marketing Officer

B. Seshnath, aged 50 years, is a Mechanical Engineer with an MBA from the Indian Institute of Management, Bangalore. He has two decades of marketing experience in the Automotive, Pneumatic and Hydraulic Industries, having worked in different parts of India in senior management positions. His managerial abilities has enabled your Company to considerably develop its network of branch offices and distributors, which has in turn resulted in the expansion of the Company's operations in India and abroad. He was formerly the Executive Director & Chief Operating Officer of JKM Dae Rim Automotive Limited, (earlier a Subsidiary of the Company) for the last two years.

Consequent to the merger of JKM Daerim Automotive Limited with the Company, he has been appointed as ED & Chief Marketing Officer of the Company with effect from 21st February, 2008.

Seshnath, as ED & CMO, will be responsible for Business Development and Associated Product Development, at a strategic level. He will have oversight of relationship management with strategic customers of all the Business units of the Group.

N. Rajagopal, ED & COO, Dynamatic® Hydraulics & Dynametal®

N. Rajagopal, aged 59 years, is a Mechanical Engineer with over three decades of rich, comprehensive experience in engineering. He has served the Company in various capacities since 1980 and has competently managed various operative functions of the Company such as production, materials, design and development, etc. He has been a Director of your Company since 2002, and a former Director of JKM Daerim Automotive Limited (currently known as JKM Automotive™).

He manages the entire Business cycle of the operating business units – Dynamatic® Hydraulics & Dynametal® – in order to achieve corporate objectives and the Annual Business Plan. This includes manufacturing, procurement, marketing and finance.

He is currently a member of the Technical Development Committee of the Company.

V. Sunder, President & Group CFO

V. Sunder, aged 46 years, is a senior member of The Institute of Company Secretaries of India. He has served as the CEO & Executive Director of JKM Dae Rim Automotive Limited (currently known as JKM Automotive) from 2000 to 2006. During his tenure, the Company grew manifold in terms of sales and profitability and acquisition of new customers. He has served the Company for the past eleven years in various Senior Management positions, prior to his appointment as CEO & Executive Director of JDAL. Prior to taking charge as Executive Director of JDAL, he was the General Manager-Corporate Planning & Company Secretary of the Dyanamatic®.

Sunder, as President & Group CFO heads the Corporate functioning of finance and works along with Udayant Malhoutra, CEO & Managing Director, in planning & driving Corporate Strategy.

Udayant Malhoutra, CEO & Managing Director

Udayant Malhoutra, aged 42, is an Industrialist and promoter of your Company. He has been associated with Dynamatic Technologies Limited as Executive Director since 1989. Currenlty designated as CEO & Managing Director of your Company.

He was a former Member, Board of Governors, IIT Kanpur (1997-2001), Chairman, CII National Council (2001-2002). He is President, Fluid Power Society of India (2004-2008).

He has been an Executive Director of your Company since 1989.

Udayant, as Chief Executive Officer & Managing Director, is responsible for overall Corporate Strategy, Brand Equity, Maintenance of Key Relationships, Technology Management and achieving the Annual Business Plan of the Company and its Subsidiaries. He is also responsible for leading the leadership team of Dynamatic® in transforming the Company into a world class design and manufacturing organization.

Board Membership Criteria

The Chairman works with the entire Board to determine the appropriate characteristics, skills and experience required for the Board as a whole, as well as its individual members. Each Independent Director posses specialized skills in the areas of their profession including strategy, technology, finance, quality and human resources. Independent Directors guide the Board in achieving the vision and mission of the Company. Executive Directors are required to posses operational expertise in their areas of performance.

Selection of New Directors

The Board is responsible for the selection of new Directors. The process of screening and selection of new Directors is undertaken by the Leadership, HRD & Remuneration Committee. This Committee in turn makes recommendations to the Board for the induction of any new Director.

Board Compensation policy

Leadership, HRD & Remuneration Committee determines and recommends to the Board, the compensation payable to the Directors. All Board level compensation payable is approved by the requisite authorities as may be required under Indian statute. Remuneration of Executive Directors consists of a fixed components and performance incentives. The Committee reviews the performance of Executive Directors annually and approves the compensation within the parameters set by the Shareholders at the Shareholders' meetings.

Only sitting fees is paid to Non Executive Directors for attending the Board/Committee Meetings and the amount paid is within the limits specified by the Central Government from time to time.

Compensation Paid to the Directors for the Year ended 31st March, 2008.

Name of the Director	Sitting Fees*	Remuneration		Total Rs.	No. of Shares Rs.
		Salary & Allowance Rs.	Perquisites Rs.		
Founder & Non Executive Director					
J.K. Malhoutra #	110,000	-	-	110,000	100
Non Executive, Independent Directors					
Vijai Kapur	255,000	-	-	255,000	-
Dr. K. Aprameyan	320,000	-	-	320,000	-
Air Chief Marshal S. Krishnaswamy (Retd.)	360,000	-	-	360,000	40
Shanti Ekambaram	150,000	-	-	150,000	-
Non Executive, Non Independent Director					
Raymond Keith Lawton ##	45,000	-	-	45,000	-
Executive, Directors					
V. Sunder**	-	2,626,932	-	2,626,932	-
N. Rajagopal	-	1,527,405	356,129	1,883,534	278
B. Seshnath ###	150,000	1,439,286	356,000	1,945,286	-
Executive Director & Promoter					
Udayant Malhoutra	30,000	1,474,434	1,128,871	2,603,305	1,050,854

Notes:

No Stock options were granted during the year.

None of the Non Executive Directors have any material financial interest in the Company. They have provided compensation by way of sitting fees only.

* Sitting fees includes any fees paid at Dynamatic® and its Subsidiaries in India. Sitting fees of late J.K. Malhoutra, Dr. K. Aprameyan, B. Seshnath and Udayant Malhoutra includes sitting fees paid at JKM Daerim Automotive Limited and at the Company.

** Salary & allowance of V. Sunder includes a performance bonus paid during the year.

J.K. Malhoutra ceased as a member with effect from 17th March, 2008 consequent to his demise.

Raymond Keith Lawton was appointed as an Additional Director with effect from 20th July, 2007.

B. Seshnath was appointed as an Executive Director of the Company with effect from 21st February, 2008, consequent to the merger of JKM Daerim Automotive Limited with the Company. Remuneration paid to B. Seshnath includes salary paid at the Subsidiary, JKM Daerim Automotive Limited, where he was designated as Executive Director & COO prior to the merger.

B. BOARD MEETINGS

Scheduling and Selection of Agenda Items for Board / Committee Meetings

- Your Company holds a minimum of four Board meetings each year, which are pre-scheduled at the end of each quarter. Notice of the meeting is sent to the Directors with an advance notice of atleast 15 days. Apart from the four pre-scheduled Board meetings, additional Board meetings may be convened at any time in case of exigencies. Where circumstances so require, the Board may approve resolutions by circulation as permitted by law.
- All divisions/departments of the Company are expected to plan their requirements well in advance, particularly with regard to matters requiring discussion/approval/decision at Board/Committee meetings. All such matters are communicated to the Company Secretary well in advance so that the appropriate background notes are circulated to the Board members for meaningful discussion. Tele-conference facilities are utlized to enable Directors who are traveling to participate in the meetings.
- During the year, eight (8) Board Meetings were held on 27th April 2007, 8th June 2007, 31st July 2007, 7th August 2007, 28th September 2007, 30th October 2007, 22nd January 2008, and 25th March 2008.

Board Meetings and the Attendance of Directors

Name of the Director	No. of Meetings	
	Held	Attended
J.K. Malhoutra	8	4
Vijai Kapur	8	7
Dr. K. Aprameyan	8	7
Air Chief Marshal S. Krishnaswamy (Retd.)	8	7
Shanti Ekambaram	8	6
Raymond Keith Lawton	8	3
B. Seshnath	8	6
N. Rajagopal	8	6
V. Sunder	8	8
Udayant Malhoutra	8	7

Notes:

All the Directors attended the Annual General Meeting held on 28th September, 2007 except J.K. Malhoutra and Udayant Malhoutra.

Availability of information to Board members

The Board has unencumbered access to any relevant information of the Company. At Board meetings, employees/ persons who can provide further insights into the items being discussed are invited.

The Company has ensured that all key events concerning the governance of the Company's affairs are brought before the Board well in advance. In addition, the Board is provided with the information as specified in Annexure 1A of Clause 49 of the Listing Agreement with the Stock Exchanges.

The information regularly supplied to the Board includes Annual operation plans and budgets, Capital budgets and updates, Quarterly results of our operating divisions or business segments, Minutes of the meetings of the Board and Committees, General notice of interest, Recommending dividend keeping in view the Company's profitability and the requirement of funds for the future growth of the Company, Determining Directors who need to retire by rotation and recommending fresh appointments of Directors/Auditors, Authentication of annual accounts and approving Director's Report, Materially important litigations, Show cause, Demand, Prosecution and penalty notices, Fatal or serious accidents, Material effluent or pollution problems, Issues involving public or product liability claims, Details of joint ventures, Acquisition of companies or collaborations agreements, Intellectual property related matters, Human Resource Development, Investments, Subsidiaries, Foreign exchange exposure, Company's risk management policies, Non compliance of regulatory, Statutory or listing requirements, Shareholder services and long term strategic plans of the Company and principal issues that the Company expects to face in the future. The Board also notes and reviews the functioning of its Committees regularly.

The Chief Executive Officer & Managing Director of the Company and the Company Secretary in consultation with the other Executive Directors finalize the agenda papers for the Board/Committee meetings.

- The Executive Directors of the Company attend the respective Committee meetings as members/ invitees.
- The functional heads can attend Board/Committee meetings as invitees as and when required.
- The Company Secretary acts as Secretary to all the Committees constituted by the Board.

Recording Minutes of the Proceedings of Board/Committee meetings.

The Company Secretary records the minutes of the proceedings of Board and Committee Meetings. Draft minutes are circulated to the Chairman and other members of the Board/Committee for their comments. Thereafter, it is finalized in consultation with the Chairman. The minutes of the proceedings of the meetings are entered in the minutes book within 30 days of the conclusion of the meeting.

Post Meeting Follow-up Mechanism

Your Company has an effective follow-up mechanism to ensure that decisions taken by the Board/Committee are implemented in a time-bound manner, both in letter and in spirit. Action taken reports are placed at every Board/ Committee meeting, which explains the action taken on every past decision of the Board/Committee. This mechanism ensures that Board decisions are subject to effective post meeting follow-up and monitoring.

Compliance with Laws

The Company Secretary is the Compliance Officer of the Company and acts as an effective link between the Board and Senior Management. The functional heads certify to Board about their compliance with the legislations that concern them connected and these affirmations are noted and taken on record by the Board.

Code of Business Conduct & Ethics

The Company has framed and adopted a detailed written Code of Business Conduct & Ethics for its Directors, members of the senior management team and employees of its Subsidiaries. The Code outlines the Company's values, principles and guidelines on a variety of subjects. The Board of Directors, members of the senior management and employees of the Subsidiaries are expected to adhers to the set of moral values and policies enjoined in the Code. The Board members and senior management personnel provide an annual declaration affirming compliance with the Code.

The details of the Code of conduct are posted on the website of the Company (www.dynamatics.com). In accordance with the terms of Clause 49 of the Listing Agreement, the declaration is signed by Udayant Malhoutra, Chief Executive Officer & Managing Director of the Company, as elsewhere reported in this report.

C. BOARD COMMITTEES

Currently, the Board has four (4) Committees: Audit Committee, Leadership, HRD & Remuneration Committee, Shareholders Committee and Technical Development Committee.

Procedure at Committee Meetings

The Company's guidelines relating to the Board meetings are applicable to Committee meetings as far as may be practicable. Minutes of the proceedings of the Committee meetings are placed before the Board meetings for perusal and records. The Quorum for the meetings is either two members or one third of the members of the Committee, which ever is higher.

1. Audit Committee

The Board level Audit Committee has been constituted at its Board meeting held on 21st July, 2001, with the following stated powers and terms of reference. The Board reviews the scope of the Committee and its terms of reference from time to time.

Composition

The Audit Committee of the Board comprises of the following five (5) Non Executive Directors:

Vijai Kapur, Chairman
Dr. K. Aprameyan
Air Chief Marshal S. Krishnaswamy (Retd.)
Shanti Ekambaram
Raymond Keith Lawton

Dr. K. Aprameyan, an Independent Director, is the Alternate Chairman of the Committee.

All the members of the Committee are Independent except Raymond Keith Lawton, Executive Director of the Subsidiary, Dynamatic Limited, UK.

All the members of the Audit committee are financially literate, having rich and vast experience in Industry having been industrialists or technical experts with exposure to finance, accounting and financial management. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement.

Objective

The Audit Committee assists the Board in its responsibility :

- For overseeing the quality and integrity of the accounting, auditing and reporting practices of the

Company and its compliances with the legal and regulatory requirements.

- Overseeing the audits of the Company's financial statements, appointment, independence and performance of Internal Auditors and the Company's risk management policies.

Terms of Reference

The powers of the Audit Committee include:

- Investigate on any of activity within its terms of reference.
- Seeking information from any employee.
- Obtaining outside legal or other professional advice.
- Securing attendance of outsiders with relevant expertise, if necessary.

The Role of the Audit Committee Includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditor and the fixing of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered to the Company.
- Reviewing with the management, the annual financial statements before submission to the Board for approval.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, performance of Statutory and Internal Auditors and adequacy of internal control systems of the Company.
- Reviewing the adequacy of the Internal Audit Function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of Internal Audits.
- Discussions with Internal Auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with the Statutory Auditors before the audit commences about the nature and scope of the audit as well as conducting post-audit discussions to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared Dividends) and creditors, if any.
- Reviewing the financial statements, particularly the investments made by the Subsidiary Company/ies.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Attendance at Audit Committee Meetings Held During the Year 2007-08

Audit committee meetings were held on 27th April, 2007, 31st July, 2007, 7th August, 2007, 30th October, 2007 and 22nd January, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
J.K. Malhoutra	5	3
Vijai Kapur	5	5
Dr. K. Aprameyan	5	5
Air Chief Marshal S. Krishnaswamy (Retd.)	5	4
Shanti Ekambaram	5	4
B. Seshnath	5	4

Executive Directors of the Company/Subsidiary Company/ies, Internal Auditors, representatives of Statutory Auditors and Financial Controller can attend as invitees and participate in the Committee meeting/s to review and discuss financial performance, disclosure practices, internal control systems, internal audit reports, feedback reports of management and financial policies of the Company so that the Committee is able to oversee the financial reporting process, make appropriate financial disclosures and implement the terms of reference as mandated by the Board and the terms of the Listing Agreement. The Statutory Auditors and Internal Auditors actively participate and recommend the required policies and changes from time to time.

The Chairman of the Audit committee was present at the Annual General Meeting held on 28th September, 2007 to answer Shareholders' queries.

2. Leadership, HRD & Remuneration Committee

Your Company had constituted a "Remuneration Committee" at its Board meeting held on 7th July, 2002. Considering the need for developing leadership within the group and the significance of absorbing, retaining and training high-quality manpower, the Remuneration Committee was renamed as the "HRD & Remuneration Committee", with effect from 22nd July, 2006. Further, the Committee was entrusted with additional responsibilities and renamed as the "Leadership, HRD & Remuneration Committee", with effect from 11th February, 2008.

The Committee comprises of three (3) Non Executive, Independent Directors:

Air Chief Marshal S. Krishnaswamy (Retd.), Chairman
Vijai Kapur
Dr. K. Aprameyan

Dr. K. Aprameyan, an Independent Director, is the Alternate Chairman of the Committee.

Purpose

The purpose of the said Committee is:

- To build leadership within the Group.
- To guide the management in building a strong, world-class and competitive business model to sustain business growth.
- To discharge the Board's responsibilities relating to the compensation of the Company's Executive Directors and senior management.

- To assume the overall responsibility for approving and evaluating the compensation plans, policies and programs for Executive Directors and senior management.
- To review the existing HR policies and recommend necessary changes from time to time.

Attendance at the Leadership, HRD & Remuneration Committee Meetings held during the year 2007-08.

The Committee meetings were held on 27th April, 2007, 31st July, 2007, 21st January, 2008, 11th February, 2008 and 25th March, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	5	5
Vijai Kapur	5	5
Dr. K. Aprameyan	5	4

3. Shareholders Committee / Investor Grievance Committee

The Board level Shareholders Committee comprises of three (3) Directors. They are:

Air Chief Marshal S. Krishnaswamy (Retd), Chairman
V. Sunder
Udayant Malhoutra

Attendance at the Committee Meetings held during the year 2007-08

The Committee Meetings were held on 26th April, 2007, 30th July, 2007, 29th October, 2007 and 21st January, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
V. Sunder	4	4
Udayant Malhoutra	4	4

Compliance Officer

G. Haritha, Company Secretary, is the Compliance Officer responsible for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges in India.

Purpose

The primary objective of this Committee is to review all issues relating to shareholders including share transfers, redressal of shareholders/investor grievances, issues relating to duplicate share certificates, transmission of shares and other related matters.

Investor Grievance Report for the Year 2007-08

The details of the types and number of complaints received and resolved during this period are as under:

Details of Complaints During the year 2007-08

Nature of Complaints	Received During the Year	Resolved During the Year
Non Receipt of Share Certificates	1	1
Transfer of Shares	4	4
Letter from SEBI	1	1

There were no outstanding complaints as on 31st March, 2008. 48 requests (6527 Equity shares) for transfers and 6 requests (1678 Equity shares) for transmissions and 165 requests (23230 Equity shares) for dematerialization were received and approved by the Company. The Company has approved all requests which had fulfilled the legal requirements. In the case of those requests where additional information/clarifications were required, the shareholders have been intimated about the requirements.

In addition, various communications viz. request for annual reports, revalidation of dividend warrants, change of address, transfer of shares, etc., have been received from the shareholders by the Registrars of the Company or at the Registered Office of the Company and these have been addressed to the satisfaction of the shareholders.

Every quarter, the Company reviews the communications received by the Registrars, who are located at Hyderabad. These communications and the replies furnished are made available to the Company through Karvy's website, Karvy, Karisma. A quarterly report of the same is submitted to the committee for improving investor relations and the services provides to them. Karvy providing high standards of shareholder servicing through their services and updated technological support, thereby ensuring that your Company provides its investors with services the best possible services.

Share Transfer Committee–Sub Committee of Shareholders' Committee

A Share Transfer Committee has been constituted by the Board to ensure timely and efficient servicing of requests for share transfers and transmissions.

It comprises of the following members:

Udayant Malhoutra
N. Rajagopal
G. Haritha

The Committee has the responsibility of approving cases which comply with the required provisions of the applicable laws of India relating to share transfers, transmissions, transpositions, duplicate share certificates, exchange, consolidations, etc, on a fortnightly basis. The status on complaints and share transfers is reported to the Board.

Share transactions in electronic form can be effected in a much simpler and faster manner. After confirmation of sale/purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. Shareholders are periodically requested to utilize the demat facility.

4. Technical Development Committee (a voluntary initiative of the Company)

The Board level Technical Development Committee which was constituted by the Board in 2003, has been driven by the technocrats of the Nation. The majority of its products are proprietary in nature, and have augumented the Intellectual properties of the Company. Dynamatic® has registered patents and trade marks for its various products and processess in India and across the Globe from time to time.

Objective

The Committee provides direction on the Company's Research and Development strategy and on key issues pertaining to R&D technology. The Committee also reviews and update the skills and competencies required, the structure and the processes needed to ensure that the R&D initiatives to today result in products necessary for the sustained and long term growth of the Company.

The Committee comprises of the following members:

Dr. K. Aprameyan, Chairman
Air Chief Marshal S. Krishnaswamy (Retd.)
Raymond Keith Lawton*
N. Rajagopal
Udayant Malhoutra

*Raymond Lawton was inducted to the Committee with effect from 30th October, 2007.

Attendance at the Technical Development Committee Meetings during the year 2007-08:

The Committee meetings were held every quarter. The meetings were held on 26th April, 2007, 30th July, 2007, 29th October, 2007 and 21st January, 2008.

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. Aprameyan	4	4
Air Chief Marshal S. Krishnaswamy (Retd.)	4	4
Raymond Keith Lawton	4	-
N. Rajagopal	4	3
Udayant Malhoutra	4	4

The Technical and operations heads attend the Committee meetings to present the improvements, made with regard to new technical products and innovation. Which deliver greater value to its existing and new OEM customers.

D. SUBSIDIARY COMPANIES

All the Subsidiary companies of the Company are managed, by the Board to manage such companies in the best interests of their stakeholders. The Executive Directors of the Subsidiaries are nominated as Non Executive Directors of the Company to monitor the performance of such companies. Financial statements, in particular the investments made by the unlisted Subsidiary Companies, are reviewed quarterly by the Audit Committee. All minutes of the meetings of material unlisted Subsidiary Companies are placed before the Company's Board regularly.

A statement containing all significant transactions and arrangements entered into by the unlisted Subsidiary Companies is placed before the Company's Board.

Your Company has following Subsidiaries:

JKM Daerim Automotive Limited, India – Merged with your Company on approval of Hon'ble High Court of Karnataka vide its order dated 4th January, 2008.

JKM Research Farm Limited, India
JKM Global Pte. Limited, Singapore

Dynamatic Limited, UK – During the year, your Company has acquired the Hydraulic unit of Sauer Danfoss through Dynamatic Limited, UK.

A detailed report on the Subsidiaries forms part of the Directors' report.

E. SHAREHOLDERS' DISCLOSURES

Disclosure regarding appointment or re-appointment of Directors

Under Section 256 of the Companies Act read with the Articles of Association of the Company, one third of the Directors retire by rotation and, if eligible, seek re-appointment at the Annual General Meeting. As per Article 130 of the Articles of Association, Vijai Kapur, Shanti Ekambaram and Raymond Keith Lawton will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring Directors. The detailed profiles of all these Directors are provided elsewhere in this report.

Communication to Shareholders

The Quarterly results of the Company for the quarters ended 30th June, 30th September, 31st December and 31st March, of the Company are published in the Business Standard all India Edition, and in Sanjevani-Bangalore Edition. The results are displayed on the Company's website www.dynamatics.com, within 24 hours of release. The Company's website is regularly updated with enterprise-wide news and events of material importance. The Shareholding pattern and quarterly results are uploaded on the EDIFAR (Electronic Data Information Filing and Retrieval System) SEBI Website, www.sebi.gov.in. Official announcements and media releases are sent to the Stock Exchanges regularly.

The conference calls with Analysts and Shareholders are conducted immediately after the release of the results at public domain. During the year, conference calls were conducted in October, 2007 and January, 2008.

The Annual report containing, inter alia, the Audited Financial Statements, Consolidated Financial Statements, Directors' Report, Auditors' Report, Directors' Report Financial Statements of its Subsidiaries and other important information is circulated to the members and others entitled thereto.

Printed copies of the Chairman's speech is distributed to the shareholders at the Annual General Meetings.

The Company issues reminders to concerned Shareholders about unclaimed dividend as well as physical form shares which require demating.

Management Discussion and Analysis Report

This forms part of the Directors' Report.

Risk Management Policy

This forms part of the Management Discussion and Analysis Report.

Proceeds from Public Issues, Rights Issues and Preferential Issues etc.,

No money was raised through any of the aforesaid means during the financial year under review.

During the year, your Company has allotted shares to the shareholders of JKM Daerim Automotive Limited (JDAL) consequent to the merger of JDAL with your Company.

Remuneration of Directors

Compensation in the form of sitting fees to Non Executive Directors and remuneration to Executive Directors, including the number of shares held by the Directors has been disclosed elsewhere in this report.

Non Compliances

There are no instances of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities, on any matter related to capital markets, during the last three years.

Disclosure of materially significant Related Party Transactions i.e transactions of the Company of material nature, with its Promoters, the Directors or the management, their relatives, or Subsidiaries, etc. that may have potential conflict with the interests of the Company at large.

All related party transactions have been entered into in the ordinary course of business and were placed before the Audit Committee in a summarized form. During the year, there were no materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their Subsidiaries or Relatives etc. which had a potential conflict of interest with the Company.

The Company's major related party transactions are generally with its Subsidiaries. The related party transactions are entered into based on considerations of various business needs viz. synergy in operations, sectoral specialization and the Company's long term strategy and capital resources of subsidiaries.

All individual transactions with related parties were on an arms length basis and are intended to further the interests of the Company. The Accounting Standards issued by The Institute of Chartered Accountants of India, as applicable to the Company from time to time, have been complied with in the preparation of the financial statements. A detailed report is disclosed as a part of the financial statements in this Annual report.

Whistle Blower Mechanism

Your Company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. Employees may bring any violation of laws, rules, regulations or unethical conduct to the notice of their immediate head of operations or through the Employee Participation Program. The employees are also encouraged to contact any Executive Director of the Company including the CEO & Managing Director about such matters. The Directors and management personnel are mandated to maintain confidentiality of such reporting and ensure that no discriminatory actions are taken.

General Body Meetings

Annual General Meetings / Extraordinary General Meetings:

Location, date and time of the Annual General Meetings / Extraordinary General Meetings held during the preceeding three years and the Special resolutions passed thereat are as follows:

Year	Venue	Date and Time	Special Resolutions passed
2004-05 AGM	Dynamatic Technologies Limited Dynamatic Park Peenya Bangalore 560 058	23rd July, 2005 at 3.00 p.m.	Approval for Investment in Subsidiaries in Singapore and Hong Kong. Approval for payment of sitting fees to Directors of subsidiary.
2005-06 AGM	''	16th September, 2006 at 3.00 p.m.	Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.75 Crores.
2006-07 AGM	''	28th September, 2007 at 2.30 p.m.	Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.150 Crores.
2006-07 EGM	''	28th September, 2007 at 4.15 p.m.	Approval of scheme of merger of JKM Daerim Automotive Limited with Dynamatic Technologies Limited.
2007-08 EGM	''	30th June, 2008 at 3.00 p.m.	Approval of Issue of Shares to persons other than existing shareholders through QIP Placement. Approval for borrowing powers in excess of paid-up capital and free reserves not exceeding Rs.300 Crores.

During the year, there was no resolution passed through postal ballot within the meaning of Section 192A of the Companies Act, 1956.

General Shareholder Information

Your Company was incorporated in Bangalore, in 1973, as Dynamatic Hydraulics Limited within the provisions of the Companies Act, 1956 and changed its name to Dynamatic Technologies Limited in 1992. Your Comapny made an initial public offer in 1974, and by 1995, had made five rights issues and one bonus issue. Shares have been issued to the shareholders of JDAL, on the merger of JDAL with your Company.

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

The address of the registered office is 'Dynamatic Park Peenya', Bangalore 560 058, Karnataka, India.

Unclaimed Dividend

Section 205 of the Companies Act, 1956 mandates that companies transfer dividend, that has been unclaimed for a period of seven years, from the unpaid dividend account into the Investor Education and Protection Fund (IEPF). As given in the following table, the dividend for the years mentioned below, if unclaimed within a period of seven years, will be transferred to IEPF.

Dividend for the Year	Date of Declaration of Dividend	Last date for Claiming Unpaid Dividend	Due Date for Transfer to IEPF
2000-01	28.09.2001	28.09.2008	27.10.2008
2002-03	24.09.2003	24.09.2010	23.10.2010
2003-04	30.08.2004	30.08.2011	30.09.2011
2004-05			
Interim dividend	29.10.2004	29.10.2011	29.11.2011
Final dividend	23.07.2005	23.07.2012	23.08.2012
2005-06			
Interim dividend	25.11.2005	25.11.2012	25.12.2012
Final dividend	16.09.2006	16.09.2013	16.10.2013
2006-07			
Interim dividend	08.06.2007	08.06.2014	08.07.2014
Final dividend	28.09.2008	28.09.2015	28.10.2015
2007-08			
Interim dividend	22.01.2008	22.01.2015	22.02.2015

Your Company will send a written communication to the concerned Shareholders, advising them to lodge their claims with respect to the unclaimed dividends. Once the unclaimed dividend is transferred into the IEPF, no claim shall be made in respect thereof and so, shareholders are requested to submit their claims within the specified date.

Dividend Payment to Shareholders

The Board of Directors of the Company declared an Interim Dividend of 25% on 22nd January, 2008.

The record date for the purpose of payment of Interim Dividend was fixed as 29th January, 2008.

Your Board of Directors have recommended a Final Dividend of 50% on 27th June, 2008.

The Register of Members and Share Transfer Books will remain closed from 22nd September, 2008, to 27th September, 2008, (both days inclusive) to determine the entitlement of shareholders to receive the Final Dividend as may be declared for the year ended 31st March, 2008.

Investor Services

The Company has paid the Stock Exchanges the listing fee for the year 2008-09 for the continued listing of its shares in India, where the shares of the Company are listed.

Annual General Meeting for the year 2007-08

Date and time 27th September, 2008 (Saturday) at 3.00 p.m.

Venue Dynamatic Technologies Limited, 'Dynamatic Park Peenya', Bangalore 560 058.

Financial calendar **Our tentative calendar for Declaration of results for the financial year 2008-09 is given below:**

Calendar for Reporting:

Quarter ended	**Release of results**
30th June, 2008 (Unaudited 1st quarter results)	End of July, 2008
30th September, 2008 (Unaudited 2nd quarter results)	End of October, 2008
31st December, 2008 (Unaudited 3rd quarter results)	End of January, 2009
31st March, 2009 (Audited 4th quarter results)	End of June, 2009

International Securities Identification Number (ISIN No):

ISIN is an identification number for traded shares, which needs to be quoted in every transaction relating to the dematerialized shares of the Company. The ISIN number for DTL Equity Shares is INE221B01012.

Corporate Identity Number (CIN)

CIN, allotted by the Ministry of Corporate Affairs, Government of India, is L85110KA1973PLC002308 and our Company Registration Number is 2308.

Shareholding Pattern

Category	31st March, 2008		31st March, 2007	
	No. of Shares Held	Percentage	No. of Shares Held	Percentage
PROMOTERS HOLDING				
Indian Promoters				
Barota Malhoutra	4,938	0.10	4,938	0.12
J. K. Malhoutra	100	0.00	100	0.00
Udayant Malhoutra	1,050,854	21.84	1,050,854	25.05
JKM Holdings Pvt. Ltd	803,135	16.70	803,135	19.15
JKM Offshore India Pvt. Ltd	414,769	8.62	414,769	9.90
Wavell Investments Pvt. Ltd	119,790	2.49	119,790	2.86
Udayant Malhoutra & Co. Pvt. Ltd	617,243	12.83	100	0.00
Vita Pvt. Ltd	100	0.00	100	0.00
Christine Hoden (I) Pvt. Ltd	100	0.00	100	0.00
Primella Sanitary Products Pvt. Ltd	100	0.00	100	0.00
Total	**3,011,129**	62.59	**2,393,986**	**57.08**
NON–PROMOTERS HOLDING				
Institutional Investors	0	0.00	0	0.00
Mutual Funds	10,650	0.22	10,700	0.26
Banks, Financial Institutions, Insurance Companies	392	0.01	392	0.01
Foreign Institutional Investors	447,460	9.30	527,249	12.57
Total	**458,502**	**9.53**	**538,341**	**12.84**
Others				
Private Corporate Bodies	166,753	3.47	137,861	3.29
Indian Public	1,124,259	23.37	1,083,473	25.84
NRIs/OCBs	37,671	0.78	34,726	0.83
Trust	3,924	0.08	3,969	0.09
Clearing Agents	8,465	0.18	1,204	0.03
Total	**1,341,072**	**27.88**	**1,261,233**	30.08
Grand Total	**4,810,703**	**100**	**4,193,560**	**100**

Distribution Schedule

Particulars	31st March, 2008					31st March, 2007				
No. of Equity Shares held	No. of Share holders	% of Total Share holders	No. of Shares	Amount Rs.	% of Amount	No. of Share holders	% of Total Share holders	No. of Shares	Amount Rs.	% of Amount
1 – 5000	5,886	99.29	950,387	9,503,870	19.76	4,618	91.39	413,335	4,133,350	9.86
5001-10000	16	0.27	107,550	1,075,500	2.24	232	4.59	168,161	1,681,610	4.01
10001-20000	7	0.12	102,738	1,027,380	2.14	108	2.14	154,634	1,546,340	3.69
20001-30000	2	0.03	48,257	482,570	1.00	35	0.69	87,269	872,690	2.08
30001-40000	3	0.05	104,826	1,048,260	2.18	11	0.22	40,212	402,120	0.96
40001-50000	3	0.05	144,000	1,440,000	2.99	8	0.16	38,665	386,650	0.92
50001-100000	2	0.03	106,371	1,063,710	2.21	16	0.32	101,050	1,010,500	2.41
100001 & ABOVE	9	0.15	3,246,574	32,465,740	67.49	25	0.49	3,190,234	31,902,340	76.07
Total	**5,928**	**100.00**	**4,810,703**	**48,107,030**	**100.00**	**5,053**	**100**	**4,193,560**	**41,935,600**	**100**

Notes : Equity Shares with face value of Rs.10/- each

Share Market Price Data

The monthly high and low quotations and the volume of shares traded on the Bombay Stock Exchange Limited :

Month	2007-08			2006-07		
	High (Rs.)	**Low (Rs.)**	**Volume of Shares Traded**	**High (Rs.)**	**Low (Rs.)**	**Volume of Shares Traded**
April	1,397	1,150	35,706	1,932.55	1,351.00	47,616
May	1,425	1,204	38,310	1,810.00	1,345.00	56,011
June	1,420	1,174	35,914	1,335.20	780.25	69,151
July	1,475	1,261	48,454	960.00	671.00	32,875
August	1,375	1,115	46,083	1,070.00	786.10	87,398
September	1,870	1,271	1,46,146	1,343.85	980.00	92,644
October	1,795	1,215	52,216	1,084.00	966.80	1,01,706
November	1,859	1,501	1,23,279	1,050.00	905.60	54,866
December	1,850	1,398	84,881	1,450.00	975.00	2,11,424
January	1,575	950	69,428	1,414.00	1,263.10	49,419
February	1,276	1,141	44,221	1,509.75	1,275.00	1,59,352
March	1,170	855	2,29,647	1,357.00	1,122.00	77,545

Notes:
High and Low are in rupees per traded share.
Volume is the total monthly shares traded.

The monthly high and low quotations and the volume of shares traded on the National Stock Exchange Limited :

Month	2007-08			2006-07		
	High (Rs.)	**Low (Rs.)**	**Volume of Shares Traded**	**High (Rs.)**	**Low (Rs.)**	**Volume of Shares Traded**
April	1,395	1,150	5,138			
May	1,394	1,214	19,705			
June	1,400	1,152	5,067			
July	1,465	1,270	11,172			
August	1,370	1,160	6,083			
September	1,799	1,270	74,984	1,389	978.35	7,667.00
October	1,799	1,303	9,438	1,107	950.00	7,781.00
November	1,807	1,496	11,863	1,030	900.00	7,293.00
December	1,815	1,401	9,713	1,445	1,005.00	44,970.00
January	1,574	1,005	16,500	1,438	1,255.00	19,382.00
February	1,344	1,140	15,641	1,479	1,280.00	25,382.00
March	1,219	888	26,586	1,358	1,110.00	12,956.00

Notes:
The shares have been listed on the NSE from September, 2007.

Status of Dematerialisation of Shares

	31st March, 2008		31st March, 2007	
Particulars	**No. of Shares**	**% of Total Shares**	**No. of Shares**	**% of Total Shares**
National Securities Depository Limited	2,001,837	41.61	2,008,295	47.89
Central Depository Services (I) Limited	120,629	2.51	90,945	2.17
Total Dematerialized	2,122,466	44.12	2,099,240	50.06
Physical	2,688,237	55.88	2,094,320	49.94
Grand Total	**4,810,703**	**100.00**	**4,193,560**	**100.00**

INVESTOR CONTACTS

For queries relating to financial statements/shares/dividends/complaints/Investor correspondence, contact:

G. Haritha
Company Secretary and Compliance Officer
Tel. : +91 80 28394933/34/35 Extn. 248
Fax : +91 80 2839 5823
Email: haritha@dynamatics.net

Registrar and Share Transfer Agents

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur
Hyderabad -500 081
Tel.: +91 40 2342 0815 -20
Email: sanjayrao@karvy.com

Depository for Equity Shares

National Securities Depository Limited
Trade World, A Wing, 4th Floor
Kamala mills compound
Senapathi Bapat Marg,
Lower Parel Mumbai -400 051
Tel.: +91 22 2499 4200

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
17th Floor Dalal Street, Fort
Mumbai 400 023
Tel.: +91 22 2272 3333

Shareholders holding shares in demat/electronic form are requested to approach their Depository Participants for effecting the following changes in your holdings in their records:

Change of postal address.
Change of bank details for receiving dividends.
Incorporation of ECS for receiving dividends electronically.
Change in residential status.
Incorporation of PAN.
Incorporation of Nomination.
Transfer of shares or effecting transposition of names of shareholders.

Further, for any corporate actions like payment of dividend etc., the Company will obtain your shareholding details from your DP account through data downloaded from the Depositories i.e NSDL/CDSL.

Addresses of Stock Exchange/s

Bombay Stock Exchange Limited (BSE)
Phiroze Jeejee Bhai Towers
Dalal Street
Mumbai –400 001.

National Stock Exchange of India Limited (NSE)
"Exchange Plaza"
Bandra – Kurla Complex,
Bandra East
Mumbai – 400 051.

BSE Code- 505242.

NSE Code : DYNAMATECH

For the shareholders' convenience, transport arrangements are made from within Bangalore city, from designated pick up points to the venue. After the meeting, shareholders will be dropped back to the same points.

We are constantly in the process of enhancing our service levels for further improvement, based on the feedback received from shareholders time to time.

V. Sreedharan & Associates
Company Secretaries

Off : 080 - 2229 0394
Res : 080 - 2659 3314
Fax : 080 - 2211 6252
E-mail : sreedharan@vsnl.com
Cell : 9845214399
G.N.R. Complex, 1st Floor
No. 32/33, 8th Cross, Wilson Garden,
Bangalore - 560 027

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identification Number : L85110KA1973PLC002308
Nominal Capital : Rs. 25 Crores

To,

The Members,
Dynamatic Technologies Limited
Bangalore 560 058

We have examined all the relevant records of **Dynamatic Technologies Limited** (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with The Mumbai Stock Exchange and National Stock Exchange for the financial year ended March 31, 2008. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced and the explanations and information furnished to us, we certify that the Company has complied with

a) All the mandatory conditions of the said Clause 49 of the Listing Agreement and

b) Clause (2) of Non-Mandatory requirement relating to Remuneration Committee.

Place : Bangalore
Date : June 09, 2008

For **V Sreedharan & Associates**

V. Sreedharan
Partner
F.C.S -2347 : C.P. No. 833

Your beliefs become your thoughts. Your thoughts become your words. Your words become your actions. Your actions become your habits. Your habits become your values. Your values become your destiny.

\- Mahatma Gandhi

CORPORATE SUSTAINABILITY REPORT

MESSAGE FROM THE C.E.O & MANAGING DIRECTOR

If Dynamatic Technologies has been successful in consistently achieving high growth rates, it is largely due to its philosophy of proactively pursuing balanced and sustainable business policies.

These include a deep commitment to improving the quality of its products on a continual basis, providing improved value to its customers, improving the quality of life of its employees, providing a secure environment for its financiers and suppliers, and contributing to our Society, Environment and Nation.

Our approach towards sustainability has not been based on stand-alone initiatives, but rather on a holistic and integrated approach to business development. Happy employees are performers. They develop innovative products efficiently, and serve customers' needs by delivering value for money. This ensures the long-term economic relevance of our enterprise, in turn creating a secure environment for financiers and suppliers. From this basic business cycle, come profits on a sustainable basis.

Key Learnings

A business philosophy that abjures waste and is based on conservation and optimal utilization of resources, will also simultaneously deliver superior financial results along with a positive ecological impact.

A focus on Safety, Human Resource Development and enhancement of Intellectual Property will help de-risk the Company, and also contribute to societal development.

Eventually sustainable business policies form an important and integral part of good corporate governance.

Udayant Malhoutra
Chief Executive Officer & Managing Director

1. OUR VISION, BUSINESS PHILOSOPHY AND SUSTAINABILITY

- To secure market leadership, technological competence and enhance brand equity as a global leader
- To provide a safe, nurturing and learning environment for our human resources
- To have a zero tolerance of any transmission of wastes into the environment
- To secure and de-risk financiers and suppliers
- To transform the Company into a global R&D organization, with a pre-eminent market position in the Hydraulic, Automotive and Defence sectors in Asia
- To consistently achieve returns higher than the cost of capital
- To comply with all legal requirements expected of the Company in every country we are present
- To enhance shareholder wealth
- To help in the creation of a strong, modern and vibrant India
- To be an example to any corporate, anywhere in the world, in terms of global best-in-class environmental practices.

Our Vision & Business Philosophy is driven by our Values, which are:

1.1. CUSTOMER CENTRIC RESEARCH

Over the years, Dynamatic® Divisions and Subsidiaries have forged deep and lasting relationships with all their stakeholders, which have enabled them to grow continuously. These relationships are based on mutual trust and respect, and upon their collective capabilities in delivering complex technological solutions, at economically viable price levels.

We are geared towards providing innovative and creative solutions to our customers on a continuous basis. Every business process is built around the customer. We firmly believe that our success is merely a reflection of our ability to delight our customers.

We interact constantly with our customers, understand their needs and endeavor to satisfy them. We strive to satisfy the customers' stated and unstated needs, by understanding applications and anticipating future trends. We spend considerable time in the field, listening to farmers, mechanics, drivers, equipment handlers... And very often suggest improvements to our customer, before their customers do. Our technology and quality processes are therefore predictive in nature, anticipating change, rather than reacting to it.

DYNAMATIC TECHNOLOGIES LIMITED

All our facilities are designed with the environment in mind, are energy efficient and highly productive.

Dynamatic® Hydraulics
Swindon, UK

Dynametal®
Chennai, India

Dynamatic® Hydraulics
Bangalore, India

JKM Automotive™
Chennai, India

Dynamatic Aerospace®
Bangalore, India

JKM Science Center
Bangalore, India

Dynamatic® Corporate Office
Bangalore, India

1.2 EMPHASIS ON KNOWLEDGE ACQUISITION AND APPLICATION

Dynamatic® has been adopting and following world-class business practices, at modern manufacturing facilities located at Bangalore, Chennai and Swindon. All are eco-friendly and designed to eliminate waste. We constantly strive to deliver superior value to our customers by challenging ourselves and pushing the boundaries of knowledge through imagination and diligence. This approach has led us to continuously innovate and develop highly engineered products, through investment in R&D, process improvements and elimination of operational inefficiencies. This has resulted in us building a successful business model for ourselves, capable of returning high yields to investors and improving the quality of life of all employees, as well as the society/community in which we exist and work. As Dynamatic® globalizes, these values will be extended across the world, and in turn, new learnings, best practices, processes and experiences will be absorbed into the existing organization.

1.3 HUMAN CAPITAL

Dynamatic® is built upon a foundation of basic values, and its commitment to quality and equal opportunity. Your Company strives to attract the finest talent available and then provides a result-oriented environment based on meritocracy and egalitarianism.

At Dynamatic®, we firmly believe that the key to sustained growth is not mere addition to physical capacities but is actually the ability to dramatically enhance and utilize human capabilities.

1.4 SOCIETAL LINKAGES

We are proud of our civilizational heritage, and the values of our ancient land; the values of trust and integrity. The need to contribute to society, and care for our environment. The value of enduring relationships.

At the same time, as we globalize, we travel with an open mind, learning from and contributing to every society we are part of.

2. DIMENSIONS OF SUSTAINABILITY

2.1. SUSTAINABILITY POLICY

We at Dynamatic® are driven by the fundamental objective of enhancing the value of the Company to all stakeholders, such as shareholders, customers, suppliers, financiers, employees and to the society at large. We firmly believe that sustained growth can only be fostered by developing a work ethic founded upon the core values of integrity, transparency, professionalism, empowerment and accountability. We endeavor to uphold and nurture these core values in all facets of operations. Being a responsible corporate citizen, we understand that sustained growth can only come about when equal attention is paid to all elements of the Triad of Sustainability, namely Economic Growth, Environment-Friendliness and Social Equity. We believe that such growth can only be achieved through a firm commitment to these elements over the long term, and are prepared to take actions commensurate to this goal.

ALTERNATIVE ENERGY

The acquisition of a 12 MW Wind Farm near Coimbatore, capable of generating approx.

18mn.

units of power annually, will enable Dynamatic® to achieve 85% reduction in monthly energy costs at its Chennai complex and combat energy-price inflation in future.

2.2 THE TRIAD OF SUSTAINABILITY

At Dynamatic®, the path to sustainability has the following elements:

Economic Growth, Environment-Friendliness and Social Equity.

2.2.a. ECONOMIC GROWTH

- Value Engineering: reduction of raw material consumption by optimizing product design
- Maximize our efforts in developing new products and cost effective applications through continuous innovation
- Development of complete hydraulic solutions for mechanized agriculture, earth moving, material handling, machine tools, defense and precision parts for aerospace applications
- Secure market leadership, technological competence and brand equity as a global leader.

ENGINEERING INNOVATION

THE NANO

TATA's revolutionary 'people's car'. To be efficient, weight saving and compact, JKM Auto™ engineered a combi water and oil pump contributing to lowering the cost of engine manufacture.

- Maximization of productivity and maintenance of cost leadership
- Continue to enhance the value of the Company to the shareholders

2.2 b. ENVIRONMENT- FRIENDLINESS

- Treatment of waste water and using it for gardening as a process of water conservation.
- Rainwater harvesting
- All business processes are designed to ensure that no wastage is transmitted to our environment
- Energy consumption in each plant is monitored, optimized and minimized
- Design and Redesign products that are safe, energy saving and environment friendly
- Design all our processes with efficiency and energy conservation in mind.

2.2.c. SOCIAL EQUITY

- Not allowing any form of discrimination in employment or promotion
- Imparting training and development programs to facilitate multi-tasking and multi-skilling
- Practicing safety norms and help protection. Standing as a model by winning safety awards
- Emissions: the air quality in our plants is continuously monitored for suspended particulate matter, and is kept well within safe limits.
- Foster a culture of empowerment
- Elevation of workers into management cadre
- Promote the usage of six sigma practices amongst all employees
- Practice open dialogue with employees, customers, government agencies, trade associations and with communities all around our facilities
- Undertake disaster relief programs in times of need (earthquake, floods, Tsunami, etc.)
- Interactive sessions with local community
- Increase employment of women
- Increase employment of individuals coming from disadvantaged communities.

AUDITORS' REPORT
TO THE MEMBERS OF DYNAMATIC TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of Dynamatic Technologies Limited as at March 31, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.

2. We have 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.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 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 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, 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 applicable 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 March 31, 2008, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2008, from being appointed as a 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 Financial Statements, together with the notes thereon and attached thereto, give, in the prescribed manner, the information required by the Act, and also 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 March 31, 2008;

      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 the Cash Flow Statement, of the cash flows for the year ended on that date.

S. Dutta
Partner
Membership No. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 27th JUNE, 2008

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE:

(i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the year and this revealed no material discrepancies.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

(ii) (a) The inventory (excluding with third parties) of the Company has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventory, and the discrepancies between the physical inventory and the book stocks, which have been properly dealt with in the books, were not material.

(iii) (a) The Company has granted unsecured loans to Companies listed in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.18,500,000 and Rs.18,500,000 respectively.

(b) In our opinion, the rate of interest and other terms and conditions of such loans were not prima facie prejudicial to the interests of the Company.

(c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and also regular in payment of interest, where applicable.

(d) In respect of the aforesaid loans, there is no overdue amount.

(e) The Company has taken unsecured loan, from a party covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.800,000 and Rs.Nil respectively.

(f) In our opinion, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interest of the Company.

(g) In respect of the aforesaid loan, the Company is regular in repaying the principal amount as stipulated and is also regular in payment of interest, where applicable.

(iv) In our opinion, having regard to the information and explanations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, we have neither come across nor have been informed of any major weaknesses in the internal control system in the aforesaid areas.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that are required to be entered in the register in pursuance of Section 301 of Act have been so entered.

(b) In our opinion, the transactions made in pursuance of contract or arrangements entered in register maintained under Section 301 of Act have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provision of Section 58A of the Act and the rules framed there under, where applicable, have been complied with.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.

(ix) (a) In our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess, as may be applicable and any other material statutory dues except for dues in respect of income tax deducted at source but there are no dues outstanding for a period of more than six months with the appropriate authorities as observed by us during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India.

(b) 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 and cess which have not been deposited on account of any dispute.

(x) The Company has neither accumulated losses as at March 31, 2008, nor has it incurred any cash loss either during the financial year ended on that date or in the immediately preceding financial year.

(xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company, for loans taken by other from a financial institution, are not prejudicial to the interest of the Company.

(xiv) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

(xv) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, an amount of Rs.115,817,969 has been used for long term investment from funds raised on short term basis.

(xvi) The Company has made preferential allotment of shares to a Company covered in the register maintained under Section 301 of the Act during the year in terms of Court Order as explained in Schedule 21 Note 17 to the Accounts. In our opinion and according to the information and explanations given to us and in terms of the said Court Order, the price at which such shares have been issued is not prejudicial to the interest of the Company.

(xvii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, no fraud on or by the Company has been noticed or reported during the year nor have we been informed of such case by the management.

(xviii) The other clauses of the Order namely clauses (xiii), (xiv), (xix) and (xx) were not applicable to the Company during the year.

S. Dutta
Partner
Membership No. : F 50081
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

PLACE : BANGALORE
DATE : 27th JUNE, 2008

BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	2008 Rs.	2007 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**48,107,030**	41,935,600
Reserves and Surplus	2	**610,994,644**	296,040,461
Loan Funds			
Secured Loans	3	**1,222,018,606**	459,694,485
Unsecured Loans	4	**67,589,136**	57,307,511
Deferred Tax Liabilities [Schedule 21 Note 23(b)]		**148,315,092**	55,103,206
		2,097,024,508	910,081,263
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	**2,156,307,545**	699,896,534
Less: Depreciation		**703,394,243**	319,859,766
Net Block		**1,452,913,302**	380,036,768
Capital Work-In-Progress		**165,503,259**	185,051,776
Incidental Expenditure During Construction Period	6	**-**	34,101,682
		1,618,416,561	599,190,226
Investments	7	**85,388,207**	78,544,151
Current Assets, Loans and Advances			
Inventories	8	**339,798,970**	163,336,943
Sundry Debtors	9	**631,545,979**	339,342,118
Cash and Bank Balances	10	**52,890,813**	16,907,751
Other Current Assets	11	**26,968,544**	17,291,555
Loans and Advances	12	**206,277,790**	86,087,334
		1,257,482,096	622,965,701
Less: Current Liabilities and Provisions			
Liabilities	13	**816,891,159**	346,669,311
Provisions	14	**47,371,197**	43,949,504
		864,262,356	390,618,815
Net Current Assets		**393,219,740**	232,346,886
		2,097,024,508	910,081,263
Notes on Account	21		

The schedules referred to above and the notes thereon form an integral part of the accounts.

This is the Balance Sheet referred
to in our report of even date.

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule		2008		2007
INCOME	**Schedule**		**Rs.**		Rs.
Sales and Services	**15**		**3,237,772,040**		1,282,356,271
Less: Excise Duty included therein			**494,281,213**		167,927,607
Sales (Net)			**2,743,490,827**		1,114,428,664
Other Income	**16**		**83,840,521**		45,339,064
			2,827,331,348		1,159,767,728
EXPENDITURE					
Cost of Materials	**17**		**1,590,519,111**		585,268,667
Employee Cost	**18**		**296,068,219**		137,910,983
Other Operating Expenses	**19**		**429,815,016**		210,877,515
			2,316,402,346		934,057,165
Operating Profit before Depreciation and Interest (EBITDA)			**510,929,002**		225,710,563
Depreciation		**121,044,845**		41,545,886	
(Less): Transfer from Revaluation Reserve		**(341,996)**	**120,702,849**	(341,996)	41,203,890
Interest	**20**		**87,992,004**		38,515,291
Profit Before Taxation and Extraordinary/ Exceptional Items			**302,234,149**		145,991,382
Extraordinary/Exceptional Items:					
Merger Expenses [Schedule 21 Note 17(c)]			**2,602,227**		-
Profit Before Taxation			**299,631,922**		145,991,382
Provision for Taxation (Schedule 21 Note 23)					
Income Tax;					
- Current			**68,634,569**		26,000,000
- Deferred			**40,330,516**		18,100,858
- Fringe Benefit Tax			**4,688,053**		1,920,000
- Wealth Tax			**211,458**		89,781
Profit After Taxation Available for Appropriation			**185,767,326**		99,880,743
Appropriations					
Dividend:					
- Interim			**10,483,900**		8,387,120
- Proposed			**24,053,515**		12,580,680
- Tax thereon			**5,188,525**		3,562,429
Transferred to General Reserve			**18,576,733**		75,350,514
			127,464,653		-
Add: Profit and Loss Account balance acquired on Merger (Schedule 21 Note 17)			**136,681,717**		-
Profit carried to Balance Sheet			**264,146,370**		-
Earnings per Share - Basic and Diluted [Schedule 21 Note 22]					
- Before Extraordinary/Exceptional Items			**44.81**		23.82
- After Extraordinary/Exceptional Items			**44.19**		23.82
Notes on Accounts	**21**				

The schedules referred to above and the notes thereon form an integral part of the accounts.

This is the Profit and Loss Account referred to in our report of even date.

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

		2008	2007
		Rs.	Rs.
A.	**Cash Flow from Operating Activities:**		
	Profit Before Taxation and Before Extraordinary/ Exceptional Items	**302,234,149**	145,991,382
	Adjustments for:		
	Depreciation	**120,702,849**	41,203,890
	Interest Expense	**87,992,004**	38,515,291
	Interest Income	**(6,939,680)**	(2,355,494)
	Income from Investment - Dividends	**-**	(14,600,000)
	(Profit)/Loss on Fixed Assets Sold	**1,172,631**	622,751
	Miscellaneous Expenditure Written Off	**42,474**	-
	Debts / Advances Written Off	**836,800**	1,756,481
	Provision for Bad and Doubtful Debts/ Advances	**5,034,391**	3,433,442
	Liability no Longer Required Written Back	**(630,940)**	(454,062)
	Provision for Gratuity and Leave Encashment	**1,424,814**	3,680,790
	Unrealised Foreign Exchange (Gain) /Loss	**(4,872,452)**	176,776
	Provision for Warranty	**4,320,175**	454,917
	Operating Profit Before Working Capital Changes	**511,317,215**	218,426,164
	Adjustments for Changes in Working Capital :		
	- (INCREASE)/DECREASE in Sundry Debtors	**(16,592,899)**	(56,775,043)
	- (INCREASE)/DECREASE in Other Receivables	**(42,398,652)**	(21,882,199)
	- (INCREASE)/DECREASE in Inventories	**(41,546,966)**	(8,288,754)
	- INCREASE/(DECREASE) in Trade and Other Payables	**(66,889,893)**	85,574,458
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**(3,168,123)**	176,776
	Cash Generated From Operations	**340,720,682**	217,231,402
	- Direct Tax Paid	**(74,655,015)**	(29,379,430)
	- Fringe Benefit Tax Paid	**(4,410,000)**	(1,936,513)
	Net Cash from Operating Activities Before Extraordinary/ Exceptional Items	**261,655,667**	185,915,459
	- Extraordinary/ Exceptional Items	**(2,602,227)**	-
	Net Cash from Operating Activities After Extraordinary/ Exceptional Items	**259,053,440**	185,915,459
B.	**Cash Flow from Investing Activities:**		
	Purchase of Fixed Assets	**(400,832,855)**	(265,137,320)
	Proceeds from Sale of Fixed Assets	**3,482,226**	5,742,264
	Proceeds from Sale of Investments	**15,000**	100,000
	Purchase of Investments	**(65,258,356)**	-
	Loans/ICDs Given	**(98,493,969)**	-
	Interest Received (Revenue)	**2,587,845**	1,210,862
	Dividend Received	**14,600,000**	5,840,000
	Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**354,571**	-
	Net Cash Used in Investing Activities	**(543,545,538)**	(252,244,194)

C. **Cash Flow from Financing Activities:**		
Proceeds from Long Term Borrowings	**356,999,011**	128,752,919
Repayment of Long Term Borrowings	**(149,392,564)**	(29,456,636)
Proceeds from Short Terms Borrowings (NET)	**-**	(10,000,000)
Repayment of Inter Corporate Deposits (NET)	**(5,000,000)**	-
Repayment of Loan from Directors (NET)	**(800,000)**	-
Repayment of Public Deposits (NET)	**(177,000)**	1,929,000
Proceeds from Cash Credits (NET)	**247,230,003**	26,028,745
Interest Paid	**(85,284,602)**	(37,357,541)
Dividend Paid	**(51,451,700)**	(12,580,680)
Dividend Tax Paid	**(8,744,375)**	(1,764,440)
Adjustment for Unrealised Foreign Exchange Gain/(Loss)	**7,686,004**	-
Net Cash Used in Financing Activities	**311,064,777**	65,551,367
Net Increase/(Decrease) in Cash and Cash Equivalents	**26,572,679**	(777,368)
Cash and Cash Equivalents as at 31.03.2007	**16,907,751**	17,685,119
Cash and Cash Equivalents Acquired on Merger (Schedule 21 Note 17)	**9,410,383**	-
Cash and Cash Equivalents as at 31.03.2008	**52,890,813**	16,907,751
	26,572,679	(777,368)

Notes :

1 The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2008 and the relative Profit and Loss Account for the year ended on that date.

2 The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956.

3 Opening balances, other than Cash and Bank balances, as at April 1, 2007 pertaining to JKM Daerim Automotive Limited (JDAL) the transferor Company (Refer Schedule 21, Note 17) has not been considered in the above cash flows as there has been no impact on the cash flows of the Company. The Opening cash balance of JDAL has been reflected as 'Cash and cash equivalents acquired on merger'.

4 Current year figures are after giving effect to the court order on amalgamation of JKM Daerim Automotive Limited with the Company (Refer Schedule 21 Note 17), while those of the previous year are without considering the above and accordingly the current year figures are not comparable with that of the previous year.

5 Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement
referred to in our report of even date.

For and on behalf of the Board of Directors

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

SCHEDULES TO ACCOUNTS

			2008 Rs.		2007 Rs.
1.	**CAPITAL**				
	Authorised:				
	20,000,000 (2007: 20,000,000) Equity Shares of Rs. 10 each		**200,000,000**		200,000,000
	500,000 (2007: 500,000) Redeemable Cumulative Preference Shares of Rs. 100 each		**50,000,000**		50,000,000
			250,000,000		250,000,000
	Issued, Subscribed and Paid-Up: 4,810,703 (2007: 4,193,560) Equity Shares of Rs.10 each fully Paid Up		**48,107,030**		41,935,600
			48,107,030		41,935,600

Notes:

Of the above shares,

(i) 1,048,390 (2007:1,048,390) shares are allotted by way of bonus shares by capitalisation of securities premium and capital redemption reserve.

(ii) 617,143 (2007: Nil) shares are allotted during the year as fully paid up pursuant to the Merger with JKM Daerim Automotive Limited without payments being received in cash. [Schedule 21 Note 17(a)]

2.	**RESERVES AND SURPLUS**				
	Securities Premium Account		**600,000**		600,000
	Capital Reserve (Note Below)		**1,500,000**		1,500,000
	Capital Redemption Reserve		**24,000,000**		24,000,000
	Reserve on Amalgamation [Schedule 21 Note 17(b)]		**15,429,270**		-
	Revaluation Reserve:				
	As per last Balance Sheet	**17,765,091**		18,107,087	
	(Less): - Additional depreciation charge on revalued fixed assets transferred to Profit and Loss Account [Schedule 21 Note 1(b)]	**(341,996)**	**17,423,095**	(341,996)	17,765,091
	General Reserve:				
	As per Last Balance Sheet	**252,175,370**		176,824,856	
	Add:				
	- Transferred on Merger [Schedule 21 Note 17(b)]	**17,143,806**		-	
	- Transferred from Profit and Loss Account	**18,576,733**		75,350,514	
			287,895,909		252,175,370
	Profit and Loss Account		**264,146,370**		-
			610,994,644		296,040,461

Note:
Backward Area Subsidy Received During 2004-05

		2008 Rs.	2007 Rs.
3.	**SECURED LOANS** (Schedule 21 Note 31)		
	Term Loan:		
	- From Financial Institutions		
	- In Rupees	**16,954,986**	-
	- From Banks		
	- In Rupees	**300,870,917**	176,193,652
	- In Foreign Currency	**356,781,560**	99,154,800
	Hire Purchase Loan:		
	- From Financial Institutions		
	- In Rupees	**13,937,243**	11,451,503
	Cash Credit and Working Capital Loan:		
	- From Banks		
	- In Rupees	**531,833,712**	172,498,913
	Interest Accrued and Due	**1,640,188**	395,617
		1,222,018,606	459,694,485
4.	**UNSECURED LOANS** (In Rupees)		
	Short Term Loans:		
	Loan From a Director	-	800,000
	Inter Corporate Deposits	**5,050,000**	10,050,000
	Public Deposits [Repayable within one year Rs.13,548,000 (2007: Rs. 10,776,000)]	**17,767,500**	17,944,500
	Others		
	Interest Free Sales Tax Loan (Schedule 21 Note 26) [Repayable within one year Rs.Nil (2007: Rs. Nil)]	**44,373,219**	28,113,931
	Interest Accrued and Due	**398,417**	399,080
		67,589,136	57,307,511

5. FIXED ASSETS

[Schedule 21 Note 1(b)]

Rupees

	GROSS BLOCK- AT COST					DEPRECIATION					NET BLOCK	
	2007	Assets acquired on Merger [Refer Schedule 21 Note 17]	Other Additions	Deletions	2008	2007	On assets acquired on merger [Refer Schedule 21 Note 17]	Other Additions	Deletions	2008	2008	2007
Tangible Assets												
Land and Development (Notes 2 and 5)	18,340,917	11,133,621	-	-	29,474,538	-	-	-	-	-	29,474,538	18,340,917
Buildings (Note 2)	129,431,776	68,772,944	137,913,165	-	336,117,885	18,355,597	9,867,107	6,688,458	-	34,911,162	301,206,723	111,076,179
Plant and Machinery (Notes 1, 4 and 6)	362,100,071	670,024,620	446,627,985	3,251,460	1,475,501,216	217,989,744	243,361,560	89,558,138	1,967,095	548,942,347	926,558,869	144,110,327
Measuring Instruments	16,284,034	-	1,449,129	-	17,733,163	8,953,655	-	635,083	-	9,588,738	8,144,425	7,330,379
Electrical Installations (Note 2)	32,403,737	-	25,907,779	109,737	58,201,779	8,851,423	-	1,856,614	35,247	10,672,790	47,528,989	23,552,314
Data Processing Equipment	34,681,715	7,368,101	14,035,811	-	56,085,627	23,378,302	4,612,520	9,723,829	-	37,714,651	18,370,976	11,303,413
Office Equipment	13,980,362	4,547,073	3,774,456	-	22,301,891	6,093,841	1,192,036	949,407	-	8,235,284	14,066,607	7,886,521
Furniture and Fixtures	12,527,146	8,398,875	4,996,914	948,167	24,974,768	5,673,329	3,221,042	1,117,131	407,325	9,604,177	15,370,591	6,853,817
Tools, Dies and Moulds	35,472,745	-	27,484,497	494,083	62,463,159	12,697,342	-	5,365,882	453,779	17,609,445	44,853,714	22,775,403
Vehicles	28,846,894	10,532,788	15,921,423	6,088,531	49,212,574	6,731,552	3,070,009	4,503,949	3,378,175	10,927,335	38,285,239	22,115,342
Intangible Assets												
Application Software	15,827,137	3,795,277	4,618,531	-	24,240,945	11,134,981	3,406,979	646,354	-	15,188,314	9,052,631	4,692,156
	699,896,534	**784,573,299**	**682,729,690**	**10,891,978**	**2,156,307,545**	**319,859,766**	**268,731,253**	**121,044,845**	**6,241,621**	**703,394,243**	**1,452,913,302**	**380,036,768**
2007	588,718,023	-	135,594,916	24,416,405	699,896,534	296,486,878	-	41,545,886	18,172,998	319,859,766		
Capital Work-In-Progress [Including Capital Advances Rs.14,354,717 (2007: Rs.15,344,821)] (Note 4)											165,503,259	185,051,776
											1,618,416,561	**565,088,544**

Notes:

1. Includes Machinery leased to third parties Rs.21,332,759 (2007: Rs.22,199,039) [Schedule 21 Note 21 (b)]
2. Net Block of Land and Development, Buildings and Electrical Installations includes value added on revaluation Rs. 17,522,765 (2007: Rs. 17,654,029) (Schedule 21 Note 27)
3. Depreciation for the year on revalued amount comprise the following:-

	2008	2007
Buildings	312,699	312,699
Electrical Installations	29,297	29,297
	341,996	**341,996**

4. Plant and Machinery and Capital Work-In-Progress includes borrowing costs capitalised during the year Rs.14,598,283 (2007: Rs. 6,171,145) [Schedule 21 Note 1 (b)]
5. Land and Development includes Leasehold Land Rs.11,133,621 (2007: Rs.11,133,621)
6. Book Value of Plant and Machinery is net of subsidy received from the Tamil Nadu Industrial Investment Corporation Limited Rs.1,877,000 (2007: Rs.1,877,000)
7. Fixed Assets used for Research and Development Activities :

	Gross Block	
Particulars	**2008**	**2007**
Building	92,615,191	53,738,886
Plant and Machinery	76,098,857	76,322,125
Measuring Instruments	3,260,664	3,260,664
Electrical Installations	11,764,017	8,010,222
Data Processing Equipment	35,555,048	33,173,634
Office Equipment	4,105,159	2,121,083
Furniture And Fixtures	7,481,918	6,129,541
	230,880,854	**182,756,155**

6 Incidental Expenditure During Construction Period (IEDC)

	2007	Additions	2008
Employee Cost:			
Salaries, Wages, Bonus etc.	**24,458,787**	23,099,100	47,557,887
Other Expenses:			
Cost of Materials	**2,941,444**	-	2,941,444
Consumables and Tools	**3,630,041**	3,482,659	7,112,700
Power and Fuel	**2,803,805**	1,800,000	4,603,805
Travelling Expenses	**4,125,681**	1,578,162	5,703,843
Miscellaneous Expenses	**291,956**	1,276,122	1,568,078
	38,251,714	31,236,043	69,487,757
(Less): i) Sale out of Trial Production	**(4,150,032)**	(11,896,700)	(16,046,732)
ii) Allocated to Plant and Machinery	**-**	-	(53,441,025)
	34,101,682	19,339,343	-

	2008 Rs.	2007 Rs.
7. Investments [Schedule 21 Note 1(e)]		
Long Term-Other than Trade- Unquoted		
Fully Paid up Shares at Cost:		
Investments in Subsidiaries:		
Nil (2007: 5,839,930) Equity Shares of Rs.10 each of JKM Daerim Automotive Limited [Merged with the Company during the year(Schedule 21 Note 17)]	**-**	58,399,300
1,999,930 (2007: 1,999,930) Equity Shares of Rs.10 each of JKM Research Farm Limited (Note 1)	**19,999,300**	19,999,300
2,432,765 (2007: 5,000) Equity Shares of Singapore $ 1 each of JKM Global Pte Limited, Singapore (Note 2)	**65,388,906**	130,550
Investment in other Companies:		
921,530 (2007: 921,530) Equity Shares of Rs.10 each of Murablack (India) Ltd.	**9,215,300**	9,215,300
Other Investments at Cost:		
Nil (2007: 3) Deep Discount Bonds of Rs 5,000 each of Krishna Bhagya Jala Nigam Ltd.(Sold During the Year)	**-**	15,000
	94,603,506	87,759,450
Less: Provision for Diminution in Value of Investments	**9,215,299**	9,215,299
	85,388,207	78,544,151

Notes: 1. Excluding 70 Shares held by Nominees of the Company
2. Shares pledged with State Bank of India, London for the loan facility availed by JKM Global Pte Limited, a Subsidiary

	2008 Rs.	2007 Rs.
8. Inventories [Schedule 21 Note 1(f)]		
Stores and Spares	**46,146,018**	9,012,110
Raw Materials including Components [Notes (a) and (b)]	**146,665,030**	78,146,002
Work-In-Progress [Notes (c) and (d)]	**79,239,116**	40,846,122
Finished Goods	**67,748,806**	35,332,709
	339,798,970	163,336,943

Note:
Includes:-
a) Includes In-Transit Rs. 8,370,046 (2007: Rs.1,988,853)
b) Includes lying with Third Parties Rs. 30,728,136 (2007: Rs. 20,691,130)
c) Includes lying with Third Parties Rs. 4,183,255 (2007: Rs. Nil)
d) Includes In-Transit Rs. 1,592,513 (2007: Rs.Nil)

		2008 Rs.	2007 Rs.
9.	**Sundry Debtors** (Unsecured)		
	Exceeding Six Months		
	Considered Good	**43,729,640**	25,274,124
	Considered Doubtful	**12,453,637**	7,468,246
	Other Debts		
	Considered Good (Note)	**587,816,339**	314,067,994
		643,999,616	346,810,364
	Less: Provision for Doubtful Debts	**12,453,637**	7,468,246
		631,545,979	339,342,118

Note:
Includes due from Subsidiaries Rs. 936,947 (2007: Rs. 50,707,083)

10.	**Cash and Bank Balances**		
	Cash on Hand	**654,538**	765,078
	Balance with Scheduled Banks:		
	Fixed Deposits held under Rule 3A of Companies (Acceptance of Deposits) Rules,1975	**1,999,973**	1,325,950
	Current Accounts	**38,258,389**	4,034,216
	Unpaid Dividend Accounts	**1,477,712**	1,212,733
	Margin Money Accounts (Note below)	**10,500,201**	9,569,774
		52,890,813	16,907,751

Note: Under lien against Bank Guarantee

11.	**Other Current Assets** (Unsecured, Considered Good)		
	Balance with Excise Authority	**1,177,574**	1,586,297
	Interest Accrued (Note)	**5,496,467**	1,144,632
	Other Deposits	**20,294,503**	14,560,626
		26,968,544	17,291,555

Note:
Includes due from Subsidiary Rs. 2,724,537 (2007: Rs. Nil)

12.	**Loans and Advances** (Unsecured, Considered Good Except as Otherwise Stated)		
	Inter-Corporate Loans (Schedule 21 Note 9)	**133,635,030**	35,141,061
	Loans to Employees	**1,575,752**	2,267,902
	Prepaid Expenses	**5,274,145**	2,187,666
	Advances Recoverable in Cash or in Kind or for Value to be Received (Note) [Including Rs.953,125 (2007: Rs.904,125) Considered Doubtful]	**66,745,988**	47,394,830
		207,230,915	86,991,459
	Less: Provision for Doubtful Advances	**953,125**	904,125
		206,277,790	86,087,334

Note:
Includes due from Subsidiaries Rs. 5,823,927 (2007: Rs. Nil)

13.	**Current Liabilities**		
	Acceptances	**314,285,196**	115,107,940
	Sundry Creditors:		
	Small Scale Industrial Undertakings	-	63,940,790
	Micro, Small and Medium Enterprises (Schedule 21 Note 16)	-	-
	Others (Note)	**475,768,799**	142,818,778
	Advance from Customers	**2,731,331**	6,105,612
	Interest Accrued but not due	**3,040,615**	1,577,121
	Unclaimed Dividend	**1,476,585**	1,213,497
	Other Liabilities (Schedule 21 Note 25)	**19,588,633**	15,905,573
		816,891,159	346,669,311

Note:
Includes due to Subsidiaries Rs.1,118,916 (2007: 799,718)

			2008 **Rs.**		2007 Rs.
14.	**Provisions**				
	Gratuity		**6,812,215**		4,332,021
	Leave Encashment		**6,784,569**		5,299,245
	Product Warranty [Schedule 21 Note 24]		**2,654,917**		654,917
	Current Taxation (Net)		**3,169,891**		9,043,311
	Fringe Benefit Tax (Net)		**278,053**		-
	Wealth Tax		**211,458**		89,781
	Interim Dividend		**-**		8,387,120
	Proposed Final Dividend		**24,053,515**		12,580,680
	Dividend Tax thereon		**3,406,579**		3,562,429
			47,371,197		43,949,504

Note:
Includes provisions acquired consequent to Merger (Schedule 21 Note 17)

15.	**Sales and Services** [Schedule 21 Note 1 (g)]				
	Sales:				
	- Manufactured Goods		**3,178,433,334**		1,260,759,515
	- Traded Goods		**36,244,159**		2,576,898
	Services:				
	- Sub Contract Charges		**15,853,011**		6,899,616
	- Service Charges		**5,766,311**		10,866,489
	- Handling Charges		**1,475,225**		1,253,753
			3,237,772,040		1,282,356,271
16.	**Other Income**				
	Interest				
	- Banks (Gross) [Tax deducted at source Rs.102,164 (2007: Rs. 105,019)]		**1,259,970**		562,644
	- Others (Gross) [Tax deducted at source Rs. 1,127,648 (2007: Rs. 392,830)]		**5,679,710**		1,792,850
	Dividend from a Subsidiary		**-**		14,600,000
	Lease rent [Schedule 21 Note 21 (b)]		**819,130**		823,840
	Sale of Scraps [Net of excise duty Rs. 6,841,830 (2007: Rs.4,403,736)]		**58,231,246**		27,088,626
	Liabilities no longer required written back		**630,940**		454,062
	Exchange Gain (Net)		**16,302,396**		-
	Miscellaneous Income		**917,129**		17,042
			83,840,521		45,339,064
17.	**Cost of Materials** (Note Below)				
	Raw Materials and Components Consumed		**1,634,593,934**		606,458,204
	Purchase of Traded Items		**5,223,661**		636,136
			1,639,817,595		607,094,340
	Movements in Stocks:				
	Opening Stock				
	- Work-In-Progress	**40,846,122**		19,930,181	
	- Finished Goods	**35,332,709**		34,639,039	
	Opening Stock Acquired on Merger [Schedule 21 Note 17(b)]				
	- Work-In-Progress	**3,523,963**		-	
	- Finished Goods	**12,843,937**		-	
		92,546,731		54,569,220	
	Closing Stock:				
	- Work-In-Progress	**79,239,116**		40,846,122	
	- Finished Goods	**67,748,806**		35,332,709	
		146,987,922		76,178,831	
	(Increase)/ Decrease		**(54,441,191)**		(21,609,611)
	Excise Duty on Opening Stock of Finished Goods	**8,346,893**		8,562,955	
	Excise Duty on Opening Stock of Finished Goods Acquired on Merger	**1,294,461**		-	
	Excise Duty on Closing Stock of Finished Goods	**14,784,061**		8,346,893	
	Increase/(Decrease)		**5,142,707**		(216,062)
			1,590,519,111		585,268,667

Note: Includes value of stock written down Rs.3,670,715 (2007: Rs.9,146,416), and is after adjustment of shortages/excess, defectives, etc.

		2008 Rs.	2007 Rs.
18.	**Employee Cost**		
	Salaries, Wages and Bonus (Note 1 below)	**238,615,379**	113,030,418
	Contribution to Provident and Other Funds (Note 2 below)	**25,072,865**	16,253,201
	Staff Welfare Expenses	**32,379,975**	8,627,364
		296,068,219	137,910,983

Notes:

1. Including Provision for Leave Encashment Written Back Rs.496,384 (2007- Provision for Leave Encashment - Rs.623,126)
2. Including Provision for Gratuity Rs.1,921,197 (2007 - Rs. 3,057,664)

		2008 Rs.	2007 Rs.
19.	**Other Operating Expenses**		
	Rent [Schedule 21 Note 21(a)]	**10,884,351**	10,136,665
	Rates and Taxes	**4,190,083**	9,548,016
	Power, Fuel and Utilities	**79,833,270**	36,612,708
	Stores and Spares [Includes write down Rs.118,423 (2007: Rs.346,765)]	**122,240,441**	48,974,485
	Insurance	**6,234,285**	3,346,307
	Repairs and Maintenance		
	- Plant and Machinery	**22,938,061**	12,299,636
	- Buildings	**1,796,308**	1,093,305
	- Others	**28,427,847**	8,361,857
	Carriage Outward	**23,735,500**	15,480,518
	Travelling and Conveyance	**41,544,313**	12,666,423
	Security Charges	**3,883,610**	1,517,560
	Printing and Stationery	**5,206,869**	3,165,149
	Communication	**8,963,081**	5,695,829
	Professional and Consultancy Charges (Schedule 21 Note 11)	**19,390,223**	9,156,809
	Exchange Loss (Net)	-	1,501,965
	Product Warranty (Schedule 21 Note 24)	**4,320,175**	454,917
	Technical Assistance Charges	**1,019,349**	3,476,600
	Advertisement and Sales Promotion	**4,124,152**	4,818,642
	Packing Expenses (Net)	**171,985**	467,046
	Discount on Sales	**3,104,104**	2,607,464
	Commission on Sales	-	309,895
	Bank Charges	**15,150,348**	5,999,759
	Donations	**507,000**	197,500
	Directors Sitting Fees	**1,420,000**	920,000
	Loss on Sale/ Scrapping of Fixed Assets	**1,172,631**	622,751
	Bad Debts/ Advances Written Off	**836,800**	1,756,481
	Provision for Bad and Doubtful Debts/ Advances	**5,034,391**	3,433,443
	Miscellaneous Expenditure Written Off	**42,474**	-
	Miscellaneous Expenses	**13,643,365**	6,255,785
		429,815,016	210,877,515
20.	**Interest**		
	On Fixed Loans	**39,617,496**	20,232,078
	On Others	**48,374,508**	18,283,213
		87,992,004	38,515,291

21. NOTES ON ACCOUNTS

1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of accounting and preparation of Financial Statements:*

The Company adopts the historical cost concept and accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) for the preparation of its accounts and complies with the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956, of India (the Act) and the relevant provisions of the Act.

b. *Fixed Assets and Depreciation:*

Fixed Assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight, borrowing costs, where applicable and other incidental expenses related to the acquisition and installation of the assets concerned. Incidental expenditure incurred during construction period is also capitalised where appropriate.

Certain Land, Building, Plant and Machinery and Electrical Installations are stated at valuations made by a professional valuer in 1991-92 at the then current value. (Note 27 below)

Operating software is capitalised with the related fixed assets, while application software is charged off to revenue except for major application software which is capitalised as intangible assets and amortised over the useful life as estimated by the management.

Depreciation is provided on a straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956, except for the following, which is based on the managements estimate of the useful lives of the assets concerned. (Note 30 below).

Particulars of Fixed Assets	**Rate of depreciation**
Data Processing Equipments	25%
Office Equipment	
Mobile Phones	50%

Depreciation on revalued items of Fixed Assets is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/rates/bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the Profit and Loss Account from Revaluation Reserve. (Note 27 below)

c. *Impairment of Assets:*

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Profit and Loss Account to the extent the carrying amount exceeds recoverable amount. (Note 33 below)

d. *Interest on Borrowings:*

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

e. *Investments:*

Long term Investments are stated at cost, except in the case of a permanent diminution in value, where cost is written down.

f. *Inventories:*

Inventories are valued at lower of cost and market price/net realisable value. Cost is generally determined under First-In-First-Out method.

Consumable Stores and Spares are treated as consumed on issue to production.

g. *Revenue Recognition and Product Warranty:*

Revenue from the sale of goods is recognised in accordance with terms of sales. Gross Sales are inclusive of Excise Duty and net of Value Added Tax or Sales Tax.

Revenue from services is recognised as the services are provided.

Product warranties ranging for a period from 1 to 2 years against manufacturing and other defects, as per terms of contract(s) with the customers, are provided for based on estimates made by the management [Note 24 below]

Dividend Income is recognized when the Company's right to receive dividend is established.

h. *Research and Development (R&D):* (Note 15 below)

The expenditure incurred on acquisition of Fixed Assets in respect of R&D activities are capitalised.

Income from Research and Development activities is included under Income from Services.

The revenue expenditure incurred on R&D is charged off in the year in which such expenditure is incurred.

i. *Foreign Currency Transactions:*

Transactions in foreign currency are recognised at the rate of exchange prevailing on the date of the transaction.

Liabilities/Assets in foreign currencies are reckoned in the accounts as per the following principles:

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all the exchange gains/losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

Any profit or loss arising on settlement or cancellation of derivative contracts is recognised as income or expense for the period.

The effect of derivative contracts outstanding as at the year end, in the form of unrealised losses arising on mark-to-market valuation is provided for keeping in view the principle of prudence as enunciated in AS 1, Disclosure of Accounting Policies. Unrealised gain arising on such valuation is not recognised. Disclosures are made in terms of the requirements set out in the announcements issued by the ICAI on December 2, 2005, and March 29, 2008.

j. ***Provisions:***

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

Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when the same is virtually certain.

k. ***Leases:***

Assets acquired under leases, where the Company has substantially all the risks and rewards of ownership, are as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership, are retained by the lessor, classified as operating leases, Lease rentals are charged to the Profit and Loss Account on accrual/Straight Line Basis.

l. ***Employee Benefits:*** (Note 18 below)

i) Defined Contribution Plan
Contributions to the Employees' Provident Fund, Employees' Pension Scheme and Employees' State Insurance are as per statute and are recognised as expenses during the period in which the employees perform the services.

ii) Defined Benefit Scheme
Liability towards Gratuity is determined on actuarial valuation using Projected Unit Credit Method at the Balance Sheet Date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

iii) Other Long Term Employee Benefits
Liability towards compensated absences, which are not expected to occur within twelve months after the end of the period in which the employees rendered the related services, are recognised at the present value of the obligation based on actuarial valuation at each Balance Sheet date.

iv) Short Term Employee Benefits
Liability towards short term employee benefits like, compensated absences, which are expected to occur within twelve months after the end of the period in which the employees render the related services, and performance incentives etc., is recognised, during the period when the employee renders the services.

m. ***Accounting for Subsidies:***

Subsidy receivable against an expense is deducted from such expense and subsidy/grant receivable against a specific fixed asset is deducted from the cost of the relevant fixed asset.

Investment subsidy not specifically related to a specific fixed asset is credited to Capital Reserve and retained till the requisite conditions are fulfilled.

n. ***Taxation:***

Current Tax is recognised in accordance with the applicable laws of the Country.

Fringe Benefit Tax is recognised in accordance with the applicable laws of the Country.

Deferred Tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax Assets are recognised and carried forward to the extent that there is a reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized except for unabsorbed depreciation and carry forward of losses under tax laws where deferred tax assets are recognized 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 can be realized.

o. ***Segment Reporting:***

Identification of Segments:
The Company's operating business are organised and managed separately according to the nature of products and services provided, with each Segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter-Segment Transfers:
The Company accounts for Inter-Segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs:
Common allocable costs are allocated to each segment according to the relative contribution of each Segment to the total common costs.

Unallocated items:
The Corporate and Other segment includes general corporate expenses items which are not allocable to any business Segment.

p. ***Earnings per Share:***

Earnings/(Loss) (basic and diluted) per equity share is arrived at based on Net Profit/(Loss) after taxation to the basic/weighted average number of equity shares.

q. ***Miscellaneous Expenditure***

Deferred Revenue Expenditure incurred by the Company prior to March 31, 2003, is amortised over a period of three to five years.

2. Capital Commitment:

	2008 Rs.	2007 Rs.
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	119,889,399	110,590,961

3. Contingent Liabilities:

Corporate Guarantee given on behalf of		
JKM Daerim Automotive Limited	-	90,000,000
JKM Global PTE Limited	132,000,000	-
Dynamatic Limited, UK	224,000,000	-
Income Tax matters under dispute	1,518,507	-

4. Particulars in respect of class of goods manufactured:

Class of Goods	**Unit**	**Installed Capacity [Refer Note (i) below]**	**Actual Production**			
			Pumps	**Valves**	**Castings**	**Components**
Hydraulic Division	Nos.	400,000	363,560	29,767	-	-
		(375,000)	(336,274)	(23,084)	(-)	(-)
Foundry Division	MT/Nos	4,380 MT	-	-	772,773	-
[Note (iii) below]		(2,070) MT	(-)	(-)	(357,594)	-
Automotive Components	Nos.	10,223,120	-	-	-	6,798,582
[Note (iv) below]		(-)	(-)	(-)	(-)	(-)
Other	Nos.	-	-	-	-	92,794
		-	(-)	(-)	(-)	(60,859)
			363,560	**29,767**	**772,773**	**6,891,376**
			(336,274)	**(23,084)**	**(357,594)**	**(60,859)**

Note:

(i). As certified by the Management and accepted by the Auditors, this being a technical matter.

(ii) The Company is exempt from the licensing provisions of the Industries (Development Regulation) Act, 1951.

(iii) Production of the Foundry Division includes 768,370 Nos. transferred to Automotive Division.

(iv) Excludes production tools 7,076,794 nos. (2007: Nil) processed from third party processors.

(v) Figures in the brackets relate to previous year.

5. Particulars of Opening and Closing Stock and Turnover:

	Class of Goods	Opening Stock		Turnover		Closing Stock	
		Quantity (Nos.)	Value	Quantity (Nos.)	Value	Quantity (Nos.)	Value
a.	Manufactured						
	Hydraulic Gear Pump	14,498	33,873,218	361,508	770,141,251	16,550	36,770,013
		(14,517)	(30,341,675)	(336,293)	(687,316,440)	(14,498)	(33,873,218)
	Valves	401	561,174	30,113	96,625,793	55	114,946
		(62)	(55,580)	(22,745)	(87,734,408)	(401)	(561,174)
	Castings	2,212	841,031	6,230	3,778,645	385	125,935
		(4,985)	(4,209,422)	(360,367)	(330,317,941)	(2,212)	(841,031)
	Case Front	-	-	469,429	226,420,460	7,734	4,711,212
		(-)	(-)	(-)	(-)	(-)	(-)
	Water Pump	-	-	409,562	198,144,393	1,905	818,661
		(-)	(-)	(-)	(-)	(-)	(-)
	Intake Manifold	-	-	316,679	514,755,774	763	987,328
		(-)	(-)	(-)	(-)	(-)	(-)
	Rocker Cover	-	-	307,888	172,232,585	17,221	8,431,063
		(-)	(-)	(-)	(-)	(-)	(-)
	Exhaust-Manifold	-	-	287,055	375,605,051	19,080	12,488,279
		(-)	(-)	(-)	(-)	(-)	(-)
	Rocker Arm. - A & B	-	-	2,610,006	247,729,929	22,957	1,654,040
		(-)	(-)	(-)	(-)	(-)	(-)
	Others	26	57,286	10,110,821	572,999,453	777,948	1,647,329
	[Note (ii) below]	(18)	(32,362)	(60,851)	(155,390,726)	(26)	(57,286)
		17,137	35,332,709	14,909,291	3,178,433,334	864,598	67,748,806
		(19,582)	(34,639,039)	(780,256)	(1,260,759,515)	(17,137)	(35,332,709)
	b. Traded						
	Seal Kits	-	-	31,942	3,125,188	-	-
		(-)	(-)	(26,731)	(2,576,898)	(-)	(-)
	Tools	-	-	20	33,118,971	-	-
		(-)	(-)	(-)	(-)	(-)	(-)
		-	-	31,962	36,244,159	-	-
		(-)	(-)	(26,731)	(2,576,898)	(-)	(-)

Notes:

i) Closing Stock is after adjustment for shortage/excess, Write-Off, etc.

ii) The individual values of these do not exceed 10% of turnover.

iii) Figures in the brackets relate to previous year.

iv) Opening Stock does not include the below items acquired on Merger (Note 17 below)

	Quantity (Nos.)	Value
Case Front	12,241	5,592,783
Water Pump	1,137	488,080
Intake Manifold	452	583,761
Rocker Cover	855	323,142
Exhaust-Manifold	436	411,963
Rocker Arm. - A & B	6,974	570,844
Others	1,461,551	4,873,364
	1,483,646	**12,843,937**

6. Particulars of Purchase of Traded Items:

	Quantity (Nos.)	Value
Seal Kits	31,942	768,661
	(26,731)	(636,136)
Tools	20	4,455,000
	(-)	(-)
	31,962	5,223,661
	(26,731)	(636,136)

Note: Figures in the brackets relate to previous year.

7. Analysis of Raw Materials and Components Consumed:

Particulars	Unit	2008 Quantity	2008 Value Rs.	2007 Quantity	2007 Value Rs.
Aluminium Extrusions	MT	496	83,538,894	427.067	72,649,179
Castings	Nos	10,630,702	760,171,251	2,544,124	99,473,676
Forgings	Nos	506,977	46,910,044	743,823	43,013,022
Components	Nos	14,621,913	285,250,412	13,593,312	244,828,249
Aluminium Alloy	MT	1,403	199,773,030	1,038.300	146,494,078
Others	Nos	-	258,950,303	-	-
			1,634,593,934		**606,458,204**

Whereof:	2008 Value	2008 %	2007 Value	2007 %
Imported	466,321,982	29%	100,394,717	17%
Indigenous	1,168,271,952	71%	506,063,487	83%
	1,634,593,934	**100%**	**606,458,204**	**100%**

Notes:

The value of consumption of Raw Materials and Components has been arrived at on the basis of Opening Stock plus Purchases less Closing Stock. Consumption therefore includes adjustment for shortage/excess, Write-Off etc.

8. Consumption of Stores and Spare Parts:

	2008 Value	2008 %	2007 Value	2007 %
Imported	2,829,731	2%	833,493	2%
Indigenous	119,410,710	98%	48,140,992	98%
	122,240,441	**100%**	**48,974,485**	**100%**

9. Inter- Corporate Loans Include:

	2008	2007
(a) Loans to Subsidiaries		
- Interest Free	16,000,000	16,641,061
- Others	96,635,030	-
(b) Loan to a Company in which one of the Directors is also a Director of that Company	18,500,000	18,500,000
(c) Others	2,500,000	-
	133,635,030	**35,141,061**

10. Directors' Remuneration*:

	2008	2007
Salaries, Wages and Bonus etc.	6,476,189	3,288,346
Contributions to Provident and Other Funds	507,150	321,470
Perquisites (including those calculated as per Income-Tax Rules, 1962)	624,142	778,443
	7,607,481	**4,388,259**

*excluding contribution to Group Gratuity Fund and Provision for Leave Encashment and Bonus.

11. Auditors' Remuneration*:

(included in Professional and Consultancy Charges in Schedule - 19)

	2008	2007
- Audit Fees	4,350,000	1,200,000
- Others	275,000	450,000
- Reimbursement of out of Pocket Expenses	1,189	-
	4,626,189	**1,650,000**

*Excluding Service Tax

	2008 Rs.	2007 Rs.
12. Value of Imports on CIF Basis:		
Raw Materials including Components	424,272,707	72,806,407
Stores and Spares	1,278,845	1,178,470
Capital Goods	101,616,172	40,544,367
	527,167,724	**114,529,244**
13. Expenditure in Foreign Currency:		
Technical Assistance Charges	1,019,349	3,054,541
Others		
- Travel	5,685,252	5,127,921
- Subscription	101,750	193,823
- Interest	15,201,645	-
	22,007,996	**8,376,285**
14. Earnings in Foreign Currency:		
FOB Value of Exports	246,239,856	108,408,526

15. The Company's Research and Development (R&D) Centre has been recognised by Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology (Govt. of India). The following Income and Expenditure, of R&D Centre, has been included under respective heads of accounts in the Profit and Loss Account.

	2008 Rs.	2007 Rs.
Income:		
Income From Services	5,414,941	10,873,305
Expenditures:		
Materials Consumed	146,369	589,775
Employee Cost	2,909,825	1,537,019
Interest	540,000	540,000
Other Operating Expenses	8,290,417	8,229,980

16. The Company initiated the process of identifying Micro Small and Medium Enterprises (MSME) by requesting vendors for confirmation to the letters circularized by it. As no responses have been received up to now, from the vendors to whom requests were made it is considered that there are no dues / payments to SME's for the current year. Accordingly, disclosure as envisaged in Part I of Schedule VI of the Companies Act, 1956 is not applicable which has been relied upon by the auditors.

17. Merger of JKM Daerim Automotive Limited

a) The Honourable High Court of Karnataka, vide its order dated January 4, 2008, approved the scheme of amalgamation ("the Scheme") of JKM Daerim Automotive Limited (JDAL), the transferor Company engaged in manufacture of Automotive Components with the Company with effect from April 1, 2007 ('transfer date').

The salient features of the said scheme are:

(i) The Assets and Liabilities of the Transferor Company with effect from the transfer date shall stand transferred to and vested in the Company as a going concern without further action, deed, matter or thing , at the respective book value (except to ensure uniformity of accounting policies and standards, permanent diminution in assets or on account of tax liabilities if any), subject to all charges and encumbrances then affecting the same, shall not relate to or be available as security in relation to the assets of the Company.

(ii) The excess of cost (book value) of Investments held by the Company in the share capital of the Transferor Company over the book value of net assets of the Transferor Company transferred in pursuance of this Scheme shall be adjusted against the balance carried forward in the Profit and Loss Account or General Reserve in the Books of Account of the Company.

(iii) As the Transferor Company is a Subsidiary, 5,840,000 fully paid Equity Shares held by the Company in the Transferor Company shall be cancelled and extinguished and in respect of the balance of 2,160,000 fully paid up Equity Shares of Rs.10/- each of the Transferor Company held by another shareholder, two Equity Shares of Rs.10/-

each of the Company is to be allotted for every seven Equity Shares of Rs.10/- each held by it in the Transferor Company, in terms of Board Meeting held on March 25, 2008. On the allotment of these shares the Paid up Share Capital of the Company has increased by 617,143 Shares of Rs.10/- each.

b) Pursuant to the Scheme, the Company has taken over and accounted for under Pooling of Interest Method, the Assets and Liabilities of JDAL effective April 1, 2007, at book value as detailed below:

		2008 Rs.
Fixed Assets (Gross)	784,573,299	
Less: Accumulated Depreciation	268,731,253	
	515,842,046	
Capital Work-In-Progress	59,717,193	575,559,239
Inventories		134,915,061
Sundry Debtors		235,972,630
Cash and Bank Balances		9,410,383
Other Current Assets		4,676,316
Loans and Advances		40,060,696
Miscellaneous Expenditure		42,474
		1,000,636,799
(Less): Liabilities		(364,429,569)
(Less): Provisions		(26,997,949)
(Less): Secured Loan		(306,243,100)
(Less): Unsecured Loan		(16,259,288)
(Less): Deferred Tax Liabilities		(52,881,370)
		(766,811,276)
(Less): Shares issued in respect of 2,160,000 Fully Paid Up Equity Shares of Rs.10/- each of the Transferor Company held by other shareholder/s		(6,171,430)
(Less): 5,840,000 Fully Paid Equity Shares held by the Company in the Transferor Company Cancelled and Extinguished (including 70 shares held by nominees of the Company)		(58,399,300)
Excess of Assets Over Liabilities Taken Over		**169,254,793**
Excess of Assets Over Liabilities Taken Over is Reflected in the Accounts as follows:		
Profit and Loss Account Balance (taken in the Profit and Loss Account)		136,681,717
General Reserve (Schedule 2)		17,143,806
Reserve on Amalgamation (Balancing figure) (Schedule 2)		15,429,270
		169,254,793

c) The expenses relating to Merger amounting to Rs.2,602,227 have been treated as an Extraordinary/Exceptional Item in the Profit and Loss Account.

18. Employee Benefits

(i) The Company has adopted Accounting Standard 15 (revised 15) (AS 15R) on Employee Benefits with effect from April 1, 2007:

(ii) Gratuity:

The Company provides for Gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to eligible employees at retirement or termination of employment, being an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employee's gratuity funds managed by an Insurance Company.

	2008 Rs.
A) Reconciliation of Opening and Closing Balances of the Present Value of the Defined Benefit Obligation	
Obligations at the Beginning of the Year	27,377,208
Transferred Pursuant to Merger (Refer Note 17 above)	2,997,181
Add: Transitional Obligation	-
Add: Current Service Cost	9,552,304
Add: Interest Cost	2,632,178
(Less): Actuarial Losses due to Change in Assumptions	(326,325)
(Less): Benefits paid During the Year	(3,214,254)
Obligations at the End of the Year	**39,018,292**

		2008 Rs.
B)	**Reconciliation of Opening and Closing Balances of the Fair value of Plan Assets**	
	Fair Value of Plan Assets at the Beginning of the Year	23,045,187
	Transferred Pursuant to Merger (Refer Note 17 above)	2,523,458
	Add: Expected Return on Plan Assets	2,200,013
	Add: Actuarial Gain	454,065
	Add: Contributions	7,197,608
	(Less): Benefits Paid	(3,214,254)
	Fair Value of Plan Assets at the End of the Year	**32,206,077**
C)	**Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Plan Assets to the Assets and Liabilities Recognised in the Balance Sheet:**	
	Present Value of Obligation as at March 31, 2008	39,018,292
	(Less): Fair Value of Plan Assets as at March 31, 2008	32,206,077
	Amount Recognised in the Balance Sheet	**6,812,215**
D)	**Expenses Recognised in Profit and Loss Account under "Employee Cost" in Schedule 18:**	
	Current Service Cost	9,552,304
	Add: Interest Cost	2,632,178
	(Less): Expected Return on Plan Assets	(2,200,013)
	Add/(Less): Actuarial Losses/ Gain due to change in assumptions	(780,390)
		9,204,079

E) Investment Details of Plan Assets

Fund Balance with Insurance Company	100%

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

F) Actual Return on Plan Assets	8%

G) Assumptions

Discount Rate Per Annum	8%
Interest Rate Per Annum	8%
Expected Return on Plan Assets	8%
Expected Salary Increase Per Annum	6%
Average Past Services of Employees	
- Hydraulics Division	12.29
- JKM Automotive and Foundry Division	5.39
Mortality Rate	LIC 1994-96 published table of mortality rate

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per management estimate, Contribution of Rs. 8,400,000 is expected to be paid to the plan for the year ending March 31, 2009.

(iii) Defined Contribution Plans

Contribution to Provident and Other Funds under Employees' Costs (Schedule 18) includes Rs.15,868,786 being expenses debited under the following defined contribution plans:

Provident Fund	9,133,420
Family Pension Fund	4,850,386
Employee State Insurance	1,884,980
Total	**15,868,786**

(iv) As this is the first year of implementation of AS 15R, the corresponding figures for the previous year have not been furnished for the aforesaid details.

19. **Segment Information**

Information about Primary Business Segments

The Business Segments have been considered as the primary Segments namely:

- Hydraulic and Precision Engineering - comprising of Hydraulic Pumps, Hand Pumps, Lift Assemblies, Valves, Powerpacks etc
- Aluminium Castings - Comprising of Castings for Automotive Components
- Automotive Components - Comprising of Case Front, Water Pumps, Intake Manifolds, Exhaust Manifold etc

Segment revenue, Assets and Liabilities have been accounted for on the basis of their relationship to the operating activities of the Segment and amounts allocated on a reasonable basis.

A Primary Segment Reporting

Particulars	Hydraulic and Precision Engineering		Aluminium Casting		Automotive Components		Unallocated		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
(i) Revenue										
External - Sales and Services	1,095,083,112	952,038,329	365,541,632	330,317,942	2,138,910,283	-	-	-	3,599,535,027	1,282,356,271
Less: Excise Duty	(140,750,021)	(122,411,752)	-	(45,515,855)	(353,531,192)	-	-	-	(494,281,213)	(167,927,607)
Inter-Segment Sales and Services	-	-	(361,762,987)	-	-	-	-	-	(361,762,987)	-
Other Income	25,714,759	36,648,935	12,374,177	8,690,129	22,509,509	-	23,242,076	-	83,840,521	45,339,064
Total Revenue	980,047,850	866,275,512	16,152,822	293,492,216	1,807,888,600	-	23,242,076	-	2,827,331,348	1,159,767,728
(ii) Result										
Segment Result - EBITDA - Profit/(Loss)	199,986,809	141,498,881	53,099,532	43,097,395	234,600,586	-	23,242,075	41,114,287	510,929,002	225,710,563
(Less): Depreciation	(33,890,675)	(30,150,518)	(16,826,416)	(11,053,370)	(69,985,758)	-	-	-	(120,702,849)	(41,203,888)
Segment Result - Profit/(Loss)	166,096,134	111,348,363	36,273,116	32,044,025	164,614,828	-	23,242,075	41,114,287	390,226,153	184,506,675
(Less): Interest Expense	-	-	-	-	-	-	(87,992,004)	(38,515,291)	(87,992,004)	(38,515,291)
(Less): Extraordinary/ Exceptional Item	(2,351,153)	-	-	-	(251,074)	-	-	-	(2,602,227)	-
Profit/(Loss) Before Taxation	163,744,981	111,348,363	36,273,116	32,044,025	164,363,754	-	(64,749,929)	2,598,996	299,631,922	145,991,384
(Less): Provision for Taxation	-	-	-	-	-	-	(113,864,596)	(46,110,639)	(113,864,596)	(46,110,639)
Net Profit/(Loss)	163,744,981	111,348,363	36,273,116	32,044,025	164,363,754	-	(178,614,525)	(43,511,643)	185,767,326	99,880,745
(iii) Reconciliation of Segment Revenue with the Financial Statements										
Total Revenue - Sales and Services									2,743,490,827	1,114,428,664
Other Income									83,840,521	45,339,064
As per Financial Statements									2,827,331,348	1,159,767,728
(iv) Other Information										
Segment Assets	1,044,122,645	943,881,228	340,467,435	278,274,699	1,304,782,745	-	271,914,040	78,544,151	2,961,286,865	1,300,700,078
Segment Liabilities	538,128,154	642,718,219	134,134,879	201,231,275	732,569,558	-	897,352,599	118,774,523	2,302,185,190	962,724,017
Capital Expenditure (excluding assets acquired on merger)	204,103,689	156,732,003	74,464,496	122,629,425	350,511,306	-	-	-	629,079,491	279,361,428
Depreciation	33,890,675	30,150,518	16,826,416	11,053,372	69,985,758	-	-	-	120,702,849	41,203,890
Other Non-Cash Expenses	4,265,563	9,429,045	1,507,517	65,274	3,064,616	-	-	-	8,837,696	9,494,319

B Secondary Segment Reporting

The Company operates in the domestic market and also exports goods to various countries. Accordingly Secondary Segment reporting disclosures, as applicable are given below on a geographic Segment basis. Segment Revenue, Assets and Liabilities include the respective amounts identifiable to each of the following Segments and allocated on a reasonable basis.

	In India		Outside India		Total	
	2008	2007	2008	2007	2008	2007
Revenue	2,581,091,492	961,704,561	246,239,856	198,063,167	2,827,331,348	1,159,767,728
Carrying Amount of Assets	2,961,286,865	1,300,700,078	-	-	2,961,286,865	1,300,700,078
Capital Expenditure (excluding assets acquired on merger)	629,079,491	279,361,428	-	-	629,079,491	279,361,428

20. **Related Party Disclosure**

A Names of Related Parties and Description of Relationship

(a) Parties under Common Control:

(i) Subsidiaries	JKM Daerim Automotive Limited (JDAL) (Up to March 31, 2007) (Refer Note 17 above) JKM Research Farm Limited (JRFL) JKM Global PTE Limited (JGPL), Singapore Dynamatic Ltd, U.K. (DL U.K.)
(ii) Companies over which Key Management Personnel or relatives of such personnel are able to exercise significant influence (Other Related Entities)	Greenearth Biotechnologies Limited (GBL) Vita Private Limited (VPL) JKM Human Resources Private Limited (JHRPL) JKM Holding Private Limited (JHPL) Primella Sanitary Products Private Limited (PSPPL) Wavell Investments Private Limited (WIPL) Christine Hoden (India) Private Limited (CHIPL) JKM Offshore (India) Private Limited (JOIPL) Udayant Malhoutra and Co Private Limited (UMCPL)

(b) Key Management Personnel

(i) Executive Directors	Udayant Malhoutra - Chief Executive Officer and Managing Director N Rajagopal - Executive Director and Chief Operating Officer V Sunder - President and Group Chief Financial Officer B Seshnath - Executive Director and Chief Marketing Officer
(ii) Non Executive Directors	J K Malhoutra - Chairman (Cessation March 17,2008) Air Chief Marshal S Krishnaswamy (Retd.) Dr. K Aprameyan Vijai Kapur Shanti Ekambaram Raymond Keith Lawton

(c) Relatives of Key Management Personnel (Relatives)	Pramilla Malhoutra Udita Malhoutra Barota Malhoutra

B Summary of Transactions with Related Parties is as follows:

Description of Relationship		2008				2007			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
i	**Sales** (inclusive of all applicable duties and taxes)								
	- JDAL	-	-	-	-	354,837,727	-	-	-
	- DLUK	850,603	-	-	-	-	-	-	-
ii	**Other Income**								
	Dividend Received								
	- JDAL	-	-	-	-	14,600,000	-	-	-
	Interest								
	- GBL	-	2,035,000	-	-	-	1,480,000	-	-
	- JGPL	3,239,641	-	-	-	-	-	-	-
	Others								
	- DLUK	735,405	-	-	-	-	-	-	-
iii	**Materials**								
	Purchase of Scrap								
	- JDAL	-	-	-	-	1,405,911	-	-	-
iv	**Sale of Fixed Assets**								
	Plant and Machinery								
	- JDAL	-	-	-	-	6,177,773	-	-	-
v	**Purchase of Fixed Assets**								
	Vehicles								
	- JDAL	-	-	-	-	375,000	-	-	-

Description of Relationship		2008				2007			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
vi	**Expenses**								
	Rent								
	- JRFL	4,200,000	-	-	-	4,200,000	-	-	-
	- VPL	-	300,000	-	-	-	300,000	-	-
	- JHPL	-	84,000	-	-	-	84,000	-	-
	- N Rajagopal	-	-	356,129	-	-	-	240,000	-
	- Pramilla Malhoutra	-	-	-	1,128,871	-	-	-	963,099
	- Udita Malhoutra	-	-	-	285,000	-	-	-	120,000
	Salaries and Wages								
	- JHRPL	-	18,160,074	-	-	-	8,856,801	-	-
	Reimbursements								
	- JDAL	-	-	-	-	3,515,222	-	-	-
	- JGPL	9,621,781	-	-	-	-	-	-	-
	- DLUK	13,612,722	-	-	-	-	-	-	-
	Interest								
	- J K Malhoutra	-	-	99,667	-	-	-	70,584	-
	Managerial Remuneration								
	- Udayant Malhoutra	-	-	1,683,383	-	-	-	1,303,752	-
	- N Rajagopal	-	-	1,773,630	-	-	-	1,314,019	-
	- V Sunder	-	-	2,626,932	-	-	-	1,325,259	-
	- B Seshnath	-	-	1,523,536	-	-	-	445,229	-
	Directors Sitting Fees								
	- J K Malhoutra	-	-	105,000	-	-	-	100,000	-
	- Air Chief Marshal S Krishnaswamy (Retd.)	-	-	360,000	-	-	-	250,000	-
	- Dr. K Aprameyan	-	-	320,000	-	-	-	155,000	-
	- Vijai Kapur	-	-	255,000	-	-	-	150,000	-
	- V Sunder	-	-	-	-	-	-	50,000	-
	- B Seshnath	-	-	150,000	-	-	-	75,000	-
	- N R Mohanty	-	-	-	-	-	-	95,000	-
	- Shanti Ekambaram	-	-	150,000	-	-	-	45,000	-
	- Others	-	-	185,000	-	-	-	-	-
vii	**Dividend**								
	Interim Dividend								
	- JHPL	-	2,007,838	-	-	-	1,606,270	-	-
	- UMCPL	-	250	-	-	-	200	-	-
	- Udayant Malhoutra	-	-	2,627,135	-	-	-	2,101,708	-
	- Others	-	1,337,148	250	12,345	-	1,069,718	200	9,876
	Final Dividend								
	- JHPL	-	4,015,676	-	-	-	2,409,406	-	-
	- UMCPL	-	3,086,215	-	-	-	300	-	-
	- Udayant Malhoutra	-	-	5,254,270	-	-	-	3,152,562	-
	- Others	-	2,674,296	500	24,690	-	1,604,578	300	14,814
viii	**Loans Given During the Year**								
	- JGPL	96,418,000	-	-	-	-	-	-	-
ix	**Loans Repaid by the Company During the Year**								
	- J K Malhoutra	-	-	800,000	-	-	-	-	-
x	**Investments Made During the Year**								
	- JGPL	65,258,356	-	-	-	-	-	-	-
xi	**Shares Issued During the Year Pursuant to Merger** (Note 17)								
	- UMCPL	-	6,171,430	-	-	-	-	-	-

	Description of Relationship	2008				2007			
	Related Party	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)	Subsidiaries A(a)(i)	Other Related Entities A(a)(ii)	Key Management Personnel A(b)	Relatives A(c)
xii	**Balances as on March 31, 2008**								
	Outstanding Payables								
	- JRFL	1,061,106	-	-	-	799,718	-	-	-
	- DLUK	57,810	-	-	-	-	-	-	-
	- JHRPL	-	1,757,076	-	-	-	611,797	-	-
	- JHPL	-	4,015,676	-	-	-	4,015,676	-	-
	- UMCPL	-	3,086,215	-	-	-	300	-	-
	- Udayant Malhoutra	-	-	5,254,270	-	-	-	5,254,270	-
	- Others	-	2,679,446	500	24,690	-	2,678,880	500	24,690
	Outstanding Receivables								
	- JDAL	-	-	-	-	65,307,083	-	-	-
	- GBL	-	2,718,499	-	-	-	1,144,632	-	-
	- JGPL	5,870,007	-	-	-	-	-	-	-
	- DLUK	3,615,405	-	-	-	-	-	-	-
	- VPL	-	3,500,000	-	-	-	3,500,000	-	-
	- Pramilla Malhoutra	-	-	-	800,000	-	-	-	800,000
	- N Rajagopal	-	-	200,000	-	-	-	200,000	-
	- Udita Malhoutra	-	-	-	1,545	-	-	-	-
	Outstanding Loans Receivables								
	- JRFL	16,000,000	-	-	-	16,000,000	-	-	-
	- JGPL	96,635,030	-	-	-	641,061	-	-	-
	- GBL	-	18,500,000	-	-	-	18,500,000	-	-
xiii	**Contingent Liability**								
	Corporate Guarantee Outstanding								
	- JDAL	-	-	-	-	90,000,000	-	-	-
	- JGPL	132,000,000	-	-	-	-	-	-	-
	- DLUK	224,000,000	-	-	-	-	-	-	-

21 Leasing Arrangements

a) Premises, vehicles and other facilities (including those for employee residences) are taken on operating lease. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months. The particulars of those leases are as follows:

	2008 Rs.	2007 Rs.
Lease Rentals [Including Minimum Lease Payments Rs.Nil (2007: Rs. Nil)]		
- Included in Rent (Schedule 19)	**10,884,351**	10,136,665

There are no Contingent Rents.

b) Rental Income includes lease rental received by leasing out machines. These Operating leases are for a period of 1 year with option of renewal with mutual consent and right of lessor to permanently terminate the lease if lessee violates the terms of Lease.

Lease Payments Received		
- Included in Other Income (Schedule 16)	**819,130**	823,840
Details of Assets Given on Operating Lease:		
Plant and Machinery		
- Gross Value	**21,332,759**	22,199,039
- Accumulated Depreciation	**16,864,136**	16,516,912
- Depreciation for the Year	**819,130**	879,340

		2008 Rs.	2007 Rs.
22	**Earnings Per Share**		
a)	Before Extraordinary/ Exceptional Items:		
	Net Profit After Tax Available for Equity Shares	**188,369,553**	99,880,743
	Basic/Weighted Average Number of Equity Shares of Rs.10 each	**4,203,677**	4,193,560
	Basic and Diluted Earnings Per Share (Rs.)	**44.81**	23.82
b)	After Extraordinary/Exceptional Items:		
	Net Profit After Tax Available for Equity Shares	**185,767,326**	99,880,743
	Basic/Weighted Average Number of Equity Shares of Rs.10 each	**4,203,677**	4,193,560
	Basic and Diluted Earnings Per Share (Rs.)	**44.19**	23.82

23 Taxation:

a) Transfer Pricing:

The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations for Computing the Taxable Income and Expenditure from 'International Transactions' between 'Associated Enterprises' on an 'Arm's Length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing the Return of Income.

For fiscal year ended March 31, 2007 the aggregate value of international transactions with associated enterprises entered into by the Company did not exceed the stipulated limits. Consequently the maintenance of the prescribed documents as required by the Transfer Pricing Regulations under the Income Tax Act, 1961 did not apply during the said period.

b) Deferred Taxation:

The Net Deferred Tax Liability has been arrived at as follows:

	2008 Rs.	2007 Rs.
(A) Deferred Tax Assets Arising From:		
(i) Expenses charged in the Financial Statements but allowable as deductions in future years under the Income Tax Act, 1961.		
- Expenses allowable for Tax purposes when paid	**4,621,547**	3,273,667
- Provision Towards Warranty	**902,406**	222,606
- Provision Towards Doubtful Debts and Advances	**4,452,685**	2,845,769
- Others	**2,192,892**	3,132,280
	12,169,530	9,474,322
(B) (Less): Deferred Tax Liabilities arising from:		
(i) Difference Between Carrying Amount of Fixed Assets in the Financial Statements and the Income Tax Return.	**(160,484,622)**	(64,577,528)
Net Deferred Tax Liability Carried to Balance Sheet (A-B)	**(148,315,092)**	(55,103,206)
Movement in Deferred Tax (Liability)/ Asset	**(93,211,886)**	18,100,858
Movement of Deferred Tax Liability of Rs.93,211,886 Comprises of the following:		
Deferred Tax Liability Acquired on Merger [Note 17(b) above]	**52,881,370**	-
Net Deferred Tax Charge/(Credit) for the Year	**40,330,516**	18,100,858
	93,211,886	**18,100,858**

Note: The tax impact for the above purpose has been arrived by applying a tax rate of 33.99 % (2007: 33.99 %) being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.

	2008 Rs.	2007 Rs.
24 Provisions		
Product Warranty [Note 1(g) above]		
At Beginning of the Year	**654,917**	200,000
Transferred Pursuant to Merger (Note 17)	**1,000,000**	-
Add: Provisions Made During the Year	**4,320,175**	454,917
Less: Utilised During the Year	**3,320,175**	-
At the End of the Year	**2,654,917**	654,917

25 Motor cars purchased under Hire Purchase Agreements have been given to certain employees for their use under the terms the said cars will be transferred to the related employees at Rs.180,000 per car after 5 years. The aforesaid amount is deductible in 60 monthly equal instalments from their salary. The deduction at the year end Rs. 1,939,483 (2007: Rs.1,417,817) has been considered as deposits received from employees and included under Current Liabilities.

26 The Company was allowed to defer the payment of Sales taxes in respect of its divisions for a period of nine years in each case. The sales taxes so deferred is in the nature of interest free unsecured loan repayable after the expiry of the deferment period, on a year to year basis (the first repayment falls due in September 2010) . Accordingly, the sales tax loan aggregating to Rs 44,373,219 (Rs.16,259,288 in respect of the JKM Automotive Division and Rs.28,115,931 in respect of the Foundry Division) (2007: Rs 44,373,219) so deferred has been disclosed as Unsecured Loan.

27 Fixed assets include certain assets, which were revalued during the year ended March 31, 1992. The details of such revaluations are as under:

Particulars of Fixed Assets	**Value added on Revaluation included under Gross Block**		**Value added on Revaluation included under Net Block**	
	2008	**2007**	**2008**	**2007**
Land and Development	**13,014,093**	13,014,093	**12,903,031**	12,903,031
Buildings	**9,509,673**	9,509,673	**4,457,253**	4,559,220
Electrical Installations	**616,781**	616,781	**162,481**	191,778
	23,140,547	**23,140,547**	**17,522,765**	**17,654,029**

28 The Company has imported certain Machinery under the 'Export Promotion Capital Goods' (EPCG) scheme. According to the said scheme, the Company is entitled to import Machinery at Concessional Customs Duty with an obligation to export Rs.349,719,449 (2007: Rs.87,406,339) within a period of eight years.

The details of Export obligation are as under:	**2008 Rs.**	2007 Rs.
EPCG		
Export Obligation at the Beginning of the Year	**87,406,339**	-
Automotive Division's Opening Balance Taken Over Pursuant to Merger (Note 17 above)	**348,529,457**	
Add: Export Obligation Accrued During the Year	**105,108,552**	120,026,040
(Less): Exports Made During the Year	**(191,324,899)**	(32,619,701)
Export Obligation as at the End of the Year	**349,719,449**	**87,406,339**

29 Arising from the adoption of the Companies (Accounting Standards) Rules, 2006, exchange differences of Rs.7,345,790 in respect of liabilities towards Imported Fixed Assets have been charged off in the Profit and Loss Account which hitherto was capitalized having consequential effect on the profits for the year and on the net worth of the Company.

30 Depreciation on Data Processing Equipment which hitherto were depreciated at 16.21% p.a are from current year depreciated at the rate of 25% p.a, resulting in additional depreciation charge of Rs.7,584,039 for the current year having consequential effect on the Profit for the year and on the Net Worth of the Company.

31 **Secured Loan:**

a) Particulars of Loans

- From Financial Institutions (In Rupees):		
- Infrastructure Leasing & Financial Services	**10,625,000**	-
- GE Capital Services India	**6,329,986**	-
	16,954,986	-
- From Banks (In Rupees):		
- Kotak Mahindra Bank	**62,384,252**	95,318,593
- Axis Bank	**56,235,577**	35,099,491
- Punjab National Bank	**27,502,610**	45,775,568
- Citibank	**60,000,000**	-
- ICICI Bank	**6,653,243**	-
- HDFC Bank	**88,095,235**	-
	300,870,917	176,193,652
- From Banks (In Foreign Currency):		
- Standard Chartered Bank	**280,781,560**	99,154,800
- State Bank of India	**76,000,000**	-
	356,781,560	99,154,800

	2008 Rs.	2007 Rs.
Hire Purchase Loan:		
- From Financial Institutions (In Rupees):	**13,937,243**	-
Cash Credit and Working Capital Loans:		
- Kotak Mahindra Bank	**87,090,434**	64,264,058
- Axis Bank	**45,231,665**	23,166,396
- Punjab National Bank	**45,883,610**	28,118,701
- Standard Chartered Bank	**60,736,672**	56,949,758
- HDFC Bank	**203,645,583**	-
- Citibank	**43,367,805**	-
- State Bank of India	**45,877,943**	-
	531,833,712	172,498,913
Grand Total	**1,220,378,418**	447,847,365

b) Particulars of Securities:

i) Term Loans taken from Financial Institutions (in Rupees) are secured against certain movable fixed assets of JKM Automotive Division.

ii) (a) Foreign Currency term loans from banks amounting to Rs.280,781,560 (2007: Rs.99,154,800) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (iv) below] of JKM Automotive Division.

(b) Rupee term loans from Banks amounting to Rs.107,234,055 (2007: Rs.168,405,984) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets [other than those referred in (i) above and (iv) below] and has been secured by way of second charge on current assets of JKM Automotive Division.

iii) Foreign Currency term loans from banks amounting to Rs.76,000,000 (2007: Rs.Nil) and Rupee term loans from Banks amounting to Rs.193,636,862 (2007: Rs.141,094,161) have been secured, ranking pari passu among the lenders, by way of first charge on fixed assets and second charge on current assets of Hydraulic division.

iv) Hire Purchase loans are secured against vehicles purchased from such loans.

v) Rupee Working Capital Loans from Banks amounting to Rs.246,780,754 (2007: Rs.199,535,250) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets [other than those referred in (i) and (iv) above] of JKM Automotive division.

vi) Rupee Working Capital Loans from Banks amounting to Rs.285,052,958 (2007: Rs.85,068,459) has been secured, ranking pari passu among the lenders, by way of first charge on current assets and second charge on fixed assets of Hydraulic Division.

32 Derivative Transactions

I (a) External Commercial Borrowings (ECB) by the Company in Japanese Yen (JPY) has been swapped into US Dollar (USD) both towards principal repayments and interest liabilities. The Company has entered into an embedded USD/INR option for hedging the intermediate exchange of principal and interest for part of the swapped value.

The swap and the embedded option are co-terminus with the Loan agreement and it is the intention of the Management not to foreclose the above arrangement during the tenure of the Loan and hence no loss is anticipated in this regard from fluctuations in JPY.

(b) Due to expected increase in the Company's export receivables, the Company has hedged a part of its future USD receivables amounting to USD 9,000,000 to mitigate its foreign exchange fluctuation risks.

II Derivative instruments outstanding as at the year end:	**2008**	2007
a) **Contract for Swap of JPY to USD**		
2 (2007: 1) Outstanding swap contracts to hedge the foreign currency exposure arising on ECB:		
Currency		
JPY	**823,000,000**	543,000,000
Equivalent USD	**7,019,539**	4,592,355
Equivalent Rs.	**280,779,948**	200,777,761
b) **Embedded Option for Intermediate Exchange of Principal**		
1 (2007: 1) Outstanding embedded option contract for intermediate exchange of principal and interest arising from (a) above:		
Currency		
USD	**2,296,178**	2,296,178
Equivalent Rs.	**91,847,091**	91,847,091

		2008 Rs.	2007 Rs.
c	**Cash Flow Hedge** 1 (2007: Nil) Outstanding contract for hedging future cash flow (in USD)		
	Currency		
	USD	**9,000,000**	-
	Equivalent Rs.	**360,000,000**	-

III The above derivative contracts have been marked to market based on the bankers certificate resulting in a net gain at the Balance Sheet date. In view of the principle of prudence as enunciated in AS 1 - Disclosure of Accounting Policies and the Announcement of the ICAI (dated March 29, 2008) on 'Accounting for Derivatives', the net gain of Rs.17,410,210 (2007:Rs Nil) has not been accounted for in the books.

IV **Foreign Currency Exposures not Hedged by a Derivative Instrument or Otherwise:**

As of the Balance Sheet date, the foreign currency exposure arising out of operations in India and not hedged by a derivative instrument or otherwise represents:

Receivables	**198,487,235**	78,305,536
Payables	**356,508,541**	209,612,343

33 The Company has re-evaluated the recoverable amount of its Assets as at the year-end and there were no indications that the assets are impaired.

34 **Subsequent Events:**

Shareholders' approval is proposed to be obtained in the ensuing Extraordinary General Meeting for Raising of Funds from Domestic/Foreign Investors by way of issuance of securities, as may be permitted under applicable laws which however, has been approved by the Board of Directors.

35 (i) Current year figures in the accounts are after giving effect to the Court order on amalgamation of JKM Daerim Automotive Limited with the Company (Refer Note 17 above), while those of the previous years are without considering the above and accordingly the current year figures are not comparable with that of the previous year.

(ii) Figures for the previous year have been regrouped/rearranged, wherever necessary.

S. Dutta
Partner
For and on behalf of
Price Waterhouse & Co.,
Chartered Accountants

VIJAI KAPUR
Chairman

Dr. K APRAMEYAN
Director

Air Chief Marshal (Retd.) S.KRISHNASWAMY
Director

RAYMOND K LAWTON
Director

GOVIND MIRCHANDANI
Director

MALAVIKA JAYARAM
Director

B SESHNATH
Executive Director and CMO

N RAJAGOPAL
Executive Director and COO

V SUNDER
President and Group CFO

PLACE : BANGALORE
DATE : 27th JUNE, 2008

UDAYANT MALHOUTRA
CEO and Managing Director

K R SRINIVASAN
Group Financial Controller

G HARITHA
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No :	L85110KA1973PLC002308	State Code	08
Balance Sheet Date :	March 31, 2008		

2. Capital Raised During the Period :
(Amount in Rs. Thousands)

Public Issue	Nil	Rights issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Placement on Merger	6171.43		

3. Position of Mobilisation and Deployment of Funds :
(Amount in Rs. Thousands)

Total Liabilities	2,302,185 (Including net deferred tax liability Rs. 148,315)	Total assets	2,961,287
Source of Funds			
Paid up Capital	48,107	Secured Loans	1,222,019
Reserves and Surplus	610,995	Unsecured Loans	67,589
Application of Funds			
Net Fixed Assets	1,618,417	Investments	85,388
Net Current Assets	393,220	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

4. Performance of Company :
(Amount in Rs. Thousands)

Turnover (including Other Income Rs 83,840,521)	2,827,331	Total Expenditure	2,316,402
Profit/(Loss) Before Tax	302,234	Profit/Loss After Tax (after deferred tax charge of Rs 40,330)	185,767
Earning Per Share Rs	44.81	Dividend Rate%	75%

5. Generic Names of Four Principal Products/Services of Company (as per monetary terms)

Items Code No	8413.19	8479.10	870790.01	8481.80
Product Description	Hydraulic Gear Pumps	Power Pack Pump Unit	Automotive Components	Valves
Services Description				

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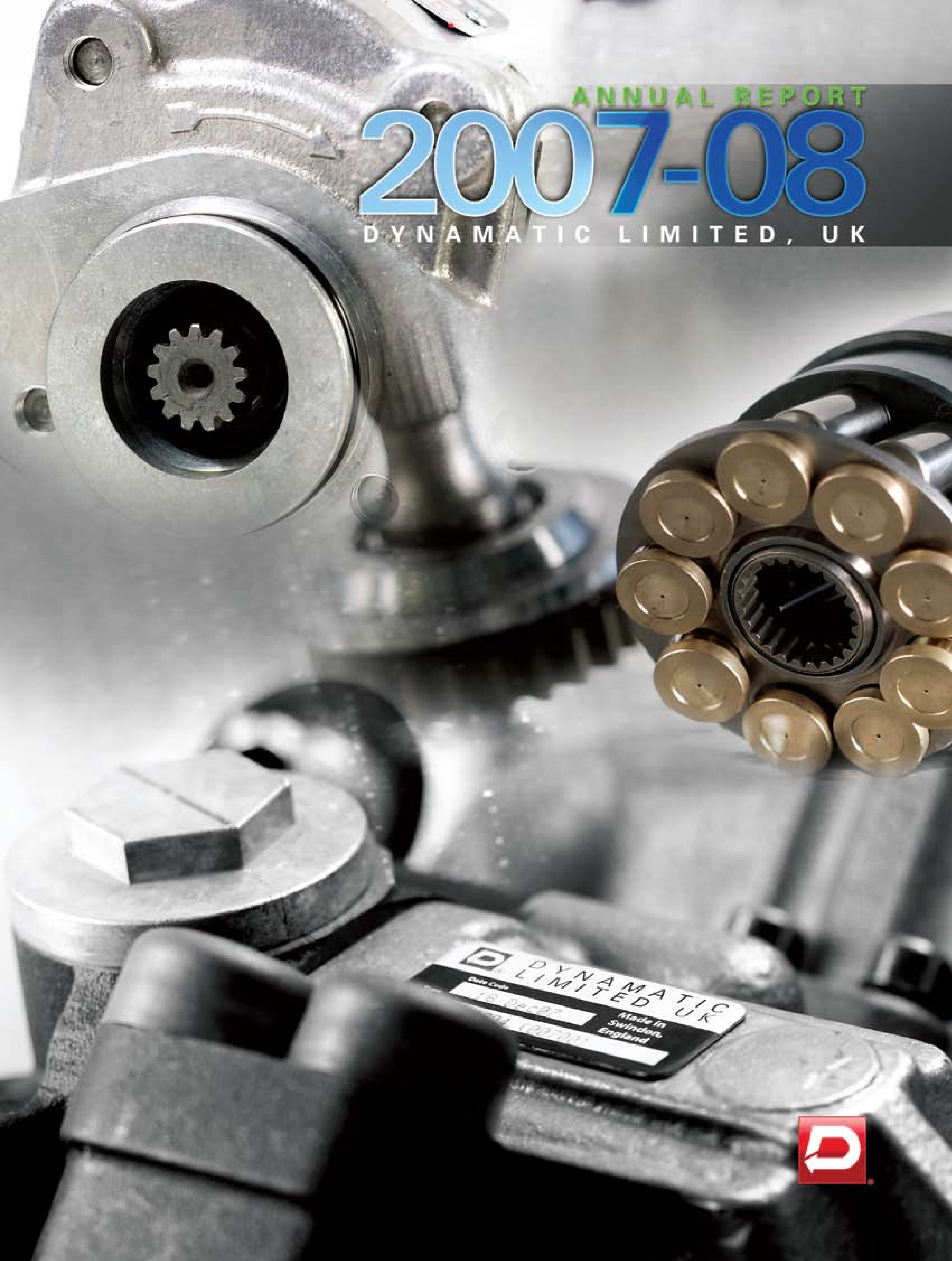
ANNUAL REPORT 2007-08

DYNAMATIC LIMITED, UK



DIRECTORS

Mr. Udayant Malhoutra	–	Chairman
Mr. Michael John Handley	–	Director
Mr. V Sunder	–	Director
Mr. Raymond Keith Lawton	–	Executive Director & Chief Operating Officer
Mr. Ian Patterson	–	Technical Director & Chief Technology Officer, Hydraulics

FINANCE HEAD AND COMPANY SECRETARY

Mr. Tony Atkins FCCA

AUDITORS

PricewaterhouseCoopers LLP,
Chartered Accountants & Registered Auditors,
Bristol

BANKERS

State Bank of India, London

REGISTERED OFFICE

Cheney Manor, Swindon, Wiltshire SN2 2PZ, England

CONTENTS

Financial Statements in Indian Rupees as per Schedule VI Format

DIRECTORS' REPORT FOR THE PERIOD ENDED 31st MARCH, 2008

The Directors present their Report and the Audited Financial Statements for the period ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The Company was incorporated on 10th May, 2007 as Dynamatic Limited. On 31st July, 2007, it issued 1,250,000 £1 Ordinary Shares. On 15th June, 2007, it purchased the Trade and Assets of the Swindon Manufacturing Facility of Sauer Danfoss U.K. Limited for £4.7m and commenced to trade.

The principal activity of the Company is the design, development and manufacture of Gear Pumps, Valves and Integrated Hydraulic Packages, Incorporated Gear Pumps, Piston Pumps, Valves, Filter Heads and Service/Measurement Ports.

REVIEW OF BUSINESS

The results for the period show a Pre-Tax Profit of £0.13 million on Turnover of £10.3 million. Equity Shareholder funds amount to £1.31 million.

The sales and results for the business for the period were consistent with expectations from the existing products and customers acquired on the acquisition of the business.

The Company's main objective during this initial period has been the transitioning and securing of the U.K. and European markets from Sauer Danfoss to the Company's own direct sales force. This was completed in early 2008.

During this period, the Company has also successfully restructured its production facility and supply chain to reflect the planned nature and size of the operation going forward.

FUTURE OUTLOOK

The current order book indicates maintained turnover levels in the short term.

The transitioning of the North American customer base to a direct US based sales force will provide further opportunities for sales growth.

As part of the Dynamatic Technologies Group, the Company is well positioned to benefit from increased sales to both Global OEMs and from the export of new products into Asian markets.

There are, however, a number of risks and uncertainties that could affect the level of business and profitability. These are discussed below.

PRINCIPAL RISKS AND UNCERTAINTIES

COMPETITION

The Company is actively developing lean and agile manufacturing techniques to maintain competitiveness against products from lower cost economies whilst maintaining production to high quality standards.

QUALITY

The Company's quality programme is stringent and monitored both internally and externally, through third party and customer audits. This programme is designed to prevent any decline in standards and the potential threat this would have to the Company's reputation and future sales.

TECHNOLOGY / RESEARCH AND DEVELOPMENT

As the Company's products are used on industrial, commercial and agricultural vehicles, they may, over time, be superseded by Replacement Products. The Company is therefore actively Researching and Developing new products and materials and works closely with customers to ensure it has a relevant product development programme.

EXCHANGE RATE MOVEMENTS

A substantial part of the Company's Income and Debt is in currencies other than Sterling. A sustained shift in exchange rates could have a significant impact on profitability. Where appropriate, therefore, the Company uses its Foreign Currency Income to purchase raw materials and regularly reviews the need to enter into forward contracts for future currency receipts.

KEY PERFORMANCE INDICATORS

The principal performance indicators used by the Board are as follows:

KPI - % of Sales	2008
Gross Profit	16.9%
EBITDA	6.2%

FINANCIAL RISK MANAGEMENT

PRICE RISK

The nature of the Company's business exposes it to fluctuations in raw material prices. As the nature and size of the Company's operations change, it will continue to assess its procurement policy.

The Company has no exposure to equity securities price risk.

CREDIT RISK

Cash deposits are only placed with financial institutions having a high quality investment grade credit rating.

Credit checks are carried out where appropriate for new and existing customers, and for suppliers to whom payments on account are made.

LIQUIDITY RISK

The Company takes account of Cash Flow requirements when determining the period of time for which funds are placed on deposit with financial institutions. The Company maintains a mixture of long and short term debt.

CASH FLOW/INTEREST RATE RISK

The Company monitors the level of funds held within the business to ensure that there are sufficient funds available for Working Capital requirements, Capital Expenditure, and the Payment of Tax Liabilities and Dividends. Consideration is also given to the impact of potential downturns in the level of business.

The Company has both interest bearing assets and liabilities. Interest bearing assets are short term cash deposits and as such are subject to changes in interest rate levels. Loans from Group Companies are at fixed interest rates, while short term bank borrowings are subject to changes in interest rate levels.

The Company will regularly review the appropriateness of its interest rate management.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £56,914. No dividend is proposed for the period.

DIRECTORS

The Directors who held office during the year are given below:

Udayant Malhoutra	(appointed 10th May, 2007)
R K Lawton	(appointed 18th June, 2007)
V R Sunder	(appointed 10th May, 2007)
M J Handley	(appointed 10th May, 2007)
I D Patterson	(appointed 18th June, 2007)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare Financial Statements for each Financial Year. Under that Law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the Profit or Loss of the Company for that Period.

In preparing those Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safe-guarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as "information needed by the Company's Auditors in connection with preparing their report".

Each Director has taken all the steps (such as making enquiries of other Directors and the Auditors and any other steps required by the Director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is Company Policy to comply with the terms of payment agreed with a supplier. Where payment terms are not negotiated, the Company endeavours to adhere to the supplier's standard terms. The Company pays creditors in accordance with agreed payment terms on receipt of valid invoices. At the end of the period, trade creditors represented the equivalent of 51 days purchases.

EMPLOYEES

The Company is committed to the principle of equal opportunity in employment. The Company recognises its responsibilities to disabled people and endeavours to assist them to make their full contribution at work.

Open and regular communication with employees at all levels is an essential part of the management of the Company.

HEALTH AND SAFETY

Health, safety and environmental affairs continue to receive major attention, not merely to conform to legal requirements, but positively to develop and maintain high standards.

CHARITABLE DONATIONS

No charitable donations were made during the period.

AUDITORS

A resolution to re-appoint the auditors, Pricewaterhouse Coopers LLP, will be proposed at the Annual General Meeting.

By order of the Board

DATE : 15th AUGUST, 2008
PLACE : SWINDON

ID PATTERSON
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DYNAMATIC LIMITED

We have audited the Financial Statements of Dynamatic Limited for the period ended March 31, 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These Financial Statements have been prepared under the Accounting Policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (U.K. and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, whether in our opinion, the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our Report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with international standards on auditing (U.K. and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at March 31, 2008 and of its Profit for the period then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Emphasis of Matter–Going Concern

In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the Financial Statements concerning the basis of preparation. The Financial Statements have been prepared on a going concern basis and the validity of this depends on the continued support of the Company's bankers due to the covenant breach that has occurred on the loan facilities. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Financial Statements do not include any adjustments that would result from a failure to obtain such continued support.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2008

	Notes	2008 £'000
Turnover	2	**10,254**
Cost of Sales		**(8,519)**
Gross Profit		**1,735**
Distribution Costs		**(165)**
Administrative Expenses		**(1,202)**
Operating Profit		**368**
Interest Receivable		**20**
Interest Payable	3	**(257)**
Profit on Ordinary Activities Before Taxation	6	**131**
Tax on Profit on Ordinary Activities	7	**(74)**
Profit for the Financial Period	18	**57**

All the above relate to activities acquired during the period.

There is no difference between the Profit on Ordinary Activities before Taxation and the Retained Profit for the period stated above, and their historical cost equivalents.

The Company has no recognised Gains and Losses other than the profits reported above, hence no separate Statement of total recognised Gains and Losses has been presented.

BALANCE SHEET AS AT MARCH 31, 2008

	Notes	2008 £'000
Fixed Assets		
Intangible Assets	9	**151**
Tangible Assets	10	**1,832**
		1,983
Current Assets		
Stocks	11	**1,508**
Debtors	12	**2,505**
Cash at Bank and in Hand		**2,476**
		6,489
Creditors: Amounts Falling Due Within One Year	13	**(5,199)**
Net Current Assets		**1,290**
Total Assets Less Current Liabilities		**3,273**
Creditors: Amounts Falling Due After One Year	14	**(1,919)**
Provisions for Liabilities and Charges	15	**(47)**
Net Assets		**1,307**
Capital and Reserves		
Called Up Share Capital	16	**1,250**
Profit and Loss Account	17	**57**
Equity Shareholders' Funds	18	**1,307**

The Financial Statements on pages 4 to 8 were approved by the Board of Directors on 15th August, 2008.

ID PATTERSON
Director

1 PRINCIPAL ACCOUNTING POLICIES

These Financial Statements are prepared on the going concern basis under the Historical Cost Convention, and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

Basis of Preparing the Financial Statements–Going Concern Assumption

The Company commenced trading on 15th June, 2007, and during the period to the 31st March, 2008, made a profit of £57k, has Net Current Assets of £1,290k and an overall Net Worth of £1,307k.

The funds for the acquisition of assets and the provision of working capital were provided by the issue of £1,250k of share capital, term loans from Group Companies of £2,309k and a revolving bank credit facility from the State Bank of India for £2,780k.

The credit facility with the bank contains covenants relating to the overall Group financial position and a breach of two of these covenants had occurred. The bank is currently supporting the Company at the existing credit level whilst continuing to review the covenant breach on a regular basis.

The Group has taken steps to rectify one of these breaches of covenants by the infusion of fresh equity into the Holding Company.

The Financial Statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the Company's bankers continuing to provide the existing level of support.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to amend Balance Sheet Assets to their recoverable amount, provide for any further Liabilities that might arise in the circumstances and reclassify Fixed Assets and Long Term Liabilities as Current Assets and Liabilities.

Whilst the Directors acknowledge there is a material uncertainty as to the outcome of matters mentioned above, which could cast significant doubt on the Company's ability to continue as a going concern, they believe that it is appropriate in the circumstances for the Financial Statements to be prepared on a going concern basis.

The Principal Accounting Policies, which have been applied consistently throughout the year except for the changes arising on the adoption of new Accounting Standards, are set out below.

Turnover

Turnover, which excludes Value Added Tax, is recognised when the significant risks and rewards of ownership are transferred to the customer and is measured at invoice value less returns.

Amortisation of Intangible Assets

Goodwill arising on the acquisition of the trade and assets of the manufacturing facility are being written off on a Straight Line Basis over 36 months.

Depreciation of Tangible Fixed Assets

Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their estimated useful lives at the following rates:

Leasehold Improvements	12.5% - 33%
Plant and Machinery	10% - 12.5%
Tooling	20% - 33%
Computer Hardware/Software	20%
Fixtures and Fittings	10% - 33%

Stocks and Work-In-Progress

Stocks are stated at the Lower of Cost and Net Realisable Value. The cost of products manufactured by the Company consists of direct material and labour costs together with the relevant factory overheads.

Deferred Taxation

Deferred Tax is accounted for based on tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Provision is made for Deferred Taxation on all material timing differences. Deferred Tax Assets are recognised where their recovery is considered more likely than not. Deferred Tax Assets and Liabilities have not been discounted.

Research and Development

Research and Development expenditure is charged in the Profit and Loss account when it is incurred.

Foreign Currency Conversion

Transactions in Foreign Currency are converted at the rates of exchange ruling when transactions are recorded. Debtors and creditors in foreign currency at the financial period end are adjusted to reflect rates of exchange ruling at that date. All exchange differences are taken to the Profit and Loss Account.

Pension Scheme Arrangements

Costs in respect of defined contribution schemes are charged to the Profit and Loss Account as incurred.

The Company provides no other post retirement benefits to its employees.

Operating Leases

Costs in respect of operating leases are charged to the Profit and Loss Account on a Straight Line Basis over the lease term.

Related Party Transactions

As the Company is a Wholly Owned Subsidiary within a Group that prepares Consolidated Financial Statements, the Company has taken advantage of the exemption from disclosing transactions with Group Entities under FRS8.

Cash Flow Statement

The Company is a Wholly Owned Subsidiary within a Group that prepares Consolidated Financial Statements. The Company has taken advantage of the exemption from preparing a Cash Flow Statement included in FRS1 "Cash Flow Statements" (revised 1996).

2 TURNOVER

Turnover is derived from substantially the same class of business, namely the supply of Gear Pumps, Valves and Integrated Hydraulic Packages, Incorporated Gear Pumps, Piston Pumps, Valves, Filter Heads and Service/ Measurement Ports.

	2008 £'000
The Geographical Markets Supplied are as follows:	
United Kingdom	2,129
Other European Community	1,544
North America	2,863
Other	3,718
	10,254

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000
Bank Loans	159
Loans from Group Company	100
Issue Costs	19
Foreign Exchange (Gains)/Losses on US$ Denominated Loan	(21)
	257

4 DIRECTORS' EMOLUMENTS

	2008 £'000
Aggregate Emoluments	125
Pension Contributions to Defined Contribution Pension Scheme	6
	131

Retirement benefits for two Directors are paid into a defined contribution pension scheme.

5 EMPLOYEE INFORMATION

The average monthly number of persons (including Executive Directors) employed by the Company during the period were:

	2008 Number
By Activity	
Production	124
Administration	58
	182

Staff Costs for the Above Persons were :

	2008 £'000
Wages and Salaries	3,337
Social Security Costs	342
Other Pension Costs	95
	3,774

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The Profit on ordinary activities before taxation is stated after charging/(crediting):

	2008 £'000
Operating Lease Costs –	
Hire of Plant and Machinery	23
- Others	295
Amortisation of Intangible Assets	54
Depreciation of Tangible Assets	218
Auditors' Remuneration:	
Audit Services	32
Non-Audit Services:	
Tax Compliance	5
Tax Advice	10
Other	5
Loss on Disposal of Fixed Assets	4
Foreign Exchange Net (Gain)	(68)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of Charge in the Period

	2008 £'000
Current Tax	
United Kingdom Corporation Tax at 30% on Profits for the Period	27
Total Current Tax	27
Deferred Tax	
Origination and Reversal of Timing Differences	50
Changes in Tax Rates and Laws	(3)
Total Deferred Tax	47
Tax Charge on Profit on Ordinary Activities	**74**

(b) Factors Affecting Tax Charge for the Period

The Tax Assessed in each period varies from the standard rate of Corporation Tax in the U.K. in the relevant periods. The differences are explained below:

	2008 £'000
Profit on Ordinary Activities Before Tax	131
Profit on Ordinary Activities Before Tax Multiplied by Standard rate of U.K. Corporation Tax of 30%	39
Permanent Differences	38
Depreciation Charge in Excess of Capital Allowances and Other Timing Differences	(50)
Current Tax Charge for the Period	27

With effect from 1st April, 2008 the Standard Corporation Tax Rate is reducing from 30% to 28%. As a result, profits arising after this date will be subject to a lower standard rate of Corporation Tax.

8 DIVIDENDS PAID

	2008 £'000
Dividends	Nil
	Nil

9 INTANGIBLE FIXED ASSETS

	Good will £'000
Cost	
Additions	205
At 31st March 2008	205
Amortisation	
Charge for Period	54
At 31st March 2008	54
Net Book Value	
At 31st March 2008	151

10 TANGIBLE FIXED ASSETS

	Plant & Machinery £'000	Tools £'000	Fixtures & Fitting £'000	Computer £'000	Leasehold £'000	Total £'000
Cost						
Additions	1,779	88	102	66	34	2,069
Disposals During Period	(21)	-	-	-	-	(21)
At 31st March, 2008	1,758	88	102	66	34	2,048
Accumulated Depreciation						
Charge for Period	169	14	18	10	7	218
Eliminated in Respect of Disposals	(2)	-	-	-	-	(2)
At 31st March, 2008	167	14	18	10	7	216
Net Book Value						
At 31st March, 2008	1,591	74	84	56	27	1,832

11 STOCKS

	2008 £'000
Raw Materials and Components	**1,060**
Work-In-Progress	**106**
Finished Goods	**342**
	1,508

12 DEBTORS

	2008 £'000
Amounts Falling Due Within One Year	
Trade Debtors	**1,964**
Other Debtors	**269**
Prepayments and Accrued Income	**272**
	2,505

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000
Trade Creditors	**1,421**
Corporation Tax	**27**
Other Taxation and Social Security Payable	**112**
Bank Revolving Credit	**2,780**
Loans from Group Companies	**390**
Other Creditors	**52**
Accruals and Deferred Income	**417**
	5,199

The State Bank of India revolving credit facility is secured against the assets of the Company.

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £'000
Loans from Group Companies	
1 - 2 years	**780**
2 - 5 years	**1,139**
	1,919

Loans from Group Companies are unsecured and are at a fixed interest rate of 7.5%.

15 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation provided in the accounts is as follows:

	2008 £'000
Tax effect of timing differences because of:	
Excess of capital allowances over depreciation	**52**
Other short term timing differences	**(5)**
Deferred Taxation included in provision for liabilities and charges	**47**

The movement in the Deferred Tax Liability is as follows:

	2008 £'000
Charged to Profit and Loss Account	**47**
Deferred Tax Liability at 31st March, 2008	**47**

During the period, the 2007 Finance Bill was enacted. As a result of the reduction in U.K. Corporation Tax rate from 30% to 28%, which will be effective from 1 April, 2008, Deferred Tax Balances have been measured at 28%. The change in the tax rate has resulted in a credit in the Profit and Loss Account of £3k.

16 CALLED UP SHARE CAPITAL

	2008 £'000
Authorised	
Ordinary Shares of £1 each	**2,000,000**
Allotted, Called Up and Fully Paid	
Ordinary Shares of £1 each	**1,250,000**

On 31st July, 2007 the Company issued 1,250,000 £1 Ordinary Shares at par for cash consideration.

17 PROFIT AND LOSS RESERVE

	2008 £'000
Retained Profit for the Financial Period	**57**
At 31st March, 2008	**57**

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £'000
Profit for the Period	57
Dividends	Nil
Retained Profit for the Financial Period	57
Share Capital Issued	1,250
Net Addition to Shareholders' Funds	1,307
Opening Shareholders' Funds	Nil
Closing Shareholders' Funds	1,307

19 PENSION COMMITMENTS

Defined Contribution Scheme

The Company operates a defined contribution scheme for employees. The charge in 2008 was £95,152. Included in accruals is an amount of £20,210.

20 CAPITAL COMMITMENTS

	2008 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	Nil

21 FINANCIAL COMMITMENTS

The Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 2008 £'000	Other 2008 £'000	Total 2008 £'000
Other Leases Expiring			
Within 1 year	-	-	-
2 – 5 years	374	28	402
More than 5 years	-	-	-
	374	28	402

22 ULTIMATE CONTROLLING PARTY

The Company's immediate controlling party, owning 100% of the Share Capital is JKM Global PTE Limited (Singapore). The Company's ultimate controlling party is Dynamatic Technologies Limited, a Company Incorporated in India. Copies of Dynamatic Technologies Limited Annual Report and Financial Statements are available from Dynamatic Park, Peenya, Bangalore 560 058, INDIA.

23 ACQUISITIONS

On 15th June 2007 the Company purchased the trade and assets of the Swindon manufacturing facility of Sauer-Danfoss U.K. Limited. The purchase price of £4.7m represented:

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Tangible Fixed Assets	1,875	-	1,875
Stock	1,614	(12)	1,602
Debtors	2,104	-	2,104
Creditors	(1,082)	10	(1,072)
	4,511	(2)	4,509
Goodwill	201	2	203
Total Consideration	4,712	-	4,712

Before this acquisition, the Company did not trade, hence all of the Company's results for the period to 31st March, 2008 are attributable to this acquisition.

Financial Statements as at March 31, 2008
in Indian Rupees as per Schedule VI Format

BALANCE SHEET AS AT MARCH 31, 2008

SOURCES OF FUNDS	Schedule	2008 GBP	2008 INR
Shareholders' Funds			
Share Capital	**1**	1,250,000	102,606,691
Reserves and Surplus		56,915	4,651,268
Loan Funds			
Secured Loans	**2**	2,780,206	220,247,919
Unsecured Loans	**3**	2,309,724	182,976,335
Deferred Tax Liability		46,508	3,684,364
Total		**6,443,353**	**514,166,577**
APPLICATION OF FUNDS			
Fixed Assets	**4**		
Gross Block		2,048,346	164,947,964
Less: Depreciation		216,059	17,116,219
Net Block		**1,832,287**	**147,831,745**
Intangible Asset - Goodwill		150,611	11,931,346
Current Assets, Loans and Advances			
Inventories	**5**	1,508,479	119,501,706
Sundry Debtors	**6**	2,058,592	163,081,658
Cash and Bank Balances	**7**	2,475,935	196,143,571
Other Current Assets	**8**	183,231	14,515,560
Loans and Advances	**9**	262,985	20,833,672
		6,489,222	**514,076,167**
Less: Current Liabilities and Provisions			
Liabilities	**10**	1,949,332	154,426,081
Provisions	**11**	79,435	6,292,841
		2,028,767	**160,718,922**
Net Current Assets		**4,460,455**	**353,357,245**
Foreign Currency Translation Reserve		-	1,046,241
Total		**6,443,353**	**514,166,577**

UDAYANT MALHOUTRA
Chairman

V. R. SUNDER
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule	2008 GBP	2008 INR
INCOME			
Sales and Services	**12**	10,254,345	817,702,014
Other Income	**13**	216,601	17,272,206
		10,470,946	**834,974,220**
EXPENDITURE			
Materials Consumed	**14**	3,231,061	257,651,303
Employee Cost	**15**	3,857,217	307,582,215
Other Operating Expenses	**16**	2,700,953	215,379,403
Interest		277,952	22,164,413
Depreciation		218,496	17,310,551
Goodwill Amortisation		53,991	4,305,372
		10,339,670	**824,393,257**
Profit Before Taxation		**131,276**	**10,580,963**
Provision for Taxation			
(Less): Current Tax		(27,853)	(2,221,054)
Add/(Less): Deferred Tax (Charge)/ Credit		(46,508)	(3,708,641)
Profit After Taxation		**56,915**	**4,651,268**
Balance Carried to Balance Sheet		**56,915**	**4,651,268**

UDAYANT MALHOUTRA
Chairman

V. R. SUNDER
Director

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2008

		2008 GBP	2008 INR
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	**56,915**	**4,651,268**
	Adjustments for:		
	Depreciation	218,496	17,310,551
	Deferred Tax Debit	46,508	3,708,641
	Interest Paid	277,952	22,164,413
	Rent Received	(64,075)	(5,109,436)
	Interest Received	(20,481)	(1,633,178)
	Operating Profit Before Working Capital Changes	515,315	41,092,259
	Adjustments for:		
	Decrease/(Increase) in Inventory	(1,508,479)	(119,501,706)
	Decrease/(Increase) in Sundry Debtors	(2,058,592)	(163,081,658)
	Decrease/(Increase) in Loans & Advances	(262,985)	(20,833,672)
	Decrease/(Increase) in Other Current Assets	(183,231)	(14,515,560)
	(Decrease)/Increase in Current Liabilities & Provisions	2,028,767	160,718,922
	Cash Generated from Operations	(1,469,205)	(116,121,415)
	Interest Paid	(277,952)	(22,164,413)
	Direct Taxes Paid	-	-
	Net Cash from Operating Activities (A)	**(1,747,157)**	**(138,285,828)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets (Net of Subsidy)	(2,069,602)	(166,642,960)
	Sale of Fixed Assets	18,819	1,476,387
	Cost of Purchased Goodwill	(150,611)	(11,931,346)
	Rent Received	64,075	5,109,436
	Interest Received	20,481	1,633,178
	Net Cash Used in Investing Activities (B)	**(2,116,838)**	**(170,355,305)**
C.	**CASH FROM FINANCING ACTIVITIES**		
	Proceeds from Long Term Loans (Net)	5,089,930	403,224,254
	Proceeds from Issue of Share Capital (Net)	1,250,000	102,606,691
	Net Cash From Financing Activities (C)	**6,339,930**	**505,830,945**
	Net Increase in Cash and Cash Equivalents - D = (A+B+C)	2,475,935	197,189,812
	Foreign Currency Translation Reserve	-	(1,046,241)
	Opening Cash and Cash Equivalents - E	-	-
	Closing Cash and Cash Equivalents (E + D)	**2,475,935**	**196,143,571**

UDAYANT MALHOUTRA
Chairman

V. R. SUNDER
Director

SCHEDULES TO ACCOUNTS

		2008 GBP	2008 INR
1	**Capital**		
	Authorised Capital:		
	Ordinary Shares of £1 each	2,000,000	164,170,705
	Issued, Subscribed and Paid-up:		
	Ordinary Shares of £1 each	1,250,000	102,606,691
		1,250,000	**102,606,691**
2	**Secured Loans**		
	State Bank of India - Revolving Credit $5.6m	2,780,206	220,247,919
		2,780,206	**220,247,919**
	Secured by pledge of Equity Shares of JKM Global PTE Ltd and Dynamatic Limited, U.K. and guaranteed by Dynamatic Technologies Limited.		
3	**Unsecured Loans**		
	Term Loans: - 3 years		
	Inter Company - JKM Global	2,309,724	182,976,335
	Total Unsecured Loans	**2,309,724**	**182,976,335**
5	**Inventories**		
	Raw Materials Including Components	1,059,952	83,969,397
	Work-In-Progress	106,493	8,436,375
	Finished Goods	342,034	27,095,934
	Total Inventories	**1,508,479**	**119,501,706**
6	**Sundry Debtors** (Unsecured)		
	Exceeding Six Months -		
	Considered Good	77,869	6,168,782
	Considered Doubtful	8,848	700,939
	Other Debts -		
	Considered Good	1,991,843	157,793,802
	Less: Provision for Doubtful Debts	19,968	1,581,865
	Total Sundry Debtors	**2,058,592**	**163,081,658**
7	**Cash and Bank Balances**		
	Cash on Hand	197	15,607
	Balance with Scheduled Banks:		
	Current Accounts	1,220,752	96,707,973
	Fixed Deposits	1,254,986	99,419,991
	Total Cash and Bank	**2,475,935**	**196,143,571**
8	**Other Current Assets** (Unsecured, Considered Good)		
	Accrued Interest	3,280	259,842
	Balance with Excise Authority	176,642	13,993,579
	Other Deposits - Vehicle Deposit	3,309	262,139
	Total other Current Assets	**183,231**	**14,515,560**
9	**Loans and Advances**		
	(Unsecured, Considered Good Except as Otherwise Stated)		
	Advances to Employees	2,087	165,332
	Prepaid Expenses	260,898	20,668,340
	Total Loans and Advances	**262,985**	**20,833,672**
10	**Current Liabilities**		
	Acceptances	-	-
	Sundry Creditors - Trade	1,420,694	112,547,379
	Interest Accrued	51,854	4,107,874
	Other Liabilities	476,784	37,770,828
	Total Current Liabilities	**1,949,332**	**154,426,081**

4. Fixed Assets Schedule

GBP

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION BLOCK				NET BLOCK
	AS AT 1ST APRIL 2007	ADDITIONS DURING THE YEAR	DEDUCTIONS/ ADJUST-MENTS	AS AT 31ST MARCH 2008 (2+3-4)	AS AT 1ST APRIL 2007	FOR THE YEAR ENDED 31.03.2008	DEDUCTIONS/ ADJUST-MENTS	AS AT 31ST MARCH 2008 (6+7-8)	AS AT 31ST MARCH 2008
1	2	3	4	5	6	7	8	9	10
BUILDING	-	34,739	-	34,739	-	7,234	-	7,234	27,505
PLANT AND MACHINERY	-	1,778,932	(21,256)	1,757,676	-	168,708	(2,437)	166,271	1,591,405
FURNITURE AND FITTINGS	-	101,559	-	101,559	-	17,866	-	17,866	83,693
DATA PROCESSING EQUIPMENT	-	66,293	-	66,293	-	10,496	-	10,496	55,797
TOOLS, DIES AND MOULDS	-	88,079	-	88,079	-	14,192	-	14,192	73,887
TOTAL :	-	**2,069,602**	**(21,256)**	**2,048,346**	-	**218,496**	**(2,437)**	**216,059**	**1,832,287**

INR

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION BLOCK				NET BLOCK
	AS AT 1ST APRIL 2007	ADDITIONS DURING THE YEAR	DEDUCTIONS/ ADJUST-MENTS	AS AT 31ST MARCH 2008 (2+3-4)	AS AT 1ST APRIL 2007	FOR THE YEAR ENDED 31.03.2008	DEDUCTIONS/ ADJUST-MENTS	AS AT 31ST MARCH 2008 (6+7-8)	AS AT 31ST MARCH 2008
1	2	3	4	5	6	7	8	9	10
BUILDING	-	2,792,030	-	2,792,030	-	573,063	-	573,063	2,218,967
PLANT AND MACHINERY	-	143,366,613	(1,694,996)	141,671,617	-	13,366,287	(194,332)	13,171,955	128,499,662
FURNITURE AND FITTINGS	-	8,126,411	-	8,126,411	-	1,415,350	-	1,415,350	6,711,060
DATA PROCESSING EQUIPMENT	-	5,309,445	-	5,309,445	-	831,518	-	831,518	4,477,927
TOOLS, DIES AND MOULDS	-	7,048,461	-	7,048,461	-	1,124,333	-	1,124,333	5,924,128
TOTAL :	-	**166,642,960**	**(1,694,996)**	**164,947,964**	-	**17,310,551**	**(194,332)**	**17,116,219**	**147,831,745**

		2008 GBP	2008 INR
11	**Provisions**		
	Leave Encashment - Accrued Holiday Pay	59,610	4,722,304
	Product Warranty Provision	19,825	1,570,537
	Total Provisions	**79,435**	**6,292,841**
12	**Sales and Services**		
	Sales	10,254,345	817,702,014
	Total Sales	**10,254,345**	**817,702,014**
13	**Other Income**		
	Interest		
	- Banks (Gross)	20,481	1,633,178
	Rental Income	64,075	5,109,436
	Sale of Scraps	43,178	3,443,108
	Exchange Gain	88,867	7,086,484
	Total Other Income	**216,601**	**17,272,206**
14	**Materials Consumed**		
	Raw Materials and Components (Note)	3,679,588	293,183,612
	Movements in Stocks:		
	Closing Stock:		
	- Work-In-Progress	(106,493)	(8,436,375)
	- Finished Goods	(342,034)	(27,095,934)
	Total Material	**3,231,061**	**257,651,303**
15	**Employee Cost**		
	Salaries, Wages and Allowances	3,336,803	266,083,342
	Contribution to Provident and Other Funds	437,063	34,852,277
	Staff Welfare Expenses	83,351	6,646,596
	Total Employee Cost	**3,857,217**	**307,582,215**
16	**Other Operating Expenses**		
	Power, Fuel and Utilities	350,388	27,940,612
	Stores and Spares Consumed	402,847	32,123,857
	Rent	300,301	23,946,574
	Rates and Taxes	124,029	9,890,323
	Insurance	178,864	14,262,959
	Repairs and Maintenance		
	- Plant and Machinery	263,423	21,005,904
	- Buildings	139,603	11,132,251
	- Others	53,745	4,285,758
	Carriage Outward	228,268	18,202,536
	Travelling and Conveyance	125,340	9,994,823
	Printing and Stationery	33,323	2,657,247
	Communication	22,534	1,796,878
	Professional and Consultancy Charges	98,133	7,825,354
	Bad Debts Written Off	9,724	775,403
	Loss on Sale/ Scrapping of Fixed Assets	3,609	287,797
	Product Warranty	20,000	1,594,862
	Technical Assistance Charges	59,401	4,736,732
	Packing and Forwarding (Net)	92,448	7,371,976
	Commission on Sales	90,218	7,194,157
	Bank Charges	11,711	933,890
	Miscellaneous Expenses	93,044	7,419,510
	Total Operating Expenses	**2,700,953**	**215,379,403**

17 PRINCIPAL ACCOUNTING POLICIES

These Financial Statements are prepared on the going concern basis under the Historical Cost Convention, and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

Basis of Preparing the Financial Statements – Going Concern Assumption

The Company commenced trading on the 15th June, 2007, and during the period to the 31st March, 2008, made a Profit of £57k, has net Current Assets of £1,290k and an overall Net Worth of £1,307k.

The funds for the acquisition of Assets and the provision of Working Capital were provided by the issue of £1,250k of Share Capital, Term Loans from Group Companies of £2,309k and a revolving bank credit facility from the State Bank of India for £2,780k.

The Credit Facility with the bank contains covenants relating to the overall Group financial position and a breach of two of these covenants had occurred. The bank is currently supporting the Company at the existing credit level whilst continuing to review the covenant breach on a regular basis.

The Group has taken steps to rectify one of these breaches of covenants by the infusion of fresh equity into the Holding Company.

The Financial Statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the Company's bankers continuing to provide the existing level of support.

If the Company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to amend balance sheet assets to their recoverable amount, provide for any further liabilities that might arise in the circumstances and reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the Directors acknowledge there is a material uncertainty as to the outcome of matters mentioned above, which could cast significant doubt on the Company's ability to continue as a going concern, they believe that it is appropriate in the circumstances for the financial statements to be prepared on a going concern basis.

The Principal Accounting Policies, which have been applied consistently throughout the year except for the changes arising on the adoption of New Accounting Standards, are set out below.

TURNOVER

Turnover, which excludes Value Added Tax, is recognised when the significant risks and rewards of ownership are transferred to the customer and is measured at invoice value less returns.

AMORTISATION OF INTANGIBLE ASSETS

Goodwill arising on the acquisition of the Trade and Assets of the manufacturing facility are being written off on a Straight Line Basis over 36 months.

DEPRECIATION OF TANGIBLE FIXED ASSETS

Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their estimated useful lives at the following rates:

Leasehold Improvements	12.5% - 33%
Plant and Machinery	10% - 12.5%
Tooling	20% - 33%
Computer Hardware/Software	20%
Fixtures and Fittings	10% - 33%

STOCKS AND WORK-IN-PROGRESS

Stocks are stated at the lower of cost and net realisable value. The cost of products manufactured by the Company consists of direct material and labour costs together with the relevant factory overheads.

DEFERRED TAXATION

Deferred Tax is accounted for based on Tax Rates and Laws that have been enacted or substantively enacted at the Balance Sheet date.

Provision is made for Deferred Taxation on all material timing differences. Deferred Tax Assets are recognised where their recovery is considered more likely than not. Deferred Tax Assets and Liabilities have not been discounted.

RESEARCH AND DEVELOPMENT

Research and Development Expenditure is charged in the Profit and Loss Account when it is incurred.

FOREIGN CURRENCY CONVERSION

Transactions in Foreign Currency are converted at the rates of exchange ruling when transactions are recorded. Debtors and creditors in foreign currency at the financial period end are adjusted to reflect rates of exchange ruling at that date. All exchange differences are taken to the Profit and Loss Account.

PENSION SCHEME ARRANGEMENTS

Costs in respect of defined contribution schemes are charged to the Profit and Loss Account as incurred.

The Company provides no other post retirement benefits to its employees.

FINANCE AND OPERATING LEASES

Costs in respect of operating leases are charged to the Profit and Loss Account on a Straight Line Basis over the lease term. Leasing agreements, which transfer to the Company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in Fixed Assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

RELATED PARTY TRANSACTIONS

As the Company is a Wholly Owned Subsidiary within a Group that prepares Consolidated Financial Statements, the Company has taken advantage of the exemption from disclosing transactions with group entities.

CASH FLOW STATEMENT

The Company is a Wholly Owned Subsidiary within a Group that Prepares Consolidated Financial Statements. The Company has taken advantage of the exemption from preparing a Cash Flow Statement included in FRS1 "Cash Flow Statements" (revised 1996).

18 . NOTES ON ACCOUNTS

			2008 GBP	2008 INR
1	a)	**Capital Commitments**		
		Estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) and not provided	Nil	Nil
	b)	**Contingent Liabilities**	Nil	Nil
2		**Auditors' Remuneration** (included in Professional and Consultancy Charges in Schedule - 16)		
		- Audit Fees	42,000	3,349,080
		- Others	5,000	398,700
			47,000	**3,747,780**

3 Employee Benefits

(i) Defined Contribution Plans
The Company operates a defined contribution scheme for employees.
The charge in 2008 was Rs.7,587,420 (GBP - 95,152)

(ii) As this is the first year of implementation of AS 15R, the corresponding figures for the previous year have not been furnished for the aforesaid details.

		2008 GBP	2008 INR
4	**Directors' Remuneration** (Notes below)		
	Aggregate Emoluments	125,000	9,967,500
	Pension contributions to defined contribution pension scheme	6,000	478,440
		131,000	**10,445,940**

Notes:
1) Including perquisites evaluated as per Tax Laws
2) Excluding contribution to Group Gratuity Fund and provision for leave encashment

			2008 GBP	2008 INR
5		**Earnings Per Share**		
	a)	Before Extraordinary/ Exceptional Item:		
		Net Profit After Tax Available for Equity Shares	56,915	4,651,268
		Basic/Weighted Average Number of Equity Shares of GBP 1 each	833,333	833,333
		Basic and Diluted Earnings Per Share	0.07	5.58
	b)	After Extraordinary/Exceptional Item:		
		Net Profit After Tax Available for Equity Shares	56,915	4,651,268
		Basic/Weighted Average Number of Equity Shares of GBP 1 each	833,333	833,333
		Basic and Diluted Earnings Per Share	0.07	5.58
6		**Taxation:**		
		Deferred Taxation		
		The Net Deferred Tax Liability has been arrived at as follows:		
		Deferred Tax Assets arising from:		
		Expenses charged in the Financial Statements but allowable as deductions in future years		
		- Origination and reversal of timing differences	49,508	3,947,861
		- Changes in Tax rates and laws	(3,000)	(239,220)
			46,508	3,708,641
		Net Deferred Tax Liability	**46,508**	**3,708,641**
		Net Deferred Tax (Charge)/Credit for the year	46,508	3,708,641

7 Acquisition of Business

a) In terms of the Business Purchase Agreement dated May 31, 2007 between Dynamatic Limited, U.K. (DL) and Sauer Danfoss Ltd, DL has acquired, as on June 15, 2007 the following Assets and Liabilities relating to the Hydraulics business of Sauer Danfoss Ltd as a going concern on slump sale basis for a consideration of Rs.363,672,681, the details of which are as follows:

	2008 GBP	2008 INR
Fixed Asset	1,875,000	151,125,641
Current Assets, Loans and Advances		
Inventories	1,612,908	130,037,058
Sundry Debtors	1,920,510	154,836,795
Loans and Advances	184,582	14,881,500
	3,718,000	299,755,353
(Less): Current Liabilities and Provisions		
Sundry Creditors - Others	(1,021,252)	(82,312,105)
Provisions - Leave Encashment	(60,748)	(4,896,208)
	(1,082,000)	(87,208,313)
Net Current Assets	**2,636,000**	**212,547,040**
Net Assets/ Purchase Consideration	**4,511,000**	**363,672,681**

b) Fixed Assets, Current Assets and Liabilities have been recognised in these accounts on the basis of their fair values at the date of acquisition, as determined by management.

8 Financial Commitments

The Company had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings	Others	Total
Other Leases Expiring			
within 1 year	-	-	-
2 - 5 years	-	-	-
More than 5 years	29,448,760	2,232,720	31,681,480
	(GBP 374,000)	(GBP 28,000)	(GBP 402,000)
	29,448,760	2,232,720	31,681,480
	(GBP 374,000)	(GBP 28,000)	(GBP 402,000)

UDAYANT MALHOUTRA
Chairman

V. R. SUNDER
Director

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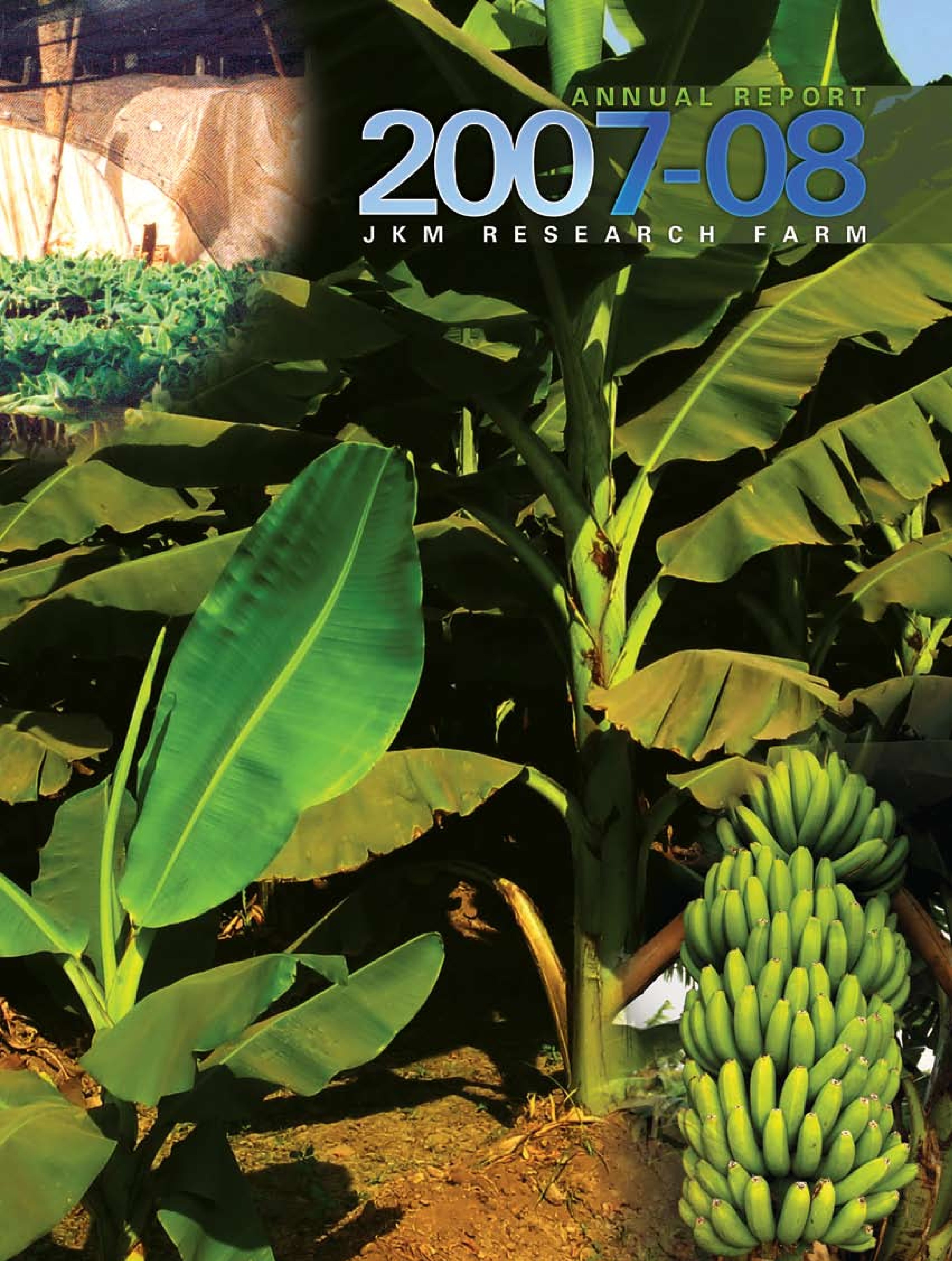
ANNUAL REPORT 2007-08

JKM RESEARCH FARM



BOARD OF DIRECTORS

Mr. Udayant Malhoutra	...	Chairman
Mrs. Pramilla Malhoutra	...	Director
Mr. V. Sunder	...	Director

AUDITORS
M/s. Prasad and Kumar
Chartered Accountants Bangalore

REGISTERED OFFICE
Dynamatic Park, Peenya Bangalore 560 058

CONTENTS

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors take pleasure in presenting the **Fourteenth Annual Report,** together with the Audited Statement of Accounts for the year ended **March 31, 2008**.

FINANCIAL RESULTS

The Financial Results of the Company for the year ended 31st March, 2008, were as follows:

(Rs in Lacs)

Particulars	**Year ended 31. 03. 2008**	Year ended 31. 03. 2007
Gross Profit (before Interest, Depreciation & Taxation) (EBITDA)	**8.15**	27.44
Interest	-	-
Depreciation	**7.40**	7.40
Net Profit/ (Loss) Before Taxation	**0.75**	20.04
Provision for Current year Taxation	**12.00**	13.00
Provision for Deferred Tax	**(1.22)**	(1.30)
Provision for Fringe Benefit Taxation	**0.12**	0.04
Net Profit/(Loss) After tax	**(10.15)**	8.30
Excess/(Short) provision of taxation of earlier years	**(0.78)**	-
Loss brought forward from previous year	**(35.11)**	(43.42)
Amount available for appropriation	-	-

DIVIDEND

No Dividend is recommended for the year under review.

PERFORMANCE OF YOUR COMPANY

During the year under report, your Company has made an operational income of **Rs 42.00 lacs** as against an operational income of Rs.42.00 lacs for the previous year. The pre-tax profit for the year amounted to **Rs.0.75 lacs** as against a profit of Rs.20 lacs for the previous year.

Your Company continues to be the **Research & Development facilitator** to its Holding Company, Dynamatic Technologies Limited, during the year under review.

DIRECTORS

Mr. Udayant Malhoutra retires by rotation and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies (Amendment) Act, 2000.

Directors hereby confirm:

(i) That in the preparation of the accounts for the financial year ended 31st March, 2008, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

(ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit and Loss Account of the Company for the year under review;

(iii) That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2008, on a 'going concern' basis.

AUDITORS

M/s. Prasad & Kumar, Chartered Accountants, retires at this Annual General Meeting and are eligible for re-appointment.

STATUTORY INFORMATION

None of the statutory information pursuant to Section 217(1) (e) and section 217(2A) of the Companies Act, 1956, are applicable to the Company for the year under review.

By Order of the Board of Directors

UDAYANT MALHOUTRA
Chairman

PLACE : BANGALORE
DATE : 27th JUNE 2008

AUDITORS' REPORT TO THE MEMBERS OF JKM RESEARCH FARM LIMITED

1. We have audited the attached Balance Sheet of JKM RESEARCH FARM LIMITED as at March 31, 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto, all of which we have signed under reference to this report. 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.

2. We have 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.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the Order), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   4.1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   4.2 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;

   4.3 The Balance Sheet, the Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account;

   4.4 In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

   4.5 On the basis of written representations received from the Directors, as on March 31, 2008, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2008, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   4.6 In our opinion and to the best of our information and according to the explanation given to us, the said Financial Statements together with notes thereon and attached thereto, give, in the prescribed manner, the information required by the Companies Act, 1956 and also give a true and fair view in conformity with the accounting principles generally accepted in India:

   - In the case of the Balance Sheet, of the Company's State of Affairs of the Company as at March 31, 2008; and
   - In the case of the Profit and Loss Account, of the LOSS for the year ended on that date.

B.N.Govinda Prasad
Partner
MembershipNo.23521
For & on behalf of
M/s. Prasad & Kumar
Chartered Accountants

PLACE : BANGALORE
DATE : 27th JUNE 2008

Annexure to the Auditors' Report for the year ended 31st March, 2008 referred to in paragraph 3 of our report of even date

(i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of it's fixed assets.

b) The fixed assets are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of it's assets. No material discrepancies have been noticed between the book records and the physical inventory.

c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

(ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

b) The procedure of physical verification of inventory followed by the management or reasonable and adequate in relation to the size of the Company and the nature of it's business.

c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) a) The Company has not taken loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Sec.301 of the Companies Act, 1956.

b) The Company had taken Inter Corporate Unsecured Loan from it's Holding Company in earlier years. The maximum amount outstanding during the year in respect of the aforesaid loan is Rs.160.00 Lacs and the year end balance is Rs.160.00 Lacs. In our opinion, the terms and conditions on which the loan mentioned has been taken are not, prima facie, prejudicial to the interest of the Company. No interest is stipulated on the said loan. No repayment schedule has been agreed upon for the repayment of principal in respect of the said loan.

(iv) 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 it's business with regard to purchase of inventory, fixed assets and for sale of goods and services.

(v) In our opinion and according to the information and explanations given to us, there were no transactions of purchase of goods, materials/services and for sale of goods, materials/services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, which are not reasonable having regard to the prevailing market prices for such goods, materials or services at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) The Company does not have a formal internal audit system. However, as per the explanations given to us, there are adequate internal checks at appropriate levels commensurate with the size and nature of the Company's business.

(viii) As per the information and explanations furnished, the Central Government has not prescribed maintenance of cost records as required under Section 209(1) (d) of the Companies Act, 1956, in respect of the Company's activities.

(ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues as applicable to it.

b) According to the information and explanations given to us and the books and records examined by us, there were no undisputed tax liabilities outstanding as at March 31, 2008, for over six months from the date they became payable.

(x) In our opinion, the accumulated losses of the Company are not more than fifty percent of it's net-worth. The Company has not incurred any cash losses, during the financial year covered by our audit and in the immediately preceding financial year.

(xi) During the year, the Company did not have any outstanding dues to a financial institution, bank or debenture holders.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society and clause 4(xiii) of the Order is not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order is not applicable.

(xv) On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) There were no term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short–term basis have been used for long term investment.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by the management during the course of our audit.

B.N.Govinda Prasad
Partner
Membership No.23521
For & on behalf of
M/s. Prasad & Kumar
Chartered Accountants

PLACE : BANGALORE
DATE : 27th JUNE 2008

BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	2008 Rs.	2007 Rs.
SOURCES OF FUNDS:			
Shareholders Fund			
Capital	I	**20,000,000**	20,000,000
Reserves & Surplus	II	**2,500,000**	2,500,000
Loan Funds			
Unsecured Loans	III	**16,000,000**	16,000,000
Deferred Tax Liability (Net)		**2,043,900**	2,165,900
		40,543,900	40,665,900
APPLICATION OF FUNDS:			
Fixed Assets	IV		
Gross Block		**17,681,282**	17,681,282
Less: Depreciation		**9,057,988**	8,318,076
Net Block		**8,623,294**	9,363,206
Advances on Capital Account		**7,890,872**	7,888,872
Current Assets, Loans and Advances:			
Inventories	V	**12,463,453**	12,463,453
Sundry Debtors	VI	**4,733,640**	4,733,640
Cash & Bank Balances	VII	**60,820**	64,122
Loans & Advances	VIII	**4,366,966**	5,427,098
		21,624,878	22,688,312
Less: Current Liabilities and Provisions:			
Liabilities	IX	**987,877**	196,526
Provisions	X	**1,212,000**	2,589,000
		2,199,877	2,785,526
Net Current Assets		**19,425,001**	19,902,786
Profit and Loss Account		**4,604,733**	3,511,035
		40,543,900	40,665,900

Significant Accounting Policies & Notes on Accounts **XII**

This is the Balance Sheet referred to in our report of even date.

UDAYANT MALHOUTRA
Chairman

V.SUNDER
Director

PLACE : BANGALORE
DATE : 27th JUNE 2008

B.N.GOVINDA PRASAD
Partner
Membership No. 23521
For M/S PRASAD & KUMAR
Chartered Accountants

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule	2008 Rs.	2007 Rs.
INCOME:			
Operational Income			
Income from Letting out Facilities		**4,200,000**	4,200,000
EXPENDITURE:			
Operating and Other Expenses	**XI**	**3,385,513**	1,455,610
OPERATING PROFIT (EBITDA)		**814,487**	2,744,390
Depreciation		**739,912**	739,912
PROFIT BEFORE TAX		**74,575**	2,004,478
Provision for Tax - for the Year		**1,200,000**	1,300,000
- Deferred Tax		**(122,000)**	(130,000)
- Fringe Benefit Tax		**12,000**	4,000
PROFIT/(LOSS) AFTER TAX		**(1,015,425)**	830,478
Excess/(Short) Provision of Taxation of Earlier Years		**(78,273)**	-
BROUGHT FORWARD		**(3,511,035)**	(4,341,513)
CARRIED FORWARD		**(4,604,733)**	(3,511,035)

Significant Accounting Policies & Notes on Accounts **XII**

This is the Profit & Loss Account referred to in our report of even date

UDAYANT MALHOUTRA
Chairman

V.SUNDER
Director

PLACE : BANGALORE
DATE : 27th JUNE 2008

B.N.GOVINDA PRASAD
Partner
Membership No. 23521
For M/S PRASAD & KUMAR
Chartered Accountants

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	2008 Rs.	2007 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Tax	**74,575**	2,004,478
Adjustments for:		
Depreciation	**739,912**	739,912
Operating Profit Before Working Capital Changes	**814,487**	2,744,390
(Increase) / Decrease in Trade Receivables, Loans and Advances	**(255,686)**	(805,389)
(Decrease) / Increase in Trade Payables	**791,351**	(400,569)
Cash Generated from Operations	**1,350,152**	1,538,432
Direct Taxes Paid	**(1,351,454)**	(1,325,089)
Cash Flow from Operating Activities	**(1,302)**	213,343
B. CASH FLOW FROM INVESTING ACTIVITIES		
Advances on Capital Account	**(2,000)**	(190,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(3,302)**	23,343
Cash and Cash Equivalents as at March 31, 2007	**64,122**	40,779
Cash and Cash Equivalents as at March 31, 2008	**60,820**	64,122
	(3,302)	23,343

This is the Cash Flow Statement referred to in our report of even date

UDAYANT MALHOUTRA
Chairman

V.SUNDER
Director

PLACE : BANGALORE
DATE : 27th JUNE 2008

B.N.GOVINDA PRASAD
Partner
Membership No. 23521
For M/S PRASAD & KUMAR
Chartered Accountants

SCHEDULES FORMING PART OF THE BALANCE SHEET

	2008 Rs.	2007 Rs.
SCHEDULE I - SHARE CAPITAL:		
Authorised:		
20,00,000 Equity Shares of Rs.10 each	**20,000,000**	20,000,000
Issued, Subscribed and Paid-up:		
20,00,000 (20,00,000) Equity Shares of Rs.10 each, Fully Paid-up	**20,000,000**	20,000,000
SCHEDULE II - RESERVES & SURPLUS:		
Capital Reserve:		
Subsidy Received from National Horticulture Board under Back Ended Subsidy Scheme	**2,500,000**	2,500,000
SCHEDULE III - UNSECURED LOANS:		
Received from Dynamatic Technologies Limited, the Holding Company	**16,000,000**	16,000,000
SCHEDULE V - INVENTORIES:		
(As taken, Valued and Certified by the Management)		
Rose Plants - At Cost	**12,463,453**	12,463,453
SCHEDULE VI - SUNDRY DEBTORS:		
(Unsecured; Considered Good)		
Debts Outstanding for a Period Exceeding Six Months	**4,733,640**	4,733,640
SCHEDULE VII - CASH AND BANK BALANCES:		
Cash on Hand	**20,089**	-
Balance with Scheduled Banks:		
In Current Accounts	**40,731**	64,122
	60,820	64,122
SCHEDULE VIII - LOANS AND ADVANCES:		
(Unsecured; Considered Good)		
Advances	**3,357,606**	3,101,889
Income Tax and TDS	**951,720**	2,267,569
Deposits	**57,640**	57,640
	4,366,966	5,427,098
SCHEDULE IX - CURRENT LIABILITIES:		
Sundry Creditors		
Dues to Small Scale Industries	-	-
Others	**962,540**	142,755
Other Current Liabilities	**25,337**	53,771
	987,877	196,526
SCHEDULE X - PROVISIONS:		
Provision for Tax	**1,212,000**	2,589,000

SCHEDULE - IV FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK	
	As at 01.04.2007 Rs.	Additions/ (Deletions) Rs.	As at 31.03.2008 Rs.	As at 01.04.2007 Rs.	For the year Rs.	Deletions Rs.	As at 31.3.2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
a) Let Out (See Note 1 below)									
Land	289,594	-	289,594	-	-	-	-	289,594	289,594
Building	4,789,857	-	4,789,857	1,676,013	159,981	-	1,835,994	2,953,863	3,113,844
Plant and Machinery	10,440,159	-	10,440,159	5,338,782	495,908	-	5,834,690	4,605,469	5,101,377
Electrical Installations	1,601,353	-	1,601,353	787,772	75,243	-	863,015	738,338	813,581
Sub total (a)	**17,120,963**	**-**	**17,120,963**	**7,802,567**	**731,132**	**-**	**8,533,699**	**8,587,264**	**9,318,396**
b) Other Assets									
Furniture & Fixtures	101,823	-	101,823	77,604	6,445	-	84,049	17,774	24,219
Vehicles	458,495	-	458,495	437,905	2,335	-	440,240	18,255	20,590
Sub total (b)	**560,318**	**-**	**560,318**	**515,509**	**8,780**	**-**	**524,289**	**36,029**	**44,809**
Total	**17,681,282**	**-**	**17,681,282**	**8,318,076**	**739,912**	-	**9,057,988**	**8,623,294**	**9,363,206**
Previous Year	17,681,282	-	17,681,282	7,578,164	739,912	-	8,318,076	9,363,206	-

Notes:

1. Let Out to M/s. Dynamatic Technologies Limited, the Holding Company

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2008

	2008 Rs.	2007 Rs.
SCHEDULE XI - OPERATING AND OTHER EXPENSES:		
Insurance	**22,987**	17,019
Watch and Ward	**2,138,441**	504,315
Legal & Professional Charges	**925,995**	830,362
Other Establishment Expenses	**253,146**	66,896
Audit Fee - for Audit	**44,944**	28,090
Audit Fee - for Other Services	-	8,928
	3,385,513	1,455,610

SCHEDULE XII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH ' 2008

A. ACCOUNTING POLICIES

1 The Financial Statements have been prepared under the historical cost convention.

2 All income and expenditure having a material bearing on the Financial Statements are recognised on accrual basis.

3 Fixed Assets are stated at cost of acquisition including the relatable direct costs incurred till the assets are ready to be put to use.

4 Depreciation on Straight Line Method has been provided on the fixed assets at the rates prescribed under Schedule XIV of the Companies Act, 1956.

5 Rose plants forming part of inventory are self-generating in nature and therefore are valued at cost and not amortised. Work-In-Progress is valued at cost.

B. NOTES TO ACCOUNTS

1 Subsidy of Rs.25 Lacs (Rs.25 Lacs) received from National Horticulture Board, under their Back Ended Subsidy Scheme has been shown under Capital Reserves in Schedule II.

2 Rs.160.00 Lacs (Rs.160.00 Lacs) shown in Schedule III represents interest free advances given by M/s. Dynamatic Technologies Limited, the Holding Company.

3 Advances on Capital Account amounting to Rs.78.91 Lacs (Rs.78.89 Lacs) expended for land and it's developmental expenses, of which, the transfer and ownership to the Company is pending completion of several legal formalities. In respect of 49 acres and 4 guntas of land, a suit for specific performance had been filed before the Civil Judge (Senior division), Doddaballapur Court. The Company has obtained an ad-interim injunction against the Vendor from alienating the property and the same is continuing.

4 There were no employees in receipt of remuneration in excess of limits set under Section 217 (2A) of the Companies Act, 1956.

5 The Company has rented out its facilities to M/s Dynamatic Technologies Limited, the Holding Company, and earned Rs.42.00 Lacs (Rs.42.00 Lacs) as rental income arising out of this transaction.

6 The Company has written back deferred tax saving of Rs.1,22,000/- (Rs. 1,30,000/-) during the year arising out of the timing differences on account of depreciation

7 Capacity, Production, Turnover and Stocks:

a)	Capacities	
	- Licensed Capacity	2 Million Stems
	- Installed Capacity	Not Ascertainable
b)	Production	Not Ascertainable
c)	Sales	Rs. Nil (Rs.Nil)
d)	Opening Stock	
	- Rose (Mother) Plants	Rs.124.63 Lacs (Rs.124.63 Lacs)
e)	Closing Stock	
	- Rose (Mother) Plants	Rs.124.63 Lacs (Rs.124.63 Lacs)

In view of the nature of the commodity and the mortality factor, it is not able to ascertain the quantitative particulars in respect of the above.

8 Previous year's figures have been regrouped and reclassified wherever necessary to conform to current year's classifications.

9 Figures in brackets relate to that of the previous year.

10 Information as required under part IV of the Schedule VI of the Companies Act, 1956:-

I. Company's Registration Details:

- Registration No.	16696
- State Code	08
- Balance Sheet Date	31.3.2008

II. Capital Raised During the Year Nil

III. Details of Mobilisation and Deployment of Funds	**Rs. ' 000**
- Total Liabilities	40,544
- Total Assets	40,544
Sources of Funds:	
- Paid-up Capital	20,000
- Reserves and Surplus	2,500
- Deferred Tax Liability	2,044
- Unsecured Loans	16,000
	40,544
Application of Funds:	
- Net Fixed Assets	8,623
- Advances on Capital Account	7,891
- Net Current Assets	19,425
- Profit and Loss Account	4,605
	40,544

IV. Performance of the Company:

- Turnover	4,200
- Total Expenditure	4,125
- Profit Before Tax	75
- Profit After Tax	(1,015)
- Earnings per Share	Nil
- Dividend	Nil

V. Generic Names of Three Principal Products

Item Code	**Description**
060210.00	Unrooted cuttings and slips
060240.00	Rose, grafted or not
06.03	Cut flowers

UDAYANT MALHOUTRA
Chairman

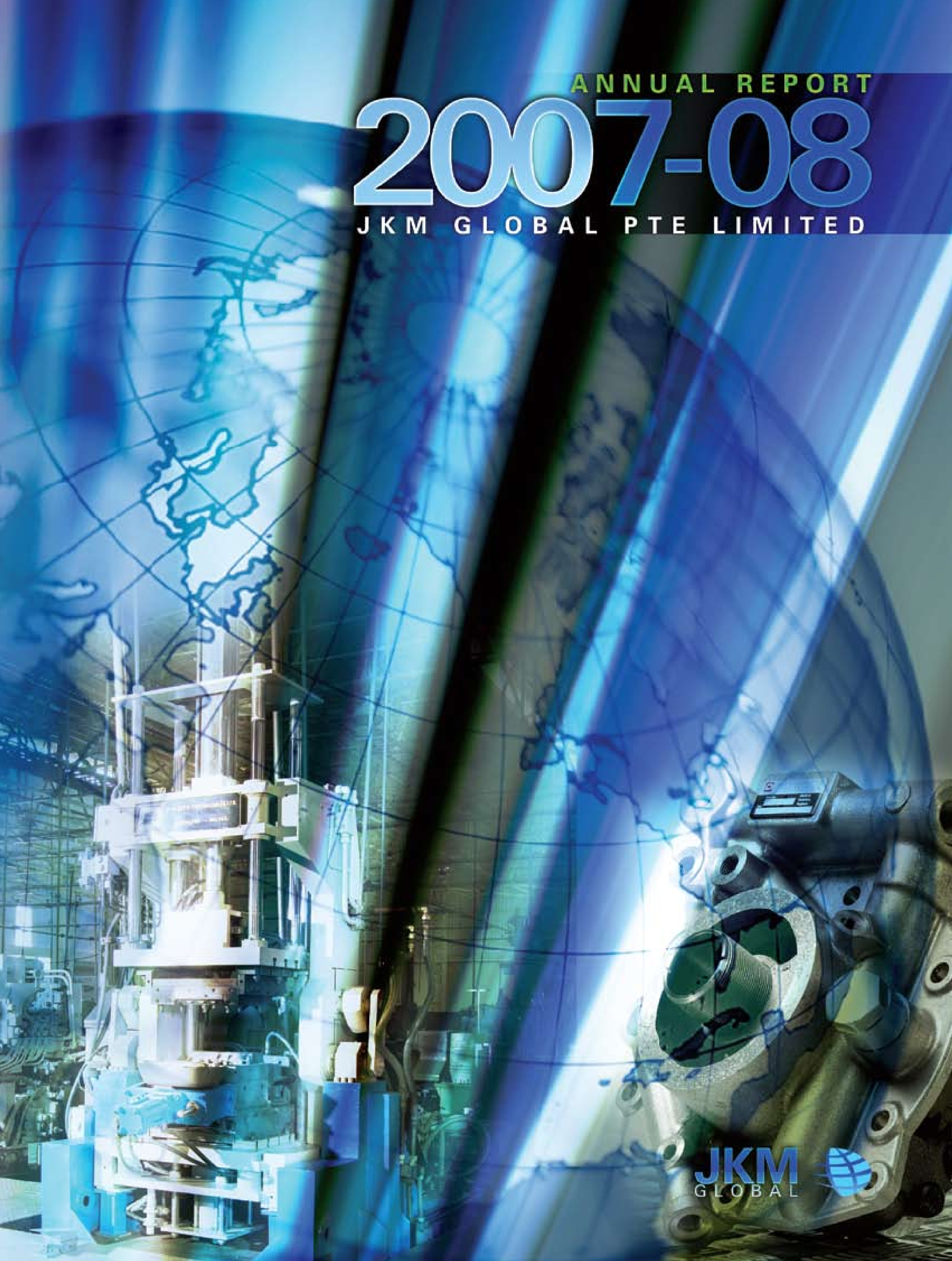
V.SUNDER
Director

PLACE : BANGALORE
DATE : 27th JUNE 2008

ANNUAL REPORT

2007-08

JKM GLOBAL PTE LIMITED



JKM GLOBAL

BOARD OF DIRECTORS

Mr. Udayant Malhoutra	...	Chairman
Mr. V. Sunder	...	Director
Mr. Lim Tiong Beng	...	Director

AUDITORS

RSM Chio Lim., Singapore
Certified Public Accountants

REGISTERED OFFICE

8 Temasek Boulevard
35-03 Suntec Tower 3
Singapore 038988

CONTENTS

DIRECTORS' REPORT TO SHAREHOLDERS

DIRECTORS' REPORT

The Directors of the Company are pleased to present their report together with the Audited Financial Statements of the Company for the financial year ended 31st March, 2008.

1. DIRECTORS AT DATE OF REPORT

The Directors of the Company in office at the date of this report are:

Rao Sunder Vasudeva
Udayant Malhoutra
Lim Tiong Beng

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any otherbody corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the Share capital of the Company as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, except as follows:

Name of Directors	At beginning of year	At end of year
	Number of share of Rupee 10 each	
Ultimate Parent Company -		
Dynamatic Technologies Limited		
Udayant Malhoutra	1,050,854	1,050,854

By virtue of Section 7 of the Companies Act, Cap. 50, the above Director with shareholding is deemed to have an interest in the Company and in all the related Corporations of the Company.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the Financial Year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the Company or a related Corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the Financial Year, no option to take up unissued shares of the Company was granted.

6. OPTIONS EXERCISED

During the Financial Year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the Financial Year, there were no unissued shares under option.

8. INDEPENDENT AUDITORS

The independent Auditors, RSM Chio Lim, have expressed their willingness to accept re-appointment.

On behalf of the Directors

RAO SUNDER VASUDEVA
Director

UDAYANT MALHOUTRA
Chairman

PLACE : SINGAPORE
DATE : 6th JUNE, 2008

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying Financial Statements are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 and the results, changes in equity and cash flows of the Company for the year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

RAO SUNDER VASUDEVA
Director

UDAYANT MALHOUTRA
Chairman

PLACE : SINGAPORE
DATE : 6th JUNE, 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF JKM GLOBAL PTE. LIMITED (REGISTRATION NO: 200510987D)

We have audited the accompanying Financial Statements of JKM Global Pte. Limited., which comprise the Balance Sheet as at 31st March 2008, and the income statement, statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Independent 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 Singapore 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 audit opinion.

Opinion

In our opinion,

(a) the accompanying Financial Statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2008, and the results, changes in equity and cash flows of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim

RSM Chio Lim
Public Accountants and
Certified Public Accountants

PLACE : SINGAPORE
DATE : 6th JUNE, 2008

Partner in charge of audit: Goh Swee Hong

INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	Notes	2008 $	2007 $
Revenue			
Other Items of Income			
Interest Income	**4**	291,961	–
Other Credit	**5**	108,233	–
Other Items of Expense			
Administrative Expenses		(71,652)	(12,554)
Finance Costs	**6**	(394,682)	–
Other Charge	**5**	–	(1,038)
Loss Before Tax From Continuing Operations		(66,140)	(13,592)
Income Tax Expense	**8**	–	–
Loss from Continuing Operations, Net of Tax		**(66,140)**	(13,592)

The accompanying notes form an integral part of these Financial Statements

BALANCE SHEET AS AT MARCH 31, 2008

	Notes	2008 $	2007 $
ASSETS			
Non-Current Assets			
Investment in Subsidiary	**9**	3,804,063	–
Other Receivable, Non-Current	**10**	5,374,796	–
Total Current Assets		9,178,859	–
Current Assets			
Other Receivables, Current	**11**	1,172,394	307
Other Asset, Current	**12**	4,551	4,551
Cash and Cash Equivalents	**13**	168,866	7,288
Total Current Assets		1,345,811	12,146
Total Assets		10,524,670	12,146
EQUITY AND LIABILITIES			
Equity			
Share Capital	**14**	2,432,765	5,000
Accumulated Losses		(90,356)	(24,216)
Total Equity		2,342,409	(19,216)
Non-Current Liabilities			
Other Financial Liabilities, Non-Current	**15**	6,232,771	–
Total Non-Current Liabilities		6,232,771	–
Current Liabilities			
Trade and Other Payables, Current	**16**	287,679	31,362
Other Financial Liabilities, Current	**15**	1,661,811	–
Total Current Liabilities		1,949,490	31,362
Total Liabilities		8,182,261	31,362
Total Equity and Liabilities		10,524,670	12,146

The accompanying notes form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2008

	Capital $	Retained earnings $	Total $
Current Year:			
Opening Balance at 1 April 2007	5,000	(24,216)	(19,216)
Loss for the Year	–	(66,140)	(66,140)
Total Recognised Income and Expenses for the Year	–	(66,140)	(66,140)
Other Movements in Equity:			
Issue of Share Capital (Note 14)	2,427,765	–	2,427,765
	2,427,765	–	2,427,765
Closing Balance at 31 March 2008	2,432,765	(90,356)	2,342,409
Previous Year:			
Opening Balance at 1 April 2006	5,000	(10,624)	(5,624)
Loss for the Year	–	(13,592)	(13,592)
Total Recognised Income and Expenses for the Year	–	(13,592)	(13,592)
Closing Balance at 31 March 2007	5,000	(24,216)	(19,216)

The accompanying notes form an integral part of these Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	2008 $	2007 $
Cash Flows From Operating Activities		
Loss Before Tax	(66,140)	(13,592)
Interest Income	(291,961)	–
Interest Expense	394,682	–
Operating Cash Flows Before Changes in Working Capital	36,581	(13,592)
Other Receivables, Current	(58,159)	2
Trade and Other Payables, Current	128,666	4,760
Net Cash Flows from (Used in) from Operating Activities	107,088	(8,830)
Cash Flows From Investing Activities		
Acquisition of Subsidiary	(3,804,063)	–
Loan to Subsidiary	(6,449,756)	–
Net Cash Flows Used in Investing Activities	(10,253,819)	–
Cash Flows From Financing Activities		
Proceeds from Issuing Shares	2,427,765	–
Proceeds from Bank Loan	4,558,257	–
Proceeds from Loan from Ultimate Parent Company	3,336,325	–
Interest Paid	(14,038)	–
Net Cash Flows From Financing Activities	10,308,309	–
Net Increase (Decrease) in Cash and Cash Equivalents	161,578	(8,830)
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	7,288	16,118
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 13)	168,866	7,288

The accompanying notes form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

1. GENERAL

The Company is incorporated in Singapore with limited liability. The Financial Statements are presented in Singapore Dollars. The Financial Statements were approved and authorised for issue by the Board of Directors on 6 June 2008.

The principal activities of the Company are investment holding and to buy, sell and deal in goods/services from Indian Companies and other Associated Companies, in different parts of the world.

The registered office is: 8 Temasek Boulevard, #35-03 Suntec Tower 3, Singapore 038988. The Company is domiciled in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The Financial Statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") as issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS") and the Companies Act, Cap 50. The Financial Statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these Financial Statements.

Basis of Presentation

Consolidated Financial Statements have not been presented as the Company is a wholly owned Subsidiary. The address of the Ultimate Parent Company presenting the Group Financial Statements is: Dynamatic Technologies Limited, Dynamatic Park, Peenya, Bangalore, 560058, India.

Basis of Preparation of the Financial Statements

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of contingent Assets and Liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, Management has made judgements in the process of applying the Entity's Accounting Policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed at the end of this footnote, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the entity and it is shown net of related sales taxes, estimated returns, discounts and volume rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest is recognised using the effective interest method.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The Entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. This includes the Government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Income Tax

The Income Taxes are accounted using the Asset and Liability method that requires the recognition of taxes payable or refundable for the current year and deferred Tax Liabilities and Assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and Deferred Tax Liabilities and Assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Tax and deferred tax are recognised in the income statement except that when they relate to items that initially bypass the income statement and are taken to equity, in which case they are similarly taken to equity. Deferred Tax Assets and Liabilities are offset when they relate to Income Taxes levied by the same Income Tax Authority. The carrying amount of Deferred Tax Assets is reviewed at each Balance Sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A Deferred Tax Amount is recognised for all temporary differences, unless the Deferred Tax Amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A Deferred Tax Liability is not recognised for all taxable temporary differences associated with investments in Subsidiaries, branches and associates, and interests in joint ventures because (a) the Company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign Currency Transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in Foreign Currencies are recorded in the Functional Currency at the rates ruling at the dates of the transactions. At each Balance Sheet date, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the Balance Sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges. The presentation is in the Functional Currency.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Subsidiaries

A Subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the Board of Directors or to cast the majority of votes at meetings of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another Entity. In the Company's own separate Financial Statements, the investments in Subsidiaries are stated at cost less any allowance for impairment in value. Impairment loss recognised in Profit or Loss for a Subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the Subsidiaries are not necessarily indicative of the amounts that would be realized in a current market exchange.

Impairment of Non-Financial Assets

The carrying amount of such Assets (other than (i) Intangible Assets not yet available for use, (ii) Goodwill and other Indefinite Life Intangible Assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the Asset is Written Down through the Income Statement to its estimated recoverable amount. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an Intangible Asset with an indefinite useful life or an Intangible Asset not yet available for use.

The Impairment Loss is the excess of the carrying amount over the recoverable amount and is recognised in the Income Statement. The recoverable amount of an Asset or a Cash- Generating Unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future Cash Flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Asset. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable Cash Flows (Cash- Generating Units). At each reporting date Non-Financial Assets other than Goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An Impairment Loss is reversed only to the extent that the Asset's Carrying Amount does not exceed the carrying amount that would have been determined, Net of Depreciation or Amortisation, if no Impairment Loss had been recognised.

Financial Assets

Initial Recognition and Measurement:

A Financial Asset is recognised on the Balance Sheet when, and only when, the Entity becomes a Party to the contractual provisions of the instrument. The initial recognition of Financial Assets is at fair value normally represented by the transaction price. The transaction price for Financial Asset not classified at fair value through Income Statement includes the transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Transaction costs incurred on the acquisition or issue of Financial Assets classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the Financial Assets in one of the following four categories under FRS 39 is as follows:

1. Financial assets at fair value through Profit and Loss: As at year end date there were no Financial Assets classified in this category.
2. Loans and Receivables: Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not be classified in this category. These Assets are carried at Amortised Costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the Financial Asset or Group of Financial Assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. The trade and other receivables are classified in this category.
3. Held-to-maturity Financial Assets: As at year end date there were no Financial Assets classified in this category.

4. Available for sale Financial Assets: As at year end date there were no Financial Assets classified in this category.

Derecognition of Financial Assets:

Irrespective of the legal form of the transactions performed, Financial Assets are derecognized when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Cash and Cash Equivalents:

Cash and Cash Equivalents include Bank and Cash Balances, on demand deposits and any highly liquid Debt instruments purchased with an original maturity of three months or less. For the Cash Flow Statement the item includes Cash and Cash Equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Hedging

The Entity is exposed to interest rate and Currency risks. There is no arrangement to reduce interest rate and Currency exposures through derivatives and other hedging instruments.

Financial Liabilities

Initial Recognition and Measurement:

A Financial Liability is recognised on the Balance Sheet when, and only when, the Entity becomes a party to the contractual provisions of the instrument. The initial recognition of Financial Liability is at fair value normally represented by the transaction price. The transaction price for Financial Liability not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the Financial Liability. Transaction costs incurred on the acquisition or issue of Financial Liability classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date. Financial Liabilities including bank and other borrowings are classified as Current Liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Subsequent Measurement:

Subsequent measurement based on the classification of the Financial Liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through Profit and Loss: As at year end date there were no Financial Liabilities classified in this category.

2. Other Financial Liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowing are classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair Value of Financial Instruments

The carrying values of Current Financial Assets and Financial Liabilities including Cash, Accounts Receivable, Short-Term borrowings, accounts payable approximate their fair values due to the Short-Term maturity of these instruments. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The fair values of non- current financial instruments may not be disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the Balance Sheet date. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. The shares have no par value. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid.

Provisions

A Liability or Provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the income statement in the period they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

There were no critical judgements made in the process of applying the Entity's accounting policies that have the most significant effect on the amounts recognised in the Financial Statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of Assets and Liabilities within the next Financial Year.

3. RELATED PARTY TRANSACTIONS

A Related Party is an Entity or Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the Entity that gives it significant influence over the Entity in financial and operating decisions. It also includes members of the Key Management Personnel or Close Members of the Family of any Individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such Entity resides with, directly or indirectly, any such individual. This Includes Parents, Subsidiaries, Fellow Subsidiaries, Associates, Joint Ventures and Post-Employment benefit plans, if any.

3.1 Related Companies:

The Company is a Wholly-Owned Subsidiary of Dynamatic Technologies Limited, Incorporated in India which is also the Company's Ultimate Parent Company. Related Companies in these Financial Statements refer to Members of the Ultimate Parent Company's Group of Companies.

There are transactions and arrangements between the Company and Members of the Group and the effects of these on the basis determined between the parties are reflected in these Financial Statements. The current Intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For Financial Guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable.

Significant Related Company Transaction:

In addition to the transactions and balances disclosed elsewhere in the notes to the Financial Statements, this items includes the following:

	Ultimate Parent Company	
	2008	2007
	$	$
Interest Expense	114,556	–

	Subsidiary	
	2008	2007
	$	$
Interest Income	291,961	–

3.2. Key Management Compensation:

Key Management Personnel are the Directors having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Directors do not receive remuneration from the Company. Certain Key Management Personnel and Directors of the Company received compensation from related Corporations in their capacity as Directors and or Executives of those related Corporations.

3.3. Other Receivables from and Other Payables to Related Parties:

The trade transactions and the trade receivables and payables balances arising from Sales and Purchases of Goods and Services are disclosed elsewhere in the notes to the Financial Statements.

The movements in other Receivables from and other Payables to Related Parties are as follows

	Ultimate Parent Company	
	2008	2007
	$	$
Other Payables:		
Balance at beginning of year	(23,576)	(23,269)
Amounts paid in and settlement of Liabilities on behalf of the Company	(3,405,760)	(307)
Interest Expense	(114,556)	–
Balance at End of Year	(3,543,892)	(23,576)

	Subsidiary	
	2008	2007
	$	$
Other Receivables:		
Balance at beginning of year	–	–
Amounts paid out and settlement of Liabilities on behalf of the Company	5,988,834	–
Bank interest expense paid on behalf of the Subsidiary	266,088	–
Interest Expense	291,961	–
Balance at End of Year	6,546,883	–

4. INTEREST INCOME

	2008	2007
	$	$
Interest Income	291,961	–

5. OTHER CREDIT AND (CHARGE)

	2008	2007
	$	$
Foreign Exchange Transaction Gains/(Losses)	108,233	(1,038)
Presented in the Income Statement as:		
Other Credit	108,233	–
Other Charge	–	(1,038)
	108,233	(1,038)

6. FINANCE COSTS

	2008	2007
	$	$
Interest Expense	394,682	–

7. EMPLOYEE BENEFITS EXPENSE

	2008	2007
	$	$
Employee Benefits Expense	4,575	–

8. INCOME TAX

The Income Tax benefit varied from the amount of Income Tax benefit determined by applying the Singapore Income Tax rate of 18% to loss before Income Tax as a result of the following differences:

	2008 $	2007 $
Tax rate reconciliation:		
Loss before Tax	(66,140)	(13,592)
Income Tax expense at the Statutory rate	(11,905)	(2,447)
Non-allowable items	11,905	2,447
Total Income Tax expense	–	–

There is no Income Tax consequence of Dividends to Shareholders of the Company.

Temporary differences arising in connection with investment in Subsidiary are insignificant.

9. INVESTMENT IN SUBSIDIARY

	2008 $	2007 $
Unquoted Shares at Cost	3,804,063	–
Net book value of Subsidiary	3,600,551	–
Analysis of above amount denominated in Non-Functional Currency:		
Sterling Pound	3,804,063	–

The Subsidiary held by the Company is listed below:

Name of Subsidiary, Country of Incorporation, Place of Operations and Principal Activities	Cost in Books of Group		Effective Percentage of Equity Held by Group	
	2008 $	2007 $	2008 %	2007 %
Dynamatic Ltd (a)				
United Kingdom	3,804,063	–	–	–

Buy, Sell and deal in Goods Services from Indian Companies and other Associated Companies, in different parts of the World

(a) Other Independent Auditor, Audited by Firms of Accountants other than Member Firms of RSM International of which RSM Chio Lim in Singapore is a Member.

10. OTHER RECEIVABLE, NON-CURRENT

	2008 $	2007 $
Non-Current		
Loan Receivable from Subsidiary (Note 3)	5,374,796	–
Current		
Loan Receivable from Subsidiary (Notes 3 and 11)	1,074,960	–
	6,449,756	–
Analysis of above amount denominated in Non-Functional Currency:		
Sterling Pound	6,449,756	–

The loans receivable from Subsidiary is unsecured, bear interest rate at 7.25% per annum and is repayable by equal quarterly instalments over 3 years from October 2008.

11. OTHER RECEIVABLES, CURRENT

	2008 $	2007 $
Other Receivables:		
Other Receivable	307	307
Subsidiary (Note 3)	97,127	–
Loan Receivable from Subsidiary (Notes 3 and 10)	1,074,960	–
Total Other Receivables	1,172,394	307
Analysis of above amount denominated in Non-Functional Currency:		
Sterling Pound	1,172,087	–

Current Receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

12. OTHER ASSET, CURRENT

	2008 $	2007 $
Deposit	4,551	4,551
Analysis of above amount denominated in Non-Functional Currency:		
United States Dollars	4,551	4,551

13. CASH AND CASH EQUIVALENTS

	2008 $	2007 $
Not restricted in use	168,866	7,288
Analysis of above amount denominated in Non-Functional Currency:		
United States Dollars	165,354	7,288

The interest earning balances are not significant.

The carrying amounts are assumed to be a reasonable approximation of fair values.

14. SHARE CAPITAL

	Number of shares issued	Share capital $
Ordinary Shares of no par value:		
Balance at 1 April, 2006 and 31 March, 2007	5,000	5,000
Issue of shares at $1.00 each	2,427,765	2,427,765
Balance at End of Year 31 March, 2008	2,432,765	2,432,765

The Ordinary Shares of no par value carry no right to fixed income and are fully paid. The Company is not subject to any externally imposed Capital Requirements.

The objectives when managing capital are: to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other Stakeholders, and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. The Management sets the amount of capital in proportion to risk. The Management manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying Assets. In order to maintain or adjust the capital structure, the Management may adjust the amount of dividends paid to shareholders, return capital to Shareholders, issue new shares, or sell Assets to reduce debt.

15. OTHER FINANCIAL LIABILITIES, NON-CURRENT

	2008 $	2007 $
Non-Current		
Bank loans (secured) (15A)	3,452,500	–
Loan payable to Ultimate Parent Company (15B)	2,780,271	–
Non-Current, total	6,232,771	–
Current		
Bank loans (secured) (15A)	1,105,757	–
Loan payable to Ultimate Parent Company (15B)	556,054	–
Current, total	1,661,811	–
	7,894,582	–
Analysis of above amount denominated in Non-Functional Currency:		
United States Dollars	7,894,582	–

15A Bank Loan (Secured)

The bank loan is repayable by equal quarterly instalments over 4 years from October 2008. It is covered by a corporate guarantee from the Ultimate Parent Company and pledges on the Company's Shares.

The bank loan is nominally at floating rate linked to interest rate in the Countries concerned.

15B Loan Payable to Ultimate Parent Company

Loan payable to Ultimate Parent Company is unsecured and interest bearing. The borrowing is measured using the effective interest method. The effective fixed interest rate is at 7% per annum. The loans are payable by equal quarterly instalments over 3 years from October 2008. The carrying value of the loans approximates the fair value.

16. TRADE AND OTHER PAYABLES, CURRENT

	2008 $	2007 $
Trade Payables:		
Accrued Liabilities	80,112	7,786
Other Payables:		
Ultimate Parent Company (Note 3)	207,567	23,576
Total Trade and Other Payables	287,679	31,362

The average credit period taken to settle non-related trade payables is about 30 days (2007: 30 days). The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

17. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

17A Financial Risk Management

The Management has certain strategies for the Management of financial risks and action to be taken in order to manage the financial risks. However these are not formally documented in written form. The following guidelines are followed:

1. Minimise interest rate, Currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of Sales and Costs and Payables and Receivables denominated in the same Currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All Financial Risk Management activities are carried out and monitored by senior Management Staff.
4. All Financial Risk Management activities are carried out following good market practices.

The Company is exposed to currency and interest rate risks. There is no arrangement to reduce such risk exposures through derivatives and other hedging instruments.

17B Credit Risk on Financial Assets

Financial Assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by Management.

17C Liquidity Risks

The Liquidity Risk is managed on the basis of expected maturity dates of the Financial Liabilities.

It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

17D Interest Rate Risks

The interest rate risk exposure is mainly on Financial Assets and Financial Liabilities. These Financial Instruments are both at floating rates. These Financial Assets and Financial Liabilities together with their interest rates are disclosed in note 10, 13 and 15.

17E Foreign Currency Risks

There is exposure to Foreign Currency Risk as part of its normal business. In particular there is significant exposure on Sterling Pound Loan Receivables and US$ Loans Payables which are disclosed in note 10 and 15 respectively.

18. CONTINGENT LIABILITIES

	2008 $	2007 $
Corporate Guarantee given to Bank in favour of a Subsidiary	7,733,600	–

19. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

The XBRL format has been used for the first time. Adoption of the new XBRL format has resulted in some reclassifications in the Balance Sheet and the Income Statement and Related Notes but these did not require modifications to Financial Statements Measurements.

For the year ended 31 March, 2008 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any modification of the measurement method or the presentation in the Financial Statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements - Amendments relating to Capital disclosures
FRS 40	Investment Property (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
INT FRS 108	Scope of FRS 102 (*)
INT FRS 109	Reassessment of Embedded Derivatives (*)
INT FRS 110	Interim Financial Reporting and Impairment (*)
INT FRS 111	FRS102 - Group and Treasury Share Transactions (*)

(*) Not relevant to the Entity.

20. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the Financial Statements.

FRS No.	Title	Effective date for periods beginning on or after
FRS 23	Borrowing Costs	1.1.2009
FRS 107	Financial Instruments: Disclosures	1.1.2008
FRS 107	Financial Instruments: Disclosures - Implementation Guidance	1.1.2008
FRS 108	Operating Segments (*)	1.1.2009
INT FRS 112	Service Concessions Arrangements (*)	1.1.2008

(*) Not relevant to the Entity.

21. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Effective from 1 January, 2007 certain new or revised Singapore Financial Reporting Standards and XBRL format were adopted as mentioned in Note 19. Adoption of these has resulted in some modifications to Financial Statements presentation and these changes are summarised below:

	After reclassification $	Before reclassification $	Difference $
2007 Income Statement:			
Other Charge	(1,038)	–	(1,038)
Financial Expense	–	(1,038)	1,038

in Indian Rupees as per Schedule VI Format

BALANCE SHEET AS AT MARCH 31, 2008

SOURCES OF FUNDS	Schedule	2008 Rs.	2008 SGD	2007 Rs.	2007 SGD
Shareholders' Funds					
Share Capital	1	**65,388,906**	**2,432,765**	130,550	5,000
Foreign Currency Translation Reserve		**(1,629,790)**	-	1,125	-
Loan Funds					
Secured Loans	2	**128,907,508**	**4,558,257**	-	-
Unsecured Loans	3	**100,221,269**	**3,543,892**	-	-
		292,887,893	**10,534,914**	131,675	5,000
APPLICATION OF FUNDS					
Investments	4	**102,606,691**	**3,804,063**	-	-
Current Assets, Loans and Advances					
Sundry Debtors	5	**8,682**	**307**	-	-
Cash and Bank Balances	6	**4,775,533**	**168,866**	208,707	7,288
Loans and Advances	7	**185,274,548**	**6,551,434**	139,119	4,858
		190,058,763	**6,720,607**	347,826	12,146
Less: Current Liabilities and Provisions					
Liabilities	8	**2,265,572**	**80,112**	898,117	31,362
		2,265,572	**80,112**	898,117	31,362
Net Current Assets		**187,793,191**	**6,640,495**	(550,291)	(19,216)
Profit & Loss Account		**2,488,011**	**90,356**	681,966	24,216
		292,887,893	**10,534,914**	131,675	5,000
Notes on Accounts	13				

The Schedules referred to above and the notes thereon form an integral part of the accounts.

UDAYANT MALHOUTRA
Chairman

RAO SUNDER VASUDEVA
Director

INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

INCOME	Schedule	2008 Rs.	2008 SGD	2007 Rs.	2007 SGD
Other Income	9	10,927,784	400,194	-	-
		10,927,784	400,194	-	-
EXPENDITURE					
Employee Cost	10	124,931	4,575	-	-
Other Operating Expenses	11	1,831,630	67,077	363,048	12,554
Interest	12	10,777,268	394,682	30,018	1,038
		12,733,829	466,334	393,066	13,592
Profit/(Loss) Before Taxation		(1,806,045)	(66,140)	(393,066)	(13,592)
Income Tax Expense		-	-	-	-
Profit/(Loss) After Taxation		(1,806,045)	(66,140)	(393,066)	(13,592)
Profit/(Loss) brought forward from previous year		(681,966)	(24,216)	(288,900)	(10,624)
Profit/(Loss) Carried to Balance Sheet		(2,488,011)	(90,356)	(681,966)	(24,216)
Notes on Accounts	13				

The Schedules referred to above and the notes thereon form an integral part of the accounts.

UDAYANT MALHOUTRA
Chairman

RAO SUNDER VASUDEVA
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

		2008 Amount (in Rs.)	2008 Amount (in SGD)	2007 Amount (in Rs.)	2007 Amount (in SGD)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit Before Tax	**(1,806,045)**	**(66,140)**	(393,066)	(13,592)
	Adjustments for:				
	Interest Paid	10,777,268	394,682	-	-
	Interest Received	(7,972,348)	(291,961)	-	-
	Operating Profit Before Working Capital Changes	998,875	36,581	(393,066)	(13,592)
	Adjustments for:				
	Decrease/(Increase) in Sundry Debtors	(8,682)	(307)	-	-
	Decrease/(Increase) in Loans & Advances	(185,135,429)	(6,546,576)	57	2
	(Decrease)/Increase in Current Liabilities & Provisions	1,367,455	48,750	134,632	4,760
	Cash Generated from Operations	(182,777,781)	(6,461,552)	(258,377)	(8,830)
	Interest Paid	(10,777,268)	(394,682)	-	-
	Direct Taxes Paid	-	-	-	-
	Net Cash from Operating Activities (A)	**(193,555,049)**	**(6,856,233)**	(258,377)	(8,830)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Interest Received	7,972,348	291,961	-	-
	Net Cash Used in Investing Activities (B)	**7,972,348**	**291,961**	-	-
C.	**CASH FROM FINANCING ACTIVITIES**				
	Investment in Subsidiary Companies	(102,606,691)	(3,804,063)	-	-
	Proceeds from Long Term Loans	229,128,777	8,102,149	-	-
	Proceeds from Issue of Share Capital	65,258,356	2,427,765	-	-
	Net Cash From Financing Activities (C)	**191,780,442**	**6,725,851**	-	-
	Net Increase in Cash and Cash Equivalents - D = (A+B+C)	6,197,741	161,578	(258,377)	(8,830)
	Foreign Exchange Translation Reserve - E	(1,630,915)	-	5,511	-
	Opening Cash and Cash Equivalents - F	208,707	7,288	461,573	16,118
	Closing Cash and Cash Equivalents (D+E+F)	**4,775,533**	**168,866**	208,707	7,288

UDAYANT MALHOUTRA
Chairman

RAO SUNDER VASUDEVA
Director

SCHEDULES TO ACCOUNTS

		2008 Rs.	2008 SGD	2007 Rs.	2007 SGD
1	**Capital**				
	Issued, Subscribed and Paid-Up:				
	2,432,765 (2007 - 5,000) Equity Shares				
	of SGD 1 each Fully Paid Up	**65,388,906**	**2,432,765**	130,550	5,000
		65,388,906	**2,432,765**	130,550	5,000
2	**Secured Loans**				
	State Bank of India, London	**128,907,508**	**4,558,257**	-	-
		128,907,508	**4,558,257**	-	-
	Secured by pledge of Equity Shares of JKM Global PTE Ltd and Dynamatic Limited, U.K. and Guaranteed by Dynamatic Technologies Limited.				
3	**Unsecured Loans**				
	From Holding Company	**100,221,269**	**3,543,892**	675,384	23,576
		100,221,269	**3,543,892**	**675,384**	**23,576**
4	**Investments**				
	Investments in Subsidiaries:				
	In Dynamatic Limited U.K.	**102,606,691**	**3,804,063**	-	-
	(1,250,000 Equity Shares of GBP 1 each)				
		102,606,691	**3,804,063**	-	-
5	**Sundry Debtors** (Unsecured)				
	Exceeding Six Months				
	Considered Good	-	-	-	-
	Considered Doubtful	-	-	-	-
	Other Debts				
	Considered Good	**8,682**	**307**	-	-
		8,682	**307**	-	-
	Less: Provision for Doubtful Debts	-	-	-	
		8,682	**307**	-	-
6	**Cash and Bank Balances**				
	Cash on Hand	-	-	-	-
	Balance with Scheduled Banks:				
	in Current Accounts	**4,775,533**	**168,866**	208,707	7,288
		4,775,533	**168,866**	208,707	7,288
7	**Loans and Advances**				
	(Unsecured, Considered Good Except as Otherwise Stated)				
	To Subsidiary Company	**185,145,846**	**6,546,883**	-	-
	Advances recoverable in Cash or in Kind or for value to be received	**128,702**	**4,551**	139,119	4,858
		185,274,548	**6,551,434**	139,119	4,858
8	**Current Liabilities**				
	Acceptances	-	-	-	-
	Other Liabilities	**2,265,572**	**80,112**	898,117	31,362
		2,265,572	**80,112**	898,117	31,362
9	**Other Income**				
	Interest Income	**7,972,348**	**291,961**	-	-
	Exchange Gain (Net)	**2,955,436**	**108,233**	-	-
		10,927,784	**400,194**	-	-
10	**Employee Cost**				
	Salaries, Wages and Bonus	**124,931**	**4,575**	-	-
		124,931	**4,575**	-	-
11	**Other Operating Expenses**				
	Auditors Remuneration	**151,550**	**5,551**	72,297	2,500
	Rates and Taxes	**1,216,219**	**44,540**	-	-
	Travelling and Conveyance	**65,348**	**2,393**	-	-
	Printing and Stationery	**1,035**	**38**	16,946	586
	Communication	**4,405**	**161**	1,824	63
	Professional and Consultancy Charges	**263,228**	**9,640**	266,053	9,200
	Bank Charges	**11,878**	**435**	1,359	47
	Miscellaneous Expenses	**117,967**	**4,319**	4,569	158
		1,831,630	**67,077**	363,048	12,554
12	**Interest**				
	On Fixed Loans	**10,777,268**	**394,682**	30,018	1,038
	On Others	-	-	-	-
		10,777,268	**394,682**	30,018	1,038

13 NOTES ON ACCOUNTS:

1. **GENERAL**

The Company is incorporated in Singapore with limited liability. The Financial Statements are presented in Singapore dollars. The Financial Statements were approved and authorised for issue by the Board of Directors on 6 June, 2008.

The principal activities of the Company are Investment Holding and to Buy, Sell and Deal in Goods/Services from Indian Companies and other Associated Companies, in different parts of the world.

The Registered Office is: 8 Temasek Boulevard, #35-03 Suntec Tower 3, Singapore 038988. The Company is Domiciled in Singapore.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Convention

The Financial Statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") as issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS") and the Companies Act, Cap 50. The Financial Statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these Financial Statements.

Basis of Presentation

Consolidated Financial Statements have not been presented as the Company is a wholly owned Subsidiary. The address of the Ultimate Parent Company presenting the Group Financial Statements is: Dynamatic Technologies Limited, Dynamatic Park, Peenya, Bangalore, 560058, India.

Basis of Preparation of the Financial Statements

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of Contingent Assets and Liabilities at the date of the Financial Statements and the reported amounts of Revenues and Expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, Management has made judgements in the process of applying the Entity's Accounting Policies. The areas requiring Management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed at the end of this footnote, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the Entity and it is shown net of related sales taxes, estimated returns, discounts and volume rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest is recognised using the effective interest method.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The Entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. This includes the government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Income Tax

The Income Taxes are accounted using the Asset and Liability method that requires the recognition of Taxes Payable or Refundable for the current year and Deferred Tax Liabilities and Assets for the future tax consequence of events that have been recognised in the Financial Statements or Tax Returns. The measurements of Current and Deferred Tax Liabilities and Assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income Tax expense represents the sum of the tax currently payable and Deferred Tax. Tax and Deferred Tax are recognised in the Income Statement except that when they relate to items that initially bypass the Income Statement and are taken to equity, in which case they are similarly taken to equity. Deferred Tax Assets and Liabilities are offset when they relate to Income Taxes levied by the same Income Tax Authority. The carrying amount of Deferred Tax Assets is reviewed at each Balance Sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A Deferred Tax amount is recognised for all temporary differences, unless the Deferred Tax amount arises from the initial recognition of an Asset or Liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither Accounting Profit nor Taxable Profit (tax loss). A Deferred Tax Liability is not recognised for all taxable temporary differences associated with investments in Subsidiaries, branches and associates, and interests in joint ventures because (a) the Company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign Currency Transactions

The Functional Currency is the Singapore Dollar as it reflects the primary economic environment in which the Entity operates. Transactions in Foreign Currencies are recorded in the Functional Currency at the rates ruling at the dates of the transactions. At each Balance Sheet date, recorded monetary balances and balances measured at fair value that are denominated in Non-Functional Currencies are reported at the rates ruling at the Balance Sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges. The presentation is in the functional currency.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Subsidiaries

A Subsidiary is an Entity including Unincorporated and special purpose Entity that is controlled by the Group. Control is the power to govern the financial and operating policies of an Entity so as to obtain benefits from its activities accompanying a Shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the Members of the Board of Directors or to cast the majority of votes at meetings of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another Entity. In the Company's own separate Financial Statements, the investments in Subsidiaries are stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a Subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the Subsidiaries are not necessarily indicative of the amounts that would be realized in a current market exchange.

Impairment of Non-Financial Assets

The carrying amount of such Assets (other than (i) Intangible Assets not yet available for use, (ii) Goodwill and other Indefinite Life Intangible Assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the Asset is written down through the income statement to its estimated recoverable amount. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an Intangible Asset with an indefinite useful life or an Intangible Asset not yet available for use.

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement. The recoverable amount of an Asset or a Cash-Generating Unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units). At each reporting date Non-Financial Assets other than Goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An Impairment Loss is reversed only to the extent that the Asset's carrying amount does not exceed the carrying amount that would have been determined, net of Depreciation or Amortisation, if no Impairment Loss had been recognised.

Financial Assets

Initial Recognition and Measurement:

A Financial Asset is recognised on the Balance Sheet when, and only when, the Entity becomes a party to the contractual provisions of the instrument. The initial recognition of Financial Assets is at fair value normally represented by the transaction price. The transaction price for Financial Asset not classified at fair value through Income Statement includes the transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Transaction costs incurred on the acquisition or issue of Financial Assets classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the Financial Assets in one of the following four categories under FRS 39 is as follows:

1. Financial Assets at fair value through Profit and Loss: As at year end date there were no Financial Assets classified in this category.
2. Loans and Receivables: Loans and Receivables are Non-Derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not be classified in this category. These Assets are carried at Amortised Costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the Asset (a 'loss event') and that loss event (or events) has an impact on the estimated future Cash Flows of the Financial Asset or Group of Financial Assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. The trade and other receivables are classified in this category.
3. Held-to-maturity Financial Assets: As at year end date there were no Financial Assets classified in this category.
4. Available for sale Financial Assets: As at year end date there were no Financial Assets classified in this category.

Derecognition of Financial Assets:

Irrespective of the legal form of the transactions performed, Financial Assets are derecognized when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of Ownership and the transfer of control.

Cash and Cash Equivalents:

Cash and Cash Equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the Cash Flow Statement the item includes Cash and Cash Equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of Cash Management.

Hedging

The Entity is exposed to interest rate and Currency risks. There is no arrangement to reduce interest rate and Currency exposures through derivatives and other hedging instruments.

Financial Liabilities

Initial Recognition and Measurement:

A Financial Liability is recognised on the Balance Sheet when, and only when, the Entity becomes a Party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for Financial Liability not classified at fair value through Income Statement includes the transaction costs that are directly attributable to the acquisition or issue of the Financial Liability. Transaction costs incurred on the acquisition or issue of Financial Liability classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date. Financial Liabilities including bank and other borrowings are classified as Current Liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Subsequent Measurement:

Subsequent measurement based on the classification of the Financial Liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through Profit and Loss: As at year end date there were no Financial Liabilities classified in this category.
2. Other Financial Liabilities: All Liabilities, which have not been classified as in the previous category fall into this residual category. These Liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowing are classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair Value of Financial Instruments

The carrying values of Current Financial Assets and Financial Liabilities Including Cash, Accounts Receivable, Short-Term Borrowings, Accounts Payable approximate their fair values due to the Short-Term maturity of these instruments. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The fair values of Non-Current Financial Instruments may not be disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the Balance Sheet date. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment.

Equity

Equity instruments are contracts that give a residual interest in the Net Assets of the Company. Ordinary Shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. The Shares have no par value. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid.

Provisions

A Liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the income statement in the period they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

There were no critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of Assets and Liabilities within the next Financial Year.

3. RELATED PARTY TRANSACTIONS

A Related Party is an Entity or Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the Entity in governing the financial and operating policies, or that has an interest in the Entity that gives it significant influence over the Entity in financial and operating decisions. It also includes members of the Key Management Personnel or Close Members of the Family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, Subsidiaries, Fellow Subsidiaries, Associates, Joint Ventures and post-employment benefit plans, if any.

			2008 Rs.	2008 SGD	2007 Rs.	2007 SGD
4	a)	**Capital Commitments**				
		Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	-	-	-	-
	b)	**Contingent Liabilities**				
		Corporate Guarantee given on behalf of Subsidiary Companies	-	-	-	-
		Income Tax Matters under dispute	-	-	-	-
5		**Auditors' Remuneration**				
	-	Audit Fees	151,550	5,551	72,297	2,500
			151,550	**5,551**	72,297	2,500
6		**Earnings Per Share**				
	a)	Before Extraordinary/ Exceptional Item:				
		Net Profit After Tax Available for Equity Shares	**(1,806,045)**	**(66,140)**	(393,066)	(13,592)
		Basic/Weighted Average Number of Equity Shares	-	-	-	-
		Basic and Diluted Earnings Per Share (Rs.)	-	-	-	-
	b)	After Extraordinary/ Exceptional Item:				
		Net Profit After Tax Available for Equity Shares	**(1,806,045)**	**(66,140)**	(393,066)	(13,592)
		Basic/Weighted Average Number of Equity Shares	-	-	-	-
		Basic and Diluted Earnings Per Share (Rs.)	-	-	-	-

7 **Related Party Transactions**

	2008		2007	
	INR	**SGD**	**INR**	**SGD**
Interest Income (Subsidiary)	**7,972,348**	**291,961**	-	-
Interest Expense (Ultimate Parent Company)	**3,128,094**	**114,556**	-	-
Other Payables (Ultimate Parent Company)				
Balance at beginning of year	**(675,384)**	**(23,576)**	(666,589)	(23,269)
Amounts paid in and settlement of Liabilities on behalf of the Company	**(96,315,233)**	**(3,405,760)**	(8,795)	(307)
Interest Expense	**(3,128,094)**	**(114,556)**	-	-
Exchange Differences	**(102,558)**	-	-	-
Balance at End of the Year	**(100,221,269)**	**(3,543,892)**	(675,384)	(23,576)
Other Receivables (Subsidiary Company)				
Balance at beginning of year	-	-	-	-
Amounts paid in and settlement of Liabilities on behalf of the Company	**169,364,824**	**5,988,834**	-	-
Bank Interest Expense paid on behalf of the Subsidiary	**7,524,995**	**266,088**	-	-
Interest Expense	**7,972,348**	**291,961**	-	-
Exchange Differences	**283,679**	-	-	-
Balance at End of the Year	**185,145,846**	**6,546,883**	-	-

Name of the Subsidiary : Dynamatic Ltd (United Kingdom)
Name of the Ultimate Parent Company : Dynamatic Technologies Limited (India)

UDAYANT MALHOUTRA
Chairman

RAO SUNDER VASUDEVA
Director

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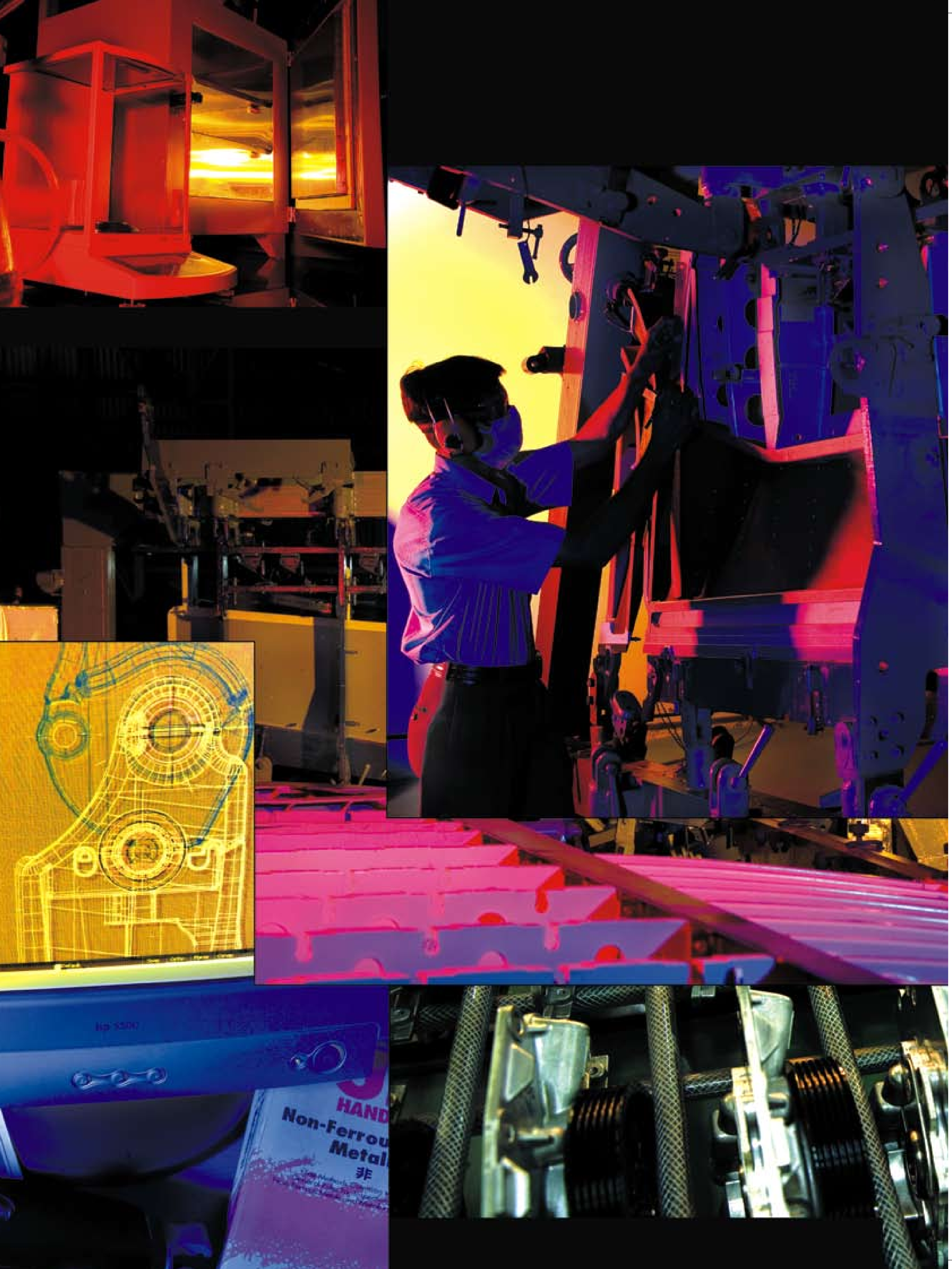
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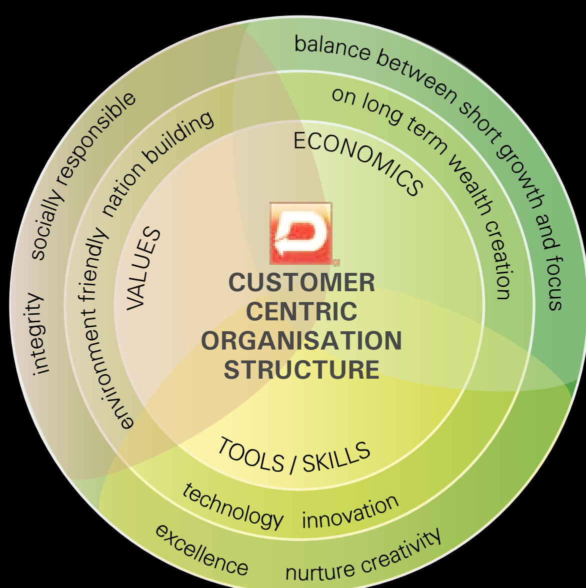

Picture on cover: Sub-structure for Stabiliser of Sukhoi 30 MKI Fighter-Bomber, under production at Dynamatic Aerospace®. Photography by Pallon Daruwala.

Dynamatic Technologies Limited

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